ANNUAL FINANCIAL STATEMENTS

2023

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84
COMPANY REGISTER OF MILAN MONZA-BRIANZA LODI AND TAX CODE 00607460201
COMPANY SUBJECT TO THE DIRECTION AND COORDINATION OF CIR S.p.A.
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CORPORATE BODIES

Honorary Chair	CARLO DE BENEDETTI

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS

KPMG S.p.A.

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

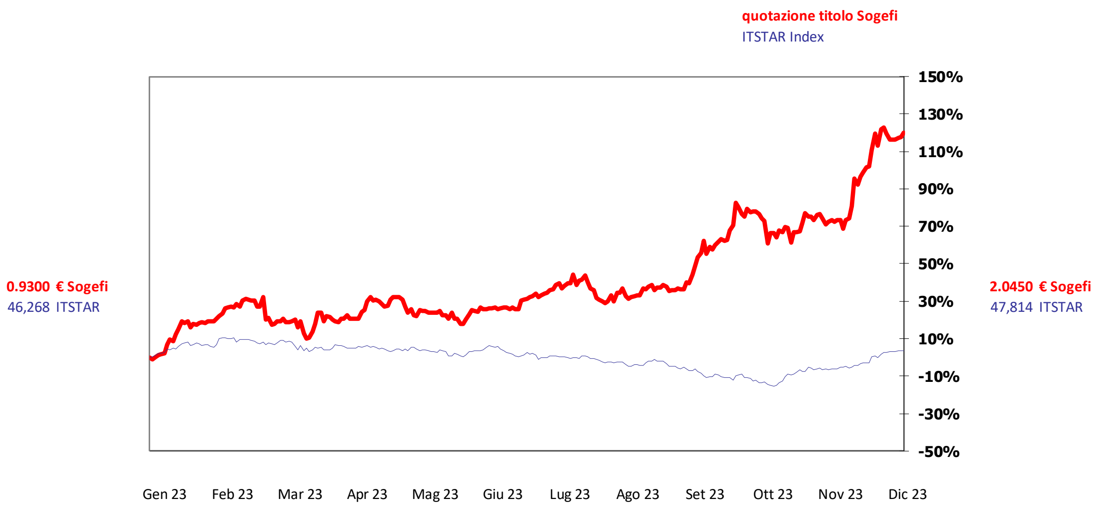
OVERVIEW OF GROUP RESULTS

(in millions of Euro)	2020		2021		2022 (**)		2023	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	1,190.2	100.0%	1,320.6	100.0%	1,543.4	100.0%	1,627.9	100.0%
EBITDA	137.0	11.5%	192.5	14.6%	195.1	12.6%	221.4	13.6%
Ebit	7.1	0.6%	58.4	4.4%	70.5	4.6%	105.2	6.5%
Net income (loss) from discontinued operations, net of tax effects	(16.2)	-1.4%	(24.5)	-1.9%	(1.4)	-0.1%	(6.7)	-0.4%
Net result	(35.1)	-3.0%	2.0	0.1%	29.6	1.9%	57.8	3.5%
Self-financing	104.9		124.6		137.4		168.7	
Free cash flow	(38.2)		32.4		29.3		37.9	
Net financial position	(358.1)		(327.6)		(294.9)		(266.1)	
Total shareholders' equity	150.3		205.0		247.5		287.3	
GEARING	2.38		1.60		1.19		0.93	
ROI	1.4%		11.2%		13.1%		19.2%	
ROE	-21.8%		1.2%		14.1%		22.9%	
Number of employees at December 31	5,790		5,462		5,321		5,273	
Dividends per share (Euro)	-		-		-		0.20	(*)
EPS (Euro)	(0.298)		0.017		0.250		0.487	
Average annual price per share	1.0082		1.3236		0.9119		1.3142	

(*) 0,20, as proposed to the Meeting by the Board of Directors
(**) The values for the 2022 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".

STOCK PERFORMANCE

The graph below shows the performance of Sogefi stock and of the ITSTAR index in 2023.



REPORT OF THE BOARD OF DIRECTORS ON PERFORMANCE IN 2023

Dear Shareholders,

THE AUTOMOTIVE MARKET IN 2023

In Q4 2023, global car production increased by 9.1% compared to Q4 2022, confirming the positive trend recorded in the first nine months of the year, with growth in all regions except Mercosur (-3.0%).

In the whole 2023, worldwide motor vehicle production hence grew by 9.4% compared to 2022, recovering the volumes of 2019 before the pandemic crisis (+1.2%).

The 2023 performance was positive in all geographical areas:+12.5% in Europe, +9.5% in NAFTA, +9.4% in China, 6.3% in India and +3.5% in Mercosur.

However, compared to 2019, while China and India recorded strong growth (+17.2% and +29.5% respectively), production volumes still remain lower in Europe (-13%), in Mercosur (-9.6%) and in NAFTA (-4.1%)

For 2024, S&P Global (IHS), a commonly used source in the industry, expects global production to remain substantially steady (-0.5%) compared to 2023.

KEY MANAGEMENT INFORMATION

The Group's consolidated revenues recorded 5.5% growth compared to 2022 and **9.1% growth at constant exchange rates**, in line with the increases in production volumes (+6.1%) and sales prices (+2.8%).

The results significantly improved compared to 2022:

- **EBITDA**[1], amounting to Euro 221.4 million, increased by **+13.5%** compared to 2022, with an EBITDA margin of 13.6% due to growth in volumes and contribution margin;
- **EBIT**, at Euro 105.2 million, grew by **+49.2%**, with an EBIT margin at 6.5% of sales, compared to 4.6% in 2022;
- **Net result** amounts to Euro **57.8 million** (+95.4% compared to Euro 29.6 million in 2022);
- **Free cash flow** was positive at Euro 37.9 million (Euro 29.3 million in 2022;
- The **net indebtedness** before IFRS16 as at 31 December 2023 was Euro 200.7 million, down compared to Euro 224.3 million at 31 December 2022.

Sales were also positive, both in terms of total value of contracts acquired and mix, with 31% of the value of new contracts acquired in the year referring to E-mobility**.** Significant new contracts were obtained in North America, Europe and China.

The division **Suspensions** acquired new business in the Chinese market, with local players, in particular entering into a contract for the supply of stabiliser bars to an innovative player aspiring to become one of the leading manufacturers in the electric car

[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 4.1 million at 31 December 2023 (Euro 8.9 million in the corresponding period last year).

market in China. The division was also awarded several contracts in Europe, namely for the supply of stabiliser bars for high-end electric SUVs and coil springs for E-mobility platforms. E-mobility contracts accounted for 45% of the value of new contracts acquired in the year.

The division **Air and Cooling** continues its development in China, with the acquisition of several orders from BYD, one of which is for supplying air manifolds for a Plug-in-Hybrid platform and a contract to supply oil manifolds used in electric cars to lubricate the inside of the gearbox. These parts, traditionally produced in metal, are offered by Sogefi in plastic, allowing weight reduction and optimisation of design and cost. Important contracts were also concluded in North America that will strengthen the market share in that region, especially for the supply of thermal management and cooling products to E-mobility platforms. In Europe, the main orders are for thermostat assemblies for E-mobility and intake manifolds for thermal management. 27% of the value of new contracts entered into in 2023 by the Air & cooling division concerns parts for E-mobility platforms.

The division **Filtration** concluded important agreements in Europe for both the OEM channel (Original Equipment Manufacturer) and the IAM channel (Independent After Market): it was awarded new contracts for the supply of filters for truck brake circuits and signed a 3-year exclusive agreement with a leading distributor of automotive components in the Aftermarket channel. Development also continued in India, progressively gaining market shares. Finally, it secured new contracts for the supply of air purification filters, accounting for about 15% of the total value.

2023 RESULTS[2]

Revenues for 2023 amounted to Euro 1,627.9 million, up 5.5% at current exchange rates or 9.1% at constant exchange rates, compared to 2022.

Sales revenues by geographic area

(in millions of Euro)	2023 Amount	2022 Amount	reported change 2023 vs 2022 %	constant exchange rates 2023 vs 2022 %	reference market production %
Europe	980.1	890.9	10.0	10.2	12.5
North America	351.5	331.5	6.0	10.5	9.5
South America	84.6	108.0	(21.7)	(2.2)	3.5
India	111.9	104.5	7.1	15.6	6.3
China	107.4	115.6	(7.1)	0.5	9.4
Intercompany eliminations	(7.6)	(7.1)			
TOTAL	1,627.9	1,543.4	5.5	9.1	9.4

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

Sales revenues by business sector

(in millions of Euro)	2023 Amount	2022 Amount	reported change 2023 vs 2022 %	constant exchange rates 2023 vs 2022 %
Suspensions	574.5	548.0	4.8	9.5
Filtration	573.6	535.7	7.1	9.3
Air&Cooling	487.3	464.0	5.0	8.9
Intercompany eliminations	(7.5)	(4.3)		
TOTAL	1,627.9	1,543.4	5.5	9.1

Suspension reported an increase in revenue of 4.8% (+9.5% at constant exchange rates), with interesting growth rates particularly in India and Europe.

Air & Cooling reported revenue growth of 5.0% (+8.9% at constant exchange rates), with a significant growth rate particularly in NAFTA (+12.4% at constant exchange rates).

Filtration reported revenue growth of 7.1% (+9.3% at constant exchange rates), with significant increase in the Aftermarket channel (+10.5%), and India.

[2] In the financial year 2023 the suspension business in Mexico was sold. Consequently, the values for the years 2022 and 2023 were formulated by applying IFRS 5 ("Non-current assets held for sale and discontinued operations") to the suspension business in Mexico.

Sales revenues by customer

Sogefi has a balanced customer portfolio, and its composition remained unchanged during 2023. The main customers of Sogefi are Stellantis, Ford, Daimler, GM, and Renault/Nissan, which together account for 58% of revenues.

Overview of consolidated income statement

(in millions of Euro)	Note(*)	2023		2022		Changes	
		Amount	%	Amount	%	Amount	%
Sales revenues		1,627.9	100.0	1,543.4	100.0	84.5	5.5
Variable cost of sales		1,150.2	70.7	1,119.8	72.6	30.4	2.7
CONTRIBUTION MARGIN		477.7	29.3	423.6	27.4	54.1	12.8
Fixed costs	(a)	238.4	14.6	221.2	14.3	17.2	7.8
Restructuring costs		7.5	0.5	8.1	0.6	(0.6)	(6.9)
Other expenses (income)	(b)	10.4	0.6	(0.8)	(0.1)	11.2	-
EBITDA	(c)	221.4	13.6	195.1	12.6	26.3	13.5
Depreciation and amortization	(d)	116.2	7.1	124.6	8.0	(8.4)	(6.7)
EBIT		105.2	6.5	70.5	4.6	34.7	49.2
NET INCOME (LOSS) OF OPERATING ACTIVITIES		67.7	4.1	32.6	2.1	35.1	107.1
Net income (loss) from discontinued operations, net of tax effects		(6.7)	(0.4)	(1.4)	(0.1)	(5.3)	(362.9)
Loss (income) attributable to non-controlling interests		(3.2)	(0.2)	(1.6)	(0.1)	(1.6)	(93.5)
GROUP NET RESULT		57.8	3.5	29.6	1.9	28.2	95.4

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

EBITDA amounted to Euro 221.4 million, up by 13.5% compared to 2022 (Euro 195.1 million). EBITDA margin went from 12.6% in 2022 to 13.6% in 2023.

The contribution margin increased by 12.8% compared to 2022, due to the growth in volumes and an increasing margin (contribution margin/turnover ratio as a %) from 27.4% in 2022 to 29.3% in 2023.

The ratio of fixed costs to revenue was 14.6%, basically steady compared to 2022 (14.3%).

Other expenses, which mainly include exchange rate differences, made a negative contribution of Euro 10.4 million to EBITDA, compared to a positive contribution of Euro 0.8 million in 2022.

EBIT amounted to Euro 105.2 million, up by 49.2% compared to Euro 70.5 million in 2022. The impact on revenue increased from 4.6% in 2022 to 6.5% in 2023.

Financial expenses amounted to Euro 20.1 million, up compared to 2022 (Euro 18.8 million) due to higher interest rates on the floating-rate loan component. Tax expenses amounted to Euro 17.4 million (Euro 19.1 million in 2022) and included positive one-offs of Euro 4.2 million.

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

The Group recorded a **net profit** of Euro 57.8 million, compared to Euro 29.6 million in the previous financial year.

Consolidated operating cash flow

(in millions of Euro)	Note(*)	2023	2022
SELF-FINANCING	(e)	168.7	137.4
Change in net working capital		(27.4)	(11.9)
Other medium/long-term assets/liabilities	(f)	(3.4)	12.0
CASH FLOW GENERATED BY OPERATIONS		**137.9**	**137.5**
Net decrease from sale of fixed assets	(g)	10.8	6.9
TOTAL SOURCES		148.7	144.4
TOTAL APPLICATION OF FUNDS		106.6	109.5
Net financial position of subsidiaries purchased/sold during the year		0.1	-
Exchange differences on assets/liabilities and equity	(h)	(4.3)	(5.6)
FREE CASH FLOW		**37.9**	**29.3**
Dividends paid by subsidiaries to non-controlling interests		(6.3)	(2.1)
Change in fair value derivative instruments		(2.8)	5.5
CHANGES IN SHAREHOLDERS' EQUITY		(9.1)	3.4
Change in net financial position	(i)	**28.8**	**32.7**
Opening net financial position	(i)	**(294.9)**	**(327.6)**
CLOSING NET FINANCIAL POSITION	(i)	**(266.1)**	**(294.9)**

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

Free Cash Flow was positive at Euro 37.9 million, up compared to 2022 (Euro 29.3 million).

Consolidated net invested capital

(in millions of Euro)	Note(*)	12.31.2023		12.31.2022	
		Amount	*%*	*Amount*	*%*
Short-term operating assets	(l)	350.0		334.4	
Short-term operating liabilities	(m)	(383.0)		(392.3)	
Net working capital		(33.0)	(6.0)	(57.9)	(10.7)
Equity investments	(n)	-	-	-	-
Intangible, tangible fixed assets and other medium and long-term assets	(o)	702.4	127.0	732.2	135.0
CAPITAL INVESTED		669.4	121.0	674.3	124.3
Deferred Taxes/Pension Funds/Provision for risks	(p)	(59.6)	(10.8)	(67.5)	(12.4)
Other medium and long-term liabilities	(q)	(56.4)	(10.2)	(64.4)	(11.9)
NET CAPITAL INVESTED		553.4	100.0	542.4	100.0
Net financial indebtedness	(r)	266.1	48.1	294.9	54.4
Non-controlling interests		14.4	2.6	16.8	3.1
Consolidated equity of the Group		272.9	49.3	230.7	42.5
TOTAL		553.4	100.0	542.4	100.0

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

As at 31 December 2023, **shareholders' equity**, excluding minority interests, amounted to Euro 272.9 million, compared to Euro 230.7 million as at 31 December 2022. The increase reflects the net result for the period, exchange losses from translation, the fair value of cash flow hedging instruments, and other changes.

Consolidated net financial position

(in millions of Euro)	12.31.2023	12.31.2022
Cash, banks, financial receivables and securities held for trading	83.3	124.6
Medium/long-term financial receivables	9.5	8.5
Short-term financial debts (*)	(76.7)	(84.7)
Medium/long-term financial debts	(282.2)	(343.3)
NET FINANCIAL POSITION	(266.1)	(294.9)

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

The **net financial indebtedness** before IFRS16 as at 31 December 2023 was Euro 200.7 million, compared to Euro 224.3 million at 31 December 2022. Including financial payables for usage rights, according to IFRS 16, the net financial debt as at 31 December 2023 was Euro 266.1 million, compared to Euro 294.9 million as at 31 December 2022.

As at 31 December 2023, the Group had committed credit lines in excess of requirements of Euro 242 million.

As at 31 December 2023, the Sogefi Group's **workforce** was 5,273, compared to 5,321 as at 31 December 2022.

	12.31.2023		12.31.2022	
	Number	*%*	*Number*	*%*
Suspensions	2,033	38.6	2,091	39.3
Filtration	1,935	36.7	1,954	36.7
Air&Cooling	1,253	23.8	1,220	22.9
Other	52	0.9	56	1.1
TOTAL	5,273	100.0	5,321	100.0

A breakdown by category is provided below.

	12.31.2023		12.31.2022	
	Number	*%*	*Number*	*%*
Managers	56	1.1	55	1.0
Clerical staff	1,364	25.9	1,403	26.4
Blue collar workers	3,853	73.0	3,863	72.6
TOTAL	5,273	100.0	5,321	100.0

INVESTMENTS AND RESEARCH & DEVELOPMENT ACTIVITIES

Investments in 2023 amounted to Euro 106.6 million (Euro 109.5 million in 2022), of which Euro 41.1 million for developing new products, Euro 6.5 million for the new Suspensions factory in Romania, essential for growth and improved profitability of the business, and Euro 2.2 million for the acquisition of the 51% stake in the company ATN Molds and Parts S.A.S., a company specialising in the development and production of tooling with a high technical focus.

The table below provides details of the investments.

(in millions of Euro)	12.31.2023	12.31.2022
Increase in intangible assets	14.2	18.1
Purchase of tangible assets	56.2	49.2
Purchase of Tooling	24.3	31.4
Increase in intangible assets for right of use	9.7	10.8
Purchase of equity investment	2.2	0.0
TOTAL INVESTMENTS	106.6	109.5

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)	2023	2022
Net result per Sogefi S.p.A. financial statements	6.7	(58.7)
Group share of results of subsidiary companies included in the consolidated financial statements	69.6	33.7
Writedowns of equity investments	(9.4)	78.9
Elimination dividends	(8.1)	(22.9)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related tax effect	(1.0)	(1.4)
NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS	57.8	29.6

(in millions of Euro)	2023	2022
Shareholders' equity per Sogefi S.p.A. financial statements	228.3	223.1
Group share of higher/lower equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	40.4	2.3
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related tax effect	4.2	5.3
SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS	272.9	230.7

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

In financial year 2023, Sogefi S.p.A. recorded a net profit of Euro 6.7 million compared to a net loss of Euro 58.7 million in 2022, which included a write-down of equity investments, recognised on the basis of the impairment test, of Euro 78.9 million compared to a reversal of Euro 9.4 million recorded in financial year 2023 (both amounts recognised under "Adjustments to financial assets" refer to the subsidiary Sogefi Suspensions S.A.).

The flow of dividends from subsidiaries amounted to Euro 8.1 million compared to Euro 22.9 million in the previous year; net financial expenses amounted to Euro 4.2 million compared to Euro 3.1 million in 2022; finally, net exchange rate differences made a negative contribution of Euro 1.8 million compared to a positive contribution of Euro 2.8 million in the previous year.

Operating expenses amounted to Euro 17.9 million, an increase from 2022 (Euro 13.1 million) due to the recognition of an impairment of intangible assets (software) in the amount of Euro 2.9 million and non-recurring costs for special projects.

(in millions of Euro)	2023	2022
Financial income/expenses and dividends	2.1	22.6
Adjustments to financial assets	9.4	(78.9)
Other operating revenues	9.6	11.0
Operating costs	(17.9)	(13.1)
Other non-operating income (expenses)	(0.8)	-
RESULT BEFORE TAXES	2.4	(58.4)
Income taxes	4.3	(0.3)
NET RESULT	6.7	(58.7)

As regards the **statement of financial position**, the table below shows the main items as at 31 December 2023, compared to the figures recorded at the end of the previous year.

(in millions of Euro)	Note(*)	12.31.2023	12.31.2022
Short-term assets	(s)	9.1	7.6
Short-term liabilities	(t)	(5.2)	(3.8)
Net working capital		3.9	3.8
Equity investments	(u)	347.1	337.5
Other fixed assets	(v)	21.6	23.7
CAPITAL INVESTED		372.6	365.0
Other medium and long-term liabilities	(w)	(1.0)	(0.1)
NET CAPITAL INVESTED		371.6	364.9
Net financial indebtedness		143.3	141.8
Shareholders' equity		228.3	223.1
TOTAL		371.6	364.9

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

Shareholders' equity as at 31 December 2023 amounted to Euro 228.3 million, up by Euro 5.2 million from 31 December 2022 (Euro 223.1 million), mainly thanks to the positive result for the year 2023.

The net **financial indebtedness** as at 31 December 2023 was Euro 143.3 million compared to Euro 141.8 million at 31 December 2022.

(in millions of Euro)	12.31.2023	12.31.2022
Short-term cash investments	26.1	48.9
Short/medium-term financial receivables to third and subsidiaries	315.1	297.7
Short-term financial debts (*)	(284.7)	(249.5)
Medium/long-term financial debts	(199.8)	(238.9)
NET FINANCIAL POSITION	(143.3)	(141.8)

(*) 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(*)	2023	2022
SELF-FINANCING	(x)	0.8	23.0
Change in net working capital	(y)	(0.1)	(3.5)
Other medium/long term assets/liabilities	(z)	0.5	0.9
CASH FLOW GENERATED BY OPERATIONS		**1.2**	**20.4**
Sale of equity investments		-	-
Net decrease from sale of intangible assets		-	3.3
TOTAL SOURCES		1.2	23.7
TOTAL APPLICATION OF FUNDS		-	0.3
FREE CASH FLOW		**1.2**	**23.4**
Holding Company increases in capital		-	-
Change in fair value derivative instruments		(2.8)	5.5
Dividends paid by the Holding Company		-	-
CHANGES IN SHAREHOLDERS' EQUITY		(2.8)	5.5
Change in net financial position	(aa)	**(1.6)**	**28.9**
Opening net financial position	(aa)	**(141.8)**	**(170.7)**
CLOSING NET FINANCIAL POSITION	(aa)	**(143.4)**	**(141.8)**

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

The **Change in Net Financial Position** amounted to Euro 1.6 million, a worse performance compared to 2022 (Euro 28.9 million) mainly due to lower dividends received and the negative impact of exchange rate differences recognised during the year.

PERFORMANCE BY BUSINESS DIVISION

Filtration

Key indicators

(in millions of Euro)	2020	2021	2022	2023	Change '23 vs '22
Sales revenues	421.2	463.4	535.7	573.6	7.1%
EBIT	8.0	37.4	52.5	72.3	37.9%
% on sales revenues	1.9%	8.1%	9.8%	12.6%	
Number of employees	2,254	1,974	1,954	1,935	-1.0%

In 2023, the business unit achieved revenues of Euro 573.6 million, up 7.1% (+9.3% at constant exchange rates) compared to 2022, due to the performance of the Aftermarket channel in Europe (+10.5%), and India development.

The contribution margin increased by 17.7% compared to 2022, reflecting the increase in business and margins (contribution margin/turnover ratio as a %) at 32.1%, compared to 29.2% in 2022, due to the good performance of the Aftermarket channel and India.

EBITDA amounted to Euro 102.6 million, compared to Euro 83.0 million in 2022, and the EBITDA margin increased to 17.9%, from 15.5% in 2022.

EBIT was positive at Euro 72.3 million, compared to Euro 52.5 million in 2022, with operating profitability increasing to 12.6% compared to 9.8% last year.

Employees of the business unit at 31 December 2023 were 1,935 (1,954 at 31 December 2022).

Suspensions

Key indicators

(in millions of Euro)	2020	2021	2022	2023	Change '23 vs '22
Sales revenues	399.6	458.2	548.0	574.5	4.8%
EBIT	(13.2)	(9.1)	(9.4)	5.0	153.6%
% on sales revenues	*-3.3%*	*-2.0%*	*-1.7%*	*0.9%*	
Number of employees	2,290	2,267	2,091	2,033	-2.8%

In 2023, the business unit reported revenues of Euro 574.5 million, up by 4.8% (+9.5% at constant exchange rates) thanks to the increase in volumes and the adjustment of sales prices. The biggest growths were recorded in Europe and India.

The contribution margin increased by 18.6% compared to 2022, with the contribution margin/turnover ratio improving from 23.9% in 2022 to 27.1% in 2023 due to reduced energy and material costs and repricing actions.

EBITDA amounted to Euro 41.0 million, compared to Euro 27.5 million in 2022, and the EBITDA margin increased to 7.1%, from 5% in 2022.

EBIT was positive for Euro 5.0 million compared to Euro -9.4 million in 2022. Despite the improvement achieved in 2023, profitability remains very weak, and the ongoing plan, based on repricing and efficiencies, continues and is expected to unfold also in 2024.

Employees at 31 December 2023 were 2,033 (2,091 at 31 December 2022).

Air & Cooling

Key indicators

(in millions of Euro)	2020	2021	2022	2023	Change '23 vs '22
Sales revenues	371.8	402.0	464.0	487.3	5.0%
EBIT	20.0	32.1	33.0	38.2	15.8%
% on sales revenues	*5.4%*	*8.0%*	*7.1%*	*7.8%*	
Number of employees	1,192	1,169	1,220	1,253	2.7%

In 2023, revenues of Euro 487.3 million increased by 5.0% and 8.9% at constant exchange rates compared to 2022, with very significant increases in NAFTA and Europe.

The contribution margin increased by 1.3% compared to 2022, with the contribution margin/turnover ratio % slightly declining from 29.4% to 28.4%, because of a different product mix.

The EBITDA amounted to Euro 81.1 million (Euro 79.5 million in 2022), with an EBITDA margin of 16.6% (17.1% in 2022).

EBIT amounted to Euro 38.2 million, up compared to Euro 33.0 million in the previous year.

Employees at 31 December 2023 were 1,253 (1,220 at 31 December 2022).

RESULTS FOR THE FOURTH QUARTER OF 2023

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

(in millions of Euro)	Note(*)	Q4 2023		Q4 2022		Changes	
		Amount	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues		375.3	100.0	384.6	100.0	(9.3)	(2.4)
Variable cost of sales		258.6	68.9	282.6	73.5	(24.0)	(8.5)
CONTRIBUTION MARGIN		116.7	31.1	102.0	26.5	14.7	14.4
Fixed costs	(a)	59.5	15.8	53.8	14.0	5.7	10.6
Restructuring costs		3.6	1.0	0.2	0.0	3.4	-
Other expenses (income)	(b)	6.1	1.6	4.5	1.2	1.6	36.4
EBITDA	(c)	47.5	12.7	43.5	11.3	4.0	9.2
Depreciation and amortization	(d)	31.5	8.4	36.9	9.6	(5.4)	(14.6)
EBIT		16.0	4.3	6.6	1.7	9.4	143.9
NET INCOME (LOSS) OF OPERATING ACTIVITIES		13.1	3.5	(2.6)	(0.7)	15.7	600.0
Net income (loss) from discontinued operations, net of tax effects		(0.3)	(0.1)	(0.3)	(0.1)	-	-
Loss (income) attributable to non-controlling interests		(0.8)	(0.2)	(0.5)	(0.1)	(0.3)	77.8
GROUP NET RESULT		12.0	3.2	(3.4)	(0.9)	15.4	453.2

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

In Q4 2023, Sogefi recorded revenues of Euro 375.3 million, down by 2.4% compared to the corresponding period of 2022; at constant exchange rates, the Group recorded growth of 4.1% thanks to the increase in production volumes (+2.9%) and sales price adjustments.

EBITDA amounted to Euro 47.5 million, i.e. 12.7% of revenues, compared to Euro 43.5 million (11.3%) in the fourth quarter of 2022, thanks to the increase in the contribution margin from 26.5% to 31.1%.

EBIT was positive at Euro 16.0 million compared to Euro 6.6 million in the fourth quarter of 2022.

Financial expenses amounted to Euro 3.7 million, down from Euro 5.2 million in the fourth quarter of 2022, as higher financial income of Euro 2.4 million was recorded in connection with the measurement of dollar-linked bond instruments held to mitigate the effects of the devaluation of the Argentine Pesos.

Tax expenses were positive and amounted to Euro +0.8 million (including positive one-offs of Euro 2.3 million), compared to Euro -4.0 million in Q4 2022.

The **consolidated net result** in the fourth quarter 2023 was positive at Euro 12 million compared with the negative result of Euro 3.4 million in the same period of the previous year.

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

Impact of the macroeconomic environment on operations

With reference to the macroeconomic context, in 2023, the trend of the economies of the main geographical areas in which Sogefi operates was positive, and global car production increased by 9.4%, with significant progress in all geographical areas. This development enabled Sogefi to achieve revenue growth of 9.1% at constant exchange rates. Energy and commodity prices, after a strong upward trend since 2021, decreased from the second half of 2022, but still remain high and volatile. Against this backdrop, the Group closely monitors production costs and maintains a constant dialogue with suppliers and customers to safeguard its margins. In 2023, high inflation led to a higher increase in personnel costs than in previous years, and the rise in interest rates affected financial expenses, albeit with an impact mitigated by the fixed-rate loan component.

Impacts of the Russia-Ukraine and Gaza-Israel conflicts on operations

The direct impact of the Russia-Ukraine conflict on operations was not significant. In fact, Sogefi had a business in Russia and exported to Ukraine and Belarus, with insignificant total revenues (0.7% of Group revenues in 2021). These operations have been discontinued as of March 2022 and the Russian subsidiary was liquidated in 2023. As a result, in 2022 Sogefi recorded impairment losses on assets held in Russia of Euro 0.8 million and an insignificant loss of revenue; no further impacts have been recorded in 2023.

Sogefi, like the entire automotive sector, suffered the indirect impacts of the war, and in particular the increase in energy and raw material prices as well as the difficulties in procurement for some of them. These critical issues were partially alleviated in the final part of the financial year 2022 and in the whole 2023.

No direct impacts of the Gaza-Israel conflict are expected on the Group’s activities, as Sogefi does not have direct activities in the areas involved. The conflict could have impacts on the supply chain by generating delays in deliveries of materials transiting the Suez Canal. Sogefi carefully monitors this risk by adopting appropriate mitigation measures (creation of safety stocks, evaluation of alternative suppliers). At present it is not possible to evaluate any further indirect impacts.

Climate change and transition risks

In 2022, the Sogefi Group has conducted an analysis of physical risks related to climate change, identifying an overall low level of risk at the majority of the Group's sites, with the exception of 7 sites out of a total of 35 for which an overall medium level of risk was identified, mainly related to extreme phenomena such as heat and water stress, heat waves and frost. These risk profiles do not require urgent action on the part of the Sogefi Group and do not suggest the need to recognise write-downs or impairment losses of fixed assets or other interventions, but could lead to the emergence of operating costs that are currently considered immaterial.

In 2023, the Group's plants underwent no extreme events that caused significant damage; the Group considered the previous year's assessment still relevant and therefore did not conduct a new physical risk analysis.

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

The company has long taken into account the impacts of the transition and has oriented its investments accordingly and investments and evaluating the need to carry out write-downs on fixed assets or other interventions.

MAJOR EVENTS OCCURRED AFTER YEAR-END

On 23 February 2024, Sogefi, in the context of a process to enhance its Filtration division, signed a put option agreement with the US investment fund Pacific Avenue, pursuant to which Carta Acquisition France S.A.S. ("Carta France") and Carta Acquisition U.S., Inc. ("Carta US"), corporate vehicles that refer to the fund, have undertaken unilateral, unconditional and irrevocable commitments to purchase, respectively, - in the event of exercise of the option to put by Sogefi - the entire share capital of Sogefi Filtration S.A. and Sogefi U.S.A., Inc..

Pursuant to the put option agreement, Sogefi granted Carta US and Carta France a six-month exclusivity period.

For further details, please refer to note 46 (Subsequent events) of the "Explanatory and supplementary notes to the consolidated financial statements".

OUTLOOK FOR OPERATIONS

The visibility of the automotive market performance in 2024 remains reduced due to uncertainties related to macroeconomic and geopolitical developments. S&P Global (IHS) expects global car production to remain broadly stable (-0.5%) after the growth recorded in 2023, with Europe down 1.9%, China in line with 2023 and marginal growth in the other regions.

As far as commodity and energy prices are concerned, the early months of 2024 confirm a certain stability, already seen in the second part of 2023, but they remain exposed to volatility risks exacerbated by geopolitical tensions. Inflationary pressures on labour costs also persist in some geographical areas.

In this scenario, the Group constantly monitors trends in the various geographic areas, seeking fair agreements with all customers on sales prices.

In the absence of any deterioration in the macroeconomic scenario compared to the current one, the Sogefi Group for 2024 expects low single-digit revenue growth, higher than automotive market forecasts, and an operating result, excluding non-recurring charges, at least in line with that recorded in 2023.

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 identification and management is essential to i) support an informed decision-making process consistent with strategic goals and ii) ensure corporate sustainability and value creation in the medium-to-long term.

In this regard, as required by the Corporate Governance Code for listed companies of Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, adopted by the Company as well as by national and international best practices acknowledged in the market, as part of its Internal Control and Risk Management System ("SCIGR"), Sogefi adopted and implemented a structured and formalised ERM (Enterprise Risk Management) process. 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.

The ERM framework is periodically updated, taking into account changes in the business and regulatory environment in which the Group operates, in continuity with past activities and according to the "Guidelines of the internal control and risk management system" approved by the Board of Directors, which outline the governance model of the risk management system, identifying the persons concerned and assigning roles and responsibilities to them, and define the operating model including the analysis and reporting activities to be performed periodically as well as the tools and methods to support them.

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

a) the Board of Directors, which plays a role in providing guidance and assessing the adequacy of the Internal Control and Risk Management system;
b) the director in charge of the Internal Control and Risk Management System, identified in the person of the Chief Executive Officer, which is responsible for implementing and maintaining an effective risk management process;
c) the Control, Risk and Sustainability Committee, set up within the Board of Directors, with the task, among others, of supporting the Board's assessments and decisions relating to the SCIGR;
d) the Chief Risk Officer, in charge of managing the risk management process, with the task to coordinate the identification, assessment and management of relevant risks and their mitigation measures;
e) the "risk owners" and the members of the management, in their role of persons responsible, each within their own sphere of competence and within the terms laid down by the corporate organisation, for identifying, managing and monitoring the risks inherent in the area of corporate operations they supervise;
f) the Head of the Internal Audit department, responsible for verifying that the SCIGR is efficient, adequate and consistent with the guidelines defined by the Board of Directors;

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

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

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

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

The risks potentially applicable to the Group’s business model are represented in the so-called Risk Model and grouped in four main risk categories:

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

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

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

With regard to the method for assessing and documenting risks, Sogefi carries out an assessment based on two main variables: the likelihood of the risk event occurring and the potential impact (financial/ reputational/operational) in the event of occurrence. The assumptions used for the assessment and the mitigating actions taken by Sogefi in response to the identified risks are detailed in the risk assessment.

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

In the light of the assessments made during 2023, the most significant risks were identified and are summarised below.

1. STRATEGIC RISKS

1.a. Risks related to the external context

With reference to the risks related to the external environment, these were described in the previous section "Management of the main business risks" ("Impacts of the macroeconomic environment, the Covid-19, the Russia-Ukraine and Gaza-Israel conflicts and the climate change on operations"); the possible impacts on the Group's operations are summarised below.

Risks related to the pressure on sales prices

In the automotive sector, there is a global return to a competitive trend that is very much focused on selling prices; the major OEMs are therefore transferring strong price pressure across the entire value chain, thus posing a potential risk to the margins of products sold by Sogefi.

In this context, Sogefi pays the utmost attention to preserving its profitability through i) appropriate sourcing strategies and ii) careful management of relations and agreements with its customers.

In light of the above, the risk is considered significant and for that reason closely monitored.

Risks related to a potential drop in demand in the automotive sector[3]

After the growth of 2023, in a context of uncertainty related to macroeconomic and technological developments, a drop in the market and a consequent reduction in sales volumes cannot be ruled out, in correlation with an economic recession or a downturn in the automotive industry. This risk is most relevant for the Air & Cooling and Suspension Business Units and the European market and manufacturers.

Sogefi monitors risk through: i) constant monitoring of the backlog by geographic area/market/product line; ii) a close relationship with customers to identify and anticipate any risks.

This risk, whose potential impact would be significant, is currently considered unlikely and well monitored.

[3] Risk related to ESG topics.

1.b. Transition risks[4]

The regulatory framework is giving strong impetus to decarbonisation and emission reduction, with impacts on i) industrial processes and ii) products, which will have to progressively move towards e-mobility.

In view of the above, Sogefi is closely monitoring regulatory developments and has drawn up a roadmap focused on the development of the e-mobility product range.
The Group has also implemented several actions to reduce emissions: i) the installation of solar panels (with the progressive coverage of an additional plant per year); ii) actions to increase production efficiency and reduce energy consumption while keeping the same production output; iii) in production processes, switching from gas to electricity/hydrogen when operationally possible; and iv) progressive increase in the purchase of green energy.

The risk that Sogefi may not be able to comply with regulatory constraints in terms of decarbonisation is a risk whose potential impact would be significant, but it is considered unlikely.

1.c. Risks related to the company's technological innovation[5]

In the current context of technological transition towards EV, Sogefi could i) lose market shares due to the lack of development of innovative technologies and solutions required by the market or as a result of the introduction of disruptive new products by competitors, and/or ii) incur extra costs for developing new products.

This risk particularly concerns the Filtration and, although to a lesser extent, Air & Cooling divisions, which have product ranges specifically intended for the ICE (Internal Combustion Engine) industry.

In order to reduce the risks associated with technological innovation, and to seize all the opportunities offered by the technological transition, the Group has strengthened the R&D Function through new hires and has formulated a plan for the development of new and dedicated e-mobility products, defining specific targets in terms of:
- sales of new e-mobility products;
- value of orders for e-mobility products;
- Research and development expenditure on products for e-mobility.

These risks could have significant impacts on the long-term sustainability of the business and are, therefore, closely monitored by the relevant corporate functions.

[4] Risk related to ESG topics.
[5] Risk related to ESG topics.

2. OPERATIONAL RISKS

2.a. Risks related to human resources management[6]

In a multicultural and constantly changing environment, corporate competitiveness is also measured by the ability to identify and manage risks related to human resources, which is a topic to which Sogefi has always been committed. The main risks identified in this area are set out below.

Talent attraction, retention and professional development

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

In this context, the risk could affect Sogefi's ability to meet the technological and managerial challenges associated with market evolution.

In order to reduce the risk of turnover and shortage of qualified personnel, Sogefi has adopted the following management policies: i) strengthening the recruiting and talent attraction strategy; ii) identifying and enhancing talents and critical skills, through the Group's annual performance review process, with consequent development of special retention plans; iii) collecting and analysing employee feedback on well-being through internal surveys; iv) organising training activities to develop and enhance managerial and technical skills; v) brand promotion activities to increase the Group's attractiveness.

This risk is considered significant and as such is carefully monitored and managed.

Labour cost increase

The high inflation recorded in several countries in which the Group operates and the evolution of the labour market, as described above, may cause i) a risk of increase in personnel costs that would negatively affect the Group's competitiveness; ii) a risk of high social conflict; iii) a risk of increase in personnel turnover.

The Group adopts all possible policies to mitigate the aforementioned risks, and in particular: i) constructive social dialogue to seek sustainable agreements; ii) careful management of personnel remuneration policy and talent enhancement; iii) implementation of variable remuneration measures, linked to the achievement of specific targets.

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

[6] Risk related to ESG topics.

Health and safety at work: fire risk in plants

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

Within this category of risks, a significant risk for the Suspensions Business Unit is that of the occurrence of fires that could cause i) health and safety problems; ii) loss or damage to corporate assets; iii) business disruptions, with logistical, commercial, reputational and financial impacts.

In order to minimise these risks, the Group is constantly enhancing prevention measures by strengthening its internal protocols and procedures, drill activities, and engineering and thermographic surveys of potential risk areas.

This risk is considered significant but unlikely in light of the prevention and protection measures in place.

2.b. 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 priority.

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

Various risk prevention and mitigation measures are implemented as part of the Group's Quality Management System: i) application of the main national and international technical standards; ii) identification and monitoring of specific KPIs relating to overall quality performance and customer satisfaction; iii) ISO and IATF certification (as at December 2023, 100% of the Group's production plants are IATF 16949:2016 certified).

In view of the above, the risk as a whole is considered to be significant and, as such, carefully controlled.

2.c. Risks related to the shortage of raw materials[8]

In an environment of global geopolitical tensions, partial or temporary disruptions in the supply chain due to shortages of raw materials could have consequences on the continuity of the production process and lead to delays in the delivery of orders to customers, with financial, operating and reputational impacts.

Sogefi adopts procurement strategies that are attentive to managing these risks: i) avoiding, as far as possible, excessive concentration of the supplier portfolio (and in any case avoiding cases of one supplier only for any specific item); ii) carefully monitoring the operational and financial soundness of suppliers; iii) diversifying geographically.

[7] Risk related to ESG topics.

[8] Risk related to ESG topics.

In the course of 2023, risks of this nature have decreased; the occurrence is therefore considered unlikely, but the risk is still significant.

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

In view of the technological transition and the consequent growth of business relationships with new OEMs, Sogefi could incur cancellations or unilateral changes of projects/programmes by customers, with unfavourable economic impacts for Sogefi.

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

In view of the above, the risk is considered of moderate significance.

2.e. Cyber risks

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

These risks could have negative impacts such as: i) financial impacts, related to penalties or increased insurance premiums; ii) operational impacts, related to the temporary suspension of the Group's activities; and iii) reputational impacts, on trust in the Group and its brands.

Cyber Security Risks[9]

These are the risks associated with unauthorised access by third parties to corporate IT systems: these attacks may aim to access sensitive data (strategic or product-related), to steal or alter them, or even to block the Group's IT services, resulting in the loss and/or breach of sensitive and confidential data.

In order to mitigate these risks, Sogefi has adopted a global cyber security organisation, with the aim of taking measures against the risks of cyber-attacks and constantly adapting its defence measures, which include: i) periodic IT risk assessment activities, aimed at identifying and strengthening the security of the Group's Information Systems and directing appropriate prevention and protection actions; ii) training activities and awareness campaigns on cyber security launched regularly at Group level; iii) periodic audits on cyber security carried out by external companies.

In view of the above, the risk is considered significant, but well controlled.

[9] Risk related to ESG topics.

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

The failure or temporary interruption of company information systems could lead to the loss of data and jeopardise the continuity of the operations of the Group and its business partners.

In order to ensure continuity, integrity and availability of data, Sogefi constantly monitors its systems. Moreover, in order to promptly respond to critical emergency situations, specific Disaster Continuity and Recovery Plans are implemented at both central and local level, and periodically tested internally through different types of crisis scenarios and externally through IATF and Tisax audits.

The risk is considered significant but unlikely in view of the mitigating actions in place.

2.f. Physical risks related to climate change[10]

The intensification of phenomena related to climate change and its impacts on the value chain (e.g., operations, suppliers, customers and markets) some of the main challenges that companies will have to face in the short and medium-long term.
The rapid worsening of the climatic situation affects the frequency of so-called acute phenomena (e.g. storms, floods, fires or heat waves) that may: i) negatively impact the well-being of employees; ii) lead to production interruptions and/or increase operating costs for operating in adverse conditions; iii) damage company assets, reduce their efficiency or increase prevention/maintenance costs; iv) generate interruptions in the supply chain; v) lead to increases in insurance premiums.

In 2022, Sogefi, supported by a leading consulting firm, conducted a Climate Risk Assessment to assess the impact of climate change on its local production sites, considering a 5-year time horizon (2023-2028).

All risks listed in the Climate Change Delegated Act Annex I - Appendix A were analysed and the assessment was carried out for all Group sites using specific assessment tools and analysing - for each risk - the exposure and probability of occurrence. Risks were classified as acute (related to specific events) or chronic (long-term changes in the climate pattern) based on 4 main aspects (temperature, wind, water, solid mass).

From the analysis of the results of the climate physical assessment and considering that the acute climatic events that occurred in 2023 did not impact any of the Group's plants, the need for structural interventions by the Company was not highlighted and therefore the risk is considered moderately significant.

During 2024 Sogefi will carry out an update of the climate physical assessment with a time horizon of 10-30 years.

[10] Risk related to ESG topics.

2.g. Risks related to the alignment between production planning and capacity

Production planning is based on medium-term sales volume forecasts, which in the automotive sector face some uncertainties. In fact, the current industry context is characterised by a high variability of actual demand with respect to customer commitment at the quotation stage (particularly for e-mobility-related products), coupled with a high flexibility of the volumes required under contractual agreements; this context entails possible impacts on production planning in the Group's plants.

To mitigate the risk, Sogefi has put in place specific action plans, which include: i) periodic reviews of investment and production capacity planning, jointly with the Sales, Operations and Projects Functions; ii) constant monitoring of volumes and production capacity at individual plant level by the central Functions.

In view of the above, the risk is considered unlikely and of moderate significance.

2.h. Risks related to the occurrence of potential crisis events

In view of the instability of the current global context and recent phenomena that are difficult to foresee, Sogefi is structuring a management system aimed at promptly addressing potential crisis events and safeguarding business continuity, based on international reference standards (ISO 22301 – Security and Resilience).

In particular, the Group adopts the following mitigation actions: i) preparation of operational guidelines for the management of potential crisis events (e.g., accidents in production plants, natural disasters, pandemics); ii) information flows with production plants; iii) risk assessment and periodic reporting on specific risks.

The risk is considered to be significant and well controlled.

3. FINANCIAL RISKS

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

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

Energy and commodity prices decreased, after the strong upward trends of the last two years, but still remain high and volatile. Against this backdrop, the Group closely monitors production costs and maintains a constant dialogue with suppliers and customers to safeguard its margins.

The risk is considered to be not significant and duly monitored.

3.b. Foreign exchange risk

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

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

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

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

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

4. LEGAL AND COMPLIANCE RISKS

4.a. Risks related to the violation of ethical principles[11]

The Group's Code of Ethics 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.

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 fairness and transparency in 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.

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

[11] Risk related to ESG topics, but not significant.

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

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

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

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

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

ii. any other Transaction with Related Parties, pursuant to article 2427, paragraph 1, of the Italian Civil Code, concluded in the financial year, which have had a significant impact on the Company’s financial position or results;

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

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

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

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

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

CORPORATE GOVERNANCE

The “Annual Report on Corporate Governance” for 2023 was approved on 23 February 2024, at the meeting of the Board of Directors that was called to approve the draft financial statements for the year ended 31 December 2023, 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 21 October 2022.

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

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

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

The Statement also describes:

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

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

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

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

TREASURY SHARES

As at 31 December 2023, the Parent Company has 1,537,156 treasury shares in its portfolio (having a nominal value of Euro 0.52), corresponding to 1.28% of share capital. In 2023, 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 2023, in accordance with the procedures indicated in the Consob regulation.

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

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

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

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

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

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

OTHER

SOGEFI S.p.A. has its registered office at Via Ciovassino 1, Milan (Italy) and its offices at 1, Avenue Claude Monet 1, 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 2023, was approved by the Board of Directors on 23 February 2024.

PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

The financial statements as at 31 December 2023, which we submit for your approval, present a net profit of Euro 6,735,288.96. In this regard, we propose to distribute a unit dividend of Euro 0.20 to each of the n. 118,652,418 shares in circulation (therefore excluding treasury shares in portfolio in compliance with art. 2357-ter, 2nd paragraph, of the Civil Code) for a total of Euro 23,730,484, using the net profit for the year of Euro 6,735,288.96 and withdrawing the difference from the “Retained earnings” reserve, without prejudice to the fact that the overall amount of the distribution just indicated will change if the number of shares in circulation changes on the date of the Meeting.
The dividend will be paid as of 8 May 2024, following the detachment of coupon no. 33, on 6 May 2024 and “record date” (date of legitimacy to pay the dividend itself, pursuant to art. 83-terdecies of Legislative Decree no. 58 of 24 February 1998) on 7 May 2024

Milan, 23 February 2024

For THE BOARD OF DIRECTORS
The Managing Director
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 item corresponds to the heading “Other financial assets held for sale” included in the line “Other financial assets - non-current” in the Consolidated Statement of Financial Position;

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

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

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

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

Notes relating to the Parent Company's Statutory Financial Statements

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

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

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

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

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

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

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

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

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

DEFINITION OF PERFORMANCE INDICATORS AND NET FINANCIAL DEBT

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

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

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

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

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

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

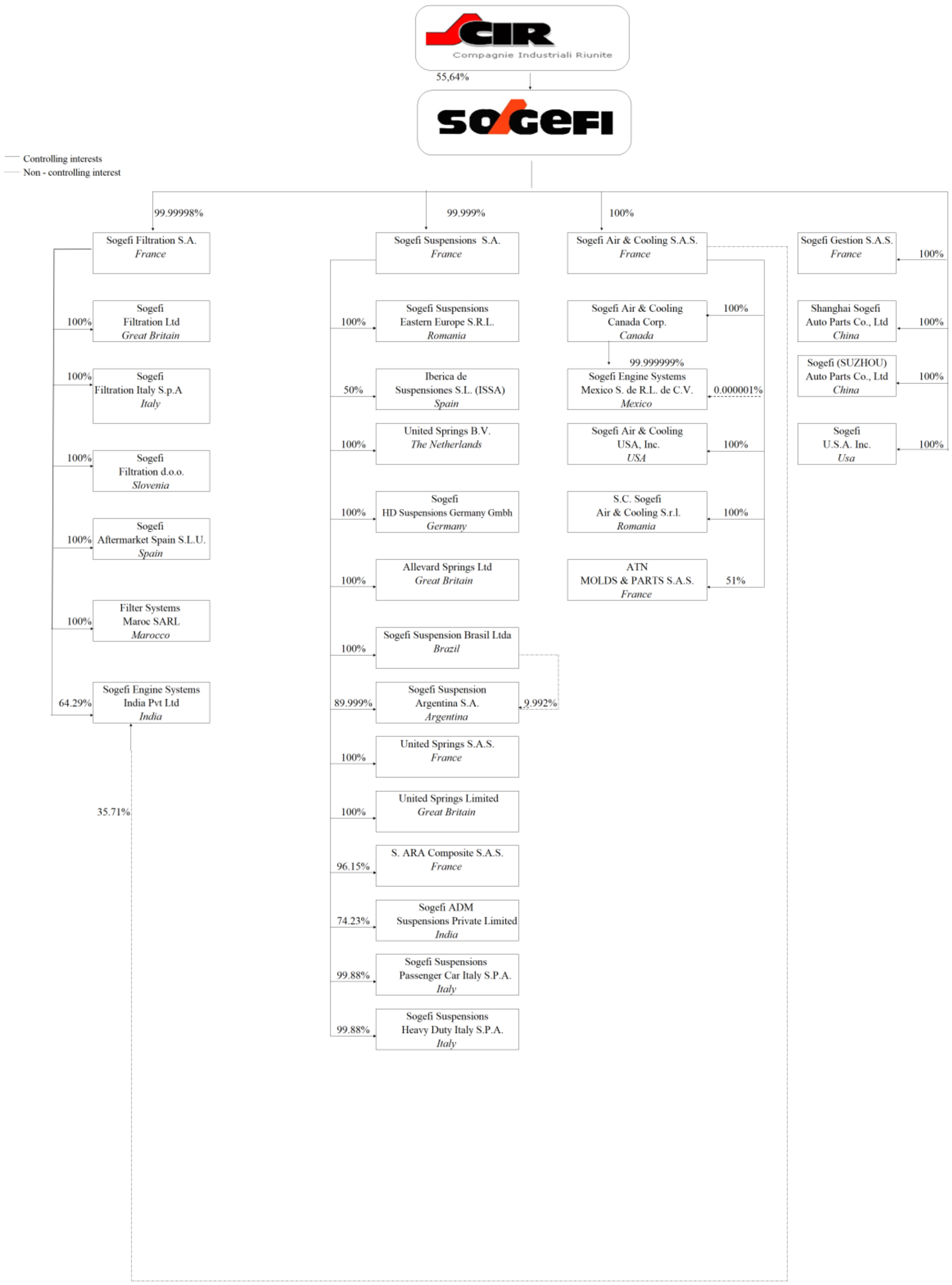
“Losses (gains) on disposal” include the difference between the net book value of sold assets and selling price.

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

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

Please note that as at 31 December 2023 there were no non-recurring expenses as defined in Consob Communication DEM/6064293 of 28 July 2006.

SOGEFI GROUP STRUCTURE: CONSOLIDATED COMPANIES



(*) 56.36% of shares outstanding (excluding treasury shares).

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	*Note*	12.31.2023	12.31.2022
CURRENT ASSETS			
Cash and cash equivalents	5	78,185	118,488
Other financial assets	6	5,136	6,104
Inventories	7	138,231	129,725
Trade receivables	8	166,900	161,223
Other receivables	8	13,408	11,332
Tax receivables	8	28,101	29,038
Other assets	8	3,357	3,107
ASSETS HELD FOR SALE	14	-	-
CURRENT ASSETS		433,318	459,017
NON-CURRENT ASSETS			
Land	9	9,755	9,746
Property, plant and equipment	9	358,887	367,821
Other tangible fixed assets	9	6,213	6,253
Rights of use	9	59,692	65,830
Intangible assets	10	203,371	218,231
Other financial assets	11	6,818	2,999
Financial receivables	12	2,761	5,592
Other receivables	12	31,465	32,493
Deferred tax assets	13	33,009	31,806
TOTAL NON-CURRENT ASSETS		711,971	740,771
TOTAL ASSETS		1,145,289	1,199,788

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

LIABILITIES	*Note*	12.31.2023	12.31.2022
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	15	659	1,894
Current portion of medium/long-term financial debts and other loans	15	63,280	69,102
Short-term financial debts for rights of use	15	12,689	13,677
Other short-term liabilities for derivative financial instruments	15	2	17
Trade and other payables	16	334,037	347,564
Tax payables	16	10,675	4,688
Other current liabilities	17	38,272	40,095
Current provisions	18	12,383	10,146
LIABILITIES RELATED TO ASSETS HELD FOR SALE	14	-	-
TOTAL CURRENT LIABILITIES		471,997	487,183
NON-CURRENT LIABILITIES			
Financial debts to bank	15	184,437	233,423
Non current portion of medium/long-term financial debts and other loans	15	45,196	52,349
Medium/long-term financial debts for rights of use	15	52,715	57,543
Other medium/long-term financial liabilities for derivative financial instruments	15	-	-
Non-current provisions	18	23,844	33,708
Other payables	18	56,449	64,363
Deferred tax liabilities	13	23,344	23,731
TOTAL NON-CURRENT LIABILITIES		385,985	465,117
SHAREHOLDERS' EQUITY			
Share capital	19	62,461	62,461
Reserves and retained earnings (accumulated losses)	19	152,629	138,643
Group net result for the year	19	57,766	29,562
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		272,856	230,666
Non-controlling interests	19	14,451	16,822
TOTAL SHAREHOLDERS' EQUITY		287,307	247,488
TOTAL LIABILITIES AND EQUITY		1,145,289	1,199,788

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	2023		2022 (*)	
		Amount	*%*	*Amount*	*%*
Sales revenues	21	1,627,880	100.0	1,543,364	100.0
Variable cost of sales	22	1,150,168	70.7	1,119,797	72.6
CONTRIBUTION MARGIN		477,712	29.3	423,567	27.4
Manufacturing and R&D overheads	23	129,051	7.8	119,333	7.7
Depreciation and amortization	24	112,073	6.9	115,743	7.5
Distribution and sales fixed expenses	25	31,735	1.9	30,822	1.9
Administrative and general expenses	26	77,622	4.8	71,043	4.5
Restructuring costs	28	7,532	0.5	8,094	0.6
Losses (gains) on disposal	29	(72)	-	(588)	-
Exchange (gains) losses	30	5,154	0.3	1,115	0.1
Other non-operating expenses (income)	31	9,446	0.6	7,518	0.5
EBIT		105,171	6.5	70,487	4.6
Financial expenses	33	30,778	2.0	23,002	1.5
Financial (Income)	32	(10,669)	(0.7)	(4,217)	(0.3)
Losses (gains) from equity investments	33	-	-	(10)	-
RESULT BEFORE TAXES		85,062	5.2	51,712	3.4
Income taxes	34	17,481	1.1	19,081	1.3
NET INCOME (LOSS) OF OPERATING ACTIVITIES		67,581	4.1	32,631	2.1
Net income (loss) from discontinued operations, net of tax effects	35	(6,658)	(0.4)	(1,438)	(0.1)
NET RESULT INCLUDING THIRD PARTY		60,923	3.7	31,193	2.0
Loss (income) attributable to non-controlling interests		(3,157)	(0.2)	(1,631)	(0.1)
GROUP NET RESULT		57,766	3.5	29,562	1.9
Earnings per share (EPS) (Euro):	37				
Basic		0.487		0.250	
Diluted		0.487		0.250	

(*) The values for the 2022 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 “Profit (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	2023	2022
Net result before non-controlling interests		60,923	31,193
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
- Actuarial gain (loss)	*19*	(946)	9,588
- Tax on items that will not be reclassified to profit or loss	*19*	(2,216)	(1,784)
Total items that will not be reclassified to profit or loss		*(3,162)*	*7,804*
Items that may be reclassified to profit or loss			
- Profit (loss) booked to cash flow hedging reserve	*19*	(2,520)	6,200
- Tax on items that may be reclassified to profit or loss	*19*	605	(1,488)
- Profit (loss) booked to translation reserve	*19*	(16,110)	(5,644)
Total items that may be reclassified to profit or loss		*(18,025)*	*(932)*
Other Comprehensive Income		*(21,187)*	*6,872*
Total comprehensive result for the period		39,736	38,065
Attributable to:			
- Shareholders of the Holding Company		36,622	36,474
- Non-controlling interests		3,114	1,591

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)	2023	2022
Cash flows from operating activities		
Net result	57,766	29,562
Adjustments:		
- non-controlling interests	3,157	1,631
- depreciation, amortization and writedowns	120,962	126,360
- expenses recognised for share-based incentive plans	404	286
- exchange rate differences on private placement	-	897
- provision in income statement of fair value derivatives in cash flow hedge	-	(897)
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	(71)	(586)
- losses/(gains) on sale of equity investments in associates and joint ventures	-	(10)
- provisions for risks, restructuring and deferred taxes	1,567	(10,848)
- post-retirement and other employee benefits	(12,502)	(9,746)
- Net financial expenses	20,109	18,785
- income tax	17,481	18,353
- change in net working capital	(33,123)	(7,755)
- other medium/long-term assets/liabilities	(5,862)	8,961
CASH FLOWS FROM OPERATING ACTIVITIES	169,888	174,993
Interest paid	(24,718)	(17,235)
Income tax paid	(16,052)	(22,872)
NET CASH FLOWS FROM OPERATING ACTIVITIES	129,118	134,886
INVESTING ACTIVITIES		
Interest received	11,200	5,628
Net financial position of entities acquired / sold during the year	1,131	-
Price paid for business combination	(1,300)	-
Purchase of property, plant and equipment	(80,425)	(80,661)
Purchase of intangible assets	(14,249)	(18,097)
Net change in other securities	(6,102)	(3,169)
Sale of subsidiaries (net of cash and cash equivalents) and associates	-	10
Sale of property, plant and equipment and business held for sale	10,906	7,509
Sale of intangible assets	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(78,839)	(88,780)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	-	-
Net change in capital	-	-
Dividends paid to Holding Company shareholders and non-controlling interests	(6,303)	(2,067)
New (repayment of) bonds	(22,903)	(22,005)
New (repayment of) long-term loans	(39,065)	(4,481)
New (repayment of) finance leases	(643)	(1,682)
New (repayment of) finance leases IFRS16	(17,005)	(12,480)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(85,919)	(42,715)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(35,640)	3,391
Balance at the beginning of the period	116,594	118,929
Exchange differences	(3,428)	(5,726)
BALANCE AT THE END OF THE PERIOD (*)	77,526	116,594

(*) 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, 2021	*62,461*	*19,289*	*4,600*	*(4,600)*	*12,640*	*813*	*(45,765)*	*(933)*	*(36,952)*	*12,933*	*12,201*	*149,049*	*1,951*	*187,687*	*17,297*	*204,984*
Allocation of 2021 net profit:																
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,067)	(2,067)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	1,951	(1,951)	-	-	-
Recognition of share-based incentive plans	-	-	-	-	-	286	-	-	-	-	-	-	-	286	-	286
Other changes	-	156	(156)	156	-	(121)	-	-	-	-	-	6,184	-	6,219	1	6,220
Comprehensive result for the period																
Fair value cash flow hedging instruments	-	-	-	-	-	-	-	6,200	-	-	-	-	-	6,200	-	6,200
Actuarial gain (loss)	-	-	-	-	-	-	-	-	9,588	-	-	-	-	9,588	-	9,588
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	(3,272)	-	-	-	(3,272)	-	(3,272)
Currency translation differences	-	-	-	-	-	-	(5,604)	-	-	-	-	-	-	(5,604)	(40)	(5,644)
Result for the period	-	-	-	-	-	-	-	-	-	-	-	-	29,562	29,562	1,631	31,193
Total Comprehensive result for the period	-	-	-	-	-	-	*(5,604)*	*6,200*	*9,588*	*(3,272)*	-	-	*29,562*	*36,474*	*1,591*	*38,065*
Balance at December 31, 2022	*62,461*	*19,445*	*4,444*	*(4,444)*	*12,640*	*978*	*(51,369)*	*5,267*	*(27,364)*	*9,661*	*12,201*	*157,184*	*29,562*	*230,666*	*16,822*	*247,488*
Allocation of 2022 net profit:																
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,303)	(6,303)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	29,562	(29,562)	-	-	-
Recognition of share-based incentive plans	-	-	-	-	-	404	-	-	-	-	-	-	-	404	-	404
Other changes	-	931	(931)	931	-	(438)	-	-	-	-	-	4,671	-	5,164	818	5,982
Comprehensive result for the period																
Fair value cash flow hedging instruments	-	-	-	-	-	-	-	(2,520)	-	-	-	-	-	(2,520)	-	(2,520)
Actuarial gain (loss)	-	-	-	-	-	-	-	-	(946)	-	-	-	-	(946)	-	(946)
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	(1,611)	-	-	-	(1,611)	-	(1,611)
Currency translation differences	-	-	-	-	-	-	(16,067)	-	-	-	-	-	-	(16,067)	(43)	(16,110)
Result for the period	-	-	-	-	-	-	-	-	-	-	-	-	57,766	57,766	3,157	60,923
Total Comprehensive result for the period	-	-	-	-	-	-	*(16,067)*	*(2,520)*	*(946)*	*(1,611)*	-	-	*57,766*	*36,622*	*3,114*	*39,736*
Balance at December 31, 2023	*62,461*	*20,376*	*3,513*	*(3,513)*	*12,640*	*944*	*(67,436)*	*2,747*	*(28,310)*	*8,050*	*12,201*	*191,417*	*57,766*	*272,856*	*14,451*	*287,307*

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 and engine cooling systems, and suspension components.
SOGEFI is present in 4 continents and 17 countries, with 35 production sites, 8 R&D centres and 11 sales offices. It is a multinational group and a partner of the world's largest motor vehicle manufacturers.

The Parent Company Sogefi S.p.A., registered with the Company Register of Milan - Monza - Brianza - Lodi (Italy), has its registered office in Via Ciovassino No. 1, Milan, Italy, and its operating headquarters in 1, Avenue Claude Monet 1, 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 2023 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 23 February 2024. These financial statements will be submitted for approval to the shareholders' meeting of Sogefi S.p.A. on 22 April 2024.

1.1 Format of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

Consolidated Statement of Other Comprehensive Income

The Consolidated Statement of Other Comprehensive Income includes all the changes occurring in Other comprehensive income of the year, generated by transactions other than those conducted with shareholders and in compliance with specific IAS/IFRS accounting principles.

The Group has chosen to present these changes in a separate table to the Consolidated Income Statement.

The changes in Other comprehensive income are shown before the related tax effect with the aggregate amount of the income taxes on said variations being recognised in a single item. Those components that may or may not be reclassified to Consolidated Income Statement at a later time are listed separately in the table.

Consolidated Cash Flow Statement

A Consolidated Cash Flow Statement split by area of formation of the various types of cash flow as indicated in international accounting standards is included.

The Consolidated Cash Flow Statement has been prepared using the indirect method.

Please note that in this cash flow statement, the change in working capital may not coincide with the difference between the opening and closing statement of financial position figures because of exchange differences: in fact, cash flows generated are converted using the average exchange rate for the year, while the difference between the opening and closing consolidated statement of financial position figures in Euro may be influenced by changes in exchange rates at the beginning and end of the year, which have little to do with the generation or absorption of cash flow within working capital. The exchange differences generated by opening and closing statements of financial position are booked to “Exchange differences”.

Cash flows arising from the collection and payment of interest are classified as operating cash flows. Dividends paid are classified as cash flows from financing activities.

Consolidated Statement of Changes in Equity

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

1.2 Content of the consolidated financial statements

The Consolidated Financial Statements as at 31 December 2023 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:

- in March 2023, the subsidiary Sogefi Air & Cooling S.A.S. acquired a 51% stake in the share capital of the French company ATN Molds & Parts S.A.S.. For more details, please refer to the section "Business combinations";
- in October 2023, sale of the suspension business in North America (Mexico). The effects resulting from this transfer are described in note 35 "Profit (loss) from discontinued operations, net of tax effects".

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

1.3 Group composition

As required by IFRS 12, Group composition as at 31 December 2023 and 31 December 2022 was as follows:

Business Unit	*Region*	*Wholly-owned subsidiaries*	
		December 31, 2023	December 31, 2022
Air&Cooling	Canada	1	1
	France	1	1
	Mexico	1	1
	Romania	1	1
	China (*)	2	2
	USA	1	1
Filtration	Italy	1	1
	France	1	1
	Great Britain	1	1
	Spain	1	1
	Slovenia	1	1
	USA (**)	1	1
	India	1	1
	Russia (***)	-	1
	Morocco	1	1
Suspensions	France	2	2
	Italy	2	2
	Great Britain	2	2
	Germany (****)	1	2
	The Netherlands	1	1
	Romania	1	1
	Brazil	1	1
	Argentina	1	1
Sofegi Gestion S.A.S.	France	1	1
TOTAL		27	29

(*) This subsidiary works also for Suspensions business unit.
(**) This subsidiary works also for Air&Cooling business unit.
(***) This subsidiary was liquidated during 2023
(****) On 29 September 2023 the merger by incorporation of Sogefi HD Suspensions Germany GmbH into Sogefi PC Suspensions Germany Gmbh took place

Business Unit	*Region*	*Non-wholly-owned subsidiaries*	
		December 31, 2023	December 31, 2022
Air&Cooling	France	1	-
Suspensions	France	1	1
	Spain	1	1
	India	1	1
TOTAL		4	3

2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

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

Going concern

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

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

2.1 Consolidation principles

The financial statements as at 31 December 2023 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. In particular, the company Iberica de Suspensiones S.L. (ISSA) – which is 50% owned – is treated as a subsidiary because the Group controls the majority of votes of the board of directors, which is the corporate body tasked with deciding on the entity's relevant activities.
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:

	2023		2022	
	Average	*12.31*	*Average*	*12.31*
US dollar	1.0816	1.1050	1.0539	1.0666
Pound sterling	0.8699	0.8691	0.8526	0.8869
Brazilian real	5.4016	5.3618	5.4431	5.6386
Argentine peso	892.9239	892.9239	188.5033	188.5033
Chinese renminbi	7.6593	7.8509	7.0801	7.3582
Indian rupee	89.2857	91.9045	82.7130	88.1710
New romanian Leu	4.9468	4.9756	4.9317	4.9495
Canadian dollar	1.4596	1.4642	1.3703	1.4440
Mexican peso	19.1902	18.7231	21.2044	20.8560
Moroccan dirham	10.9577	10.9280	10.6781	11.1580

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

__2.2 Business combinations__

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

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

__Acquisition of ATN Molds & Parts S.A.S.__

On 1 March 2023, the French subsidiary Sogefi Air & Cooling S.A.S. acquired 51% of the share capital of ATN Molds & Parts S.A.S. from EGH Industries, which holds the remaining 49%.
ATN has been involved in the development and production of highly technical tooling for more than 30 years.

With this acquisition, Sogefi will benefit from synergies resulting from the combination of the respective know-how, thus reducing development time and strengthening competitiveness, particularly in the world of electric mobility. ATN is located in Alsace (France), 30 km from Sogefi’s main Air and Cooling plant.

In conjunction with the purchase of a 51% stake, Sogefi Air & Cooling S.A.S. negotiated the deferred purchase of 29% of the remaining stake (at a price per share equal to that defined for the purchase of the 51% stake) and subordinated the remaining 20% stake to a put option.

The total consideration transferred in the business combination, i.e. 51% of the share transfer Price, amounted to Euro 2,241 thousand. This consideration was paid in the

amount of Euro 1,300 thousand at the date of the acquisition and the remainder, amounting to Euro 941 thousand, will be paid on 31 January 2024.
Costs directly related to the acquisition - for services rendered by consultants who assisted the subsidiary Sogefi Air & Cooling S.A.S. during the legal, financial and tax due diligence phase - amounted to Euro 46 thousand and were recognised in the income statement under "Other non-operating expenses (income)2.

With regard to the remaining 49% share, it should be noted that the 29% share subject to the fixed-rate forward is treated as an "anticipated acquisition", while the 20% share subject to the put option is considered a third-party interest. At the date of acquisition, the fair value of these items was Euro 1,216 thousand and Euro 818 thousand, respectively, and was recorded under "Non-current portion of medium/long term financial debts and other loans". As a counterpart to this liability, the Group has chosen as an accounting policy to reduce the Group's equity balance.
The 29% share subject to deferred purchase was considered as already acquired by the company. Therefore, for the purposes of presenting equity, this share has been presented in the Group's equity.

As at 31 December 2023, the fair value of the assets and liabilities of ATN Molds & Parts S.A.S. was definitively determined.

The completion of the fair value measurement process of "Intangible assets" resulted in the recognition of the Customer Relations for Euro 1,274 thousand (amortised on the basis of a useful life of 20 years) as a separable intangible asset.

The excess of the acquisition price over the fair value of the net assets and liabilities acquired was recognised as goodwill, quantified at Euro 2,479 thousand. Such goodwill is not deductible.

The following table provides details of the final fair values of the assets and liabilities acquired and details of goodwill at the date of acquisition of control, 1 March 2023:

ASSETS (in thousand of Euro)	Definitive Fair Value
CURRENT ASSETS	
Cash and Cash equivalents	1,131
Other financial assets	-
Inventories	226
Trade receivables	450
Other receivables	-
Tax receivables	1
Other assets	20
ASSETS HELD FOR SALE	-
TOTAL CURRENT ASSETS	1,828
NON-CURRENT ASSETS	
FIXED ASSETS	
Land	-
Property, plant and equipment	96
Other tangible assets	13
Right of use	529
Intangible assets	1,274
Other financial assets	1
Financial receivables	-
Other receivables	50
Deferred tax assets	20
TOTAL OTHER NON-CURRENT ASSETS	1,983
TOTAL ASSETS (A)	3,811

LIABILITIES (in thousand of Euro)	Definitive Fair Value
CURRENT LIABILITIES	
Bank overdrafts and short-term loans	-
Current portion of medium/long-term financial debts and other loans	136
Short-term financial debts for right of use	141
Other short-term liabilities for derivative financial instruments	-
Trade and other payables	549
Tax payables	-
Other current liabilities	8
Current provisions	-
LIABILITIES RELATED TO ASSETS HELD FOR SALE	-
TOTAL CURRENT LIABILITIES	834
NON-CURRENT LIABILITIES	
Financial debts to bank	397
Non current portion of medium/long term financial debts and other loans	-
Medium/long-term financial debts for right of use	388
Other medium/long-term financial liabilities for derivative financial instruments	-
Non-current provisions	78
Other payables	-
Deferred tax liabilities	318
TOTAL OTHER LONG-TERM LIABILITIES	1,181
TOTAL LIABILITIES (B)	2,015
NET ACQUIRED ASSETS (A)-(B)	1,796

Price paid for business combination (C)	2,241
Deferred consideration (D)	1,216
Minority interest value (E)	818
Total (C)+ (D)	4,275
Net acquired assets	1,796
GOODWILL	2,479

Price paid for business combination	1,300
Cash held in acquired company	(1,131)
CASH FLOW FOR ACQUISITION (*)	169

(*) As reported in consolidated cash flow statement

From the acquisition date (1 March 2023) to 31 December 2023, the acquired business of ATN Molds & Parts S.A.S. contributed Euro 3,970 thousand in revenues and a net profit of Euro 395 thousand to the Group.

2.3 Accounting policies

The following accounting policies have been applied in the consolidated financial statements as at 31 December 2023.

Cash and cash equivalents

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

Inventories

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

Receivables included in current assets

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

Property, plant and equipment and other tangible fixed assets

They mainly relate to industrial sites. Assets are shown at historical cost, net of accumulated depreciation and accumulated impairment losses.
Cost includes related charges, together with the portion of direct and indirect expenses reasonably attributable to individual assets.

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

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

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

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

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

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

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

Rights of use

The standard IFRS 16 provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
The standard introduces a single lessee accounting model for recognising and evaluating lease agreements, which provides for the underlying asset to be recognised in assets and counterbalanced by a financial liability. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 months as leases.
The Group recognises right of use assets that do not meet the definition of investment property under item “rights of use” and lease liabilities are booked to item “financial payables for rights of use” in the statement of financial position.
On the effective date of the lease agreement, the Group recognises the right of use asset and the lease liability. The right of use asset is initially measured at cost and

subsequently at cost less accumulated depreciation and impairment losses, and adjusted to reflect the revaluation of the lease liability.
The Group measures the lease liability at the present value of payments due for lease agreements not paid on the effective date, discounted at the marginal borrowing rate.
The lease liability is subsequently adjusted by adding accrued interest and subtracting the lease payments made, and is revalued in the event of changes in future lease payments due to a changing index or rate, in the event the amount that the Group expects to pay as a guarantee on the residual value changes, or when the Group changes its valuation for the reporting period or in the event of a call, extension or termination option.

Intangible assets

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

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

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

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

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

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

Customer Relations
Customer relations represent the value of the Systèmes Moteurs Group's customer portfolio and of the company ATN Molds & Parts S.A.S. at the acquisition date as determined during the Purchase Price Allocation process.

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

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

Goodwill
Goodwill resulting from business combinations is initially recognised at cost as at the acquisition-date, as detailed in the paragraph above entitled "Business combinations". Goodwill is not amortised but is tested annually for impairment, or more frequently if specific events or changed circumstances indicate a potential loss in value. Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.
For impairment test purposes, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisition.
The Sogefi Group currently encompasses five CGUs: Filtration (previously named "Engine Systems – Fluid Filters"), Air & Cooling (previously named "Engine Systems – Air and Cooling"), Car Suspension, Industrial Vehicles Suspension and Precision Springs.
Within the Sogefi Group there are today five C.G.U.: Filtration, Air and Cooling, Car Suspensions, Industrial Vehicle Suspensions 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 write-down 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 write-down had never been made. This reversal is also booked to the Income Statement.

Equity investments in other companies and other securities

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

Non-current assets held for sale and discontinued operations

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

Loans

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

Derivative financial instruments

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

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

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

If no hedged cash flows are expected, the amount must be reclassified immediately from the cash flow hedging and costs for hedging reserves to profit or loss for the year.

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

Trade and other payables

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

Provisions for risks and charges, contingent liabilities and contingent assets

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

Post-retirement and similar employee benefits

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

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

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

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

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

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

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

Other long-term benefits

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

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

Stock-based incentive plans

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

Deferred taxation

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

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

In the year 2022, the Parent Company Sogefi S.p.A. and its subsidiary Sogefi Filtration Italy S.p.A. renewed their participation in the CIR Group tax filing system for the three-year period 2022-2024. In 2023, 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 2023-2025.
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

The IFRS 15 standard 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 IFRSs, such as leases, insurance contracts and financial instruments.
The main steps for revenue recognition according to the new model are:
- identifying the agreement in place with the customer;
- identifying the performance obligations under the agreement;
- defining the transaction price;
- price allocation to the performance obligations under the agreement;
- revenue recognition criteria when the entity satisfies each performance obligation.

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

Income Statement Overview

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

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

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

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

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

Operating grants

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

Financial income and expenses

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

Dividends

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

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

Current taxes

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

Earnings per share (EPS)

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

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

Translation of foreign currency items

Functional currency
The functional currency of the Parent Company is the Euro and this is the presentation currency in which the consolidated financial statements are prepared and published.
Group companies prepare their financial statements in their own functional currency; these financial statements are then translated into euros (EUR) for the purpose of preparing the consolidated financial statements.

Accounting for foreign currency transactions
Foreign currency transactions are initially translated at the exchange rate ruling on the transaction date.
At the end of the reporting period, monetary assets and liabilities expressed in foreign currency are retranslated at the period-end exchange rate.

Non-monetary foreign currency items valued at historical cost are translated at the exchange rate ruling on the transaction date.
Non-monetary items carried at fair value are translated at the exchange rate ruling on the date this value was determined.

IAS 29 - Financial reporting in hyperinflationary economies

The financial statements of the consolidated Argentine companies were prepared at 31 December 2023 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 (2021-2023) amounts to approximately 507%.

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 124.1 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 2024 as determined based on the budget and the forecasts included in the 2024-2027 strategic plan for the following years (adjusted to eliminate any estimated benefits from future projects and reorganisations) and the 2024-2027 projections (which are a conservative derivation of the 2024-2027 strategic plan) for the CGU Filtration and the CGU Suspension Car. For the Filtering CGU the explicit period was extended beyond 2027 to take into account the technological transition to electric vehicles. The 2024 budget, the 2024-2027 strategic plan, the extended forecast for the CGU Filtration and the 2024-2027 projections of future cash flows for the CGU Filtration and the CGU Suspension Car were approved by the Board of Directors on 15 December 2023 and 23 February 2024, respectively. The impairment test, based on such forecasts, did not indicate any impairment;
- pension plans (Euro 10.5 million, of which Euro 17.2 million recognised to liabilities and Euro 6.7 million to assets): included in “Non-current provisions” and in “Other non-current receivables”: actuarial consultants who offer their consulting services to the Group use different statistic assumptions in order to anticipate future events for the purpose of estimating pension plan expenses, liabilities and assets. Such assumptions concern discount rate, future wage inflation rates, mortality and turnover rates;
- recoverability of deferred tax assets on tax losses (Euro 9.8 million compared to Euro 7.8 million in the previous year) recognised to “Deferred tax assets”: as at 31 December 2023, 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 2.8 million in assets; Euro 0 million in liabilities) recognised to “Other current financial assets”, “Non-current financial receivables”, and “Other short-term liabilities for derivative financial instruments”: the fair value of derivatives (relating to interest and exchange rates) was estimated with the aid of external consultants based on valuation models commonly used in the industry, in line with the requirements of IFRS 13 (calculation of DVA - debit valuation adjustment).

Below are the most relevant impacts on climate change, the Russia-Ukraine conflict and the macroeconomic environment, as requested by ESMA in the document “European common enforcement priorities for 2023 annual financial reports” of 25 October 2023.

Impacts of climate change

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

- physical risk: in 2022, the Group assessed the physical risk exposure for all its facilities and no significant physical risks related to climate change were identified that would require impairment of fixed assets. In 2023, the Group's facilities were not subject to extreme events that caused significant damage. In 2023, the Group considered the previous year's assessment still relevant and therefore did not conduct a new physical risk analysis;

- risks related to technological innovation or transaction risks are, on the other hand, considered significant and are linked to the conversion plans to electric mobility of several jurisdictions, primarily the European Union and the United States. In this regard, the Group has prepared a plan for the development of new products (included in the 2024-2027 strategic Plan approved by the Board of Directors on 15 December 2023), defining specific targets for increasing investments in Research and Development on e-mobility products (a new E-mobility Tech Centre was set up in Eastern France), as well as targets for the development of related sales. The Group then considered the resilience of the various businesses to the transition to electric mobility also in the medium to long term (i.e. for the period after 2027). With specific reference to the Filtration business unit, the progressive decline in sales of internal combustion engines in Europe and the US was taken into account, extending the cash flow estimate beyond the explicit period of 2027. In particular, the Group estimated the evolution of the CGU's turnover up to the year 2045 (the year in which the terminal value was calculated for the purpose of the impairment test), based on the production projections of internal combustion engines by reference geographic area (European Union, NAFTA and India), also taking into account the sales of spare parts (OES and Aftermarket), which continue for several years even after the end of production for OEM. On the other hand, the Air and Cooling business unit, thanks to its specific technical and production skills, has great opportunities to respond to the current and future needs of the electric mobility market, and therefore a decrease in turnover in the medium-long term was not foreseen; the calculation of the terminal value used in the impairment test for the period following the Strategic Plan horizon hence followed the usual methodology. The same applies to the Suspension business unit, whose market is independent of the evolution of the propulsion platform, no impact of the technological innovation risk on the business model in the medium to long term has been foreseen.

During 2023, the Group also assessed the possible impacts of the risks referred to technological innovation on the useful life of tangible fixed assets excluding the need to carry out the write-downs or the intervention, with particular regard to the filtration business segment and found no critical issues. As a result of the analysis performed, no impact on other items of the financial statements (i.e. decommissioning and/or risk provisions) is expected.

Russia- Ukraine and Gaza-Israel conflicts

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

Macroeconomic context

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

2.4 Adoption of new accounting standards

IFRS accounting standards, amendments and interpretations applicable since 1 January 2023

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group as from 1 January 2023:

- IFRS 17 "*Insurance Contracts*" and its amendments (issued respectively on 18 May 2017 and on 25 June 2020). This amendment as at 31 December 2023 did not have any impact on the Sogefi Group's consolidated financial statements.
- Amendments to IAS 1 "*Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies*" (issued on 12 February 2021). This amendment as at 31 December 2023 did not have any impact on the Sogefi Group's consolidated financial statements.
- Amendments to IAS 8 "*Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate*" (issued on 12 February 2021). This amendment as at 31 December 2023 did not have any impact on the Sogefi Group's consolidated financial statements.
- Amendments to IAS 12 "*Income Taxes*: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*" (issued on 7 May 2021). This amendment as at 31 December 2023 did not have any impact on the Sogefi Group's consolidated financial statements.
- Amendment to IFRS 17 "*Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information*" (issued on 9 December 2021). This amendment as at 31 December 2023 did not have any impact on the Sogefi Group's consolidated financial statements.
- Amendments to IAS 12*: "Income taxes: International Tax Reform – Pillar Two Model Rules*" (issued on 23 May 2023). This amendment as at 31 December 2023 did not have any impact on the Sogefi Group's consolidated financial statements. For more details, please refer to section "34. Income taxes".

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 2023

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

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

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 7*: "Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements*" (issued on 25 May 2023). These amendments are to be applied for financial periods beginning on 1 January 2024.

- *Lack of Exchangeability (*Amendments to IAS 21*) (*published on 15 August 2023). These amendments are to be applied for financial periods beginning on 1 January 2025.

3. FINANCIAL ASSETS

Classification and initial recognition

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

Subsequent measurement

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

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

Business model assessment

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

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

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

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

B) SEGMENT INFORMATION

4. OPERATING SEGMENTS

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

Business segments

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

The tables below provide the Group's income statement and statement of financial position figures for 2023 and 2022:

(in thousands of Euro)	2023					
	Air&Cooling	Suspensions	Filtration	Sogefi S.p.A. / Sogefi Gestion S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES						
Sales to third parties	485,481	570,353	572,046	-	-	1,627,880
Intersegment sales	1,771	4,158	1,585	24,654	(32,168)	-
TOTAL REVENUES	487,252	574,511	573,631	24,654	(32,168)	1,627,880
RESULTS						
EBIT	38,237	5,030	72,349	(10,158)	(287)	105,171
Financial expenses, net						(20,109)
Income from equity investments						-
Losses from equity investments						-
Result before taxes						85,062
Income taxes						(17,481)
NET INCOME (LOSS) OF OPERATING ACTIVITIES						67,581
Net income (loss) from discontinued operations, net of tax effetcs						(6,658)
NET RESULT INCLUDED THIRD PARTY SHARE						60,923
Profit (loss) from third parties						(3,157)
NET RESULT						57,766
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	421,144	492,973	410,145	715,419	(1,022,818)	1,016,863
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	128,426	128,426
TOTAL ASSETS	421,144	492,973	410,145	715,419	(894,392)	1,145,289
LIABILITIES						
Segment liabilities	243,979	439,608	302,568	496,909	(625,082)	857,982
TOTAL LIABILITIES	243,979	439,608	302,568	496,909	(625,082)	857,982
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	37,426	31,591	28,485	694	(3,522)	94,674
Depreciation, amortisation and writedowns (reversal of impairment loss)	39,977	40,511	32,982	(3,278)	10,769	120,961

(in thousands of Euro)	2022					
	Air&Cooling	Suspensions	Filtration	Sogefi S.p.A. / Sogefi Gestion S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES						
Sales to third parties	463,216	545,448	534,700	-	-	1,543,364
Intersegment sales	786	2,557	1,028	23,643	(28,014)	-
TOTAL REVENUES	464,002	548,005	535,728	23,643	(28,014)	1,543,364
RESULTS						
EBIT	33,012	(9,380)	52,481	1,348	(6,974)	70,487
Financial expenses, net						(18,785)
Income from equity investments						10
Losses from equity investments						-
Result before taxes						51,712
Income taxes						(19,081)
NET INCOME (LOSS) OF OPERATING ACTIVITIES						32,631
Net income (loss) from discontinued operations, net of tax effetcs						(1,438)
NET RESULT INCLUDED THIRD PARTY SHARE						31,193
Profit (loss) from third parties						(1,631)
GROUP NET RESULT						29,562
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	455,194	524,680	389,893	713,842	(1,012,148)	1,071,461
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	128,327	128,327
TOTAL ASSETS	455,194	524,680	389,893	713,842	(883,821)	1,199,788
LIABILITIES						
Segment liabilities	250,440	479,737	327,833	499,419	(605,129)	952,300
TOTAL LIABILITIES	250,440	479,737	327,833	499,419	(605,129)	952,300
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	41,570	32,117	25,308	443	(680)	98,758
Depreciation, amortisation and writedowns (reversal of impairment loss)	41,514	38,803	35,264	83,414	(72,635)	126,360

Please note that the Air and Cooling Business Unit figures include the net book value of the Systèmes Moteurs Group (company name is now Sogefi Air & Cooling S.A.S.), deriving from local accounts – in other words, not including the fair value adjustment of net assets after the Purchase Price Allocation of 2011 – and only the adjustments arising from the Purchase Price Allocation and relating to the change in product warranty provisions (contingent liabilities booked upon PPA); the remaining adjustments arising from the Purchase Price Allocation are posted in column “Adjustments”.
Adjustments to “Intersegment sales” mainly refer to services provided by the Parent Company Sogefi S.p.A. and by subsidiary Sogefi Gestion S.A.S. to other Group companies (see note 39 “Related party transactions” for further details on the nature of the services provided). This item also includes intersegment sales between the business units. Intersegment transactions are conducted according to the Group’s transfer pricing policy.
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.
The adjustment in the item “Depreciation, amortisation and writedowns (reversals)” includes Euro 9,428 thousand referred 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 Suspensions S.A..

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) of Systèmes Moteurs Group and of ATN Molds & Parts S.A.S..
"Depreciation, amortization and writedowns" include writedowns of tangible (Euro 2,089 thousand) and intangible fixed assets (Euro 5,393 thousand) for the most part relating to European subsidiaries.

Information on the main customers

Revenues from sales to third parties as of 31 December 2023 accounting for over 10% of Group revenues are shown in the following table:

(in thousands of Euro)	2023				
Group	Group		BU Filtration	BU Air&Cool.	BU Suspensions
	Amount	*%*			
Stellantis	315,652	19.4	121,488	89,086	105,078
Ford	182,823	11.2	70,475	89,467	22,881
GM	164,550	10.1	-	151,088	13,462

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

(in thousands of Euro)	2022				
Group	Group		BU Filtration	BU Air&Cool.	BU Suspensions
	Amount	*%*			
Stellantis	309,266	20.0	125,521	85,839	97,906
Ford	177,300	11.5	64,104	86,882	26,314

Information on geographic areas

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

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

(in thousands of Euro)	2023					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolida-ted f/s
TOTAL ASSETS	1,636,735	50,856	171,538	174,821	(888,661)	1,145,289

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

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 78,185 thousand versus Euro 118,488 thousand as at 31 December 2022 and break down as follows:

(in thousands of Euro)	12.31.2023	12.31.2022
Short-term cash investments	78,185	118,488
Cash on hand	-	-
TOTAL	78,185	118,488

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

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

As of 31 December 2023, the Group has unused lines of credit for the amount of Euro 247,257 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

As at 31 December 2023, the increase of cash and cash equivalents was equal to Euro 132 thousand.

6. OTHER FINANCIAL ASSETS

“Other financial assets” can be broken down as follows:

(in thousands of Euro)	12.31.2023	12.31.2022
Securities held for trading	-	216
Other current financial assets valued at amortized cost	1,161	-
Financial receivables	3,966	3,127
Assets for derivative financial instruments	9	2,761
TOTAL	5,136	6,104

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.
The item “Other current financial assets valued at amortized cost” amounts to Euro 1,661 thousand and refers to investments made by the Argentine subsidiary Sogefi Suspension Argentina S.A. in dollar-linked bond instruments with the aim of mitigating the effects of the devaluation of the local currency.
“Assets for derivative financial instruments” amount to Euro 9 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 38 “Financial instruments and financial risk management”.

7. INVENTORIES

The breakdown of inventories is as follows:

	12.31.2023			12.31.2022		
(in thousands of Euro)	*Gross*	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	76,991	4,793	72,198	78,537	6,035	72,502
Work in progress and semi-finished products	19,896	936	18,960	19,901	924	18,977
Finished goods and goods for resale	52,500	5,427	47,073	43,918	5,672	38,246
TOTAL	149,387	11,156	138,231	142,356	12,631	129,725

The gross value of inventories amounted to Euro 149,387 thousand and increased by Euro 7,031 thousand compared to the previous year, mainly in Europe and North America; at constant exchange rates, the increase would amount to Euro 10,872 thousand.

Writedowns consist for the most part of accruals for raw materials that can no longer be used for current production and for obsolete or slow-moving finished goods, goods for resale and ancillary materials. The decrease in the provisions by Euro 1,475 thousand reflects the negative exchange rate effect for Euro 179 thousand, and products scrapped during the year (Euro 1,763 thousand) partly offset by Euro 467 thousand of new provisions.

8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	12.31.2023	12.31.2022
Trade receivables	166,900	161,223
Of which:		
due to Parent Company	3,623	1,178
due to trade receivables	*167,426*	*164,734*
allowance for bad debts	*(4,149)*	*(4,689)*
Trade receivables, net	163,277	160,045
Tax receivables	28,101	29,038
Other receivables	13,408	11,332
Other assets	3,357	3,107
TOTAL	211,766	204,700

“Trade receivables, net” are non-interest bearing and have an average due date of 42 days, against 35 days recorded at the end of the previous year.

It should be noted that as at 31 December 2023, the Group factored trade receivables for Euro 91,165 thousand (Euro 101,667 thousand as at 31 December 2022), including an amount of Euro 66,519 thousand (Euro 71,553 thousand as at 31 December 2022)

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 91,165 thousand as at 31 December 2023 and Euro 101,667 thousand as at 31 December 2022) and the negative effect of exchange rates (Euro 6,954 thousand), net trade receivables show a decrease of Euro 317 thousand mainly as a result of the lower revenues in the fourth quarter of 2023 with respect to the corresponding period of the previous year.

Further adjustments were booked to “Allowance for doubtful accounts” during the year for a total of Euro 644 thousand, against net utilisations of the allowance for the amount of Euro 1,176 thousand (see note 38 “Financial instruments and financial risk management” for details). Writedowns, net of provisions not used during the period, were charged to Income Statement under the item “Variable cost of sales – Variable sales and distribution costs”.
Please note that the Allowance for doubtful accounts as at 31 December 2023 includes Euro 682 thousand reflecting losses on receivables recognised upon adoption of IFRS 9 (Euro 1,445 thousand at 31 December 2022).

“Due from Parent Company” as at 31 December 2023 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 2022 (totalling Euro 1,178 thousand) collected in 2023 amounted to Euro 434 thousand.
See chapter F “Related party transactions” for the terms and conditions governing these receivables from CIR S.p.A.

“Tax assets” as at 31 December 2023 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)	12.31.2023	12.31.2022
Amounts due from social security institutions	117	80
Amounts due from employees	124	144
Advances to suppliers	4,286	4,370
Due from others	8,881	6,738
TOTAL	13,408	11,332

Receivables from others include the current portion of the consideration for the sale, in 2020 and 2021, of the subsidiaries Sogefi Filtration do Brasil Ltda and Sogefi Filtration Argentina S.A.U. equal to Euro 1,891 thousand, and other receivables and the current portion of the consideration for the sale of the Suspensions activities in Mexico for Euro 1,202 thousand.

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 2023 amounted to Euro 434,547 thousand versus Euro 449,650 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	2023							
	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, 2022								
Historical cost	10,190	940,918	33,942	45,515	215,808	34,656	121,966	1,402,995
Accumulated depreciation	444	715,328	27,689	651	153,000	97	56,136	953,345
Net value	9,746	225,590	6,253	44,864	62,808	34,559	65,830	449,650
Additions of the period	-	11,990	1,448	42,786	1,249	22,952	9,666	90,091
Disposals/reductions during the period	-	(978)	(2)	(659)	(249)	-	(3,877)	(5,765)
Exchange differences	9	(3,740)	(1,095)	(1,392)	(1,389)	(1,471)	(1,455)	(10,533)
Depreciation for the period	-	(46,065)	(1,993)	-	(27,958)	-	(11,188)	(87,204)
(Writedowns) / revaluations during the period	-	(386)	(2)	-	(158)	(1,387)	(156)	(2,089)
Variation of consolidation perimeter	-	(2,251)	11	-	(812)	-	529	(2,523)
Other changes	-	46,982	1,593	(46,646)	19,159	(18,511)	343	2,920
Balance at December 31, 2023	9,755	231,142	6,213	38,953	52,650	36,142	59,692	434,547
Historical cost	10,199	951,918	33,203	39,604	215,715	36,499	115,762	1,402,900
Accumulated depreciation	444	720,776	26,990	651	163,065	357	56,070	968,353
Net value	9,755	231,142	6,213	38,953	52,650	36,142	59,692	434,547

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

Investments during the year amounted to Euro 90,091 thousand compared to Euro 91,453 thousand in the previous year; of which Euro 24,201 thousand related to tooling, Euro 9,666 thousand related to rights of use, and Euro 56,224 thousand related to other investments. Other investments include Euro 6,523 thousand for the new plant in

Romania, Euro 14,497 thousand for the development of new products, including products for electric vehicles, Euro 7,500 thousand for the improvement of production efficiency, and Euro 27,704 thousand for miscellaneous investments, including investments to increase production capacity, replace machinery, and investments in health and safety.

Divestments/reductions for the year amount to Euro 5,765 thousand, compared to Euro 6,923 thousand for the previous year, and refer mainly to the category “Rights of use” for the early termination of office rental contracts of the subsidiaries Sogefi Filtration S.A., Sogefi Suspension S.A. and Sogefi Gestion S.A.S. and to contributions received from the subsidiaries Sogefi Filtration S.A., Sogefi Suspensions S.A. and Sogefi Air & Cooling Canada Corp. for investments made.

Depreciation and amortisation for the period amounted to Euro 87,204 thousand: of these, Euro 85,996 thousand are recorded in the specific item of the Income Statement “Depreciation and amortization” and Euro 1,208 thousand in the item “Profit (loss) from discontinued operations, net of tax effects” (Please refer to Note 35 for further details).

Line item “(Writedowns)/revaluations during the period” totalled Euro 2,089 thousand and mainly relates to the subsidiary Sogefi Engine Systems Mexico S. de R.L. de C.V..
Impairment losses, net of reversals, were recorded among the “Other non-operating expenses (income)” in the amount of Euro 362 thousand and in the item “Profit (loss) from discontinued operations, net of tax effects" for Euro 1,727 thousand.

The item “Change in consolidation scope” refers to the acquisition of the company ATN Molds & Parts S.A.S. and the suspension business of the subsidiary Sogefi Engine Systems Mexico de R.L. de C.V. sold in October 2023.

“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 2023 includes Euro 768 thousand of advances for investments.

No interest costs were capitalised to “Tangible fixed assets” during the year 2023.

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

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

Rights of use

The net carrying amount of rights of use as of 31 December 2023 amounted to Euro 59,692 thousand versus Euro 65,830 thousand at 31 December 2022 and breaks down as follows:

(in thousands of Euro)	2023					
	Industrial Buildings	*Other buildings*	*Plant and machinary*	*Commercial and industrial equipment*	*Other assets*	*TOTAL*
Balance at December 31, 2022						
Historical cost	90,202	11,664	8,590	943	10,567	121,966
Accumulated depreciation	36,127	6,196	8,173	518	5,122	56,136
Net value	54,075	5,468	417	425	5,445	65,830
Additions of the period	2,969	4,140	1	25	2,531	9,666
Disposals/reductions during the period	(865)	(2,854)	(37)	(4)	(117)	(3,877)
Exchange differences	(1,053)	(24)	(2)	-	(376)	(1,455)
Depreciation for the period	(7,267)	(1,414)	(247)	(96)	(2,164)	(11,188)
(Writedowns)/revaluations during the period	-	(154)	-	-	(2)	(156)
Variation of consolidation perimeter	529	-	-	-	-	529
Other changes	78	(28)	-	-	293	343
Balance at December 31, 2023	48,466	5,134	132	350	5,610	59,692
Historical cost	86,974	8,911	8,245	901	10,731	115,762
Accumulated depreciation	38,508	3,777	8,113	551	5,121	56,070
Net value	48,466	5,134	132	350	5,610	59,692

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

The increases for the period amount to Euro 9,666 thousand and mainly refer to the “Other property”, “Industrial property” categories, for renewal and execution of new contracts, and “Other assets” category. The increases concerned in particular the subsidiaries Sogefi Filtration S.A., Sogefi (Suzhou) Auto Parts Co., Ltd, Sogefi Suspensions Eastern Europe S.R.L and Sogefi S.p.A..

The decreases for the period, amounting to Euro 3,877 thousand, are attributable to the early assignment of contracts. The main subsidiaries involved were Sogefi Gestion and Sogefi Suspensions S.A..

“Depreciation for the period” has been recorded in the appropriate item in the Income Statement for an amount of Euro 11,188 thousand.

10. INTANGIBLE ASSETS

The net balance as at 31 December 2023 was Euro 203,371 thousand versus Euro 218,231 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2023						
	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, 2022							
Historical cost	246,746	68,557	15,067	19,214	8,437	149,537	507,558
Accumulated amortization	188,450	51,439	5,241	11,298	4,960	27,939	289,327
Net value	58,296	17,118	9,826	7,916	3,477	121,598	218,231
Additions of the period	6,507	114	7,628	1,274	-	2,479	18,002
Disposals/reductions during the period, net	-	-	-	-	-	-	-
Exchange differences	(1,220)	(70)	(393)	-	-	-	(1,683)
Amortization for the period	(22,079)	(2,527)	(245)	(990)	(434)	-	(26,275)
(Writedowns) / revaluations during the period	(2,203)	(2,945)	(245)	-	-	-	(5,393)
Variation of consolidation perimeter	-	(150)	-	-	-	-	(150)
Other changes	9,985	354	(9,700)	-	-	-	639
Balance at December 31, 2023	49,286	11,894	6,871	8,200	3,043	124,077	203,371
Historical cost	219,195	67,758	12,332	20,488	8,438	152,016	480,227
Accumulated amortization	169,909	55,864	5,461	12,288	5,395	27,939	276,856
Net value	49,286	11,894	6,871	8,200	3,043	124,077	203,371

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

Investments during the year amounted to Euro 18,002 thousand.

Increases in “Other, assets under construction and payments on account”, for the amount of Euro 7,628 thousand, refer mainly to a large number of investments in the development and implementation of the new products not yet ready for use. The largest development costs were recorded in the European subsidiaries, Sogefi U.S.A., Inc and Sogefi Engine systems India Pvt Ltd.

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

Item “Customer relationship” amounts to Euro 8,200 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) and the value of Atn Molds and Parts S.A.S.'s customer portfolio at the acquisition date (2023). This item is amortised over a period of approximately 19 years.

Item “Trade name Systèmes Moteurs” amounts to Euro 3,043 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.

Item “Goodwill”, in the amount of Euro 124,074 thousand, includes Euro 2,479 thousand related to the goodwill arising from the acquisition of ATN Molds and Parts S.A.S..

The item “(Writedowns)/revaluations during the period”, amounting to Euro 5,393 thousand, refers for Euro 2,945 thousand to impairment losses related to capitalised costs for the group's integrated information system, due to the loss of the capacity to generate future benefits, and for Euro 2,448 thousand mainly to R&D projects that are no longer recoverable for the European and North American subsidiaries.
Impairment losses, net of reversals, were recorded among the “Other non-operating expenses (income)” in the amount of Euro 3,785 thousand and in the item “Profit (loss) from discontinued operations, net of tax effects” for Euro 1,608 thousand.

The item “Change in consolidation scope” refers to the discontinued operations of the subsidiary Sogefi Engine Systems Mexico de R.L. de C.V. sold in October 2023.

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 Euro 5,479 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 CGU Filtration amounts to Euro 77,031 thousand, the goodwill of CGU Air & Cooling amounts to Euro 35,039 thousand, and the goodwill of CGU Car Suspension amounts to Euro 12,007 thousand.
Impairment tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual CGUs with their value in use, given by the present value of estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.
The Discounted Cash Flow Unlevered method was used; the criteria used were approved by the Board of Directors on 19 January 2024. The Group took into account the expected performance as determined based on the budget for 2024 for the period under consideration and the forecasts included in the 2024-2027 strategic plan (adjusted to eliminate any estimated benefits from future projects and reorganisations on a precautionary basis) and the 2024-2027 projections (which are a derivation of the 2024-2027 strategic plan) for the CGU Filtration and the CGU Suspension Car. For the Filtering CGU the explicit period was extended beyond 2027 to take into account the technological transition to electric vehicles. (for more details please refer to the section "Critical estimates and assumptions - Impacts of climate change"). The 2024 budget, the 2024-2027 strategic plan, the extended forecast for the CGU Filtration and the 2024-2027 projections of future cash flows for the CGU Filtration and the CGU Suspension Car were approved by the Board of Directors on 15 December 2023 and 23 February 2024, respectively.
Budget and strategic plan were prepared taking into account forecasts for the automotive industry made by major sources in the industry.

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

A discount rate of 10.01%, which reflects the weighted average cost of capital, was used after taxation. The same discount rate is used for all three CGUs. As a matter of fact, the three CGUs operate in the same sector and deal with the same kind of customers, and it is estimated that they are exposed to the same risks.

The terminal value was calculated using the "perpetual annuity" approach, assuming a growth rate ("g-rate") of 2.37% (based on long-term inflation estimates for the reference countries weighted by revenues) and considering an operating cash flow based on the last year of the forecast, adjusted to project a stable situation “in perpetuity”, based on the following main assumptions:

- consider a level of investment necessary to “maintain” the business (for the purposes of balancing investment and depreciation/amortisation);
- change in working capital equal to zero.

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

The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:

- financial structure of the industry: 29.34%;
- levered beta of the industry: 1.18;
- risk-free rate: 4.82% (6 month average of risk-free rates of 10 year sovereign debt of the key markets in which the Group operates, weighted by revenues);
- risk premium: 5.70% (risk associated with AAA-rated countries calculated by an independent source);
- specific risk: 1.21% additional premium, calculated by an independent source, for the risk connected with small caps;
- debt cost spread for the industry: 1.32%

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 2.37% and all other plan assumptions being equal): 28.4% for CGU Filtration, 25.2% for CGU Air & Cooling and 12.3% for CGU 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): -55.8% for CGU Filtration, -66.7% for CGU Air & Cooling and -18.4% for CGU 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): -29.5% for CGU Air & Cooling and -0.6% for CGU Car Suspension. Regarding the Filtration CGU, since the terminal value calculated on the year 2045 has an insignificant impact on the value in use, the break even on the g-rate is not significant.

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

The test based on the present value of the estimated future cash flows turns out a value in use of the CGUs Car Suspension, Filtration and Air & Cooling that exceeds their carrying value, so no writedown has been posted.

11. OTHER FINANCIAL ASSETS

As at 31 December 2023, they amounted to Euro 6,818 thousand, compared with Euro 2,999 thousand in the previous year.

(in thousands of Euro)	12.31.2023	12.31.2022
Other financial assets available for sale	47	46
Other non-current financial assets valued at amortized cost	6,771	2,953
TOTAL	6,818	2,999

The item "Other non-current financial assets valued at amortized cost" amounted to Euro 6,771 thousand and refers to investments made by the Argentine subsidiary Sogefi Suspension Argentina S.A. in dollar-linked bond instruments to mitigate the effects of the devaluation of the local currency.

12. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

Non-current financial receivables total Euro 2,761 thousand (Euro 5,592 thousand as at 31 December 2022) and refer to the fair value of interest rate swap interest risk hedging contracts. Further details can be found in note 38 "Financial instruments and financial risk management".

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

(in thousands of Euro)	12.31.2023	12.31.2022
Surplus pension funds	6,694	6,053
Other receivables	24,771	26,440
TOTAL	31,465	32,493

As at 31 December 2023, some of the pension plans of the subsidiary Sogefi Filtration Ltd had a surplus of Euro 6,694 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 24,771 thousand (Euro 26,440 thousand as at 31 December 2022), includes tax receivables for the research and development activities of the French subsidiaries, other tax receivables, the non-current portion (equal to Euro 2,539 thousand) of the consideration for the sale of the subsidiaries Sogefi Filtration do Brasil Ltda and Sogefi Filtration Argentina S.A.U., that took place in 2020 and 2021, the non-current portion of the consideration for the sale of the Suspensions activities in Mexico for Euro 3,605 thousand, other assets and non-interest-bearing security deposits paid for the leased properties.

13. DEFERRED TAX ASSETS AND LIABILITIES

The net balance of deferred tax assets and deferred tax liabilities as at 31 December 2023 can be broken down as follows:

(in thousands of Euro)	12.31.2023	12.31.2022
Deferred tax assets	33,009	31,806
Deferred tax liabilities	(23,344)	(23,731)
TOTAL	9,665	8,075

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

(in thousands of Euro)	12.31.2023		12.31.2022	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Deferred tax assets:				
Allowance for doubtful accounts	1,818	384	1,964	424
Fixed assets amortisation/writedowns	81,031	11,471	58,367	13,204
Inventory writedowns	4,993	1,378	4,444	1,217
Provisions for restructuring	-	-	-	-
Other provisions - Other payables	16,551	4,349	24,156	6,461
Fair value derivative financial instruments	-	-	-	-
IFRS15	13,467	3,620	14,560	3,835
IFRS16	4,708	977	3,547	646
Other	15,768	4,224	6,148	1,495
Deferred tax assets for tax losses	42,715	9,789	31,775	7,771
Compensation	(12,582)	(3,183)	(13,039)	(3,247)
TOTAL	168,469	33,009	131,922	31,806
Deferred tax liabilities:				
Accelerated/excess depreciation and amortisation	77,158	15,938	72,384	16,068
Difference in inventory valuation methods	2,182	731	1,436	470
Capitalisation of R&D costs	22,215	4,889	24,646	5,504
Fair value of derivative instruments	2,747	659	5,268	1,264
Other	19,395	4,310	16,225	3,672
Compensation	(12,582)	(3,183)	(13,039)	(3,247)
TOTAL	111,115	23,344	106,920	23,731
Deferred tax assets (liabilities) net		9,665		8,075
Temporary differences excluded from the calculation of deferred tax assets (liabilities):				
Tax losses carried forward	111,595	21,913	103,492	22,121

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 the German subsidiary, which increased from 30% to 34.02%, and that applicable to the US subsidiary, which decreased from 26.11% to 23.46% for deferred taxes expected to be reversed starting in 2023.

The increase in "Deferred tax assets (liabilities), net" compared to 31 December 2022 amounts to Euro 1,590 thousand and differs by Euro -1,508 thousand from the amount shown in the Income Statement under "Income taxes – Deferred tax liabilities (assets)" (Euro 3,098 thousand) due to:
- movements in balance sheet items which had no economic effects and therefore the related negative tax effect, equal to Euro 1,909 thousand, was accounted for in Other comprehensive profits (losses): positive effect relating to the fair value of derivatives designated as cash flow hedges for Euro 605 thousand; negative effect relating to the actuarial profits/losses deriving from the application of IAS 19 for Euro 2,216 thousand; negative effect relating to the allocation of the goodwill of ATN Molds & Parts S.A.S. for Euro 298 thousand;
- a positive effect, equal to Euro 149 thousand, following the adoption of the IAS29 accounting standard;
- exchange differences for a positive amount of Euro 63 thousand;
- other positive effects for Euro 189 thousand.

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

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 2023 not yet paid).

"Deferred tax assets for tax losses incurred during previous years" amount to Euro 9,788 thousand and mainly relate to Parent Company Sogefi S.p.A. (Euro 4,050 thousand as at 31 December 2023 compared to Euro 2,922 thousand as at 31 December 2022), and to subsidiaries Sogefi Suspensions S.A. (Euro 330 thousand compared to Euro 3,980 thousand at 31 December 2022), Sogefi HD Suspensions Germany GmbH (Euro 2,343 thousand compared to Euro 388 thousand at 31 December 2022), Sogefi Engine Systems Mexico S. de R.L. de C.V. for Euro 2,285 thousand, Sogefi Filtration Italy S.p.A. (Euro 405 thousand at 31 December 2023 compared to Euro 323 thousand at December 2022) and Sogefi Suspensions Passenger Car Italy S.p.A. (Euro 366 thousand at 31 December 2023 compared to Euro 143 thousand at December 2022). These taxes were recognized because it is considered probable that future taxable income will be available against which the tax losses can be used.
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. With reference to the Parent Company Sogefi S.p.A., taxes are recognised in the income statement under "Current taxes" to the extent that the loss is actually offset against taxable income generated within the CIR Group tax filing system. Any tax losses carried forward in excess of the offset amount will be recognised as deferred tax assets as they are likely to be recovered taking into account that the Parent Company has joined the CIR Group tax filing system permanently. Any ability to recover such tax will be based on expected future taxable income according to the forecasts involving the companies participating in the CIR Group tax filing system.
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 2,574 thousand relating to the taxed portion of dividends expected to be paid to the French subsidiaries and the Parent Company Sogefi S.p.A. in the short term;
- Euro 415 thousand relating to deferred tax liabilities generated by the application of IFRS 15;
- Euro 1,321 thousand relating to other headings, mainly referred to the subsidiary Sogefi Suspension Brasil Ltda.

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

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

As at 31 December 2023, this item amounts to zero.

C 2) LIABILITIES AND EQUITY

15. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING CREDITORS

These break down as follows:

Current portion

(in thousands of Euro)	12.31.2023	12.31.2022
Bank overdrafts and short-term loans	659	1,894
Current portion of medium/long-term financial debts and other loans	63,280	69,102
Short-term financial debts for right of use	12,689	13,677
TOTAL SHORT-TERM FINANCIAL DEBTS	76,628	84,673
Other short-term liabilities for derivative financial instruments	2	17
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	76,630	84,690

Non-current portion

(in thousands of Euro)	12.31.2023	12.31.2022
Financial debts to banks	184,437	233,423
Non current portion of medium/long-term financial debts and other loans	45,196	52,349
Medium/long-term financial debts for right of use	52,715	57,543
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	282,348	343,315
Other medium/long-term liabilities for derivative financial instruments	-	-
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	282,348	343,315

Bank overdrafts and short-term loans

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

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

Details are as follows:

Balance as at 31 December 2023 (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guarantees
Sogefi S.p.A.	Banca Nazionale del Lavoro S.p.A.	Apr 2022	Apr 2027	80,000	Euribor 3m + 190 bps	-	79,868	79,868	N/A
Sogefi S.p.A.	Unicredit S.p.A. (garantito Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m + 190 bps	6,667	9,966	16,633	N/A
Sogefi S.p.A.	Intesa SanPaolo S.p.A. (garantito	Oct - 2020	Jun - 2026	20,000	Euribor 3m + 190 bps	6,667	9,966	16,633	N/A
Sogefi S.p.A.	Mediobanca S.p.A. (garantito Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m + 190 bps	6,667	9,966	16,633	N/A
Sogefi S.p.A.	ING Bank N.V. (garantito Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m + 190 bps	6,667	9,966	16,633	N/A
Sogefi S.p.A.	Banco do Brasil AG	Mar - 2020	Mar - 2025	25,000	Euribor 3m + 180 bps	-	24,962	24,962	N/A
Sogefi Suspensions Eastern Europe S.r.l.	ING Bank	Jul - 2021	Mar - 2026	20,000	Euribor 3m + 225 bps	6,154	7,692	13,846	YES
Sogefi S.p.A.	Cassa depositi e prestiti S.p.A.	Nov - 2021	Jul - 2026	10,000	Euribor 6m + 210 bps	2,857	5,684	8,541	N/A
Sogefi S.p.A.	Cassa depositi e prestiti S.p.A.	Jun - 2021	Jun - 2026	10,000	Euribor 6m + 200 bps	2,857	4,259	7,116	N/A
Sogefi S.p.A.	Prestito Obbligazionario	Nov - 2019	Nov - 2025	75,000	3 % Fixed	7,500	(*)	7,500	N/A
Sogefi Filtration S.A.	CIC S.A.	Oct - 2020	Oct - 2026	10,000	Euribor 3m + 400 bps	2,000	4,000	6,000	N/A
Sogefi Air&Cooling S.A.S	CIC S.A.	Oct - 2020	Oct - 2026	7,000	Euribor 3m + 400 bps	1,400	2,800	4,200	N/A
Sogefi Suspensions S.A.	CIC S.A.	Oct - 2020	Oct - 2026	3,000	Euribor 3m + 400 bps	600	1,200	1,800	N/A
Sogefi Air&Cooling S.A.S	LCL PGE	Oct - 2020	Oct - 2026	9,500	0,75 % Fixed	1,900	3,800	5,700	N/A
Sogefi Filtration S.A.	LCL PGE	Oct - 2020	Oct - 2026	3,500	0,75 % Fixed	700	1,400	2,100	N/A
Sogefi Suspensions S.A.	LCL PGE	Oct - 2020	Oct - 2026	2,000	0,75 % Fixed	400	800	1,200	N/A
Sogefi Air&Cooling S.A.S	BNP PGE	Oct - 2020	Oct - 2026	9,000	0,75 % Fixed	1,800	3,600	5,400	N/A
Sogefi Filtration S.A.	BNP PGE	Oct - 2020	Oct - 2026	6,500	0,75 % Fixed	1,300	2,600	3,900	N/A
Sogefi Suspensions S.A.	BNP PGE	Oct - 2020	Oct - 2026	4,000	0,75 % Fixed	800	1,600	2,400	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ICBC Bank	Mar - 2023	Mar - 2024	6,795	3 % Fixed	1,274	-	1,274	YES
Other loans/ deferrals of up front fees						5,070	308	5,378	
TOTAL						63,280	184,437	247,717	

(*) 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 2022 (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guarantees
Sogefi S.p.A.	Banca Nazionale del Lavoro S.p.A.	Apr - 2022	Apr - 2027	80,000	Euribor 3m. + 190 bps	-	79,818	79,818	N/A
Sogefi S.p.A.	Banco do Brasil AG	Mar - 2020	Mar - 2025	25,000	Euribor 3m. + 180 bps	-	24,926	24,926	N/A
Sogefi S.p.A.	Unicredit S.p.A. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m. + 190 bps	3,333	16,619	19,952	N/A
Sogefi S.p.A.	Intesa SanPaolo S.p.A. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m. + 190 bps	3,333	16,619	19,952	N/A
Sogefi S.p.A.	Mediobanca S.p.A. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m. + 190 bps	3,333	16,619	19,952	N/A
Sogefi S.p.A.	ING Bank N.V. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m. + 190 bps	3,333	16,619	19,952	N/A
Sogefi Suspensions Eastern Europe S.r.l.	ING Bank	Jul - 2021	Mar - 2026	20,000	Euribor 3m. + 225 bps	6,154	13,846	20,000	YES
Sogefi S.p.A.	Cassa depositi e prestiti S.p.A.	Nov - 2021	Jul - 2026	10,000	Euribor 6m. + 210 bps	1,429	8,530	9,959	N/A
Sogefi S.p.A.	Cassa depositi e prestiti S.p.A.	Jun - 2021	Jun - 2026	10,000	Euribor 6m. + 200 bps	2,857	7,104	9,961	N/A
Sogefi S.p.A.	Private Placement	May - 2013	May - 2023	USD 115.000	Fixed coupon 600 bps	15,385	-	15,385	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. + 300 bps	2,000	6,000	8,000	N/A
Sogefi Air&Cooling S.A.S	CIC S.A.	Oct - 2020	Oct - 2026	7,000	Euribor 3m. + 300 bps	1,400	4,200	5,600	N/A
Sogefi Suspensions S.A.	CIC S.A.	Oct - 2020	Oct - 2026	3,000	Euribor 3m. + 300 bps	600	1,800	2,400	N/A
Sogefi Air&Cooling S.A.S	LCL PGE	Oct - 2020	Oct - 2026	9,500	0.75% fixed	1,900	5,700	7,600	N/A
Sogefi Filtration S.A.	LCL PGE	Oct - 2020	Oct - 2026	3,500	0.75% fixed	700	2,100	2,800	N/A
Sogefi Suspensions S.A.	LCL PGE	Oct - 2020	Oct - 2026	2,000	0.75% fixed	400	1,200	1,600	N/A
Sogefi Air&Cooling S.A.S	BNP PGE	Oct - 2020	Oct - 2026	9,000	0.75% fixed	1,800	5,400	7,200	N/A
Sogefi Filtration S.A.	BNP PGE	Oct - 2020	Oct - 2026	6,500	0.75% fixed	1,300	3,900	5,200	N/A
Sogefi Suspensions S.A.	BNP PGE	Oct - 2020	Oct - 2026	4,000	0.75% fixed	800	2,400	3,200	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	Aug - 2022	Feb - 2023	680	4.05 % fixed	680	-	680	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ICBC Bank	Sep - 2022	Oct - 2023	6,795	3.36 % fixed	6,795	-	6,795	YES
Other loans/ deferrals of up front fees						4,070	23	4,093	
TOTAL						69,102	233,423	302,525	

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

During 2023, the Parent Company Sogefi S.p.A. carried out the following transactions:

- repayment in June and December of the current portion (Euro 2,857 thousand) of the loan from Cassa Depositi e Prestiti S.p.A., expiring in June 2026 and taken out in June 2021;

- repayment in July of the current portion (Euro 1,429 thousand) of the loan from Cassa Depositi e Prestiti S.p.A., expiring in July 2026 and taken out in November 2021;

- repayment in September and December of the current portion (Euro 13,333 thousand overall) of the loan guaranteed by SACE S.p.A. for Euro 80 million in total, expiring in June 2026 and taken out in October 2020;

- repayment in advance, in February, of a partial amount of Euro 10 million of the revolving loan from Banco do Brasil, for the amount of Euro 25 million, taken out in

March 2020, the terms of which were renegotiated during the 2021 financial year. This loan was again drawn down in the amount of Euro 10 million, as of August;
- partial use (for an amount of Euro 15 million in May) and repayment in August of the revolving loan from ING Bank N.V. expiring in May 2025 and taken out in December 2021.

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

Item "Other loans/deferrals of up-front fees" includes Euro 2,153 thousand referred to "Fair value option ATN", which reflects the fair value of the liability generated when the non-controlling shareholders of subsidiary ATN Molds & Parts S.A.S. exercised their put option. For more details, please refer to section 2. Business combinations.

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 2023, details were as follows (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total Medium/ Long term amount at December 31, 2023 (in thousands of Euro)	Real Guarantees
Sogefi S.p.A.	Private Placement	Nov - 2019	Nov - 2025	Euro 75.000	Fixed coupon 3% year	44,870	N/A
Other financial debt						326	
TOTAL						45,196	

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

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

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total Medium/ Long term amount at December 31, 2023 (in thousands of Euro)	Real Guarantees
Sogefi S.p.A.	Private Placement	Nov - 2019	Nov - 2025	Euro 75.000	Fixed coupon 3% year	52,304	N/A
Other financial debt						45	
TOTAL						52,349	

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

Moreover, with reference to the bond loan originally for Euro 75 million expiring in November 2025, as per the relative contract the Company Sogefi S.p.A. paid the third instalment in November 2023, for a sum of Euro 7.5 million.

Financial payables for rights of use

Details are as follows:

(in thousands of Euro)	12.31.2023	12.31.2022
Short-term financial debts for right of use	12,689	13,677
Medium/long-term financial debts for right of use	52,715	57,543
TOTAL	65,404	71,220

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 17.8 million), Sogefi Engine Systems Mexico S. de R.L. de C.V. (Euro 10.2 million), Sogefi (Suzhou) Auto Parts Co., Ltd (Euro 6.4 million), Filter Systems Maroc SARL (Euro 4.9 million), Sogefi Filtration S.A. (Euro 4.5 million), Sogefi Filtration Ltd (Euro 4.2 million) and Sogefi Engine Systems India Pvt Ltd (Euro 2.8 million).

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

As at 31 December 2023, this item amounts to zero. Reference should be made to chapter E for a further discussion of this matter.

16. TRADE AND OTHER PAYABLES

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

(in thousands of Euro)	12.31.2023	12.31.2022
Trade and other payables	334,037	347,564
Tax payables	10,675	4,688
TOTAL	344,712	352,252

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2023	12.31.2022
Due to suppliers	218,569	239,194
Due to the parent company	1,523	785
Due to tax authorities for indirect and other taxes	9,544	8,307
Due to social and security institutions	16,262	14,784
Due to employees	32,265	31,767
Other commercial payables to customers	42,199	39,015
Other payables	13,675	13,712
TOTAL	334,037	347,564

Amounts "Due to suppliers " are not interest-bearing and are settled on average in 62 days (58 days as at 31 December 2022).
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 20,625 thousand (by Euro 12,650 thousand at constant exchange rates); this is mainly due to business drop in the fourth quarter of 2023 compared to the same period of the previous year.

Amounts "Due to the parent company" reflect the consideration of Euro 513 thousand due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system; Euro 996 thousand represent the tax liability, net of the relevant pre-payments, of the Italian subsidiaries in connection with the CIR Group tax filing system, and Euro 14 thousand reflect outstanding Directors' remuneration charged back to the parent company CIR S.p.A..

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

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

"Tax payables" are taxes accrued in 2023.

17. OTHER CURRENT LIABILITIES

The item “Other current liabilities”, for the amount of Euro 38,272 thousand (Euro 40,095 thousand as at 31 December 2022), 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, 2023		
	Current	*Non-current*	*Total*
Pension funds	-	17,167	17,167
Employment termination indemnities	-	2,194	2,194
Provision for restructuring	3,030	70	3,100
Provision for product warranties	7,111	-	7,111
Provision for rights of use restoration	-	3,374	3,374
Provision for disputes in progress and other risks	2,242	1,039	3,281
TOTAL	12,383	23,844	36,227

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

Pension funds

The amount of Euro 10,473 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)	12.31.2023	12.31.2022
Opening balance	20,556	39,127
Cost of benefits charged to income statement	1,639	3,918
"Other Comprehensive Income"	992	(9,286)
Contributions paid	(13,282)	(12,720)
Change in the scope of consolidation	78	-
Exchange differences	405	-
TOTAL	85	(483)
of which booked to Liabilities	*17,167*	*26,609*
of which booked to Assets	*6,694*	*6,053*

The following table shows all of the obligations deriving from "Pension funds" and the present value of the plan assets for the year 2023 and the two previous years.

(in thousands of Euro)	12.31.2023	12.31.2022	12.31.2021
Present value of defined benefit obligations	147,292	143,841	231,739
Fair value of plan assets	137,092	123,662	192,612
Asset ceiling	(273)	(377)	-
Deficit	10,473	20,556	39,127

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

Changes in the "Present value of defined benefit obligations" for the year 2023 were as follows:

(in thousands of Euro)	12.31.2023	12.31.2022
Present value of defined benefit obligations at the beginning of the period	143,841	231,739
Current service cost	832	1,105
Financial expenses	6,607	4,066
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(4,956)	(129)
- Actuarial (gains)/losses arising from changes in financial assumptions	4,022	(76,248)
- Actuarial (gains)/losses arising from experience	2,177	1,610
- Actuarial (gains)/losses arising from "Other long-term benefits"- Jubilee benefit	30	(513)
Past service cost	(6)	247
Contribution paid by plan participants	-	-
Settlements/Curtailments	(604)	(1,436)
Exchange differences	2,628	(8,234)
Change in the scope of consolidation	78	-
Other movements	405	-
Benefits paid	(7,762)	(8,366)
Present value of defined benefit obligations at the end of the period	147,292	143,841

“Actuarial (gains)/losses arising from changes in financial assumptions” are mainly due to a lower 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)	12.31.2023	12.31.2022
Fair value of plan assets at the beginning of the period	123,662	192,612
Interest income	5,957	3,551
Remeasurement (gains)/losses:		
Return on plan assets	139	(65,089)
Non-management costs of plan assets	(737)	(522)
Contributions paid by the company	12,419	11,681
Contributions paid by the plan participants	-	-
Settlements/curtailments	-	(3,478)
Exchange differences	2,552	(7,757)
Benefits paid	(6,900)	(7,336)
Fair value of plan assets at the end of the period	137,092	123,662

It should also be noted that the plan of the subsidiary Allevard Springs Ltd shows, as of 31 December 2023, a surplus of Euro 273 thousand to which a cap was applied to limit this surplus to zero.

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

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

(in thousands of Euro)	12.31.2023	12.31.2022
Return on plan assets (excluding amounts included in net interests expenses on net liability (asset))	(139)	65,089
Actuarial (gains)/losses arising from changes in demographic assumptions	(4,956)	(129)
Actuarial (gains)/losses arising from changes in financial assumptions	4,022	(76,248)
Actuarial (gains)/losses arising from experience	2,177	1,610
Asset ceiling	(112)	392
Value of the net liability (asset) to be recognised in "Other Comprehensive income"	992	(9,286)

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

(in thousands of Euro)	12.31.2023	12.31.2022
Current service cost	832	1,105
Net interest cost	650	515
Past service cost	(6)	247
Actuarial (gains)/losses recognised during the year on "Other long-term benefits"- Jubilee benefit	30	(513)
Non-management costs of plan assets	737	522
Curtailments	-	3,478
Settlements	(604)	(1,436)
TOTAL	1,639	3,918

Items “Current service cost” and “Non-management costs of plan assets” are included in the various “Labour cost” lines of Income Statement items, with the exception of the amount of Euro 308 thousand included in the item “Other non – operating expenses (Income).
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)	12.31.2023			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	130,396	13,633	3,263	147,292
Fair value of plan assets	137,002	-	90	137,092
Asset ceiling	(273)	-	-	(273)
Deficit	(6,333)	13,633	3,173	10,473

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

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 the governance of the plan, the administrators, made up of independent professionals, by law must act in the interests of the fund and all the main stakeholders and are responsible for the investment policies with reference to the plan's activities.

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:

	12.31.2023	12.31.2022
Discount rate %	4.5-4.6	4.8
Annual inflation rate %	2.7-3.1	2.6-3.3
Retirement age	65	65

The diminished "Discount rate" versus the previous year reflects the downward trend in returns on AA-rated UK corporate bonds recorded in 2023.

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

Changes in the present value of the UK funds obligation for 2023 and 2022 were as follows:

(in thousands of Euro)	12.31.2023	12.31.2022
Present value of defined benefit obligations at the beginning of the period	128,508	210,926
Current service cost	-	-
Financial expenses	6,135	3,861
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(4,995)	(108)
- Actuarial (gains)/losses arising from changes in financial assumptions	3,546	(72,745)
- Actuarial (gains)/losses arising from experience	1,628	1,813
Past service cost	(210)	247
Contribution paid by plan participants	-	-
Settlements/Curtailments	-	-
Exchange differences	2,643	(8,222)
Benefits paid	(6,859)	(7,264)
Present value of defined benefit obligations at the end of the period	130,396	128,508

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

(in thousands of Euro)	12.31.2023	12.31.2022
Fair value of plan assets at the beginning of the period	123,534	192,451
Interest income	5,952	3,541
Remeasurement (gains)/losses:		
Return on plan assets (excluded amounts recognised in interest income)	141	(65,084)
Non-management costs of plan assets	(737)	(522)
Contribution paid by the company	12,419	11,644
Contribution paid by plan participants	-	-
Settlements/Curtailments	-	(3,478)
Exchange differences	2,552	(7,754)
Benefits paid	(6,859)	(7,264)
Fair value of plan assets at the end of the period	137,002	123,534

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

	12.31.2023	12.31.2022
Debt instruments	38.4%	24.1%
Equity instruments	9.0%	16.2%
Real estate investments	0.0%	0.0%
Cash	19.7%	9.4%
Derivatives	18.9%	26.9%
Other assets	14.0%	23.4%
TOTAL	100.0%	100.0%

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

Debt instruments are mostly UK and foreign corporate securities. Equity instruments are mostly foreign securities (emerging country securities constitute a minimal share).
Other assets include also the insurance policy of the subsidiary Allevard Springs Ltd, taken out in 2022.
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 690 thousand.

Average bond duration as at 31 December 2023 is approximately 14 years.

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

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

(in thousands of Euro)	12.31.2023	
	+1%	-1%
Discount rate	(12,702)	15,350
	+1 year	-1 year
Life expectancy	3,197	(3,209)

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:

	12.31.2023	12.31.2022
Discount rate %	3.15	3.2-3.5
Expected annual wage rise %	2.2-11 based on age	2.2-11 based on age
Annual inflation rate %	2.10	2.30
Retirement age	62-67	62-67

The "Discount rate" is calculated based on the returns on Eurozone AA-rated corporate bonds (average duration of 12 years).

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

(in thousands of Euro)	12.31.2023	12.31.2022
Present value of defined benefit obligations at the beginning of the period	12,463	17,204
Current service cost	717	978
Financial expenses	430	153
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	31	23
- Actuarial (gains)/losses arising from changes in financial assumptions	476	(3,045)
- Actuarial (gains)/losses arising from experience	557	(142)
- Actuarial (gains)/losses related to "Other long-term benefits" - Jubelee benefit	30	(513)
Past service cost	204	-
Settlements/Curtailments	(603)	(1,436)
Change in the scope of consolidation	78	-
Benefits paid	(750)	(759)
Present value of defined benefit obligations at the end of the period	13,633	12,463

"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)	12.31.2023	
	+1%	-1%
Discount rate	(1,319)	1,722
Rate of salary increase	1,737	(2,289)

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 2023 is entirely accounted for as a "Definite-benefit plan" and is subject to actuarial valuation.

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

Macroeconomic assumptions:
- annual discount rate (IBoxx Eurozone Corporate AA Index): 3.08%-3.26% (3.37%-3.5% as at 31 December 2022);
- annual inflation rate: 2.0% (as at 31 December 2022: 2.30%);
- annual increase in termination indemnity: 3.0% (as at 31 December 2022: 3.2%).

Demographic assumptions:
- rate of voluntary resignations: 3% - 10% of the workforce (same assumptions adopted as at 31 December 2022);
- 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 2022);
- probability of death: the RG48 mortality tables produced by the General State Accounting Body were used (same assumptions adopted as at 31 December 2022);
- probability of advanced settlement: an annual value of 2% - 3% each year was assumed (same assumptions adopted as at 31 December 2022);
- INPS' table split by age and gender was used for the probability of disability (same assumptions adopted as at 31 December 2022).

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2023	12.31.2022
Opening balance	2,335	3,008
Accruals for the period	106	55
Amounts recognised in "Other Comprehensive Income"	(47)	(302)
Contributions paid	(200)	(426)
TOTAL	2,194	2,335

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

(in thousands of Euro)	2023	2022
Current service cost	26	19
Financial charges	80	36
TOTAL	106	55

Average bond duration as at 31 December 2023 is approximately 6 years.

The sensitivity analysis of the 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)	12.31.2023	
	+0,5%	-0,5%
Discount rate	(26)	31
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)	12.31.2023	12.31.2022
Opening balance	3,560	11,957
Accruals for the period	2,126	1,142
Utilisations	(2,254)	(8,705)
Provisions not used during the period	(409)	(1,207)
Other changes	28	491
Exchange differences	49	(118)
TOTAL	3,100	3,560

The accrual of Euro 2,126 thousand mainly refers to the British subsidiary Allevard Springs Ltd. and the French subsidiary Sogefi Suspensions S.A..
Drawdowns in the period, amounting to Euro 2,254 thousand, refer to the English subsidiary Allevard Springs Ltd.
“Provisions not used during the period”, equal to Euro 409 thousand, mainly refer to the French subsidiary Sogefi Suspensions S.A. and to the English subsidiary Allevard Springs Ltd, 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 1,717 thousand; this figure is booked to the Income Statement under “Restructuring costs”.
“Other changes” essentially include reclassifications from other balance sheet items to the "Provision for restructuring".

Provision for product warranties

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2023	12.31.2022
Opening balance	3,819	3,539
Accruals for the period	4,388	2,130
Utilisations	(313)	(225)
Provisions not used during the period	(789)	(1,640)
Other changes	-	-
Exchange differences	6	15
TOTAL	7,111	3,819

The item includes provisions for risks relating to the cost of replacing products under warranty made by Group companies, for other product quality risks and any claims from customers for non-compliance of products.

The provision of Euro 4,388 thousand mainly refers to the French subsidiary Sogefi Air & Cooling S.A.S. and the Chinese subsidiary Sogefi (Suzhou) Auto Parts CO., Ltd.

The “Utilisations”, equal to Euro 313 thousand, mainly refer to the Romanian subsidiary Sogefi Suspensions Eastern Europe S.R.L. and to the French subsidiary Air & Cooling S.A.S..

The “Provisions not used during the period”, equal to Euro 789 thousand, mainly refer to the European subsidiaries and relate to the revision of the estimate of the provisions made.

Provision for restoration of rights of use

The item Provision for restoration of rights of use, for the amount of Euro 3,374 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.

Provision for disputes in progress and other risks

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2023	12.31.2022
Opening balance	3,784	5,429
Accruals for the period	612	1,634
Utilisations	(684)	(1,617)
Provisions not used during the period	(321)	(1,402)
Variation of consolidation perimeter	-	-
Other changes	-	(158)
Exchange differences	(110)	(102)
TOTAL	3,281	3,784

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 2023 mainly refers to liabilities for risks connected with the European subsidiaries.

The “Utilisations” of the period, equal to Euro 684 thousand, refer for Euro 475 thousand to the subsidiary Sogefi Filtration Italy S.p.A. for the settlement of the dispute with the Financial Administration (“fiscal peace”) through the payment of Euro 427 thousand for IRES and Euro 4 thousand for IRAP, in addition to the payment of legal expenses of Euro 44 thousand. It should be remembered that the subsidiary had an ongoing dispute with the Financial Administration for the 2004 tax year. The case, which arose in 2009, had as its object the dispute of evasion/abuse of the merger by incorporation operation by canceling the shares of the “old” Sogefi Filtration S.p.A. in Filtrauto Italia S.r.l., which had led to the disavowal of the cancellation deficit (generated by the merger) attributed partly to goodwill and partly to the revaluation of a real estate asset, in addition to the interest on the loan provided by Sogefi S.p.A. to Filtrauto S.r.l. as part of the operation.

The Company, after challenging the assessment notices, defending the full legitimacy of its actions, settled the dispute with the financial administration (“tax peace”).
The documentation relating to the finalization was then deposited with the Court of Cassation which, as a result, with a specific decree of 7 December 2023 declared the judgment extinguished due to the matter of dispute having ceased.

Please refer to note 43 “Contingent assets/liabilities” for details on liabilities not assessed as probable.

Other payables

The item “Other payables” amounts to Euro 56,449 thousand (Euro 64,363 thousand as at 31 December 2022), and mainly reflects the non-current portion of the liabilities recorded upon adoption of IFRS 15. These liabilities represent the amounts received from customers for the sale of tooling and prototypes that will be recognised in the Income Statement over the life of the product.

19. SHARE CAPITAL AND RESERVES

Share capital

The share capital of the Parent Company Sogefi S.p.A. is fully paid in and amounts to Euro 62,461 thousand as at 31 December 2023 (unchanged since 31 December 2022), split into 120,117,992 ordinary shares with a par value of Euro 0.52 each (unchanged since 31 December 2022).
No shares are encumbered by rights, liens or limitations relating to dividend distribution.

As at 31 December 2023, the Company has 1,537,156 treasury shares in its portfolio, corresponding to 1.28% of share capital.

Movements in the shares outstanding are as follows:

(Shares outstanding)	2023	2022
No. shares at start of period	120,117,992	120,117,992
No. shares issued for subscription of stock options	-	-
No. of ordinary shares as of December 31	120,117,992	120,117,992
Treasury shares	(1,537,156)	(1,945,864)
No. of shares outstanding as of December 31	118,580,836	118,172,128

Share premium reserve
It amounts to Euro 20,376 thousand compared to Euro 19,445 thousand in the previous year.
During 2023, the Parent Company Sogefi S.p.A. credited Euro 931 thousand to the Share premium reserve after the free grant of 408,708 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 931 thousand and reflect the free grant of 408,708 treasury shares as reported in the note to "Stock-based incentive plans reserve".

Translation reserve
This reserve is used to record the exchange differences arising from the translation of foreign subsidiaries' financial statements.
Changes during the period show a decrease of Euro 16,067 thousand mainly due to the depreciation of the Argentine peso.

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

Stock-based incentive plans reserve
The reserve refers to credit to equity for stock-based incentive plans, assigned to Directors, employees and co-workers, resolved after 7 November 2002, including the portion relating to the Stock Grant plan approved in 2023.
Further to Stock Grant Plan beneficiaries exercising their rights in 2023, and the corresponding free grant of 408,708 treasury shares, the amount of Euro 438 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 931 thousand) and to "Retained earnings reserve" (decreased by Euro 493 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 a decrease of Euro 2,520 thousand, which breaks down as follows:

- Increase of Euro 303 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;
- Decrease of Euro 2,823 thousand referred to IRS contracts in hedge accounting. Further details can be found in note 38 "Financial instruments and financial risk management".

Other reserves
This item amounts to Euro 12,201 thousand (unchanged compared to 31 December 2022).

Retained earnings
These totalled Euro 191,417 thousand and include amounts of profit that have not been distributed.
The increase of Euro 4,671 thousand refers to the following events:

- reclassification to the "Stock-based incentive plans reserve" for a total amount of Euro 493 thousand;
- the effect of the adoption of IAS 29 "Financial Reporting in Hyperinflationary Economies" in the Argentine subsidiaries, which amounted to Euro 5,982 thousand;

- recognition of the fair value of the liability arising from the exercise of the put option held by the minority shareholders of the subsidiary ATN Molds & Parts S.A.S. (decrease of Euro 2,034 thousand). For more details, please refer to section 2.2 Business combinations;
- other changes of Euro 1,216 thousand related to the acquisition of ATN Molds & Parts S.A.S..

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)	2023			2022		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
- Profit (loss) booked to cash flow hedging reserve	(2,520)	605	(1,915)	6,200	(1,488)	4,712
- Actuarial gain (loss)	(946)	(2,216)	(3,162)	9,588	(1,784)	7,804
- Profit (loss) booked to translation reserve	(16,110)	-	(16,110)	(5,644)	-	(5,644)
- Total Profit (loss) booked in Other Comprehensive Income	(19,576)	(1,611)	(21,187)	10,144	(3,272)	6,872

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 14,451 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	12.31.2023	12.31.2022	12.31.2023	12.31.2022	12.31.2023	12.31.2022
S.ARA Composite S.A.S.	France	4.21%	4.21%	-	(2)	18	18
ATN Molds and Parts S.A.S.	France	20.00%	0.00%	79	-	894	-
Iberica de Suspensiones S.L. (ISSA)	Spain	50.00%	50.00%	2,701	1,333	12,514	16,113
Sogefi ADM Supensions Private Limited	India	25.77%	25.77%	371	298	969	639
Sogefi Filtration Italy S.p.A.	Italy	0.12%	0.12%	2	-	30	28
Sogefi Suspensions Passenger Car Italy S.p.A.	Italy	0.12%	0.12%	1	-	13	12
Sogefi Suspensions Heavy Duty Italy S.p.A.	Italy	0.12%	0.12%	3	2	13	12
TOTAL				3,157	1,631	14,451	16,822

With reference to the above table, please note that:

- the company Iberica de Suspensiones S.L. (ISSA) – which is 50% owned – is treated as a subsidiary because the Group controls the majority of votes of the Board of Directors, which is the corporate body tasked with deciding on the entity's relevant activities;
- the subsidiary ATN Molds and Parts S.A.S., as already explained in paragraph 2.2. Business combinations, was consolidated at 80% by including the 29% share subject to deferred purchase in the Group's equity ("anticipated acquisition").

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

(in thousands of Euro)	*Iberica de Suspensiones S.L. (ISSA)*	
	12.31.2023	12.31.2022
Current Assets	25,393	27,679
Non-current Assets	17,906	19,275
Current Liabilities	15,632	12,744
Non-current Liabilities	2,639	1,984
Shareholders' equity attributable to the Holding Company	12,514	16,113
Non-controlling interests	12,514	16,113
	-	-
Sales Revenue	73,260	64,939
Variable cost of sales	49,822	46,216
Other variable costs of sales	3,648	3,209
Fixed expenses	12,519	12,258
Non-operating expenses (income)	(101)	(237)
Income taxes	1,971	828
Income (loss) for the period	5,402	2,665
Income (loss) attributable to the Holding Company	2,701	1,333
Income (loss) attributable to non-controlling interests	2,701	1,333
Income (loss) for the period	5,402	2,665
OCI attributable to the Holding Company	-	-
OCI attributable to non-controlling interests	-	-
OCI for the period	-	-
Total income (losses) attributable to the Holding Company	2,701	1,333
Total income (losses) attributable to non-controlling interests	2,701	1,333
Total income (losses) for the period	5,402	2,665
	-	-
Dividends paid to non-controlling interests	6,302	2,067
Net cash inflow (out flow) from operating activities	12,485	5,367
Net cash inflow (out flow) from investing activities	(2,472)	(2,584)
Net cash inflow (out flow) from financing activities	(12,898)	(4,421)
	-	-
Net cash inflow (out flow)	(2,885)	(1,638)

20. ANALYSIS OF THE NET FINANCIAL POSITION

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

(in thousands of Euro)	12.31.2023	12.31.2022
A. Cash	78,185	118,488
B. Cash equivalent	-	-
C. Other current financial assets	5,136	6,104
D. Liquidity (A) + (B) + (C)	**83,321**	**124,592**
E. Current Financial Debt (including debt instruments, but excluding current portion of non-current financial debt)	1,934	2,591
F. Current portion of non-current financial debt	72,543	82,099
G. Current financial indebtedness (E) + (F)	**74,477**	**84,690**
H. Net current financial indebtedness (G) - (D)	**(8,844)**	**(39,902)**
I. Non-current financial debt (excluding the current portion and debt instruments)	234,717	285,419
J. Debt instruments	47,023	52,304
K. Non-current trade and other payables	-	-
L. Non-current financial indebtedness (I) + (J) + (K)	**281,740**	**337,723**
M. Net indebtedness (H) + (L)	**272,896**	**297,821**
Other non current financial assets	6,771	2,953
Net indebtedness (as per the "Net financial position" included in the Report on operations)	**266,125**	**294,868**

It should be noted that item “F. Current portion of non-current financial debt” includes short-term liabilities related to lease agreements for Euro 12,689 thousand (Euro 13,677 thousand as at 31 December 2022) and item “I. Non-current financial debt (excluding the current portion and debt instruments)” includes long-term liabilities for Euro 52,715 thousand (Euro 57,543 thousand as at 31 December 2022).

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

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

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

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

As at 31 December 2023, the Company was in compliance with these covenants.

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

21. SALES REVENUES

Revenues from sales and services

Revenues for 2023 amounted to Euro 1,627.9 million, up 5.5% at current exchange rates or 9.1% at constant exchange rates, compared to 2022.

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

(in thousands of Euro)	2023		2022	
	Amount	*%*	*Amount*	*%*
Suspensions	574,511	35.3	548,005	35.5
Filtration	573,631	35.2	535,728	34.7
Air&Cooling	487,252	29.9	464,002	30.1
Intercompany eliminations	(7,514)	(0.4)	(4,371)	(0.3)
TOTAL	1,627,880	100.0	1,543,364	100.0

Suspension reported an increase in revenue of 4.8% (+9.5% at constant exchange rates), with interesting growth rates particularly in India and Europe.

Filtration reported revenue growth of 7.1% (+9.3% at constant exchange rates), with significant increase in the Aftermarket channel (+10.5%), and India.

Air & Cooling reported revenue growth of 5.0% (+8.9% at constant exchange rates), with a significant growth rate particularly in NAFTA (+12.4% at constant exchange rates).

By geographic area:

(in thousands of Euro)	2023		2022	
	Amount	*%*	*Amount*	*%*
Europe	980,056	60.2	890,853	57.7
South America	84,571	5.2	107,959	7.0
North America	351,468	21.6	331,545	21.5
India	111,927	6.9	104,518	6.8
China	107,386	6.6	115,551	7.5
Intercompany eliminations	(7,528)	(0.5)	(7,062)	(0.5)
TOTAL	1,627,880	100.0	1,543,364	100.0

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

22. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	2023	2022
Materials	883,979	867,531
Direct labour cost	111,556	106,505
Energy costs	43,442	45,633
Sub-contracted work	51,863	43,783
Ancillary materials	20,006	18,123
Variable sales and distribution costs	36,090	33,510
Royalties paid to third parties on sales	3,302	3,047
Other variable costs	(70)	1,665
TOTAL	1,150,168	1,119,797

The impact of “Variable cost of sales” on revenues stands at 70.7%, down from 72.6% in 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”.

23. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	2023	2022
Labour cost	87,936	87,291
Materials, maintenance and repairs	31,573	26,009
Rental and hire charges	1,689	2,032
Personnel services	7,503	6,983
Technical consulting	7,239	5,288
Sub-contracted work	725	700
Insurance	2,646	2,516
Utilities	6,206	3,694
Capitalization of internal construction costs	(15,622)	(15,841)
Other	(844)	661
TOTAL	129,051	119,333

“Manufacturing and R&D overheads” show an increase of Euro 9,718 thousand, compared to the previous year. At constant exchange rates and excluding the inflationary impact of Argentina, the increase would be Euro 13,027 thousand.

The heading “Materials, maintenance and repairs” increased by Euro 5,564 thousand compared to the previous year and is linked to more maintenance work following the increase in volumes and to the inflationary effects of 2023.

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

“Technical consulting” increased by Euro 1,951 thousand compared to the previous year as a consequence of a more extensive use of external consultants related to research and development activities, especially by the European subsidiary Sogefi Suspensions Eastern Europe S.R.L..

The item “Personnel services” increased by Euro 520 thousand compared to the previous year and refers to higher travel expenses.

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

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

Total costs for Research and Development (not reported in the table but included mainly under the headings “Labour cost”, “Materials, maintenance and repairs” and “Technical consulting”) amount to Euro 26,564 thousand compared to Euro 26,198 thousand as of 31 December 2022.

24. DEPRECIATION AND AMORTIZATION

Details are as follows:

(in thousands of Euro)	2023	2022
Depreciation of tangible fixed assets	75,046	73,754
Depreciation of Right of Use/assets under finance leases IAS 17	10,950	12,307
Amortisation of intangible assets	26,077	29,682
TOTAL	112,073	115,743

Item “Depreciation and amortization” amounts to Euro 112,073 thousand compared to Euro 115,743 thousand in the previous year. At constant exchange rates and excluding the inflationary impact of Argentina, the item would overall decrease by Euro 577 thousand.

25. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	2023	2022
Labour cost	20,684	21,297
Sub-contracted work	4,780	4,398
Advertising, publicity and promotion	1,862	1,404
Personnel services	1,347	1,175
Rental and hire charges	880	708
Consulting	830	692
Other	1,352	1,148
TOTAL	31,735	30,822

"Distribution and sales fixed expenses" increased by Euro 913 thousand. At constant exchange rates and excluding the inflationary impact of Argentina, the item would increase by Euro 1,573 thousand.

The heading "Advertising, publicity and promotion" increased by Euro 458 thousand compared to the previous year, mainly reflecting events and promotions for the Aftermarket channel.

The item "Sub-contracted work" recorded an increase of Euro 382 thousand, in particular for the French subsidiary Sogefi Filtration S.A. in relation to costs for the external warehouse whose contract was renegotiated.

The item "Other" includes other services in support of distribution activities and recorded an increase of Euro 204 thousand, in particular for the French subsidiaries.

26. *ADMINISTRATIVE AND GENERAL EXPENSES*

These can be broken down as follows:

(in thousands of Euro)	2023	2022
Labour cost	33,002	31,754
Personnel services	3,386	2,583
Maintenance and repairs	4,031	3,610
Cleaning and security	2,009	1,868
Consulting	8,263	6,297
Utilities	2,264	2,184
Rental and hire charges	1,599	1,695
Insurance	2,428	2,209
Participation des salaries	4,442	1,717
Administrative, financial and tax-related services provided by Parent Company	437	344
Audit fees and related expenses	1,775	1,759
Directors' and statutory auditors' remuneration	1,019	969
Sub-contracted work	694	595
Capitalization of internal construction costs	(314)	(128)
Indirect taxes	4,993	5,810
Other fiscal charges	1,241	1,563
Other	6,353	6,214
TOTAL	77,622	71,043

"Administrative and general expenses" increased by Euro 6,579 thousand compared to 2022. At constant exchange rates and excluding the inflationary impact of Argentina, the item would increase by Euro 8,239 thousand.

"Labour cost", in particular, increased by Euro 1,248 thousand compared to the previous year, being affected by ongoing inflationary effects.

The increase in item "Personnel services" for the amount of Euro 803 thousand mainly reflects higher travel expenses and higher personnel services in European subsidiaries.

"Maintenance and repairs" increased by Euro 421 thousand, mainly due to higher maintenance costs incurred in IT departments.

The increase in "Consulting" by Euro 1,918 thousand mainly reflects increased IT consulting services in subsidiary Sogefi Gestion S.A.S. and higher legal, fiscal and administrative advice fees in the French subsidiaries.

The increase of item "*Participation des salaries*" of Euro 2,725 thousand is traced back to the better tax results obtained by the French subsidiaries, which are the basis for calculating this cost item.

Item "Administrative, financial, tax-related services provided by Parent Company" decreased by Euro 69 thousand due to the reduction in the services provided by the

Parent Company CIR S.p.A.. For further details, please refer to note 39 “Related party transactions”.

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

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

With reference to the item “Audit fees and related expenses”, it should be noted that the fees incurred for services provided by the auditing firm KPMG S.p.A. and other entities belonging to its network amounted to:
- Euro 195 thousand for auditing services provided to the Parent Company Sogefi S.p.A.;
- Euro 19 thousand for other services provided to the Parent Company Sogefi S.p.A.;
- Euro 1,273 thousand for audit services provided to subsidiaries;
- Euro 43 thousand for other services provided to subsidiaries.

27. PERSONNEL COSTS

Personnel

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

(in thousands of Euro)	2023	2022
Wages, salaries and contributions	250,517	243,590
Pension costs: defined benefit plans	1,286	1,646
Pension costs: defined contribution plans	1,376	1,611
Participation des salaries	4,442	1,717
Imputed cost of stock option and stock grant plans	404	286
Other costs	12	13
TOTAL	258,037	248,863

“Personnel costs” increased by Euro 9,174 thousand (+3.7%) compared to the previous period. At constant exchange rates and excluding the inflationary impact of Argentina, the item would increase by Euro 15,572 thousand.

The impact of “Personnel costs” on sales revenues has decreased to 15.9% from 16.1% as at 31 December 2022.

“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)	2023	2022
Managers	52	58
Clerical staff	1,365	1,462
Blue collar workers	3,881	3,865
TOTAL	5,298	5,385

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 2014 to 2023 of which the main details are provided blow.

Stock Grant plans

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

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

Starting with the 2020 Stock Grant Plan, an additional category of units was added:
• Performance Units type B, whose vesting is subject to the passing of the time periods and the achievement of the Economic-Financial Targets set out in the regulation.
In this regard, it should be noted that with the issuance of the 2022 Stock Grant Plan, the Type B Performance Units will also be subject to the achievement of the Non-Financial Targets, measured on the basis of the comparison between the Non-Financial Results and the Non-Financial Targets set forth in the regulation.

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

On 21 December 2023, the Board of Directors executed the 2023 Stock Grant plan approved by the Shareholders' Meeting held on 21 April 2023 to assign a maximum of 1,250,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 980,000 Units (277,500 of which were Time-based Units, 351,250 Performance Units type A and 351,250 Performance Units type B).
The Time-Based Units will vest in twelve instalments, each equal to 8.33% of the total number of Time-Based Units granted, on a quarterly basis commencing on 22 December 2025, with final vesting on 22 September 2028.
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 22 December 2025, at the following vesting dates and under the following conditions:
1) the first portion, with effect from 22 December 2025, depending on the achievement of the Economic-Financial Targets and Non-Financial Targets for the financial year 2024, in accordance with the Regulation;
2) the second portion, with effect from 22 December 2026, depending on the achievement of the Economic-Financial Targets and Non-Financial Targets for the financial year 2025, in accordance with the Regulation;
3) the third portion, with effect from 22 December 2027, depending on the achievement of the Economic-Financial Targets and Non-Financial Targets for the financial year 2026, in accordance with the Regulation.

The fair value of the units granted during 2023 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 1,892 thousand.

Input data used for measuring the fair value of the 2023 stock grant plan are provided below:

- curves of EUR/SEK/CHF-riskless interest rates as at 21 December 2023;
- price of the Sogefi S.p.A. share as at 21 December 2023 (equal to Euro 2.04), and of the securities included in the benchmark basket, again as at 21 December 2023;
- standard prices of the 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 20 November 2023 and ending on 20 December 2023 for the determination of the limit for Stock Grant Performance Units type A;
- 260-day historical volatility values observed at 21 December 2023 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 21 December 2022 and ending on 21 December 2023.

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

• 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 2023, 109,543 Time-based Units and 219,196 Performance Units expired as per regulation. While 50,410 Time-based Units had been exercised.

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

On 31 December 2023, 56,397 Time-based Units and 179,805 Performance Units expired as per regulation. While 125,599 Time-based Units and 67,943 Performance Units had been exercised.

• 2016 Stock Grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 500,095 Units (217,036 of which were Time-based Units and 283,059 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 27 July 2018 and ending on 27 April 2020.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2023, 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).
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 26 July 2019 and ending on 26 April 2021.

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 2023, 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).
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 23 July 2020 and ending on 23 April 2022.
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 2023, 95,446 Time-based Units and 243,420 Performance Units expired as per regulation. While 73,245 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).

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 22 October 2021 and ending on 22 July 2023.
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 2023, 112,416 Time-based Units and 140,424 Performance Units expired as per regulation. While 98,165 Time-based Units and 111,773 Performance Units had been exercised.

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

On 31 December 2023, 87,500 Time-based Units, 183,750 Performance Units type A and no. 199,063 Performance Units type B expired as per regulation. While 66,875 Time-based Units, 43,435 Performance Units type A and no. 43,438 Performance Units type B had been exercised.

• 2021 Stock Grant plan to assign a maximum of 1,000,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 897,500 Units (292,084 of which were Time-based Units and 302,708 Performance Units type A and 302,708 Performance Units type B).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 8.33% of their respective total, starting on 30 April 2023 and ending on 31 January 2026.
Performance Units type A will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
Performance Units type B will vest in three annual tranches, each equal to up to one third (1/3) of the total number of Performance Units type B granted, from 31 July 2023 to 31 July 2025, depending on the achievement of the Economic-Financial Targets set out in the regulation.
On 31 December 2023, 97,779 Time-based Units, 94,236 Performance Units type A and no. 129,409 Performance Units type B expired as per regulation. While 42,328 Time-based Units, 47,590 Performance Units type A and no. 31,772 Performance Units type B had been exercised.

• 2022 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 995,000 Units (294,166 of which were Time-based Units and 350,417 Performance Units type A and 350,417 Performance Units type B).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 8.33% of their respective total, starting on 30 April 2024 and ending on 31 January 2027.
Performance Units type A will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
Performance Units type B will vest in three tranches, each equal to up to one third (1/3) of the total number of Performance Units type B granted, from 31 July 2024 to 31 July 2026, depending on the achievement of the Economic-Financial Targets set out in the regulation.
On 31 December 2023, 35,000 Time-based Units and 40,000 Performance Units type A and 40,000 Performance Units type B expired as per regulation.

It should be noted that the 2013 Stock Grant Plan ended in April 2023 as per regulation.

The imputed cost for 2023 for existing Stock Grant plans is Euro 404 thousand, and is booked to the Income Statement under “Other non-operating expenses (income)”.

	2023	2022
Not exercised/not exercisable at the start of the period	2,200,191	1,578,599
Granted during the period	980,000	995,000
Cancelled during the period	(268,427)	(305,259)
Exercised during the period	(407,976)	(68,149)
Not exercised/not exercisable at the end of the period	2,503,788	2,200,191
Exercisable at the end of the period	54,712	26,832

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

28. RESTRUCTURING COSTS

Restructuring costs amounted to Euro 7,532 thousand (compared to Euro 8,094 thousand in the previous year) and mainly refer to personnel rationalisation measures in the Suspension business unit.
The item “Restructuring costs” mainly includes personnel costs and is comprised of costs incurred and paid during the year in the amount of Euro 5,815 thousand and for Euro 1,717 thousand from provisions to the restructuring fund net of missed uses.

29. LOSSES (GAINS) ON DISPOSAL

Gains on disposal as at 31 December 2023 amounted to Euro 72 thousand (gains amounted to Euro 588 thousand as at 31 December 2022).

30. EXCHANGE (GAINS) LOSSES

Net exchange losses as at 31 December 2023 amount to Euro 5,154 thousand (net exchange losses of Euro 1,115 thousand as at 31 December 2022).

31. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 9,446 thousand compared to Euro 7,518 thousand the previous year. The following table shows the main elements:

(in thousands of Euro)	2023	2022
Write-downs of tangible and intangible fixed assets	4,147	8,908
Product warranty costs	4,359	780
Cost of stock option and stock grant plans	404	286
Litigations	(186)	(1,353)
Actuarial losses (gains)	30	(513)
Insurance refunds	(1,434)	-
Indirect Tax recovery	(154)	(197)
Past service cost and other items related to pension funds	(302)	2,289
Other ordinary (income) expenses	2,582	(2,682)
TOTAL	9,446	7,518

“Writedowns of tangible and intangible fixed assets” amount to Euro 4,147 thousand and include writedowns of tangible (Euro 362 thousand) and intangible fixed assets (Euro 3,785 thousand) for the most part relating to European subsidiaries and American subsidiaries.

The item “Litigations” mainly refers to risks connected with existing or probable disputes mainly relating to the European subsidiaries.

32. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	2023	2022
Interests on bonds	2,182	3,343
Interest on amounts due to banks	13,162	6,423
Financial charges under lease contracts	3,092	3,238
Financial component of pension funds and termination indemnities	730	551
Financial expenses from Cross currency swap no more in cash flow hedge	303	815
Financial component IAS 29	1,955	2,313
Other interest and commissions	9,354	6,319
TOTAL FINANCIAL EXPENSES	30,778	23,002

Financial income is detailed as follows:

(in thousands of Euro)	2023	2022
Gain on Cross currency swap no more in cash flowhedge	(2,667)	(154)
Net gain on fair value Cross currency swap no more in cash flow hedge	(40)	(200)
Interest on amounts given to banks	(1,571)	(3,199)
Other interest and commissions	(6,391)	(664)
TOTAL FINANCIAL INCOME	(10,669)	(4,217)
TOTAL FINANCIAL EXPENSES (INCOME), NET	20,109	18,785

Net financial expenses amount to Euro 20,109 thousand, up by Euro 1,324 thousand compared to their amount as at 31 December 2022.

Item “Financial expenses from cross-currency swap no more in cash flow hedge” is comprised of:

- a financial expense of Euro 303 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.

It should be noted that the item “Other interest and commissions - financial income” includes Euro 390 thousand of interest income related to a recovery of indirect taxes, paid in previous years by the Brazilian subsidiary, following a change in regulations (interest income of Euro 281 thousand as of 31 December 2022) and Euro 5,994 thousand related to dollar-linked bond instruments measured at amortised cost in the Argentine subsidiary (Euro 383 thousand as of 31 December 2022).

33. LOSSES (GAINS) FROM EQUITY INVESTMENTS

As at 31 December 2023, this item amounts to zero.

34. INCOME TAXES

(in thousands of Euro)	2023	2022
Current taxes	20,129	18,787
Deferred tax liabilities (assets)	(3,098)	(34)
Gain (loss) from partecipation to fiscal consolidation	450	328
TOTAL	17,481	19,081

The year 2023 recorded a tax rate of 20.6% compared to a tax rate of 36.9% 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 2023 and 2022 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)	2023		2022	
		Tax rate %		Tax rate %
Result before taxes	85,062	24.0%	51,712	24.0%
Theoretical income taxes	20,415		12,411	
Effect of increases (decreases) with respect to the standard rate:				
Statutory amortisation of goodwill	(272)	-0.3%	(106)	-0.2%
Non-deductible costs, net	177	0.2%	1,515	2.9%
Use of deferred tax assets not recognised in previous years	(3,348)	-3.9%	(2,675)	-5.2%
Deferred tax assets on losses for the year not recognised in the financial statements	4,560	5.4%	3,917	7.6%
Taxed portion of dividends	711	0.8%	639	1.2%
Other permanent differences and tax rate differentials	(4,762)	-5.6%	3,380	6.5%
Income taxes in the consolidated income statement	17,481	20.6%	19,081	36.9%

"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 450 thousand for the net charge from the transfer of tax surpluses to the CIR Group and, for the remainder, mainly Euro 2,297 thousand relating to pension relief from the English subsidiary Sogefi Filtration Ltd, Euro 1,894 thousand relating to income for an appeal with the tax authorities who ruled in favour of the parent company Sogefi S.p.A., taxes on dividends distributed and the effect of the difference between the rates applicable in individual countries and the ordinary Italian tax rate.

The Pillar 2/GloBE rules came into force in Italy as of 1 January 2024 by means of Italian Legislative Decree no. 209/2023 implementing Directive No. 2523/2022/EU and are applicable to Sogefi S.p.A., providing that the entities that are part of the group (wherever they are located) are subject to an effective income tax rate of at least 15%, to be determined on the basis of a detailed calculation based on the accounting and tax data of such entities. Where the level of taxation is lower than the minimum level, this results in the application of a minimum tax (so-called “Top-Up Tax”) up to that value of 15%.
As required by the IAS 12 accounting standard (in particular, the “Amendments to IAS 12 Income Taxes-International Tax Reform-Pillar Two Model Rules”), the Sogefi group has carried out an analysis, with the support of an external consultant, in order to identify the scope of application and the potential impact of this new legislation on the jurisdictions of its consolidation scope, also making use of the so-called transitional safe harbours applicable in the three-year period 2024-2026 (the so-called transition period) as provided for by the OECD guidelines. These rules provide that no supplementary tax is due if one of the following tests is passed (to be performed with respect to each jurisdiction):

- *De minimis test*: positive if the revenues in the jurisdiction are less than Euro 10 million and the aggregate pre-tax profit is less than Euro 1 million;
- Simplified effective tax rate test: positive if the effective tax rate level is at least 15% (for 2024), as determined on the basis of the ratio between the aggregate values of pre-tax profit/loss (denominator) and income tax (numerator). In this regard, the numerator figure represents the value of current and deferred income taxes (with some specific adjustments) recognised in the reporting packages of subsidiaries in a given jurisdiction;
- Routine profit test: positive if the aggregate value of the “Substance-based income exclusion” (“SBIE”) under the Pillar 2 rules is higher than the aggregate amount of the pre-tax profit/loss. As stipulated in the OECD Guidelines, in the event that a pre-tax loss is present for a jurisdiction, the test result is considered to be positive.

Where none of the tests are passed for a specific jurisdiction, the group is required to calculate the effective tax rate on the basis of the full set of Pillar 2 rules, i.e. by making specific “adjustments” to the accounting and tax data of the entities located in that jurisdiction, including for the purpose of determining the minimum tax liability, if the effective tax rate is less than 15%.
Based on current data - for Sogefi S.p.A. and its subsidiaries - Fratelli De Benedetti S.p.A. assumes the role of “Ultimate Parent Entity” and Sogefi S.p.A. assumes the role of “Partially-Owned Parent Entity” (“POPE”).
In addition, for the purposes of Pillar 2 regulations, Sogefi S.p.A. has the status of “Minority-Owned Constituent Entity” (“MOCE”) and, in relation to its subsidiaries, of “Minority-Owned Parent Entity” (“MOCE”).

In accordance with the OECD guidelines, the transitional safe harbours tests have been prepared using - from a forward-looking perspective - the information available in the “Country-by-Country Report” of the Ultimate Parent Entity for the year 2023 available to date (section relating to the Sogefi group) with an approach that considers the “aggregated” data of the entities that are part of the group in a single jurisdiction where the group operates (“jurisdictional approach”). Based on this activity, transitional safe harbours were positively found for the following jurisdictions: Netherlands, Sweden, France, Spain, India, Canada, USA, Argentina, Brazil, Italy, Germany, Romania, UK, Mexico. The jurisdictions that did not pass any of the applicable tests during the

transitional period (based on data for the financial year 2023) and, therefore, could result in the application of the supplementary tax are Slovenia, China and Morocco.
It is specified that - from a long-term perspective adopted for the purposes of this disclosure on the expected impacts of the entry into force of the Pillar 2 rules as of 1 January 2024 - the results described above are in line with the analyses carried out for the purposes of the application of the transitional safe harbours for the financial years 2021 and 2022.
Based on the data available to date for the year 2023 (reporting packages prepared by the subsidiaries for the purpose of preparing the consolidated financial statements of the group and data of the CbCR), prospectively, considering the "adjustments" that could have an impact on the level of effective taxation in 2024, for the entities of the group located in Slovenia, China and Morocco the estimated supplementary tax would amount to a total of Euro 227 thousand (of which Euro 141 thousand relating to Slovenia, Euro 58 thousand relating to China and Euro 28 thousand relating to Morocco).
This estimated value - based on a forward-looking approach of the data available to date, as detailed above - represents the Company's best estimate to date of the expected impact of the enactment of the articulated set of Pillar 2 rules starting from the financial year 2024 and was determined by considering the amount of the pre-tax income (as derived from the CbCR for the financial year 2023), the amount from the Substance-based income exclusion and a minimum tax rate equal to the difference between 15% and the effective tax rate in the individual jurisdiction (obtained on the basis of the Simplified effective tax rate test described above). Since not all of the adjustments that would have been required by the Pillar 2 regulations when fully implemented have been included in the calculation, the actual impact that the Pillar 2 regulations could have had on the Sogefi Group's income - had they been in effect for the year 2023 - could have been different from the estimate made based on historical data available to date.
Finally, it should be noted that the Company did not recognise any effect for deferred taxation purposes resulting from the entry into force of the Pillar 2 rules as of 1 January 2024.

35. INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX EFFECTS

The item, amounting to Euro 6,658 thousand, refers to the sale of the Suspension business in Mexico, which took place in October 2023, and is classified as "Assets held for sale" as of 31 December 2023, as it represented the only asset of the Suspension Business Unit in NAFTA.

The item includes the 2023 and 2022 operating result of this business and the relevant result from the sale.

The following table shows the Result of discontinued operations at 31 December 2023 and 31 December 2022:

(in thousands of Euro)	Suspension Mexico	
	2023	2022
Sales revenues	7,677	8,733
Costs	(12,697)	(10,897)
Operating income	**(5,020)**	**(2,164)**
Financial expenses (income), net	-	-
Income taxes	312	726
Net Operating income, net of tax effects	**(4,708)**	**(1,438)**
Result of held for sale/discontinued activities	(1,950)	-
Reclassify exchange differences from shareholders' equity to profit (loss) for the year	-	-
Net income (loss) of held for sale activities	**(6,658)**	**(1,438)**
Earnings per share (EPS), without discounted operations (Euro):		
Basic	0.543	0.262
Diluito	0.543	0.262

It should be noted that the negative impact on the statement of comprehensive income is similar to the one on the Income Statement (Euro 6,658 thousand).

The following table shows the effect of the sale of the Suspension business in Mexico on the Group's financial position:

(in thousands of Euro)	10.31.2023
Buildings, plant and machinery	(5,249)
Industrial patents and intellectual property rights, concessions, licences and trademarks	(1,396)
Inventories	(2,410)
Trade and other receivables	(1,388)
Trade and other payables	2,193
Net assets and liabilities	**(8,250)**

It should be noted that the Suspensions business in Mexico was sold in October 2023, based on the accounting situation as at 31 October 2023, for a consideration of Euro 6,300 thousand (the equivalent in Euro of a consideration of USD 6,814 thousand). The consideration will be collected in four annual instalments starting from 2023.
As at 31 December 2023, the effect of the sale of the Suspension business in Mexico on the group's cash and cash equivalents was therefore Euro 1,366 thousand (corresponding value in Euro of a receipt of USD 1,478 thousand).

36. DIVIDENDS PAID

No dividends were paid to the Parent Company shareholders during the year 2023. Dividends paid to non-controlling interests amounted to Euro 6,303 thousand.
The Parent Company Sogefi S.p.A. did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

37. EARNINGS PER SHARE (EPS)

Basic EPS

	2023	2022
Net result attributable to the ordinary shareholders (in thousands of Euro)	57,766	29,562
Weighted average number of shares outstanding during the year (thousands)	118,581	118,172
Basic EPS (Euro)	*0.487*	*0.250*

Diluted EPS

The company has no categories of ordinary shares with a potentially dilutive effect. The diluted earnings are therefore equal to the basic earnings.

E) 38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The following table shows a comparison between the book value of the Group's financial instruments and their fair value.

An analysis of the table shows that the fair value is different from the book value only in the case of short-term and long-term fixed-rate financial debts. This positive difference, corresponding to Euro 361 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	
	12.31.2023	12.31.2022	12.31.2023	12.31.2022
Financial assets				
Cash and cash equivalents	78,185	118,488	78,185	118,488
Securities held for trading	-	216	-	216
Other current financial assets valued at amortization cost	1,161	-	1,161	-
Assets for derivative financial instruments	9	2,761	9	2,761
Current financial receivables	3,966	3,127	3,966	3,127
Trade receivables	166,900	161,223	166,900	161,223
Other receivables	13,408	11,332	13,408	11,332
Other assets	3,357	3,107	3,357	3,107
Other financial assets available for sale	47	46	47	46
Other non-current financial assets valued at amortization cost	6,771	2,953	6,771	2,953
Non-current trade receivables	-	-	-	-
Non-current financial receivables	2,761	5,592	2,761	5,592
Other non-current receivables	31,465	32,493	31,465	32,493
Financial liabilities				
Short-term fixed rate financial debts	18,164	37,762	17,988	37,462
Short-term financial debts for right of use	12,689	13,677	12,689	13,677
Short-term variable rate financial debt	45,775	33,234	45,775	33,234
Other short-term financial liabilities for derivatives	2	17	2	17
Trade and other payables	334,037	347,564	334,037	347,564
Other current liabilities	38,272	40,095	38,272	40,095
Other non- current liabilities	56,449	64,363	56,449	64,363
Other fixed rate medium/long-term financial debts	59,300	73,049	59,837	67,213
Medium/long-term financial debts for right of use	52,715	57,543	52,715	57,543
Medium / long-term variable rate financial debt	170,333	212,722	170,333	212,722
Other medium / long-term financial liabilities for derivatives	-	-	-	-

Financial risk management

Given that the Group operates on world markets, its activity is exposed to various kinds of financial risks, including fluctuations, up or down, of interest and exchange rates, and cash flow risks (for cash flows generated outside of the Eurozone). In order to minimise these risks, the Group uses derivatives as part of its risk management activity, whereas it does not use or hold derivatives or similar instruments purely for trading purposes.

The Group also has available a variety of financial instruments other than derivatives, such as bank loans, financial leases, rentals, sight deposits, payables and receivables deriving from normal operating activities.
The Group handles its main hedging operations centrally. Precise instructions have also been issued, laying down guidelines on risk management, while procedures have been introduced to control all transactions in derivatives.

Interest risk

The interest risk to which the Group is exposed mainly arises from long-term debts.

These debts may be fixed or floating rate.

Floating rate debts, which represent 74% 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 2023, 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 51% 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 2023, split according to whether they are contractually at a fixed or floating rate (for further details see the table shown in the analysis of "Liquidity risk"):

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
TOTAL FIXED RATE - ASSET	1,161	2,657	3,781	334	-	-	7,933
TOTAL FIXED RATE - LIABILITIES	(30,853)	(61,474)	(15,592)	(7,461)	(7,268)	(20,220)	(142,868)
TOTAL FLOATING RATE - ASSET	82,160	-	-	-	-	-	82,160
TOTAL FLOATING RATE - LIABILITIES	(45,778)	(67,518)	(62,946)	(39,868)	-	-	(216,110)

Financial instruments under "Total fixed rate – Asset" refer to "Other financial assets measured at amortised cost".
Financial instruments booked to "Total floating rate – Asset" refer to "Cash and cash equivalents" and "Other financial assets" (Securities held for trading, Held-to-maturity investments, Assets for derivative financial instruments, Current financial receivables).

Below there is a sensitivity analysis which shows the impact on the Income Statement, net of tax, and on Equity of a change in interest rates that is considered reasonably possible.

An increase or decrease in interest rates of 100 basis points, applied to floating-rate financial assets and liabilities in existence as at 31 December 2023, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2023		12.31.2022	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	(1,056)	(371)	(900)	348
- 100 basis points	1,056	377	900	(337)

The effect on Equity differs from the effect on the Income Statement by Euro +685 thousand (in the event of an increase in interest rates), and by Euro -679 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. The exchange risk on this financing was hedged through Cross Currency Swap contracts (please see paragraph “Hedging – Exchange risk hedges” for more details). It should be noted that the cross currency swap (CCS) contracts in place as at 31 December 2022 expired on 1 June 2023 at the same time as the redemption of the private placement in bonds.

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 2023 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 2023, 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)	12.31.2023		12.31.2022	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 5%	(1,887)	(1,887)	(2,453)	(2,453)
- 5%	2,125	2,125	2,756	2,756

These effects are mainly due to the following exchange rates:
-EUR/USD due to for the net financial exposure in USD of the parent company Sogefi S.p.A. and the net commercial exposure in Euro of the North American subsidiaries;
- EUR/MAD due to the net exposure for the financial debt and trade payables in Euro of the Moroccan subsidiary Filter Systems Maroc SARL;

Please note that a sensitivity analysis of the CAD/USD exchange rate showed that a 5% appreciation/depreciation of the Canadian dollar against the US dollar would cause Group's net profit and equity to increase/decrease by Euro 401 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 2023 amounted to Euro 78,185 thousand (Euro 118,488 thousand as at 31 December 2022). Cash and cash equivalents are held with banks and financial institutions with credit ratings between Aa3 and Caa3 by Moody's.

Impairment losses of cash and cash equivalents are measured at 12-month expected credit losses and reflect the maturities of short-term exposures. The Group believes its credit risk on cash and cash equivalents to be low, according to the counterparties' credit ratings by third parties.
The Group measures expected credit loss relating to cash and cash equivalents using a method similar to that adopted for debt instruments.
As at 31 December 2023, impairment losses of cash and cash equivalents were equal to Euro 6 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 2023 is represented by the book value of the financial assets shown in the financial statements (Euro 308,030 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 41 (Euro 4,782 thousand).

The exposure to credit risk is essentially linked to trade receivables which amounted to Euro 167,426 thousand as at 31 December 2023 (Euro 164,734 thousand as at 31 December 2022), written down by Euro 4,149 thousand (Euro 4,689 thousand as at 31 December 2022).
Receivables are backed by mainly bank guarantees for Euro 2,048 thousand (Euro 2,019 thousand as at 31 December 2022).
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)	12.31.2023	12.31.2022
Opening balance	4,689	4,018
Change to the scope of consolidation	40	-
Accruals for the period	644	1,981
Utilisations	(757)	(346)
Provisions not used during the period	(419)	(948)
Exchange differences	(48)	(16)
TOTAL	4,149	4,689

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)	12.31.2023		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	13,495	(44)	13,451
30-60 days	2,551	(164)	2,387
60-90 days	1,817	(33)	1,784
over 90 days	6,963	(2,998)	3,965
Total receivables past due	24,826	(3,239)	21,587
Total receivables still to fall due	142,600	(910)	141,690
TOTAL	167,426	(4,149)	163,277

(in thousands of Euro)	12.31.2022		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	12,971	(3)	12,968
30-60 days	2,678	(38)	2,640
60-90 days	1,006	(4)	1,002
over 90 days	7,175	(2,991)	4,184
Total receivables past due	23,830	(3,036)	20,794
Total receivables still to fall due	140,904	(1,653)	139,251
TOTAL	164,734	(4,689)	160,045

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 and North American subsidiaries, which makes it possible to optimise liquidity and cash flow management at a supranational level.
The following table shows an analysis of the Group's financial assets and liabilities instruments by maturity, including the amount of future interests to be paid and trade receivables and payables:

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
Fixed rate							
Other financial asstes valued at amortized cost	1,161	2,657	3,781	334	-	-	7,933
Financial debts for right of use	(12,689)	(9,627)	(8,633)	(7,400)	(6,881)	(20,174)	(65,404)
Private Placement EUR 75 million Sogefi S.p.A.	(7,500)	(44,870)	-	-	-	-	(52,370)
Sogefi Air Cooling S.A.S Loans	(3,700)	(3,700)	(3,700)	-	-	-	(11,100)
Sogefi Filtration S.A. Loans	(2,000)	(2,000)	(2,000)	-	-	-	(6,000)
Sogefi Suspension S.A. Loans	(1,200)	(1,200)	(1,200)	-	-	-	(3,600)
Sogefi (Suzhou) Auto Parts Co., Ltd loans	(1,275)	-	-	-	-	-	(1,275)
Government financing	(45)	-	-	-	-	-	(45)
Other fixed rate loans	(2,444)	(77)	(59)	(61)	(387)	(46)	(3,074)
Future interests	(1,661)	(1,275)	(22)	(2)	(1)	-	(2,961)
Future financial income on derivative instruments - interest risk hedging (*)	(31,353)	(60,092)	(11,833)	(7,129)	(7,269)	(20,220)	(137,896)
TOTAL FIXED RATE	-	-	-	-	-	-	-
Floating rate							
Cash and cash equivalents	78,185	-	-	-	-	-	78,185
Financial assets	-	-	-	-	-	-	-
Assets for derivative financial instruments	9	-	-	-	-	-	9
Current financial receivables	3,966	-	-	-	-	-	3,966
Non-current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	(659)	-	-	-	-	-	(659)
Sogefi S.p.A. loans	(32,381)	(57,289)	(57,314)	(39,868)	-	-	(186,852)
S.C. Sogefi Air & Cooling S.r.l. loan	(152)	-	-	-	-	-	(152)
Sogefi Air Cooling S.A.S loans	(1,400)	(1,400)	(1,400)	-	-	-	(4,200)
Sogefi Filtration S.A. loans	(2,000)	(2,000)	(2,000)	-	-	-	(6,000)
Sogefi Suspensions S.A. loans	(600)	(600)	(600)	-	-	-	(1,800)
Sogefi Suspensions Eastern Europe S.r.l. loans	(6,154)	(6,154)	(1,538)	-	-	-	(13,846)
Other floating rate loans	(2,430)	(75)	(94)	-	-	-	(2,599)
Future interests	(11,222)	(6,772)	(2,919)	(490)	-	-	(21,403)
Liabilities for derivative financial instruments - exchange risk hedging	(2)	-	-	-	-	-	(2)
Future financial income on derivative instruments - interest risk hedging (*)	2,315	970	160	-	-	-	3,445
TOTAL FLOATING RATE	27,475	(73,320)	(65,705)	(40,358)	-	-	(151,908)
Trade receivables	166,900	-	-	-	-	-	166,900
Trade and other payables	(334,037)	(56,449)	-	-	-	-	(390,486)
TOTAL FINANCIAL INSTRUMENT - ASSET	250,219	2,657	3,782	334	-	-	256,993
TOTAL FINANCIAL INSTRUMENT - LIABILITIES	(420,075)	(189,861)	(77,538)	(47,486)	(7,269)	(20,220)	(762,449)

* The amount is different from "Net financial assets for derivatives – hedging of interest rate" (equal to a total of Euro 2,761 thousand) because it represents the non-discounted cash flow

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 2023.

As at 31 December 2023, 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 12.31.2023
Sogefi Suspension Brasil Ltda	S	USD 250,000	11/22/23	BRL/value	4.8806	01/11/24	4.921	3
Sogefi Suspension Brasil Ltda	S	USD 250,000	11/22/23	BRL/value	4.8806	01/25/24	4.926	3
Sogefi Suspension Brasil Ltda	S	USD 300.000	12/14/23	BRL/value	4.9580	02/08/24	4.917	3
Sogefi Suspension Brasil Ltda	P	EUR 90.000	11/10/23	BRL/value	5.4015	01/18/24	5.469	(2)

*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 (Euro 66.5 million as at 31.12.2023) 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 (Euro 66.5 million as at 31.12.2023).

Description of IRS	Date opened	Contract maturity	Notional (in thousands of Euro)	Fixed rate	Fair value at 12.31.2023	Fair value at 12.31.2022
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26) (*)	12/31/2020	06/30/2026	16,633	-0.196%	690	1,398
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26) (*)	12/31/2020	06/30/2026	16,633	-0.196%	690	1,398
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26) (*)	12/31/2020	06/30/2026	16,633	-0.196%	690	1,398
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26) (*)	12/31/2020	06/30/2026	16,633	-0.196%	690	1,398
TOTAL			66,531		2,761	5,592

(*) The original amount of the loan is equal to Euro 80 million, as of 31.12.2023 the amount of the loan is equal to Euro 66.5 million

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 2023, amounting to Euro 2,831 thousand, was recognised in the amount of Euro 2,823 thousand under “Other comprehensive income” and Euro 8 thousand under financial expenses.

c) Exchange risk hedges – no longer in hedge accounting

During 2013 the Company entered into three cross currency swap (Ccs) contracts matured in June 2023, initially designated in hedge accounting, in order to hedge interest and exchange rate risks relating to the private placement originally of USD 115 million bonds and repaid completely in May 2023. Under these contracts, a fixed interest receivable of 600 basis points on subscribed notional USD amount was 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.
Based on the tests carried out on 31 December 2017, these contracts have become ineffective so that the hedging relationship was discontinued and the derivative contracts were reclassified as fair value through profit or loss instruments. The change in fair value (exclusively for the interest rate risk) compared to 31 December 2017 was recognised in the income statement, whereas the reserve 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 12.31.2023	Fair value at 12.31.2022
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	-	6.0% USD receivable 5.6775% Euro	-	1,309
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	-	6.0% USD receivable 5.74% Euro payables	-	950
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	-	6.0% USD receivable 5.78% Euro payables	-	475
TOTAL			-		-	2,734

The discontinuation' of hedge accounting, for the interest rate risk, had the following impact on the financial statements as at 31 December 2023:

- recognition to the Income Statement of a financial expense of Euro 303 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 2023, no amounts remain to be reclassified to the Income Statement in the future years.

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 2023, also taking into account a credit valuation adjustment/debit valuation adjustment. The fair value amounts of derivatives are classified as Level 2 in fair value hierarchy, based on the significance of the inputs used in fair value measurements.

Equity management

The main objectives pursued by the Group through its equity risk management are the creation of value for shareholders and the safeguarding of business continuity. The Group also sets itself the objective of maintaining an optimal equity structure so as to reduce the cost of indebtedness and meet the covenants established by the loan agreements.

The Group monitors equity on the basis of the net financial position/total equity ratio (gearing ratio). For the purposes of determination of the net financial position reference is made to note 20. Total equity is analysed in note 19.

As at 31 December 2023, gearing stands at 0.93 (1.19 as at 31 December 2022).

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 2023.
For the financial instruments measured at fair value in the statement of financial position the IFRS 13 requires a classification by hierarchy determined by reference to the source of inputs used to derive the fair value. This classification uses the following three levels:
- level 1: if the financial instrument is quoted in an active market;
- level 2: if the fair value is determined using valuation techniques and the inputs used for the valuation (other than quoted prices of financial instruments) are observable in the market. Specifically, fair value was calculated using the forward curves of exchange and interest rates;
- level 3: if the fair value is determined using valuation techniques and the inputs used for the valuation are non-observable in the market.

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as at 31 December 2023:

(in thousands of Euro)	Note	Book value 2023	Receivables and financial assets Valued at amortized cost	Financial assets available for sale	Financial liabilities	Fair Value with changes booked in the Income Statement	
						Amount	Fair value hierarchy
Current assets							
Cash and cash equivalents	*5*	78,185	78,185	-	-	-	-
Securities held for trading	*6*	-	-	-	-	-	-
Other current financial assets valued at amortization cost	*6*	1,161	1,161	-	-	-	-
Assets for derivative financial instruments	*6*	9	-	-	-	9	*2*
Current financial receivables	*6*	3,966	3,966	-	-	-	-
Trade receivables	*8*	166,900	166,900	-	-	-	-
Other receivables	*8*	13,408	13,408	-	-	-	-
Other assets	*8*	3,357	3,357	-	-	-	-
Non-current assets							
Other financial assets available for sale	*11*	47	-	47 *	-	-	-
Other non-current financial assets valued at amortised cost	*11*	6,771	6,771	-	-	-	-
Non-current assets for derivative financial instruments	*12*	2,761	-	-	-	2,761	*2*
Other non-current receivables	*12*	31,465	31,465	-	-	-	-
Current liabilities							
Short-term fixed rate financial debts	*15*	18,164	-	-	18,164	-	-
Short-term financial debts for Right of Use	*15*	12,689	-	-	12,689	-	-
Short-term variable rate financial debts	*15*	45,775	-	-	45,775	-	-
Other short-term liabilities for derivative financial instruments	*15*	2	-	-	-	2	-
Trade and other payable	*15*	334,037	-	-	334,037	-	*2*
Other current liabilities	*16*	38,272	-	-	38,272	-	-
Non-current liabilities							
Medium/long-term fixed rate financial debts	*15*	59,300	-	-	59,300	-	-
Medium/long-term financial debts for Right of Use	*15*	52,715	-	-	52,715	-	-
Medium/long-term variable rate financial debts	*15*	170,333	-	-	170,333	-	-
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 2022:

(in thousands of Euro)	Note	Book value 2022	Receivables and financial assets Valued at amortized cost	Financial assets available for sale	Financial liabilities	Fair Value with changes booked in the Income Statement	
						Amount	Fair value hierarchy
Current assets							
Cash and cash equivalents	*5*	118,488	118,488	-	-	-	-
Securities held for trading	*6*	216	-	-	-	216	*2*
Held-to-maturity investments	*6*	-	-	-	-	-	-
Assets for derivative financial instruments	*6*	2,761	-	-	-	2,761	*2*
Current financial receivables	*6*	3,127	3,127	-	-	-	-
Trade receivables	*8*	161,223	161,223	-	-	-	-
Other receivables	*8*	11,332	11,332	-	-	-	-
Other assets	*8*	3,107	3,107	-	-	-	-
Non-current assets							
Other financial assets available for sale	*11*	46	-	46 *	-	-	-
Other non-current financial assets valued at amortised cost	*11*	2,953	2,953	-	-	-	-
Non-current assets for derivative financial instruments	*12*	5,592	-	-	-	5,592	*2*
Other non-current receivables	*12*	32,493	32,493	-	-	-	-
Current liabilities							
Short-term fixed rate financial debts	*15*	37,762	-	-	37,762	-	-
Short-term financial debts for Right of Use	*15*	13,677	-	-	13,677	-	-
Short-term variable rate financial debts	*15*	33,234	-	-	33,234	-	-
Other short-term liabilities for derivative financial instruments	*15*	17	-	-	-	17	*2*
Trade and other payables	*16*	347,564	-	-	347,564	-	-
Other current liabilities	*17*	40,095	-	-	40,095	-	-
Non-current liabilities							
Medium/long-term fixed rate financial debts	*15*	73,049	-	-	73,049	-	-
Medium/long-term financial debts for Right of Use	*15*	57,543	-	-	57,543	-	-
Medium/long-term variable rate financial debts	*15*	212,722	-	-	212,722	-	-
Other medium/long-term liabilities for derivative financial instruments	*15*	-	-	-	-	-	-

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

F) 39. RELATED PARTY TRANSACTIONS

See IAS 24 and the related communications from Consob for the definition of related party transactions.

The Company's Board of Directors has established a Related Party Transactions Committee and adopted the Procedure for Related Party Transactions (the “Procedure”), which establishes the principles of conduct and the rules adopted by Sogefi S.p.A. to ensure the transparency and substantive and procedural fairness of transactions with its related parties carried out by the Company directly or through its subsidiaries.
Related parties transactions are conducted at arm’s length, taking into account the quality and type of services.

The Group is controlled by the Parent Company CIR S.p.A. (which in turn is controlled by the ultimate Parent Company Fratelli De Benedetti S.p.A.), which as at 31 December 2023 held 55.64% of the share capital (56.36% of outstanding shares, excluding treasury shares). The shares of Sogefi S.p.A. are listed on the Euronext Star Milan Market.

The Group’s consolidated financial statements include the financial statements of the consolidated companies, listed in chapter H along with the stake held in the same by the Group.
Dealings between Group companies are conducted at arm’s length, taking into account the quality and type of services rendered.
The Parent Company Sogefi S.p.A., because of its role of Holding company, provides administrative, financial and management services directly to the three French sub-holding operative companies (Sogefi Filtration S.A., Sogefi Suspensions S.A. and Sogefi Air & Cooling S.A.S.) which, in turn, beside dealing with the services provided by the Parent Company to the companies operating in the relevant business units, provide directly to the latter support services as well as operating and business services. The Parent Company also debits and credits interest at a market spread to those subsidiaries that have joined the Group's cash pooling system. The Parent Company is also charging royalties fees on the Group “SAP” information system to those subsidiaries at which implementation has been completed.

The subsidiary Sogefi Gestion S.A.S. carries out centralised functions and charges Group companies for administrative, financial, legal, industrial and IT services as well as royalties for the use of Group-wide IT applications.

As part of its activity, the Parent Company Sogefi S.p.A. makes use of the services provided by CIR S.p.A., its Parent Company, in areas such as strategic development and of an administrative and financial nature, governance and communication. This relationship is regulated by contracts at arm's-length conditions and the cost is commensurate to the effective value of such services to the Sogefi Group in terms of the resources devoted to them and the specific economic advantages obtained as a result. It should be noted that Sogefi's interest in the provision of services by the parent company is considered to be preferable to services provided by third parties because of, among other things, its extensive knowledge acquired over time in its specific business and market environment.

In 2023, the Parent Company Sogefi S.p.A. used the services of CIR S.p.A., paying Euro 165 thousand for them (Euro 175 thousand in the previous year). In addition, during the year 2023 CIR S.p.A. incurred in costs for the amount of Euro 162 thousand for the sole benefit of the Parent Company Sogefi S.p.A. These costs were charged back to Sogefi S.p.A. as at 31 December 2023.

In the previous year, the Parent Company Sogefi S.p.A. had a rental contract with the parent company CIR S.p.A. relating to the offices located in Milan, via Ciovassino 1/A; the contract, which expired on 31 December 2022, was tacitly renewed until 31 October 2023. In November 2023 Sogefi S.p.A. has stipulated with the parent company CIR S.p.A. a new rental contract for the offices located in Milan, via Ciovassino 1.

As at 31 December 2023, the Italian companies of the Sogefi Group had receivables for the amount of Euro 3,623 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 1,523 thousand. As at 31 December 2022, receivables amounted to Euro 1,178 thousand (Euro 434 thousand were collected during the course of 2023) and payables amounted to Euro 785 thousand.

At the end of 2023, the Italian subsidiaries present an income of Euro 63 thousand (Euro 57 thousand in the previous year) for the transfer to companies participating in the tax consolidation of the CIR Group of tax surpluses for the deductibility of interest; the parent company Sogefi S.p.A. presents a charge of Euro 513 thousand (Euro 385 thousand in the previous year) for the compensation recognized for the transfer of tax surpluses by companies participating in the CIR Group's consolidation.

As regards economic transactions with the Board of Directors, Statutory Auditors, Chief Executive Officer and the Manager with strategic responsibility in 2023, 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)	2023	2022
Receivables		
- for the Group tax filing from CIR S.p.A.	3,560	1,121
- for income following the transfer of fiscal surplus to the CIR Group	63	57
Payables		
- for Director's remuneration	14	14
- for costs recharged from CIR S.p.A.	-	-
- for services received from CIR S.p.A.	-	-
- for the cost of transferring tax surpluses from the CIR Group	513	385
- for the Group tax filing from CIR S.p.A.	996	386
Right of use (*)		
- for rental property	599	-
Financial debts for Right of Use (*)		
- for rental property	603	-
Costs		
- for services received from CIR S.p.A.	165	175
- for rental contract from CIR S.p.A	110	7
- for costs recharged from CIR S.p.A.	162	162
- for amortizations for rights of use (*)	18	-
-for the cost of transferring tax surpluses from the CIR Group	513	385
Revenues		
- for income following the transfer of fiscal surplus to the CIR Group	63	57
Compensation of directors and statutory auditors		
- directors	792	748
- directors charged back to the parent company	20	20
- statutory auditors	93	93
- contribution charges on compensation to directors and statutory auditors	28	28
Compensation and related contributions to the General Manager (**)	916	1,044
Compensation and related contributions to Managers with strategic responsibilities ex Consob resolution no. 17221/2010 terminated during 2022 (***)	-	187
Compensation and related contributions to Managers with strategic responsibilities ex Consob resolution no. 17221/2010 (****)	651	588

(*) The components relating to the rental contract of the headquarters in via Ciovassino 1, Milan are represented; it should be noted that as of 31 December 2023, rental payments totaling Euro 121 thousand have accrued.
(**) The item includes the imputed cost of stock grant plans of Euro 116 thousand (Euro 134 thousand in 2022) recognised in item "Other non-operating expenses (income)".
(***) During 2022 the terminated manager was also paid the sum of Euro 307 thousand as per the agreement
(****) The item includes the net imputed cost of stock grant plans of Euro 48 thousand (Euro 47 thousand in 2022) recognised in item "Other non-operating expenses (income)".

G) COMMITMENTS AND RISKS

40. INVESTMENT COMMITMENTS

At 31 December 2023, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 552 thousand (Euro 519 thousand at the end of the previous financial year).

41. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	12.31.2023	12.31.2022
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	1,039	1,591
b) Other personal guarantees in favour of third parties	3,743	3,743
TOTAL PERSONAL GUARANTEES GIVEN	4,782	5,334
REAL GUARANTEES GIVEN		
a) Against liabilities shown in the financial statements	18,348	19,202
TOTAL REAL GUARANTEES GIVEN	18,348	19,202

The guarantees given in favour of third parties mainly relate to guarantees given to certain customers by subsidiary Sogefi Suspensions Heavy Duty Italy S.p.A., and to guarantees given to tax authorities by subsidiary Sogefi Filtration Ltd; guarantees are shown at a value equal to the outstanding commitment at the end of the reporting period. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.

The “Other personal guarantees in favour of third parties” relate to the commitment of the subsidiary Sogefi HD Suspensions Germany GmbH to the employee pension fund for the two business lines at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller, who is a leading German operator.

“Real guarantees given” refer to subsidiaries Sogefi Suspensions Eastern Europe S.R.L., Sogefi (Suzhou) Auto Parts Co., Ltd and Sogefi ADM Suspensions Private Limited, which pledged tangible fixed assets and trade receivables as real guarantees to secure loans obtained from financial institutions.

42. OTHER RISKS

As at 31 December 2023, the Group had third-party goods and materials held at Group companies worth Euro 2,462 thousand.

43. CONTINGENT ASSETS/LIABILITIES

Sogefi Group is managing environmental issues in some production plants. No relevant costs are expected.

In October 2016, the Parent Company Sogefi S.p.A. received four notices of assessment relating to fiscal periods 2011 and 2012, as a result of a tax audit carried out during the first half year 2016, with two irregularities: i) undue detraction of Euro 0.6 million of VAT paid on purchases of goods and services, ii) non-deductibility from IRES tax (and relating non-deductibility for VAT of Euro 0.2 million) of the expense for services performed by parent company CIR S.p.A., for the overall taxable amount of Euro 1.3 million, not including interest and fines. The notices were challenged by the Company before the Province Tax Commission of Mantua, which on 14 July 2017 filed judgement no. 119/02/2017, ruling in favour of the Company on all claims. The Italian Tax Agency filed an appeal against parts of the judgement, requesting that only the notices of VAT assessment be sustained, and finally waiving the notices of IRES assessment (Italian Corporate Income Tax).
The Company has filed its rebuttal arguments against this partial appeal. On 19 November 2019, a hearing was held at the Lombardy Regional Tax Committee, which accepted the Authority's argument.
The judgement of the Regional Tax Committee of Lombardy, Brescia local unit, was challenged by the Company before the Cassation on 30 September 2020. The Authority, through the *Avvocatura Generale dello Stato* (office of State lawyers), filed a defence. The Company is waiting for the hearing to be held.
On 31 December 2020, the Company paid the amount ordered based on the ruling of the C.T.R. n. 1/26/2020. This amount, equal to Euro 1.3 million, is included in the item “Tax receivables”.
The Directors, also on the basis of the opinion expressed by the tax consultant, believe that the risk of losing is possible, but not probable.

Consequently, for this potential liability the Group has not set aside charges for tax risks in the financial statements as at 31 December 2023.

As regards the settlement of the dispute of the subsidiary Sogefi Filtration Italy S.p.A. with the financial administration (“fiscal peace”), please refer to the note relating to “Legal cases and other risks”.

44. ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication dated 28 July 2006, it is specified that the Group did not implement any atypical and/or unusual transactions during 2023.

45. OTHER INFORMATION

DISCLOSURE PURSUANT TO ART. 1, PARAGRAPH 125, OF ACT NO. 124 OF 4 AUGUST 2017

During 2023, the subsidiaries that have obtained public grants under the provisions referred to above disclosed the relevant information in their statutory financial statements.

DISCLOSURE PURSUANT TO ARTICLE 2427, 22-QUINQUIES AND ARTICLE 2427, 22-SEXIES

The company that prepares the consolidated financial statements of the largest group of companies the company is part of as a subsidiary, is Fratelli De Benedetti S.p.A. with registered office in Via Valeggio no. 41 - Turin, whose financial statements are filed at the registered office of Fratelli De Benedetti S.p.A..

The company that prepares the consolidated financial statements of the smallest group of companies the company is part of as a subsidiary is CIR – Compagnie Industriali Riunite S.p.A. with registered office in Via Ciovassino no. 1 - Milan, whose financial statements are filed at the registered office of CIR.

46. SUBSEQUENT EVENTS

On 23 February 2024, Sogefi, as part of a process to enhance the value of its Filtration division, entered into a put option agreement with the US investment fund Pacific Avenue, under which Carta Acquisition France S.A.S. ("Carta France") and Carta Acquisition U.S., Inc. ("Carta US"), which are companies referred to the fund, have made unilateral, unconditional and irrevocable commitments to purchase, respectively, - in the event Sogefi exercises the put option- the entire share capital of Sogefi Filtration S.A. and Sogefi USA Inc..

Under the terms of the put option agreement, Sogefi granted Carta US and Carta France a six-month exclusivity.

The exercise of the put option by Sogefi and the signing of the purchase agreement can only take place when the consultation procedure with the trade union representatives shall be completed, as required by French law.

The transaction is in any case subject to obtaining FDI (Foreign Direct Investment) clearance in Slovenia and antitrust clearance in Morocco.
It is expected that the transaction can be finalised within six months from today's date.

The **consideration** for the transaction is based on an **enterprise value price of Euro 374 million**, corresponding to an **equity value**, to be paid entirely in cash, currently estimated at about Euro 330 million, which would be determined at the closing based on agreed bridge to equity. It takes into account adjustments on Working Capital and Net Financial Position, in line with the standards for this type of transaction, considering the transfer to the purchaser of only the IFRS16 component of the Business Unit's financial payables, equal to about Euro 21 million.

Based on the estimated equity value, the transaction would result in a **capital gain** of approximately Euro 130 million, based on the book values as at 31 December 2023.

For Sogefi, the **strategic rationale** of the transaction, if completed, is clear and complex.

First and foremost, the transaction allows **value to be created**, thanks to the unprecedented results achieved by Filtration in 2023, following a programme that involved the divestment of unprofitable assets, commercial development and increased profitability, in a favourable market environment for the Aftermarket channel.

It also entails **reducing the powertrain component** in the group's business portfolio, making Sogefi less exposed to the risks associated with the transition to E-mobility.

It allows **reducing the complexity and diversification of the group**, and **focusing on two high-potential sectors**, namely Suspension, which is undergoing a turnaround, and Air & Cooling, a business that has been performing well and growing, with a view to ambitious growth.
Finally, the group will have a financial position that will allow for **more investments for the development in the EV market**, which have already been identified and are under way, as it will be able to count on at least part of the financial resources from the planned sale.

Subject to the completion of the transaction, at least 50% of the proceeds **from the sale** will be used to reduce the group's liabilities (Euro 266.1 million as at 31 December 2023; Euro 200.7 million without considering IFRS 16 liabilities); the Board of Directors will consider distribution of the remaining amount.

As at 31 December 2023, the Filtration business unit did not meet the requirements to be classified as discontinued operations because, as at that date, the conditions set forth in paragraph 32 of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations were not met. In particular, the Filtration business unit could not be classified as available for sale, since such a sale was not highly probable at the reporting date. This is because, at that date:

- The approval of any sale transaction of the Filtration business unit was subject to the approval of the Board of Directors, and no delegation of authority to sell had been approved.
- Discussions between Sogefi and the potential buyer were still ongoing, including on the relevant terms of the possible transaction.
- No binding offers had been received and/or no firm purchase commitments had been entered into for the sale of the Filtration business unit.

The put option agreement was executed on 23 February 2024. For the purposes of the financial statements as at 31 December 2023, this evidence is a non-adjusting event in accordance with IAS 10 - Events after the Reporting Period. As of this date, the conditions for posting the Filtration business unit as discontinued operations in accordance with IFRS 5 are deemed to be fulfilled.

The table below shows a provisional estimate of the effects on the consolidated income statement of the Sogefi Group as at 31 December 2023 if the Filtration business unit had met the requirements to be presented as discontinued operations.

	2023	
	Amount	*%*
Sales revenues	1,039.7	100.0
Variable cost of sales	751.3	72.3
CONTRIBUTION MARGIN	288.4	27.7
Fixed costs	166.7	16.0
Depreciation and amortization	78.0	7.5
Restructuring costs	5.7	0.5
Losses (gains) on disposal	(0.1)	(0.0)
Exchange (gains) losses	5.3	0.5
Other non-operating expenses (income)	7.2	0.7
EBIT	25.6	2.5
Financial expenses (income), net	14.8	1.4
RESULT BEFORE TAXES	10.8	1.0
Income taxes	4.4	0.4
NET INCOME (LOSS) OF OPERATING ACTIVITIES	6.4	0.6
Net income (loss) from discontinued operations, net of tax effects	54.6	5.3
NET RESULT INCLUDING THIRD PARTY	61.0	5.9
Loss (income) attributable to non-controlling interests	(3.2)	(0.3)
GROUP NET RESULT	57.8	5.6

Note: For the purposes of reconciliation with the Segment Information described in Note 4., it should be noted that the perimeter subject to reclassification to discontinued operations also includes the part of the Air & Cooling business unit relating to the subsidiary Sogefi U.S.A. Inc. (with a turnover of Euro 22.7 million and an EBIT of Euro 0.9 million, as at 31 December 2023).

It should be noted that "Profit (loss) from operations" is affected by that portion of corporate and central structure costs (amounting to about Euro 9 million), previously allocated to the Filtration business unit, which will not be transferred with the transaction but will be subject to future optimisation measures. Similarly, the item "Financial expenses (income)" does not include the positive impacts of using the proceeds from the sale to reduce liabilities.

The table below includes the effects on the consolidated statement of financial position of the Sogefi Group as at 31 December 2023, should the Filtration division have met the requirements to be presented as discontinued operations.

(in millions of Euro)

ASSETS	12.31.2023
CURRENT ASSETS	
Cash and cash equivalents	63.0
Other financial assets	5.1
Inventories	77.3
Trade receivables	96.0
Other receivables	10.2
Tax receivables	25.1
Other assets	2.9
ASSETS HELD FOR SALE	380.6
CURRENT ASSETS	660.2
NON-CURRENT ASSETS	
Land	3.7
Property, plant and equipment	267.0
Other tangible fixed assets	3.9
Rights of use	41.6
Intangible assets	111.9
Other financial assets	6.8
Financial receivables	2.8
Other receivables	19.8
Deferred tax assets	27.7
TOTAL NON-CURRENT ASSETS	485.1
TOTAL ASSETS	1,145.3

LIABILITIES	12.31.2023
CURRENT LIABILITIES	
Bank overdrafts and short-term loans	0.6
Current portion of medium/long-term financial debts and other loans	59.3
Short-term financial debts for rights of use	8.6
Other short-term liabilities for derivative financial instruments	196.0
Trade and other payables	8.7
Tax payables	28.9
Other current liabilities	10.8
Current provisions	209.0
LIABILITIES RELATED TO ASSETS HELD FOR SALE	521.8
TOTAL CURRENT LIABILITIES	-
NON-CURRENT LIABILITIES	
Financial debts to bank	176.4
Non current portion of medium/long-term financial debts and other loans	45.2
Medium/long-term financial debts for rights of use	37.0
Other medium/long-term financial liabilities for derivative financial instruments	-
Non-current provisions	15.5
Other payables	42.5
Deferred tax liabilities	19.4
TOTAL NON-CURRENT LIABILITIES	336.2
SHAREHOLDERS' EQUITY	
Share capital	62.5
Reserves and retained earnings (accumulated losses)	152.6
Group net result for the year	57.8
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY	272.9
Non-controlling interests	14.5
TOTAL SHAREHOLDERS' EQUITY	287.3
TOTAL LIABILITIES AND EQUITY	1,145.3

Note: For the purposes of a reconciliation with the Segment Information described in Note 4, it should be noted that the items “Assets held for sale” and “Liabilities directly related to assets held for sale” do not include intercompany balances between the Filtration business unit and other Sogefi group companies. The item “Assets held for sale” also includes goodwill allocated to the Filtration division in the amount of Euro 77 million.

H) GROUP COMPANIES

47. LIST OF GROUP COMPANIES AS AT 31 December 2023

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 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
ATN MOLDS & PARTS (SAS) Alsazia (France) held by Sogefi Air & Cooling S.A.S.	Euro	400,000	2,040	51	100	204,000
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 HD Suspensions Germany GmbH * Volklingen (Germany) held by Sogefi Suspensions S.A.	Euro	50,000	1	100	50,000	50,000
SOGEFI SUSPENSION ARGENTINA S.A. Buenos Aires (Argentina) 89.999% held by Sogefi Suspensions S.A. 9.9918% held by Sogefi Suspension Brasil Ltda	ARP	61,356,535	61,351,555	99.99	1	61,351,555
IBERICA DE SUSPENSIONES S.L. (ISSA) Alsasua (Spain) held by Sogefi Suspensions S.A.	Euro	10,529,668	5,264,834	50	1	5,264,834
SOGEFI SUSPENSION BRASIL Ltda São Paulo (Brazil) held by Sogefi Suspensions S.A.	BRL	37,161,683	37,161,683	100	1	37,161,683
UNITED SPRINGS Limited Rochdale (Great Britain) held by Sogefi Suspensions S.A.	GBP	4,500,000	4,500,000	100	1	4,500,000
UNITED SPRINGS B.V. Hengelo (Holland) held by Sogefi Suspensions S.A.	Euro	254,979	254,979	100	1	254,979
UNITED SPRINGS S.A.S. Guyancourt (France) held by Sogefi Suspensions S.A.	Euro	5,109,000	2,043,600	100	2.5	5,109,000
S.ARA COMPOSITE S.A.S. Guyancourt (France) held by Sogefi Suspensions S.A.	Euro	13,000,000	25,000,000	96.15	0.5	12,500,000
SOGEFI ADM SUSPENSIONS Private Limited Pune (India) held by Sogefi Suspensions S.A.	INR	432,000,000	32,066,926	74.23	10.0	320,669,260
SOGEFI 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

*On 29 September 2023, the merger of Sogefi HD Suspensions Germany Gmbh into Sogefi PC Suspensions Germany Gmbh took place. As a result of the merger, the latter no longer held 1 share in the merged company as at 31.12.2023, and the name of the merged company is Sogefi HD Suspensions Germany Gmbh. .

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT ART. 81-TER OF CONSOB RESOLUTION No. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned:
Frédéric Sipahi – Chief Executive Officer of Sogefi S.p.A.
Maria Beatrice De Minicis – Manager responsible for preparing Sogefi S.p.A.'s financial reports
hereby certify having also taken into consideration the provisions of Article 154-bis, paragraph 3 and 4, of Italian Legislative Decree n. 58 of February 24, 1998, that:

- are adequate with respect to the company structure and
- have been effectively applied the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2023 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, 2023:

– 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 23, 2024

Signed by Chief Executive Officer Frédéric Sipahi	Signed by Manager responsible for preparing financial report Maria Beatrice De Minicis

SOGEFI S.p.A.

Company subject to policy guidance and coordination on the part of Cir S.p.A.

BOARD OF 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 2023, 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 2023;
- we received from the independent auditors the Report required under art. 11 of European Regulation 537/2014 from which no significant aspects to report emerge;
- we fulfilled the tasks provided for in art. 19 of the Italian Legislative Decree No. 39/2010, as the Internal Control and Auditing Committee;
- we monitored the performance of the system used to control subsidiaries and the adequacy of the directions given to them, also under art. 114, sub-paragraph 2 of Legislative Decree no. 58/1998;
- we monitored the actual methods used to implement the corporate governance rules set out in the Corporate Governance Code issued by Borsa Italiana S.p.A., as adopted by the Company;
- we met the Supervisory Body, which confirmed the adequacy of the Organization, Management Model under Legislative Decree no. 231/2001 as amended considering the expanded scope of the regulations;
- we fulfilled the tasks provided for in art. 4, para. 6 of the Regulation approved by Consob Resolution no. 17221 of 12 March 2010, we monitored compliance with the Discipline for related-party transactions approved by the Board of Directors;
- we supervised the impairment test approval process;
- for the Consolidated statement for the disclosure of non-financial information, we received the certification referred to in paragraph 10 of article 3 of the Italian

Legislative Decree no. 254/2016;

- we have determined that the Board of Directors properly implemented the verification criteria and procedures to assess the independence of its members, based on the statements made by the Directors and the opinions issued by the Board of Directors;
- we met the board of statutory auditors of the parent company and subsidiary companies in order to mutually exchange information.

As a result of our supervisory activities, no significant facts have emerged, and we have no proposals to make for the financial statements, their approval and on matters of our competence.

* * *

Outlined below is the information specifically required by the Consob Communication of 6 April 2001 as amended.

- We collected information on significant operational, financial and equity-related operations conducted by SOGEFI S.p.A. and its subsidiaries and established their compliance with the law and the Articles of Association; the Directors provide disclosure on such transactions in the Report on Operations; we also obtained information on and assurance that the transactions resolved and carried out were not manifestly imprudent, risky, in conflict with Shareholders' Meeting resolutions or, in any case, of such a nature as to jeopardise integrity of corporate assets. Particular attention was also paid to the enhancement of the Filtration Division, a transaction that took place after the closure of this financial year, the disclosure of which is included in the events after the closure of the financial year.
- 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, corporate governance and communication services provided by the Parent Company CIR S.p.A. and joined the Group tax filing system; appropriate financial details were provided and the impact on the statement of financial position was adequately described in the documents accompanying the 2023 statutory financial statements. Sogefi S.p.A. also entered into a rental contract with the holding company CIR S.p.A. on the offices located in Milan, via Ciovassino 1/A where Sogefi has had its registered offices and administration until 31 October 2023. In November 2023, Sogefi moved its registered and administrative headquarters and entered into a new lease agreement with CIR for its offices in Milan, at Via Ciovassino 1.

- 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 2023 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 31/12/2023 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, and have been marked in all material aspects, in compliance with the provisions of Delegated Regulation (EU) 2019/815*",

C) "*the report on operations and some specific information contained in the Report* *on Corporate Governance and Ownership Structure (...) are consistent with Sogefi S.p.A. annual report and the consolidated financial statements as at 31 December 2023 and have been prepared in accordance with the law*",

D) "*the opinion*" on the statutory and consolidated financial statements expressed in the aforementioned reports "*is in line with the contents of the Additional Report prepared pursuant to art. 11*" of 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, para. 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 methods used by the Company to prepare the said Declaration. In this Report, the auditing firm stated that "*no evidence has come to our attention to suggest that the consolidated statement for the disclosure of non-financial information of the Sogefi Group for the year ended 31 December 2023 has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined by the GRI - Global Reporting Initiative ("GRI Standards").*"
- issued the annual confirmation of its independence pursuant to art. 6, para. 2), letter A) of European Regulation 537/2014, which was sent on the same date to the Board of Statutory Auditors.

- During the periodic exchanges of data and information between the Board of Auditors and the Auditing firm, pursuant also to art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, no aspects emerged that need to be pointed out in this report.
- In relation to the provisions introduced by the Italian Legislative Decree no. 135/2016 in compliance with EU Regulation 537/2014, during this year the Board of Statutory Auditors carried out a prior analysis of and authorised, when necessary, any assignment conferred by the Company and its subsidiaries to KPMG;

During 2023, the subsidiaries of SOGEFI S.p.A. entrusted the independent auditors with other services and the relevant fees were EUR 92,750 as specified below:

SPAIN Sogefi Aftermarket Spain S.L.U	€ 3,300
ITALY: Sogefi SpA	€ 50,000
SLOVENIA: Sogefi Filtration Doo	€ 4,000
MOROCCO: Filter Systems Maroc S.a.r.l.	€ 7,400
SPAIN: Sogefi Aftermarket Spain S.L.U.	€ 3,400
FRANCE: Sogefi Air & Cooling SAS - Sogefi Suspensions SA – Sogefi Filtration SS	€ 5,800 each
FRANCE: Sogefi Filtration SA	€ 4,250
FRANCE: Sogefi Suspensions SA	€ 3,000

The amounts paid for these services were found to be adequate consideration for the scope and complexity of the services rendered and are not deemed liable to affect the independence and discretion of the auditors in performing their auditing tasks.

- During the year, no complaints have been received under article 2408 of the Italian Civil Code.
- During the year under consideration, we have given advice pursuant to article 2389 of the Italian Civil Code.
- During the financial year 2023, 8 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 Italian Legislative Decree no. 58/1998. As far as we are concerned, we supervised the procedures for the concrete implementation of the corporate governance rules provided for in the above-mentioned Corporate Governance Code, as adopted by the Company. In compliance with Legislative Decree no. 231/2001, the Company

adopted, implemented and maintained up-to-date an “Organisational Model” that governs its behaviour and business conduct and set up a Supervisory Body as provided for by the regulations. The Company also adopted a Code of Ethics.

On the basis of the above, the Board of Statutory Auditors did not find any specific critical issues, omissions, reprehensible facts or irregularities during the supervisory activities carried out throughout the year and has no observations to make, not finding any reasons to prevent the approval of the financial statements and the allocation of the result for the year as proposed by the Board of Directors to the Shareholders Meeting.

Milan, 25 March 2024

For the Board of Statutory Auditors

Daniela Delfrate - Chair

KPMG S.p.A.
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(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 2023, the income statement and statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Sogefi Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of 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 audit opinion.

Key audit matters

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

Recoverability of goodwill

Notes to the consolidated financial statements: 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 2023 include goodwill of €124.1 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 19 January 2024, 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 2024 budget, the strategic plan 2024-2027, extended forecast for the Filtration CGU and the 2024-2027 projected cash flows for the Filtration CGU and the Car suspension CGU (approved by the board of directors respectively on 15 December 2023 and 23 February 2024). 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 2024 budget, the strategic plan 2024-2027, the extended forecast for the Filtration CGU and the 2024-2027 projected cash flows for the Filtration CGU and the Car suspension CGU approved by the board of directors, from which the expected operating cash flows used for impairment testing have been derived; • analysing the reasonableness of the assumptions used by the directors to prepare the 2024 budget, the strategic plan 2024-2027, the extended forecast for the Filtration CGU and the 2024-2027 projected cash flows for the Filtration CGU and the Car suspension CGU; • checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; • comparing the expected operating cash flows used for impairment testing to the cash flows forecast in the 2024 budget, the strategic plan 2024-2027, the extended forecast for the Filtration CGU and the 2024-2027 projected cash flows for the Filtration CGU and the Car suspension CGU and analysing any discrepancies for reasonableness; • checking the report of the external 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;

Key audit matter	Audit procedures addressing the key audit matter
	• checking the sensitivity analysis made by the directors in relation to the key assumptions used for impairment testing; • assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Measurement of other current and non-current provisions

Notes to the consolidated financial statements: Note 2.3 "Accounting policies", section "Provisions for risks and charges, contingent liabilities and contingent assets" 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 2023 include current and non-current provisions, which comprise the provisions for restructuring, product warranties and disputes in progress and other risks of €3.1 million, €7.1 million and €3.3 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 carve-out consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 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 at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the 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 2023 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 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of 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 consolidated non-financial statement separately.

Milan, 25 March 2024

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit