



Control Cables & Systems

ANNUAL
REPORT
2022



CONTENTS

LETTER TO THE SHAREHOLDERS	1
COMPANY INFORMATION	2
COMPANY BODIES	3
DIRECTORS' REPORT	5
THE GROUP'S BUSINESS	5
THE GROUP'S STRUCTURE	6
MAIN EVENTS AND TRANSACTIONS OF THE YEAR	8
MACROECONOMIC CONTEXT AND INDUSTRY	9
PERFORMANCE OF OPERATIONS	11
RESEARCH AND DEVELOPMENT	18
OWN SHARES OR QUOTAS OR SHARES/QUOTAS OF PARENTS	19
RISKS AND UNCERTAINTIES	19
RELATED PARTY TRANSACTIONS	20
POST-BALANCE SHEET EVENTS	21
OUTLOOK	21
CONSOLIDATED FINANCIAL STATEMENTS	22
BALANCE SHEET	23
PROFIT AND LOSS ACCOUNT	25
CASH FLOW STATEMENT	26
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	28
ANNEXES	56
FINANCIAL STATEMENTS	60
BALANCE SHEET	61
PROFIT AND LOSS ACCOUNT	63
CASH FLOW STATEMENT	64
NOTES TO THE FINANCIAL STATEMENTS	66
ANNEXES	94

LETTER TO THE SHAREHOLDERS

Dear shareholders, in a macroeconomic context dominated by the unpredictable Russian-Ukrainian conflict, rising energy prices and inflation, which grew up to 10% in industrialised countries, Cofle performed strongly, confirming its ability to address the challenges and seize market opportunities.



In 2022, consolidated turnover increased 6% on 2021, driven by the significant growth recorded the OEM division which, faced with an increased demand for new tractors and agricultural machinery, managed to satisfy its customers with increasingly innovative solutions, thanks to the ongoing investments in Research & Development activities.

Even though the direct impact of the Russian-Ukrainian war on the Group is limited, this conflict had an effect on the Group's Aftermarket division, triggering a reduction in demand in war zones and neighbouring countries. Cofle strengthened its sales structure in Italy and set up a new French branch in order to increase its market share in the next few months, specifically in the Aftermarket sector in Italy, France, Spain, Portugal, Maghreb and Benelux.

In the next few months, we expect a rise in the demand for new agricultural machinery driven by Europe's increased need for food commodity independence and new regulations on sustainability and safety: the Group is already working on an investment plan which identifies opportunities in the agricultural machinery sector and beyond. Consequently, the new financial resources obtained via the Basket Bond must be considered in terms of the Group's future growth.

Our widespread global presence, our constant willingness to innovate and the most comprehensive product portfolio on the market guarantee further growth in the future.

Walter Barbieri, CEO

COMPANY INFORMATION

REGISTERED OFFICE OF THE PARENT

Cofle S.p.A. – via del Ghezzo 54 – 20056 Trezzo sull’Adda (Milan) – Italy

Tel. +39 02 920 0201

www.cofle.it

INFORMATION ABOUT THE PARENT

Approved share capital €615,599.60 fully paid up

Tax code and Milan Monza Brianza Lodi company registration no.: 05086630158

Milan Monza Brianza Lodi REA no. 1145178

OFFICES AND PRODUCTION SITES

Trezzo sull’Adda – Via del Ghezzo 54 (Headquarters, OEM Industrial Division)

Pozzo d’Adda – Via del Lavoro 1 (After Market Division)

Istanbul - Gazi Bulvari Cad. no. 42

Istanbul - Kimyacilar OSB, Organik Cd. no. 25

Sete Lagos - Av. Prefeito Alberto Moura, 200B

Chennai - no. 39 & 40, Sidco Industrial Estate

Zhejiang - no. 9 Huajia Rd. Diankou Town

COMPANY BODIES

BOARD OF DIRECTORS ¹	CHAIRMAN	WALTER BARBIERI
	MANAGING DIRECTOR	ALESSANDRA BARBIERI
	DIRECTOR	SILVIO BENEDETTI
	DIRECTOR	SERGIO BUONCRISTIANO
	INDEPENDENT DIRECTOR	ENRICO MAMBELLI
BOARD OF STATUTORY	CHAIRMAN	GIUSEPPE ROTA
AUDITORS ²	STANDING AUDITOR	ARTURO CARCASSOLA
	STANDING AUDITOR	UGO PALUMBO
	ALTERNATE AUDITOR	PIETRO LONGARETTI
	ALTERNATE AUDITOR	LUCA PERICO
INDEPENDENT AUDITORS ³	BDO ITALIA S.P.A.	
EURONEXT GROWTH	BANCA PROFILO S.P.A.	
ADVISOR		

¹ Until the approval of the financial statements at 31 December 2023 – appointed as per the deed dated 19 October 2021

² Until the approval of the financial statements at 31 December 2023 – appointed as per the deed dated 9 November 2021

³ Until the approval of the financial statements at 31 December 2024 – appointed as per the deed dated 29 April 2022



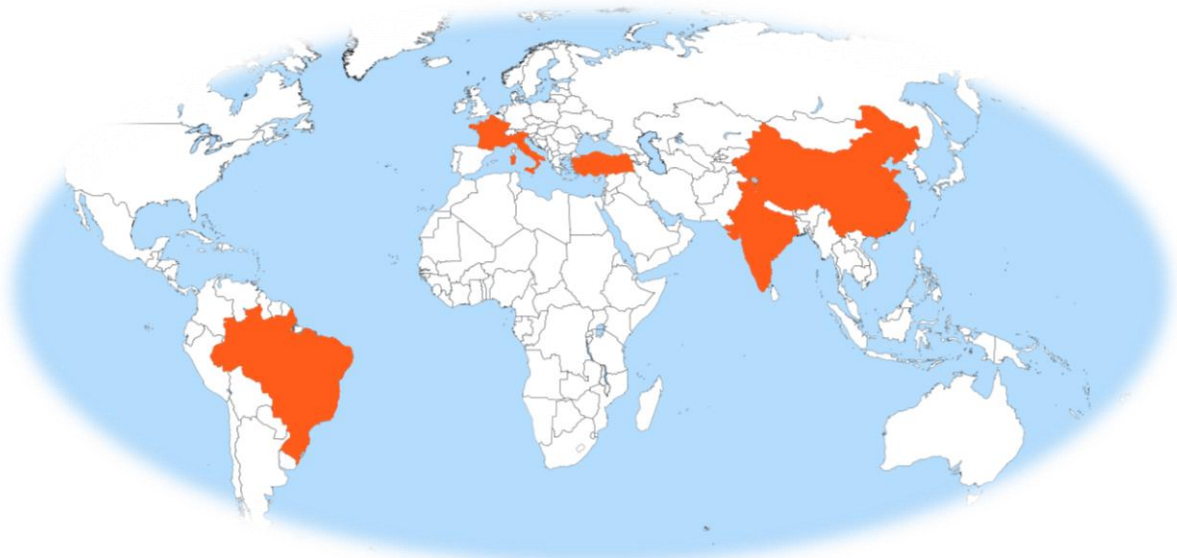
DIRECTORS' REPORT

Dear shareholders,

This report has been prepared in accordance with article 2428 of the Italian Civil Code and accompanies the consolidated financial statements and the financial statements of the Group and the Parent, respectively, as at and for the year ended 31 December 2022. This report gives a true, fair and comprehensive description of the Group and the Parent and of their performance and result of operations, as a whole and in the various sectors in which they operate.

THE GROUP'S BUSINESS

The Group designs, produces and sells worldwide control cables and remote control systems for the off-road vehicle, automotive and automotive after-market sectors. Thanks to its international profile it operates globally.

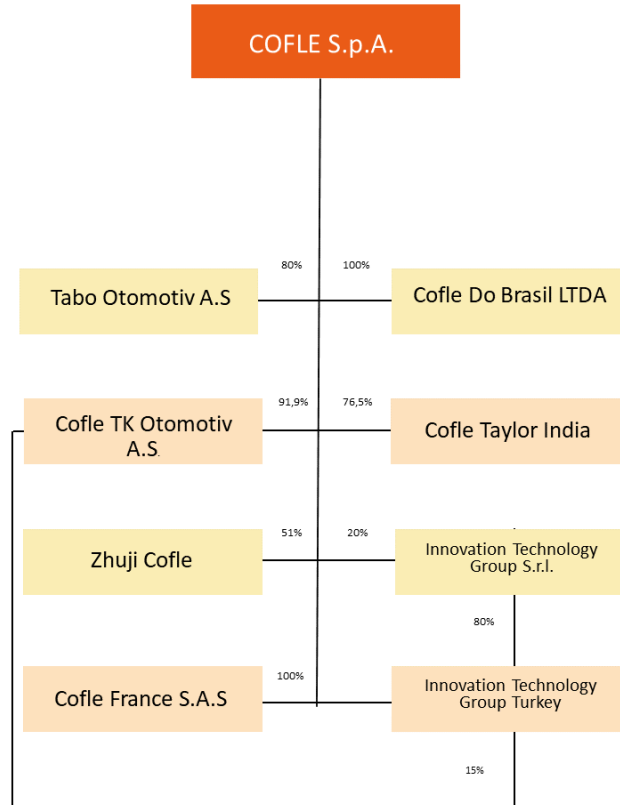


It has two divisions:

- the Original Equipment Manufacturer (**OEM**) division through which it manufactures a wide range of highly customised products for customers who install the components on the products sold: through its products, the Group deals with customers operating in the agricultural sector, earth-moving and commercial vehicles and the premium automotive sector;
- the After Market (**AM**) division which manufactures Cofle-branded components such as control cables, brake hoses or EPBs with the same quality as the original for the automotive sector.

THE GROUP'S STRUCTURE

The Group's organisational chart and the percentage of ownership is shown below:



COFLE S.P.A.

Cofle S.p.A. was established in  1964. Its first production line focused on the production of original equipment (OEM) cables for major Italian brands. In the '70s, the company began operating on a more industrial scale. In the '80s, Cofle set up its headquarters in Trezzo sull'Adda, acquiring the current facility which, thanks to its vertical production system, enabled it to become an all in-house company. During these years, the company

began manufacturing cables for the Aftermarket division which, in the '90s, led to the construction of a warehouse in Pozzo d'Adda, for the customisation and distribution of Aftermarket products. In the '90s, the company began an internalisation process by selling directly to foreign markets. In the new millennium, the international expansion led to the incorporation of the Group, setting up or holding controlling investments in companies located in several countries around the world.

Cofle S.p.A. share capital currently consists of 6,155,996 ordinary shares:

<i>Shareholder</i>	Ordinary shares	Share capital	% of share capital
Valfin S.r.l.	4,827,056	482,706	78.41%
Smart Agri S.r.l.	230,688	23,069	3.75%
Palladio Holding S.p.A.	79,920	7,992	1.30%
Market	1,018,332	101,833	16.54%
SHAREHOLDING STRUCTURE	6,155,996	615,600	100%

COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

TABO OTOMOTIV A.S.



Set up in 1996, Tabo Otomotiv Makina Sanayi ve Ticaret A.Ş. is based in Istanbul. This company contributes significantly to the turnover of the AM division and has a warehouse covering a total area of approximately 4,000 square metres with a production capacity of about 3 million units.

COFLE DO BRASIL LTDA



Set up in 2016, Cofle industria e comercio do Brasil Ltda is based in Sete Lagoas. This company operates mainly with the OEM division and has a warehouse of about 2,000 square metres with a production capacity of about 0.45 million units.

COFLE TK OTOMOTIV A.S.



Set up in 2010, Cofle Tk Otomotiv Kontrol Sistemleri Sanayi A.Ş. is based in Istanbul. This company contributes significantly to the turnover of the OEM division and has two warehouses covering a total area of approximately 4,000 square metres with a production capacity of about 2.25 million units.

COFLE TAYLOR INDIA



Set up in 2018 through a joint venture, Cofle Taylor India control cables & systems private Ltd is based in Chennai. This company primarily provides manufacturing support for the Group's Aftermarket division. In 2023, the subsidiary began its first direct deliveries to domestic OEM customers.

ZHUJI COFLE



Set up in 2006 through a joint venture, Zhuji Cofle mechanical control systems company Ltd is based in Zhejiang. This company acts mainly as a representative office for the Group's OEM division.

COFLE FRANCE



Cofle France S.a.s. was set up in the second half of 2022 in order to acquire a share in the French, Spanish, Portuguese and Benelux markets for both the AM and OEM divisions.

ASSOCIATES

INNOVATION TECHNOLOGY



GROUP S.R.L.

In 2019, the Group acquired 20% of the innovative start-up I.T.G. S.r.l., an engineering company specialising in the development of new product and process ideas and solutions that anticipate new technological trends for the automotive and farm equipment sector.

INNOVATION TECHNOLOGY



GROUP TURKEY

Set up in the second half of 2022 as part of a joint venture between I.T.G. S.r.l., Cofle Tk and local management, I.T.G. Turkey designs innovative solutions for the off-road vehicle sector in Turkey.

MAIN EVENTS AND TRANSACTIONS OF THE YEAR

The results for 2022 were affected by the sharp and sudden rise in the cost of raw materials and energy, mainly due to the conflict between Russia and Ukraine, which also caused a significant reduction in demand for the After Market sector in war zones and neighbouring countries. However, despite such a challenging environment, revenues from the OEM division increased and the number of the main After Market customers from areas not directly involved in the conflict areas rose. In order to offset the increase in costs, the Group updated the price lists of both divisions, applicable between June and September, depending on customers and existing contracts.

In addition to this, the Parent began the executive production of systems for reduced gear unlock and differential lock-and-release systems, developed and customised for the new 4x4 INEOS Grenadier off-road vehicle.

On 10 May 2022, Cofle S.p.A.'s Board of directors resolved to fully convert 750,000 price adjustment shares (PAS) into ordinary shares in the ratio of 1 (one) ordinary share every 1 (one) PAS held.

In September, the French newco, Cofle France S.a.s., became operational. Its mission is to increase sales activities in the French, Spanish, Portuguese, Maghreb and Benelux markets which are already directly served by Italy. The estimated investment in the French company over the next three years amounts to €1.5 million and is aimed at increasing the turnover of both the Group's divisions.

On 21 September 2022, the Parent increased its investment in the Indian subsidiary Cofle Taylor India Ltd by 2.48% to 76.48%.

On 11 November 2022, as part of a broader structured financing transaction (basket bond), the Parent's Board of directors approved the issue of a six-year non-convertible bond for a nominal amount of €5 million which was subscribed by a securitisation vehicle that, in turn, will be financed by issuing asset-backed securities for major qualified investors.

The first exercise period of the Cofle 2021 - 2023 Warrants ended on 30 November 2022 and 2,268 warrants were exercised. Consequently, 2,268 shares were subscribed at a price of €14.95 per share, for a total of €33,906.60.

MACROECONOMIC CONTEXT AND INDUSTRY

The global economy has experienced, and continues to experience, a period of volatility characterised by factors that also affect its outlook. Although the impact of the pandemic has subsided in most countries, its repeated waves have continued to disrupt economic activity, especially in China, causing supply chain disruptions and slowdowns in local demand and maintaining pressures on global supply and, consequently, inflation. The war in Ukraine and intensified gas supply cuts increased pre-existing tensions in commodity markets, driving up natural gas prices and headline inflation.

After the collapse caused by the pandemic, prices recovered in most parts of the world: in the 19 eurozone countries, consumer prices hit an all-time high since the creation of the single currency more than 20 years ago. The significant rise in inflation, the Russian-Ukrainian conflict and the spectre of recession looming on the European economy are the main reasons for the depreciation of the euro against major world currencies, such as the US dollar.

Inflation in the United States showed a reverse trend, slowing down to levels below those at the beginning of the year following the interest rate hikes introduced by the Federal Reserve. The FED's monetary policies resulted in the appreciation of the US dollar against the euro, which institutional investors deemed particularly attractive: during the year, the €/USD exchange rate fell below par for

the first time in 20 years. The US dollar began the year at 1.1294 and continued to appreciate, hitting a low of 0.9592 on 27 September and reversing this trend by entering a slight depreciation phase, closing the year at 1.0666. The general appreciation of the US dollar against the euro recorded in 2022, together with the geopolitical situation and the difficulties in energy supply, had a greater impact on the inflation trend in the eurozone compared to interest rates.

In addition to eurozone inflation, the Group is also affected by inflation in Turkey. Indeed, the main economic activity of this country is the processing of primary goods with limited energy resources. Therefore, it cannot avoid imports and, consequently, is highly dependent on foreign countries. The increase in prices has continued with the inflation rate exceeding the 80% threshold annually, prompting the International Monetary Fund (IMF) to include Turkey among the list of hyper-inflationary countries. This had an inevitable impact on the Turkish lira which depreciated by more than 30% against both the euro and the US dollar. The **Turkish lira** began the year at 15.0777 and continued to depreciate to 19.9649. The depreciation, which did not follow the trend in domestic inflation, had a negative impact on domestic production costs, generally reducing Turkey's competitive edge against foreign euro- and US dollar-based markets.

On the other hand, with respect to the other currencies of the group companies, the **Brazilian real** began the year at 6.3539, appreciating to 5.6386 at year end. The Chinese **yuan/renminbi** began the year at 7.2174 and closed it at 7.3582, while the **Indian rupee** opened at 84.3949, depreciating to 88.1710.

With respect to the sectors in which the Group operates, the market for agricultural machinery, both in Italy and Europe, decreased in 2022 as a consequence of supply chain disruptions, the significant increases in the price of raw materials and the uncertainties surrounding the geopolitical scenario. However, this decrease can also be considered partly physiological after the significant increase recorded in 2021.

PERFORMANCE OF OPERATIONS

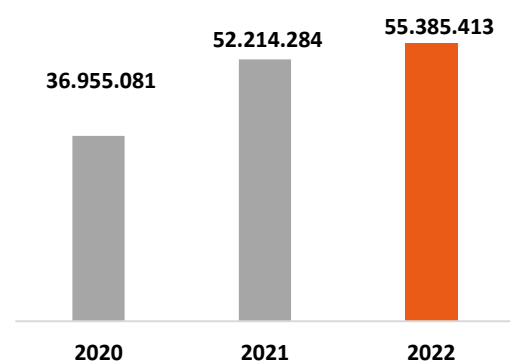
The profit and loss account reclassified according to the added value criterion may be analysed as follows:

€	2022	2021
PRODUCTION REVENUES	57,964,701	55,430,776
Raw materials, consumables, supplies and goods	24,997,963	23,013,215
Services	10,556,309	9,487,736
Use of third-party assets	1,231,899	1,099,739
Change in raw materials	(3,202,952)	(3,169,022)
Other operating costs	875,918	775,804
ADDED VALUE	23,505,565	24,223,304
Personnel expenses	11,537,735	11,326,670
EBITDA (gross operating profit)	11,967,829	12,896,634
Amortisation, depreciation and write downs	3,433,029	2,467,244
Provisions for risks	99,444	48,570
EBIT (operating profit)	8,435,356	10,380,820
Financial income	28,791	11,686
Financial charges	(1,109,786)	(576,056)
Income (charges) from hyperinflation	(4,095,869)	0
Currency adjustments	1,283,079	1,738,209
PRE-TAX PROFIT	4,541,572	11,554,659
Income taxes	1,893,502	2,280,274
NET PROFIT FOR THE YEAR	2,648,070	9,274,385

In 2022, the Group's production revenues amounted to €57,964,701, of which €55,385,413 relating to sales and services and €1,322,466 to other revenues and income. The OEM division drove the turnover of the year which rose 6% on 2021.

This division grew significantly, up by about 20% on the previous year, even exceeding budget

forecasts: this trend is also confirmed by the planned programmes for the next few months. With



respect to the AM division, which accounts for approximately 30% of the Group's turnover, the decrease of the year is mainly due to the war between Russia and Ukraine, which led to a reduction in demand in the war zones and neighbouring countries.

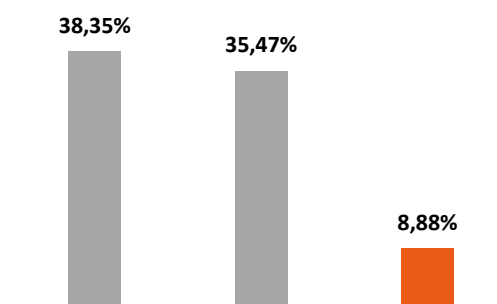
The Group's export-oriented profile is confirmed by the over 300 customers located in about 40 countries, mainly customers based in Europe, and a smaller volume of sales to customers in the United States, Mexico, Argentina, China and Brazil.

Overall, in 2022, operating costs amounted to €45,996,872, up 8% on the previous year, mainly as a consequence of the increase in the costs of raw materials, finished goods, transportation costs and consultancy fees.

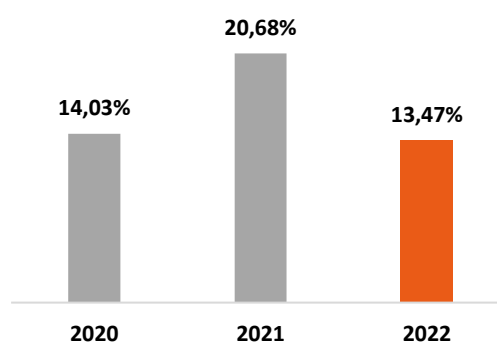
This had a negative impact on EBITDA, which amounted to €11,967,829.

The ratios shown below provide an analysis of profitability.

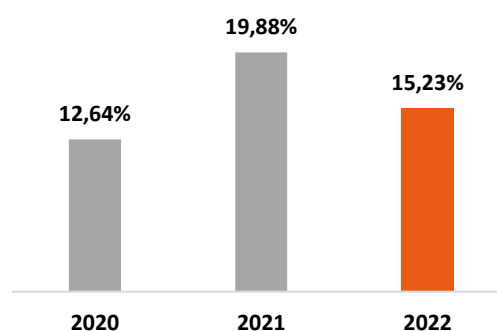
The Return On Equity (**ROE**) shows the ability of a company to adequately remunerate those who have contributed capital. It is equal to the ratio between the Group's net profit and its net equity. In 2022, the ROE was 8.88%, down from the previous year.



The Return On Investment (**ROI**) shows the overall efficiency of the Group's businesses. It is equal to the ratio of EBIT to total consolidated operations. In 2022, the ROI was 13.47%, down from the previous year.



The Group's Return On Sales (**ROS**) shows the profitability of sales. It is equal to the ratio of EBIT to sales. In 2022, the ROS was 15.23%, down from the previous year as a result of the decrease in the operating profit.



The reclassified consolidated balance sheet may be analysed as follows:

€	31/12/2022	31/12/2021
Intangible fixed assets	4,177,422	3,841,042
Tangible fixed assets	6,957,389	4,534,748
Financial fixed assets	320,251	704,627
TOTAL NON-CURRENT ASSETS	11,455,063	9,080,417
Inventory	14,065,613	10,721,474
Receivables due within one year	16,113,617	14,538,969
Prepayments and accrued income	658,015	356,239
Liquid funds	20,319,815	15,493,769
TOTAL CURRENT ASSETS	51,157,060	41,110,451
TOTAL INVESTMENTS	62,612,123	50,190,868

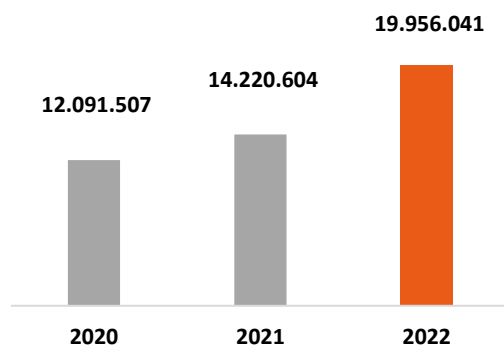
In line with 2021, the Group's capital is mainly invested in current assets.

€	32/12/2022	31/12/2021
Capital and reserves	26,988,830	16,869,135
Net profit for the year	2,648,071	9,274,384
TOTAL NET EQUITY	29,636,901	26,143,519
Provisions for risks and charges	1,149,362	157,327
Employees' leaving entitlement	628,516	634,825
Payables due after one year	15,834,235	10,501,095
Accrued expenses and deferred income	636,122	719,496
TOTAL CURRENT LIABILITIES	18,248,235	12,012,743
Payables due within one year	14,726,987	12,034,606
TOTAL CURRENT LIABILITIES	14,726,987	12,034,606
TOTAL SOURCES	62,612,123	50,190,868

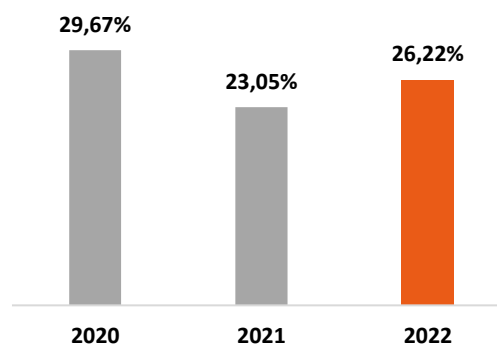
The analysis of the Group's liquidity and solidity is based on the following ratios.

The net working capital (NWC) is used to determine whether the Group can meet its short-term commitments using its total current assets. It is the difference between current assets and current liabilities. At the reporting date, NWC amounted to €19,956,041. The

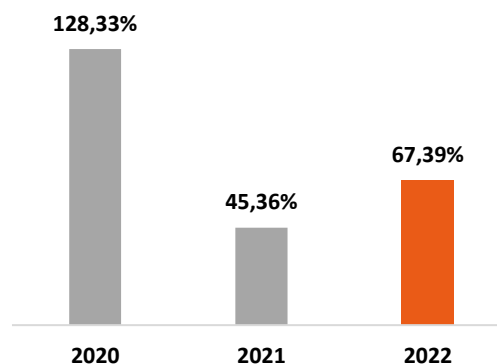
increase on the previous year is mainly due to the rise in inventory.



The Group's short-term debt-to-sales ratio is calculated by comparing short-term financial payables with consolidated revenues. This ratio shows the degree of short-term debt necessary to achieve a certain level of sales. At the reporting date, it was 26.22%. The increase on the previous year is due to the rise in financial payables.



The debt-to-equity ratio shows the Group's degree of dependence on financing and is the ratio of third party to own funds, i.e., financial debt to equity. In 2022, it was 67.39%, up on the previous year.



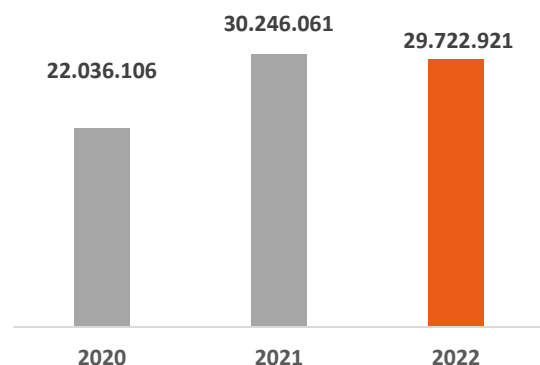
Similarly, the Parent's reclassified profit and loss account for 2022 is shown below:

€

	2022	2021
PRODUCTION REVENUES	31,566,110	31,677,706
Raw materials, consumables, supplies and goods	16,008,240	16,117,339
Services	6,842,946	6,177,915
Use of third-party assets	694,013	603,249
Change in raw materials	(718,558)	(412,135)
Other operating costs	372,446	303,454
ADDED VALUE	8,367,023	8,887,884

Personnel expenses	6,869,085	6,391,840
EBITDA (gross operating profit)	1,497,938	2,496,044
Amortisation, depreciation and write downs	918,126	908,338
Provisions for risks	224,444	148,570
EBIT (operating profit)	355,368	1,439,136
Income from equity investments and related adjustments	2,936,710	7,487,501
Income from securities and related adjustments	8,541	5,342
Other financial income	24,394	267
Interest and other financial charges	(138,583)	(116,245)
Currency adjustments	(7,124)	(22,504)
PRE-TAX PROFIT	3,179,306	8,793,497
Income taxes	164,141	497,367
NET PROFIT FOR THE YEAR	3,015,165	8,296,130

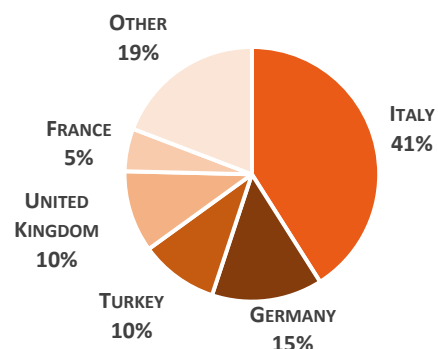
The Parent's production revenues for 2022 amounted to €31,566,110, of which €29,722,921 related to sales and services, €1,776,710 to other revenues and income and €66,479 to the change in finished goods. The Parent's turnover for 2022 decreased by about 2% compared to the previous year.



The Parent's OEM division met budget expectations, growing 11% on the previous year (€1,732,264), while the AM division was affected by the above-mentioned external factors and performed below expectations, down by €2,260,639 on the previous year.

Conversely, intragroup turnover is essentially unchanged.

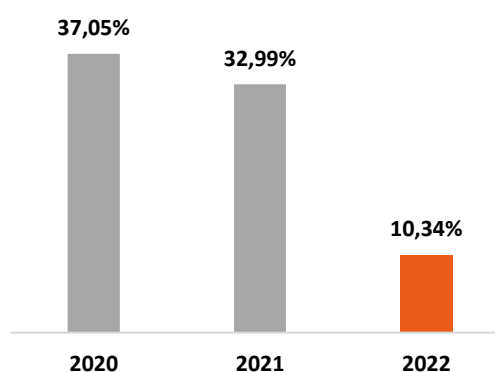
The number of customers of the Parent is virtually unchanged from the previous year and turnover remains concentrated with European customers. However, in 2022, the domestic market accounted for an increased portion of turnover.



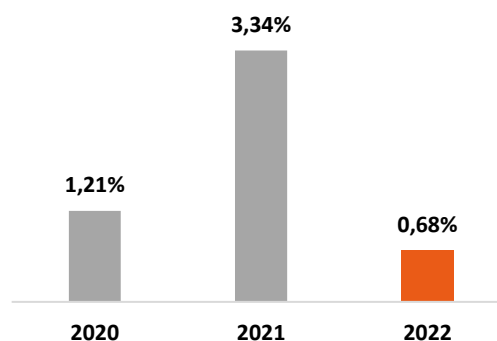
Goods and services amounted to €23,199,087, up on the previous year as a consequence of the rise in transportation, consultancy and temporary personnel costs. The increase in these costs and in personnel expenses, which rose as a result of the hiring of new resources, and the substantially unchanged balance of production revenues had an impact on EBITDA which, in 2022, was 40% lower compared to the previous year. However, it remained positive at €1,497,938. Monetary costs amounted to €1,142,570 and were almost in line with the previous year. Therefore, owing to the reasons discussed earlier, the EBIT for the year is lower than the previous year.

Some profitability ratios, which clearly reflect the performance of the year, are shown below:

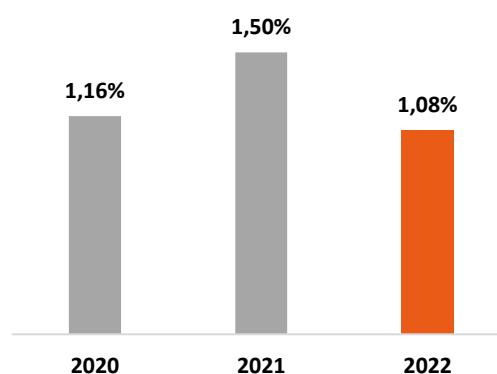
The Return On Equity (**ROE**) shows the ability of a company to adequately remunerate those who have contributed capital. It is equal to the ratio between the Parent's net profit and its net equity. In 2022, the ROE was 10.34%, down from the previous year.



The Return On Investment (**ROI**) shows the overall efficiency of the businesses. It is equal to the ratio of EBIT to total investments. In 2022, the ROI was 0.68%, down from the previous year.



The Return On Debt (**ROD**) shows the average general cost of borrowing. It is equal to the ratio of financial charges to financial payables. In 2022, the ROD was 1.08%, down from the previous year.

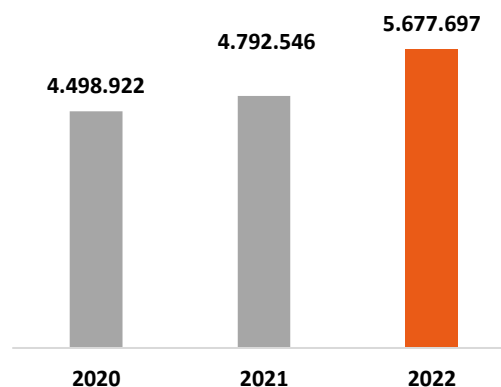


The Parent's reclassified balance sheet as at 31 December 2022 is shown below:

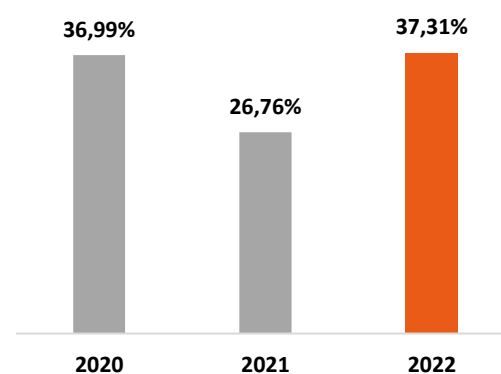
€	31/12/2022	31/12/2021
Intangible fixed assets:	2,704,840	3,094,970
Tangible fixed assets	2,212,771	2,136,756
Financial fixed assets	13,814,355	10,093,271
TOTAL NON-CURRENT ASSETS	18,731,966	15,324,997
Inventory	5,836,850	5,169,092
Receivables due within one year	7,928,197	8,084,910
Prepayments and accrued income	227,249	139,551
Liquid funds	19,271,230	14,358,313
TOTAL CURRENT ASSETS	33,263,526	27,751,866
TOTAL INVESTMENTS	51,995,492	43,076,863
€	31/12/2022	31/12/2021
Capital and reserves	26,131,303	16,850,599
Net profit for the year	3,015,165	8,296,130
TOTAL NET EQUITY	29,146,468	25,146,729
Provisions for risks and charges	700,523	449,809
Employees' leaving entitlement	622,964	630,227
Payables due after one year	10,061,964	8,391,297
Accrued expenses and deferred income	374,781	366,244
TOTAL CURRENT LIABILITIES	11,760,232	9,837,577
Payables due within one year	11,088,792	8,092,557
TOTAL CURRENT LIABILITIES	11,088,792	8,092,557
TOTAL SOURCES	51,995,492	43,076,863

The analysis of the Parent's liquidity and solidity is based on the following ratios.

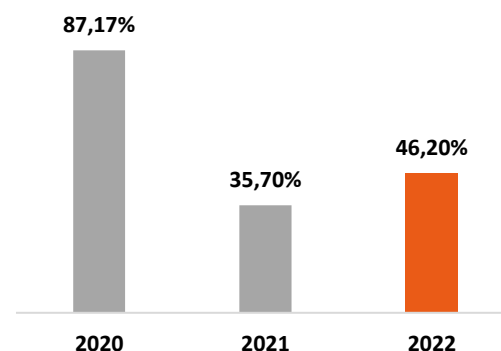
The net working capital (NWC) is used to determine whether the Parent can meet its short-term commitments using its total current assets. It is the difference between current assets and current liabilities. In 2022, it amounted to €5,677,697, up on the previous year.



The Parent's short-term debt-to-sales ratio is calculated by comparing short-term financial payables with operating revenues. This ratio shows the degree of short-term debt necessary to achieve a certain level of sales. In 2022, it was 37.31%, up on the previous year.



The debt-to-equity ratio shows the Parent's degree of dependence on external financing and is the ratio of third party to own funds, i.e., financial debt to equity. In 2022, it was 46.20%, up on the previous year.



RESEARCH AND DEVELOPMENT

The Group's research and development policies are aimed at producing highly specialised and innovative products. The OEM division's research and development activities rely on co-engineering principles, collaborating with customers' R&D in order to create prototypes. On the other hand, the research and development activities of the AM division are based on reverse-engineering principles, i.e, starting from the analysis of the technical features and raw materials of the original product to subsequently manufacture an equivalent product in terms of technical features and design. Research and development activities are conducted at both the Italian and the Turkish facility of the subsidiary Cofle TK Otomotiv, which has a designer centre responsible for developing new products for the OEM market.

OWN SHARES OR QUOTAS OR SHARES/QUOTAS OF PARENTS

Pursuant to article 40.2, letter d), of Legislative decree no. 127/91, it is noted that the Parent and the companies included in the consolidation scope:

- do not hold shares/quotas of parents, including through trustees or nominees;
- did not purchase shares/quotas of parents, including through trustees or nominees, during the year.

RISKS AND UNCERTAINTIES

Some risk factors relating to the Parent and the Group are described below as the occurrence of certain events could have a material adverse effect on their financial position and results of operations.

PRODUCT LIABILITY

Any defects in the design and manufacture of the products could generate a liability towards customers, with possible repercussions on turnover and reputation. The Parent and, more generally, the Group manages the risk associated with the production and marketing of products that potentially do not comply with quality and safety standards by adopting research and development policies, production processes and quality control systems that prevent design or manufacturing defects, failures or malfunctions. Furthermore, the Group has entered into insurance policies covering product liability risks, which also cover the risk associated with defective product recall campaigns. However, at the date of this report, neither the Parent nor any other group company is party to any litigation or disputes for damages.

RISK ASSOCIATED WITH THE PRICE OF RAW MATERIALS

The Group mainly purchases semi-finished steel, aluminium, zamak and plastic materials. The purchase price of these materials fluctuates as it is affected by a variety of factors which are beyond the Group's control. The risk for the Group of being unable to manage fluctuations in the price of raw materials for the manufacture of its products is mitigated by the Group's ability to negotiate price lists with its suppliers and customers, especially in the case of long-term contracts.

RISK ASSOCIATED WITH TRADE RECEIVABLES

The Group is exposed to the risk that its customers may delay or fail to fulfil their payment obligations in accordance with the agreed terms and conditions. This risk is mitigated both by the fact that the Group has commercial relations with leading automotive or agricultural equipment

manufacturing companies with a high credit standing, and by the continuous monitoring of credit positions, in order to anticipate insolvency risks and late payments. At present, there are no significant doubtful credit positions for the Group.

LIQUIDITY RISK

The Group is exposed to the risk that it may be unable to negotiate and obtain the financing necessary to develop its business or to refinance expiring loans at favourable conditions. The Group meets its financial requirements through forms of self-financing and borrowings and manages this risk by periodically monitoring net financial debt, constantly checking forecast financial requirements and obtaining adequate credit lines.

CURRENCY RISK

Through its subsidiaries, the Group operates in markets or economies using currencies other than the euro. Therefore, it is exposed to the risk of exchange rate fluctuations, also considering that no hedging financial instruments are in place. In order to manage this risk, i.e., to mitigate the effect to profit margins only, for the Turkish subsidiaries, which are more exposed to this risk, the Parent's management applies the policy of intragroup procurement and resale of products in euros. This policy also includes actions that mitigate the distorting phenomena caused by hyperinflation (Turkey), by adjusting sales prices as promptly as possible in order to reduce the impact on profit margins.

RELATED PARTY TRANSACTIONS

Transactions with related parties and associates are transactions carried out at market conditions. Below is a summary of the transactions carried out during the year:

€	TRADE RECEIV.	TRADE PAY.	FINANC. PAY.	FINANC. RECEIV.	REVENUES	COSTS
Valdiporto S.r.l.	0	0	0	0	0	500,168
Innovation Technology Group S.r.l.	0	0	0	100,000	4,711	1,830
Innovation Technology Group Turkey	53,820	0	0	0	37,175	26,832
Benedetti & Co. S.r.l.	0	112,407	0	0	0	351,548
Avv. F. Vitale	0	54,201	0	0	0	19,912
Ginini Danışmanlık Hizmetleri	0	6,428	0	0	0	65,371
Taylor Rubber Private Limited	0	32,370	0	0	8,866	374,682
JLG contabilidade Ltda	0	0	0	0	0	12,895
Foco administração e negocios Ltda	0	0	0	0	0	15,190
Finan.Co S.r.l.	0	0	255,000	0	0	0
RELATED PARTIES	53,820	205,406	255,000	100,000	50,752	1,368,427

POST-BALANCE SHEET EVENTS

Between the reporting date and the preparation date of the consolidated financial statements and the financial statements, no events occurred that have modified the conditions existing at the reporting date or that, if not disclosed, would jeopardise the ability of financial statements' readers to make correct assessments and take appropriate decisions.

OUTLOOK

A new facility, close to the Parent's headquarters, will be opened in 2023 in order to reorganise and digitalise logistics and significantly reducing delivery times to the market. This will further increase the competitive edge, also thanks to improved production efficiency.

The forecasts for the first few months of 2023 confirm the strong growth of the OEM division, both thanks to the orders already acquired and the ramp-up of new projects, and the recovery of turnover in the After Market division. Over the next few months, the Group will also benefit from the growth in the demand for new agricultural machinery, driven by Europe's increased need for independence on food raw materials and the new regulations on sustainability and safety.

The aim for 2023 is to grow faster than the market based on an offer characterised by a higher value per machine thanks to the electronics and mechatronics division, offsetting any slowdown in demand within a trend that, in any case, points to strong growth. With respect to the After Market, the full operation of Cofle France will significantly contribute to the growth of this division. Furthermore, the Group's strategies include the external development through possible M&A transactions, which should further accelerate the growth of the business.

TREZZO SULL'ADDA (MILAN), 29 MARCH 2023

CHAIRMAN OF THE

BOARD OF DIRECTORS

WALTER BARBIERI



CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

€	31/12/2022	31/12/2021
Balance sheet - Assets	62,612,123	50,190,868
B) Fixed assets	11,455,063	9,080,417
I) Intangible fixed assets	4,177,422	3,841,042
1) Start-up and capital costs	766,033	1,021,377
2) Development costs	1,080,446	396,123
3) Industrial patents and intellectual property rights	93,297	52,915
4) Concessions, licences, trademarks and similar rights	1,836,879	1,955,674
5) Goodwill	98,588	152,208
7) Other	302,180	262,745
II) Tangible fixed assets	6,957,389	4,534,748
1) Land and buildings	453,381	467,623
2) Plant and machinery	4,618,642	2,867,899
3) Industrial and commercial equipment	418,768	302,917
4) Other assets	1,172,986	657,850
5) Assets under construction and payments on account	293,612	238,459
III) Financial fixed assets	320,251	704,627
1) Equity investments:	4,939	4,000
b) Associates	4,939	4,000
2) Financial receivables	100,000	700,627
b) From associates	100,000	700,000
2) Due after one year	100,000	700,000
e) From others	0	627
2) Due after one year	0	627
3) Other securities	90,960	0
4) Derivatives	124,352	0
C) Current assets	50,499,045	40,754,212
I) Inventory	14,065,613	10,721,474
1) Raw materials, consumables and supplies	9,187,070	6,703,174
2) Work in progress and semi-finished products	518,053	461,963
4) Finished goods	3,679,764	2,992,084
5) Payments on account	680,726	564,253
II) Receivables	16,113,617	14,538,969
1) Trade receivables	13,338,147	12,652,884
1) Due within one year	13,338,147	12,652,884
5-bis) Tax receivables	1,900,771	1,388,305
1) Due within one year	1,900,771	1,388,305
5-ter) Deferred tax assets	281,668	245,624
1) Due within one year	281,668	245,624
5-quater) From others	593,031	252,156
1) Due within one year	593,031	252,156

	2022	2021
IV) Liquid funds	20,319,815	15,493,769
1) Bank and postal accounts	20,316,070	15,488,389
3) Cash-in-hand and cash equivalents	3,746	5,380
D) Prepayments and accrued income	658,015	356,239
€	2022	2021
Balance sheet - Liabilities	62,612,122	50,190,868
A) Net equity	29,636,901	26,143,519
A) Net equity attributable to the Parent	27,810,486	24,702,904
I) Share capital	615,600	615,373
II) Share premium reserve	14,916,771	14,883,091
III) Revaluation reserves	2,434,930	2,904,855
IV) Legal reserve	123,075	100,000
VI) Other reserves, indicated separately	(6,625,734)	(6,877,020)
Translation reserve	(7,244,963)	(7,496,249)
Consolidation reserve	619,229	619,229
VII) Hedging reserve	118,226	(17,940)
VIII) Retained earnings	13,939,578	4,852,242
IX) Net profit for the year	2,288,040	8,242,303
Net equity attributable to minority interests	1,826,416	1,440,615
Share capital and reserves attributable to minority interests	1,466,385	408,534
Net profit attributable to minority interests	360,031	1,032,081
B) Provisions for risks and charges	1,149,362	157,327
1) Pension and similar provisions	181,920	90,960
2) Tax provision, including deferred tax liabilities	967,442	42,762
3) Derivatives	0	23,605
C) Employees' leaving entitlement	628,516	634,825
D) Payables	30,561,222	22,535,701
1) Bonds	4,852,919	0
2) Due after one year	4,852,919	0
4) Bank loans and borrowings	14,570,713	10,647,849
1) Due within one year	4,269,010	1,299,154
2) Due after one year	10,301,703	9,348,695
5) Loans and borrowings from other financial backers	432,963	488,770
1) Due within one year	8,350	58,870
2) Due after one year	424,613	429,900
6) Payments on account	30,259	3,551
1) Due within one year	30,259	3,551
7) Trade payables	8,092,379	8,079,060
1) Due within one year	8,092,379	8,079,060
11) Payables to parents	255,000	722,500
2) Due after one year	255,000	722,500
12) Tax payables	464,293	939,316
1) Due within one year	464,293	939,316
13) Social security charges payable	452,821	341,692
1) Due within one year	452,821	341,692
14) Other payables	1,409,874	1,312,963
1) Due within one year	1,409,874	1,312,963
E) Accrued expenses and deferred income	636,122	719,496

PROFIT AND LOSS ACCOUNT

€	2022	2021
A) Production revenues	57,964,701	55,430,776
1) Turnover from sales and services	55,385,413	52,214,284
2) Changes in work in progress, semi-finished products and finished goods	1,256,822	1,578,318
5) Other revenues and income, with separate mention of grants related to income	1,322,466	1,638,174
B) Production cost	49,529,345	45,049,956
6) Raw materials, consumables, supplies and goods	24,997,963	23,013,215
7) Services	10,556,309	9,487,736
8) Use of third party assets	1,231,899	1,099,739
9) Personnel expenses	11,537,735	11,326,670
a) Wages and salaries	8,127,168	7,966,579
b) Social security contributions	2,400,450	2,364,778
c) Employees' leaving entitlement	391,519	368,363
e) Other costs	618,598	626,950
10) Amortisation, depreciation and write-downs	3,433,029	2,467,244
a) Amortisation of intangible fixed assets	1,071,275	767,731
b) Depreciation of tangible fixed assets	2,359,988	1,673,955
c) Other write-downs of fixed assets	1,766	0
d) Write-downs for current receivables and liquid funds	0	25,558
11) Change in raw materials, consumables, supplies and goods	(3,202,952)	(3,169,022)
12) Provisions for risks	99,444	48,570
14) Other operating costs	875,918	775,804
Operating profit (A - B)	8,435,356	10,380,820
16) Other financial income	28,791	11,686
b) From securities classified as fixed assets which are not equity investments	0	5,342
d) Other income	28,791	6,344
17) Interest and other financial charges	5,205,654	576,056
e) Other	5,205,654	576,056
17 bis) Net exchange rate gains	1,283,079	1,738,209
Pre-tax profit (A - B + - C + - D)	4,541,573	11,554,659
20) Income taxes, current and deferred	1,893,502	2,280,274
a) Current taxes	1,599,950	2,330,853
c) Deferred taxes	293,552	(50,579)
21) Net profit for the year	2,648,071	9,274,385
1) attributable to minority interests	360,031	1,032,081
2) attributable to the Parent	2,288,040	8,242,304

CASH FLOW STATEMENT

€	2022	2021
A) Cash flows from operating activities (indirect method)		
Net profit for the year	2,648,071	9,274,385
Income taxes	1,893,502	2,280,274
Interest expense/(income)	3,893,784	(1,173,839)
1) Profit before income taxes, interest, dividends and gains and losses on sales	8,435,356	10,380,820
<i>Adjustments for non-monetary items that did not affect net working capital</i>		
Accruals to provisions	490,963	74,128
Amortisation and depreciation	3,431,263	2,441,686
Other adjustments for non-monetary items	56,868	
Total adjustments for non-monetary items that did not affect working capital	3,979,094	2,515,814
2) Cash flows before changes in net working capital	12,414,450	12,896,634
<i>Changes in net working capital</i>		
Decrease/(Increase) in inventory	(3,344,139)	(2,098,964)
Decrease/(Increase) in trade receivables	(685,263)	(1,420,386)
Increase/(Decrease) in trade payables	40,027	(2,051,609)
Decrease/(Increase) in prepayments and accrued income	(301,776)	38,917
Decrease/(Increase) in accrued expenses and deferred income	(83,374)	(522,228)
Other decreases/(Other Increases) in net working capital	(936,408)	584,153
Total changes in net working capital	(5,310,934)	(5,470,117)
3) Cash flows after changes in net working capital	7,103,517	7,426,517
<i>Other adjustments</i>		
Interest collected/(paid)	(3,893,784)	1,173,839
(Income taxes paid)	(2,368,525)	(2,280,274)
(Use of provisions)	492,997	850,776
Total other adjustments	(5,769,312)	(255,659)
Cash flows from operating activities (A)	1,334,205	7,170,859
B) Cash flows from investing activities		
<i>Tangible fixed assets</i>	(2,191,822)	(3,393,061)
(Investments)	(2,468,041)	(3,393,061)
Disinvestments	276,219	0
<i>Intangible fixed assets</i>	(784,148)	(1,451,043)
(Investments)	(784,148)	(1,451,043)
Disinvestments	0	0
<i>Financial fixed assets</i>	599,688	254,573
(Investments)	(939)	0
Disinvestments	600,627	254,573
<i>Current financial assets</i>	0	738,105
(Investments)	0	0

Disinvestments	0	738,105
Cash flows used in investing activities (B)	(2,376,282)	(3,851,426)
C) Cash flows from financing activities		
<i>Third party funds</i>		
Increase/(Decrease) in bank loans and borrowings	3,922,864	(945,197)
Increase/(Decrease) in short term loans and borrowings from other financial backers	(55,807)	281,492
Increase/(Decrease) in payables to parents	(467,500)	(631,627)
Increase/(Decrease) in bonds	4,852,919	
<i>Own funds</i>		
Changes in net equity (Dividends and interim dividends)	33,907	10,317,355
	(2,418,260)	
Cash flows from financing activities (C)	5,868,123	9,022,023
Increase (decrease) in liquid funds (A ± B ± C)	4,826,047	12,341,455
Opening liquid funds	15,493,769	3,150,243
Closing liquid funds	20,319,815	15,493,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Pursuant to article 29 of Legislative decree no. 129/91, the consolidated financial statements of Cofle S.p.A. (the “Parent”) consist of a balance sheet, a profit and loss account, a cash flow statement and these notes. They have been prepared by the Parent’s directors in accordance with the provisions of the Italian Civil Code governing financial statements and consolidated financial statements and the reporting standards promulgated by the Italian Accounting Standard Setter, specifically OIC 17. Where these are silent, reference was made to the IFRS issued by the IASB.

All additional information deemed necessary for the purposes of a true and fair view of the Cofle Group’s financial position and results of operations is provided below.

The consolidated financial statements have been prepared in euros, including the tables and these notes. The basis of preparation of these consolidated financial statements is unchanged from that used to prepare the financial statements of the previous year.

REPORTING DATE

Pursuant to article 30 of Legislative decree no. 127/91, the reporting date of these consolidated financial statements is the same as that of the financial statements of the Parent (31 December 2022).

CONSOLIDATION SCOPE

The Group's consolidated financial statements include the financial statements of the Parent and those of the companies in which the Parent holds, directly or indirectly, an investment of more than 50% or a sufficient number of votes to exercise control or a significant influence in the respective ordinary shareholders' meetings.

Other investments, i.e., those with a percentage of ownership generally below 20%, have been measured at purchase and/or subscription cost, including transaction costs.

The financial statements used to prepare the Group’s consolidated financial statements are those prepared by the respective boards of directors, adjusted, if necessary, to reflect the reporting standards adopted by the Parent.

The companies included in the consolidation scope are listed in **Annex 1**.

The consolidation scope comprises the Parent and the companies over which it exercises control, as defined earlier. With respect to the consolidation scope at 31 December 2021, the French newco (Cofle France S.a.s.), whose share capital was fully subscribed by the Parent, has joined the consolidation scope in 2022.

BASIS OF CONSOLIDATION

Companies are consolidated on a line-by-line basis. Therefore, pursuant to article 31.1 of Legislative decree no. 127/91, the assets and liabilities and income and charges of consolidated companies are included in their entirety.

Conversely, in accordance with paragraph 2 of the above article, the following are eliminated upon consolidation:

- Investments in consolidated companies and the corresponding portions of net equity;
- Receivables and payables between consolidated companies;
- Intragroup income and charges;
- Gains and losses from intragroup transactions and related to assets, other than contract work in progress.

The carrying amount of investments in consolidated companies is eliminated against the corresponding portion of net equity when the assets and liabilities of the investees are acquired/assumed, showing separately the net equity and net profit (loss) for the year attributable to minority interests. Pursuant to article 33.1 of Legislative decree no. 129/91, equity investments are eliminated based on the carrying amounts at the date of their first-time consolidation. Any amount paid in excess of the carrying amount of the investee's net equity at the purchase date is allocated to the individual asset and liability captions to which this greater amount refers. Any positive residual value is recognised as goodwill, while any negative difference is taken to net equity under the "Consolidation reserve" or, when it pertains to expected unfavourable financial results, it is taken to liabilities, under the "Consolidation provision for future risks and charges".

Changes in the net equity of investees that occurred after the purchase date are taken to "Retained earnings" to the extent pertaining to the Parent.

The accounting effects arising from the elimination of the investments against the corresponding share of net equity was carried out in line with the measurement of investments using the equity method applied in the preparation of the Parent's financial statements.

TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

The financial statements of subsidiaries prepared in currencies other than the euro have been translated in the reporting currency used by the Parent to prepare its consolidated financial statements. Specifically, balance sheet figures were translated using the closing rate (31 December 2022) and profit and loss account figures were translated using the average exchange rate for the year (2022), except for the financial statements of companies operating in hyperinflationary economies, whose profit and loss account was translated applying the closing rate pursuant to IAS 21.42 b.

The exchange differences resulting from the translation of the balance sheet figures at the 2021 and 2022 closing rate and those arising from the translation of the net profit (loss) for the year using the 2022 average rate is taken to the translation reserve under net equity.

The following exchange rates were used:

Currency	31/12/2022	Average 2022	31/12/2021	Average 2022
TRY Turkish lira	19.96	17.41	15.23	10.51
CNY Chinese yuan	7.36	7.08	7.19	7.63
BRL Brazilian real	5.64	5.44	6.31	6.38
INR Indian rupee	88.17	82.69	84.23	87.44

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The International Monetary Fund (IMF) identified the Turkish economy as a “hyper-inflationary” economy. Therefore, for the purposes of preparing these consolidated financial statements and to eliminate the distorting effects of inflation, pursuant to OIC 17.125, before translating the financial statements of the two Turkish subsidiaries, the Group restated the cost of tangible fixed assets and the related depreciation charge and any other adjustments to the carrying amount of other assets, liabilities, income and expenses. Reference was made to IAS 29 given the lack of a reference standard. The accounting effects of the restatement are shown below.

The financial statements of the Turkish subsidiaries were restated before their inclusion in the Group's consolidated financial statements:

- the effect of the inflation-based adjustment of non-monetary assets and liabilities and net equity, net of the related tax effect, was recognised as a balancing entry to Retained earnings in net equity for approximately €4.9 million;
- the effect of the restatement of these non-monetary items, net equity items and profit and loss account captions recognised in 2022 was taken to a separate caption of the profit and

loss account under financial income and charges, amounting to approximately €4 million, and the related tax effect was recognised in the taxes for the year for a total of €376,414.

Upon consolidation, the restated financial statements were translated using the closing rate in order to reinstate the amounts to current values. Since the Group's currency does not belong to a hyper-inflationary economy, the previous year's balance sheet and profit and loss account balances were not restated for comparative purposes.

ACCOUNTING POLICIES

The financial statements captions have been measured in accordance with the general principles of prudence and accruals, considering the economic function of the asset or liability item, and on a going-concern basis, pursuant to article 2426 of the Italian Civil Code and the reporting standards promulgated by the Italian Accounting Standard Setter. In accordance with article 35 of Legislative decree no. 127/91, the accounting policies are the same as those used by the Parent.

The main accounting policies used to prepare the consolidated financial statements are shown below:

INTANGIBLE FIXED ASSETS

Pursuant to article 2426.1 of the Italian Civil Code, intangible fixed assets are recognised at acquisition cost.

Intangible fixed assets are amortised systematically each year over their entire useful life. Indeed, they are amortised based on a pattern that ensures the correct allocation of cost over the assets' useful life which, for deferred costs, does not exceed five years.

Goodwill acquired against consideration is recognised as an asset to the extent of the cost incurred. Indeed, in addition to being quantifiable, it originally consists of costs and charges with a long-term useful life which ensure future economic benefits and, therefore, its cost can be recovered. Goodwill acquired against consideration has been recognised as an asset and amortised over five years.

If, regardless of the amortisation already recognised, an impairment loss is identified, the asset is written down accordingly. If, in subsequent periods, the reasons for the write-down no longer apply, the write-down is reversed.

At 31 December 2020, pursuant to article 110 of Decree law no. 104/2020, the Parent revalued the COFLE brand, adjusting it to its actual value, estimated at €2,000,000.

The revalued brand was not written down pursuant to article 2426.1. 3 of the Italian Civil Code since, as set forth in OIC 9, no indicators of impairment were identified.

TANGIBLE FIXED ASSETS

Similarly to intangible fixed assets, under the Italian Civil Code, tangible fixed assets are recognised at purchase cost, including monetary revaluations carried out in compliance with specific legal provisions and direct transaction costs, net of accumulated depreciation.

Depreciation rates are calculated on a systematic and straight-line basis, using economic-technical rates deemed representative of the residual useful life of the assets.

They are as follows:

- Industrial and commercial equipment: 3%
- Photovoltaic system: 9%
- Generic plants: 10%
- Specific plants: 17.50%
- Specific high-tech plants: 17.50%
- Sundry and small equipment: 25%
- Transport vehicles: 20%
- Vehicles: 25%
- Furniture and office machines: 12%
- Electronic office machines and computers: 20%

If, regardless of the depreciation already recognised, an impairment loss is identified, the asset is written down accordingly. If, in subsequent periods, the reasons for the write-down no longer apply, the write-down is reversed.

FINANCIAL FIXED ASSETS

Equity investments in unconsolidated subsidiaries are measured at cost, net of write-downs for impairment losses which are reversed if the reasons for the write-down no longer apply.

Investments in other companies and securities are recognised at purchase or subscription cost, increased by direct transaction costs. The cost incurred is reduced in the event of impairment losses. Equity investments are written back up to their original cost if the reasons for the write-downs cease to exist.

Financial receivables are recognised at amortised cost and discounted considering the time value of money.

It is noted that the investments in Innovation Technology Group S.r.l. and Innovation Tech configure a related party.

INVENTORY

Goods and finished goods are recognised at the lower of purchase or production cost, including direct transaction costs, and estimated realisable value based on market trends, by accruing a write-down provision which directly reduces the carrying amount of inventory. Purchase cost is determined using the weighted average cost method. Semi-finished products are measured based on the cost incurred, considering the stage of processing achieved at the reporting date.

RECEIVABLES AND PAYABLES

They are recognised at amortised cost considering the time value of money. Receivables are measured at their estimated realisable value pursuant to article 2426.8 of the Italian Civil Code.

Receivables are adjusted to their estimated realisable value by accruing a bad debt provision which reflects the general economic and sector conditions and also country risk.

Receivables and payables for which the application of the amortised cost method and/or discounting is irrelevant for the purpose of giving a true and fair view of the Group's financial position and results of operations, are maintained at their estimated realisable value or nominal amount, respectively.

They are classified as fixed or current assets on the basis of their destination and origin in relation to ordinary activities. Amounts due within and after one year are broken down by contractual or legal due date, also taking into account facts and events that may alter the original due date, the debtor's realistic ability to fulfil the obligation within the contract terms and the time horizon over which the receivable is reasonably expected to be collected.

LIQUID FUNDS

Liquid funds in euros are stated at their nominal amount, while those expressed in other currencies are recognised using the closing rate. The carrying amount takes into account the interest accrued on current accounts and the related expenses.

PREPAYMENTS AND ACCRUED INCOME AND ACCRUED EXPENSES AND DEFERRED INCOME

They are determined in order to allocate the portion of costs and income common to two or more years. For those of a long-term nature, the Parent analyses the conditions underlying their initial recognition and makes any necessary adjustments.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. The amount of the accruals to the provisions is based on the best possible estimates considering the information available. These provisions are measured on a prudent and accruals basis and no generic risk provisions without economic justification were accrued.

EMPLOYEES' LEAVING ENTITLEMENT

The Italian employees' leaving entitlement (TFR) is accrued by the employees during their employment period in accordance with applicable legislation and employment contracts, net of applicable advances. The recognised amount is the liability due to the employees, net of any advances paid to them and the amount transferred to supplementary pension funds as elected by the employees.

REVENUES AND COSTS

Revenues from sales and services are recognised upon transfer of ownership, which usually coincides with the delivery or shipment of the goods to customers or upon the provision, or receipt, of the service.

Costs are recognised when they relate to goods and services sold or used during the year or by systematic allocation or when their future useful life no longer exists.

Revenue and income, costs and charges are stated net of returns, discounts, allowances and premiums, as well as taxes directly related to the sale of goods and the provision of services.

INCOME TAXES

Current income taxes are calculated on the basis of a realistic forecast of the Group's taxable profit.

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amounts of assets and liabilities determined in accordance with the Italian Civil Code and their tax base. Deferred tax assets are recognised when their recoverability is reasonably certain. Deferred tax assets are offset against deferred tax liabilities if the relevant requirements are met. The offsetting balance, if positive, is taken to “Deferred tax assets” and, if negative, to “Provisions for risks and charges - tax provision, including deferred tax liabilities”.

DERIVATIVES

Derivatives are recognised at fair value. Fair value gains and losses are recognised in the profit and loss account or, if the instrument hedges the risk of changes in the expected cash flows of another financial instrument or a forecast transaction, they are taken directly to a positive or negative net equity reserve. This reserve is reversed to the profit and loss account to the extent and at the time the cash flows of the hedged instrument change or when the hedged transaction takes place. At the reporting date, the positive balance of fair value is recognised as “Derivatives” under financial fixed assets or as current financial assets, while any negative balance is taken to the provisions for risks and charges under liabilities. All derivatives are simple hedges (as defined by OIC 32); indeed, their characteristics are entirely similar to those of the hedged item (nominal amount, maturity and underlying).

INTANGIBLE FIXED ASSETS

Intangible fixed assets amount to €4,177,424 (31 December 2021: €3,841,042) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Start-up and capital costs	766,033	1,021,377	(255,344)
Development costs	1,080,446	396,123	684,323
Industrial patents and intellectual property rights	93,297	52,914	40,382
Concessions, licences, trademarks and similar rights	1,836,879	1,955,673	(11,8794)
Goodwill	98,589	152,209	(53,620)
Assets under development and payments on account	0	0	0
Other	302,180	262,745	39,435
INTANGIBLE FIXED ASSETS	4,177,424	3,841,041	336,383

Reference should be made to **Annex 2** for an analysis of the changes of the year in intangible fixed assets.

Pursuant to article 2427.3, **start-up and capital costs** amount to €766,033 and mainly comprise the costs incurred by the Parent as part of the admission to listing on the Euronext Growth Milan market managed by Borsa Italiana in 2021. These costs are amortised over five years.

Development costs amount to €1,080,446 and refer to the research and development innovation programmes carried out by the group companies in order to increase the Group's turnover and profit margins.

Concessions, licences, trademarks and similar rights mainly include the Cofle brand revalued by the Parent in 2020. The decrease of the year is due to amortisation.

Goodwill amounts to €98,589 and includes the consolidation differences arising from the assets with a higher value of the consolidated companies Cofle TK Otomotiv A.S. (€67,305), Cofle Taylor India (€8,800) and Cofle France (€22,485). The decrease of the year is mainly due to amortisation.

Pursuant to article 2427.3-bis of the Italian Civil Code, during the year, no significant events occurred with respect to future economic results or the foreseeable useful life which required the write-down of intangible fixed assets.

TANGIBLE FIXED ASSETS

Tangible fixed assets amount to €6,957,389 (31 December 2021: €4,534,748) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Land and buildings	453,381	467,623	(14,242)
Plant and machinery	4,618,642	2,867,899	1,750,743
Industrial and commercial equipment	418,768	302,917	115,851
Other assets	1,172,986	657,850	515,136
Assets under construction and payments on account	293,612	238,459	55,153
TANGIBLE FIXED ASSETS	6,957,389	4,534,748	2,422,641

Reference should be made to **Annex 3** for an analysis of the changes of the year in tangible fixed assets.

Land and buildings total €453,381. The decrease of the year is due to depreciation.

Plant and machinery, amounting to €4,618,642, include investments for €1,419,172 and depreciation for €1,850,306, in addition to the legal revaluations carried out by the Turkish subsidiaries and the monetary revaluations attributable to hyperinflation.

Other assets amount to €1,172,986 and refer to furniture and fittings, electronic office machines, and vehicles.

Pursuant to article 2427.3-bis of the Italian Civil Code, during the year, no significant events occurred with respect to future economic results or the foreseeable useful life which required the write-down of tangible fixed assets.

FINANCIAL FIXED ASSETS

Financial fixed assets amount to €320,151 (31 December 2021: €704,627) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Equity investments in associates	4,939	4,000	939
Financial receivables from associates	100,000	700,000	(600,000)
Financial receivables from others	0	627	(627)
Other securities	90,960	0	90,960
Derivatives	124,352	0	124,352
FINANCIAL FIXED ASSETS	320,251	704,627	(384,376)

Equity investments in associates refer to the 20% stake in the quota capital of Innovation Technologies Group S.r.l. (a R&D company, based in Vaprio D'Adda): at 31 December 2021, the associate's net equity and net profit for the year amounted to €69,269 and €4,312, respectively.

Moreover, during the year, the Turkish subsidiary Cofle TK acquired 20% of the new-co Innovation Technologies Group Turkey for a total of €939.

Financial receivables from associates due after one year are down by €600,000 as a result of the repayments received from the Parent. The €100,000 balance is due from the above Italian associate.

Other securities of €90,960 include the TFM (end-of-service) insurance policy taken out during the year by the Parent.

Derivatives amount to €118,226 and include the year-end positive mark-to-market of the hedging derivative entered into by the Parent concurrently with a loan in the past.

INVENTORY

Inventory amounts to €14,065,613 (31 December 2021: €10,721,474) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Raw materials, consumables and supplies	9,187,070	6,703,174	2,483,896
Work in progress and semi-finished products	518,053	461,963	56,090
Finished goods	3,679,764	2,992,084	687,680
Payments on account	680,726	564,253	116,473
INVENTORY	14,065,613	10,721,474	3,344,139

Inventory is shown net of the write-down provision of €190,829 which is based on inventory turnover/obsolescence: compared to the previous year, this provision was increased by €99,444.

RECEIVABLES

This caption amounts to €16,113,617 (31 December 2021: €14,538,969) and may be analysed as follows:

€	31/12/2022		31/12/2021		Change	
	Due within one year	Due after one year	Due within one year	Due after one year	Due within one year	Due after one year
Trade receivables	13,338,147	0	12,652,884	0	685,263	0
Tax receivables	1,900,771	0	1,388,305	0	512,466	0
Deferred tax assets	281,668	0	245,624	0	36,044	0
From others	593,031	0	252,156	0	340,875	0
RECEIVABLES	16,113,617	0	14,538,969	0	1,574,648	0

Receivables may be analysed by geographical segment as follows:

€	Italy	Europe	Rest of the world	Total
Trade receivables	2,907,037	9,997,621	433,489	13,338,147
Tax receivables	800,210	895,904	204,657	1,900,771
Deferred tax assets	281,668	0	0	281,668
From others	121,130	179,539	292,361	593,031
RECEIVABLES BY GEOGRAPHICAL SEGMENT	4,110,045	11,073,064	930,508	16,113,617

Pursuant to article 2427.6 of the Italian Civil Code, it is noted that, at 31 December 2022, there were no receivables due after five years.

With respect to foreign currency receivables, as required by article 2427.6-bis of the Italian Civil Code, it is noted that, after the reporting date, there were no significant effects of changes in exchange rates.

Furthermore, pursuant to article 2427.6-ter, it is noted that, at 31 December 2022, there were no receivables which included repurchase agreements.

TRADE RECEIVABLES

Trade receivables are all due within one year and total €13,338,147 (31 December 2021: €10,721,474.). They may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Italy	2,907,037	3,528,773	(621,736)
Europe	9,997,621	8,424,091	1,573,530
Rest of the world	433,489	700,019	(266,530)
TOTAL TRADE RECEIVABLES	13,338,147	12,652,883	685,264

The nominal amount of trade receivables was adjusted to their estimated realisable value via the specific bad debt provision which, at 31 December 2022, amounted to €348,092. Based on the collectability of existing receivables, no further accruals were made to this provision.

TAX RECEIVABLES

This caption amounts to €1,900,771 (31 December 2021: €1,388,305) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Tax credits	224,461	84,732	139,729
Tax advances	326,644	0	326,644
VAT	1,349,666	1,303,573	46,093
TAX RECEIVABLES	1,900,771	1,388,305	512,466

Tax receivables essentially consist of the VAT receivable accrued mainly by the Parent and the Turkish companies. Compared to the previous year end, tax credits relate to investments in research and development (2021) totalling €57,806.

DEFERRED TAX ASSETS

This caption amounts to €281,668 (31 December 2021: €245,624) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Bad debt provision	0	5,665	(5,665)
Inventory	281,668	239,959	41,709
DEFERRED TAX ASSETS	281,668	245,624	36,043

Deferred tax assets have been calculated on the temporary differences deductible in the next few years and on the elimination of intragroup profit margins.

FROM OTHERS

This caption amounts to €593,031 (31 December 2021: €252,156) and mainly includes guarantee deposits and advances to employees and suppliers of €172,265 and €390,414, respectively.

LIQUID FUNDS

Liquid funds amount to €20,319,815 (31 December 2021: €15,493,769) and may be analysed as follows:

€	31/12/2022		31/12/2021		Change	
	Current accounts	Cash-in-hand	Current accounts	Cash-in-hand	Current accounts	Cash-in-hand
Cofle S.p.A.	19,269,078	2,152	14,354,792	3,521	4,914,287	(1,369)
Cofle Brazil	73,990	157	47,919	145	26,070	12
Cofle China	12,878	0	910	0	11,968	0
Cofle France	36,407	0	0	0	36,407	0
Cofle India	183,900	373	164,409	153	19,491	221
Cofle TK	170,785	229	854,269	876	(683,484)	(647)

Cofle Tabo	569,032	834	66,090	685	502,941	150
LIQUID FUNDS	20,316,070	3,746	15,488,389	5,380	4,827,681	(1,634)

PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income total €658,015 (31 December 2021: €356,239), of which €653,823 relating to prepayments and €4,192 to accrued income.

Finally, pursuant to article 2427.8 of the Italian Civil Code, no financial charges were capitalised during the year.

NET EQUITY

Net equity totals €29,841,445 (31 December 2021: €26,143,519). Of this amount, €27,967,466 pertains to the Parent (31 December 2021: €24,702,904) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Share capital	615,600	615,373	227
Reserves	10,967,268	10,992,986	(25,718)
Retained earnings	13,939,578	4,852,242	9,087,336
Net profit for the year	2,288,040	8,242,303	(5,954,263)
NET EQUITY ATTRIBUTABLE TO THE PARENT	27,810,486	24,702,904	3,107,582
NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	1,826,416	1,440,615	385,801
NET EQUITY	29,636,901	26,143,519	3,493,382

Reference should be made to **Annex 4** for an analysis of the changes in net equity.

At 31 December 2022, the **share capital** subscribed and paid up by the Parent amounted to €615,660, up by €227 on the previous year end as a result of the first exercise period of the Cofle 2021 - 2023 Warrants.

Reserves may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Share premium reserve	14,916,771	14,883,091	33,680
Revaluation reserves	2,434,930	2,904,855	(469,925)
Legal reserve	123,075	100,000	23,075
Consolidation reserve	619,229	619,229	0
Translation reserve	(7,244,963)	(7,496,249)	251,286
Hedging reserve	118,226	(17,940)	136,166
RESERVES	10,967,268	10,992,986	(25,718)

The **share premium reserve**, which was recognised in connection with the listing, rose by €33,680 as a result of the first exercise period of the Cofle 2021 - 2023 Warrants.

The **revaluation reserves** include €1,940,000 related to the brand revaluation carried out by the Parent pursuant to Law no. 104/2020 and €494,930 related to the revaluation of real estate assets made in previous years. In previous years, the Turkish subsidiaries had revalued tangible fixed assets as permitted by the law for a total of €469,925: following the inflation adjustment, this reserve was reclassified to retained earnings.

During the year, the **legal reserve** rose by €23,075 in order to reach one-fifth of the share capital.

The **consolidation reserve**, which was set upon the first-time consolidation of Tabo (€585,119) and Zhuji Cofle (€34,110) is unchanged from the previous year.

The **translation reserve** decreased by €251,286 due to the changes in the exchange rates used when translating the financial statements of foreign subsidiaries prepared in currencies other than the euro.

The **hedging reserve** includes the positive market-to-market value of the derivatives in place at the reporting date (€118,226).

Retained earnings amount to €13,939,578, up by €9,087,336. The main increases refer to the allocation of part of the net profit for 2021 to retained earnings (€8,219,228) and to the monetary revaluation for hyperinflation (€4,956,683), while with respect to decreases, €1,892,898 relates to the translation of the financial statements of subsidiaries prepared in currencies other than the euro, and €2,030,730 to the dividends paid by the Parent during the year.

The following table shows the reconciliation between the Parent's and consolidated net equity and net profit for the year:

€	31/12/2022		31/12/2021	
	Net profit for the year	Net equity	Net profit for the year	Net equity
Cofle S.p.A.	3,015,165	29,146,469	8,296,130	25,146,729
Pro quota profit of consolidated companies	2,958,226	(307,361)	2,809,678	(172,200)
Intragroup dividends	(2,959,110)	0	(2,850,216)	0
Intragroup write-downs	125,000	625,000	100,000	500,000
Goodwill and gains	(81,726)	(310,041)	(76,105)	(228,314)
Elimination of intragroup profits	(761,875)	(1,329,125)	(38,001)	(545,951)
Other consolidation adjustments	(7,640)	(14,457)	817	2,640
NET EQUITY ATTRIBUTABLE TO THE PARENT	2,288,040	27,810,485	8,242,303	24,702,904

Changes in net equity attributable to minority interests may be analysed as follows:

€	Share capital and reserves - minority interests	Net profit - minority interests	Net equity - minority interests
31/12/2021	408,534	1,032,081	1,440,615
Allocation of the net profit for the previous year	1,032,081	(1,032,081)	0
Dividends	(387,530)	0	(387,530)
Capital increase	35,496	0	35,496
Monetary revaluation for hyperinflation	573,290	0	573,290
Translation of foreign currency financial statements	(232,273)	0	(232,273)
Other changes	36,787	0	36,787
Net profit for the year	0	360,031	360,031
NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	1,466,385	360,031	1,826,416

PROVISIONS FOR RISKS AND CHARGES

They total €1,149,362 (31 December 2020: €157,327) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Pension and similar provisions	181,920	90,960	90,960
Tax provision, including deferred tax liabilities	967,442	42,762	924,680
Derivatives	0	23,605	(23,605)
PROVISIONS FOR RISKS AND CHARGES	1,149,362	157,327	992,035

Pension and similar provisions include the TFM (end-of-service) accrual recognised in favour of the members of the Board of directors entrusted with specific powers.

The **tax provision, including deferred tax liabilities** amounts to €967,447 and increased as a consequence of the deferred liabilities pertaining to the Turkish subsidiaries.

EMPLOYEES' LEAVING ENTITLEMENT

This caption amounts to €628,516 (31 December 2021: €634,825) and may be analysed as follows:

€	31/12/2021	Incr.	Decr.	31/12/2022
Employees' leaving entitlement	634,825	391,519	(397,828)	628,516
EMPLOYEES' LEAVING ENTITLEMENT	634,825	391,519	(397,828)	628,516

This provision is mainly attributable to the Parent. The accrual of the year amounts to €391,519, while utilisations refer to the amounts paid to employees who left the Parent (€95,549) and allocations to supplementary pension funds (€326,571).

PAYABLES

This caption amounts to €30,561,222 (31 December 2021: €22,535,701) and may be analysed as follows:

€	31/12/2022		31/12/2021		Change	
	Due within one year	Due after one year	Due within one year	Due after one year	Due within one year	Due after one year
Bonds	0	4,852,919	0	0	0	4,852,919
Bank loans and borrowings	4,269,010	10,301,703	1,299,154	9,348,695	2,969,856	953,008
Loans and borrowings from other financial backers	8,350	424,613	58,870	429,900	(50,520)	(5,287)
Payments on account	30,259	0	3,551	0	26,708	0
Trade payables	8,092,379	0	8,079,060	0	13,319	0
Payables to parents	0	255,000	0	722,500	0	(467,500)
Tax liabilities	464,293	0	939,316	0	(475,023)	0
Social security charges payable	452,821	0	341,692	0	111,129	0
Other payables	1,409,874	0	1,312,963	0	96,911	0
PAYABLES	14,726,987	15,834,235	12,034,606	10,501,095	2,692,381	5,333,140

Payables may be analysed by geographical segment as follows:

€	Italy	Europe	Rest of the world	Total
Bonds	4,852,919	0	0	4,852,919
Bank loans and borrowings	7,928,119	6,059,490	583,104	14,570,713
Loans and borrowings from other financial backers	429,900	0	3,063	432,963
Payments on account	0	30,259	0	30,259
Trade payables	3,348,276	4,336,434	407,669	8,092,379
Payables to parents	255,000	0	0	255,000
Tax payables	168,203	292,391	3,699	464,293
Social security charges payable	289,543	163,278	0	452,821
Other payables	1,050,877	347,441	11,556	1,409,874
PAYABLES BY GEOGRAPHICAL SEGMENT	18,322,837	11,229,293	1,009,092	30,561,222

Pursuant to article 2427.6 of the Italian Civil Code, it is noted that, at 31 December 2022, there were no payables secured by collateral on company assets.

With respect to foreign currency payables, as required by article 2427.6-bis of the Italian Civil Code, it is noted that, after the reporting date, there were no significant effects of changes in exchange rates.

Furthermore, pursuant to article 2427.6-ter, it is noted that, at 31 December 2022, there were no payables which included repurchase agreements.

BONDS

During the year, in order to support new growth initiatives in Italy, the Parent subscribed a non-convertible bond for a total nominal amount of €5,000,000, comprised of 50 bonds, each with a nominal amount of €100,000.

The bond was issued on 29 November 2022 and has a duration until 21 October 2028: each bond accrues interest, on a daily basis, at a gross annual nominal fixed rate of 5.06%.

The bonds will be repaid at par in 10 six-monthly instalments of €500,000, each starting on 21 April 2024.

The related payable was recognised at amortised cost. Consequently, the initial carrying amount, which reflects the nominal amount of the payable, was netted of transaction costs, and the payable was measured considering the time value of money: at 31 December 2022, this payable amounted to €4,852,919.

BANK LOANS AND BORROWINGS

This caption amounts to €14,570,713 (31 December 2021: €10,647,848) and mainly refers to loans and financing.

€	31/12/2022	31/12/2021	Change
Cofle S.p.A.	7,928,119	7,755,939	172,180
Cofle Brazil	581,403	519,532	61,871
Cofle France	0	0	0
Cofle India	1,701	0	1,701
Cofle TK	3,186,428	1,858,704	1,327,724
Tabo Otomotiv	2,873,062	513,673	2,359,389
Zhuji Cofle	0	0	0
BANK LOANS AND BORROWINGS	14,570,713	10,647,848	3,922,865

LOANS BORROWINGS FROM OTHER FINANCIAL BACKERS

This caption amounts to €432,963 (31 December 2021: €488,770) and mainly refers to the Parent. Specifically, it includes three subsidised loans totalling €429,901.

TRADE PAYABLES

This caption totals €8,092,379 (31 December 2021: €8,079,060) and mainly refers to purchases of raw materials and services. Its balance is in line with that of the previous year end.

PAYABLES TO PARENTS

Payables to parents are down by €467,500 on the previous year end and refer to the residual amount due to the indirect parent Finan.co S.r.l. related to the portions of investments acquired in the Turkish subsidiaries in 2020. Of this amount, €72,000 refers to Cofle TK (16.57%) and €183,000 to Tabo (20%).

TAX PAYABLES

Tax payables amount to €464,293 (31 December 2021: €10,647,848) and comprise withholding taxes on employees' remuneration and consultants' fees and taxes and duties to be paid to the relevant government.

SOCIAL SECURITY CHARGES PAYABLE

This caption totals €452,821 (31 December 2021: €341,692) and refers to the amounts due by the group companies to INPS (Italy's social security institution), INAIL (Italy's national institute for insurance against accidents at work) and other similar social security institutions in foreign countries.

OTHER PAYABLES

This caption amounts to €1,409,874 (31 December 2021: €1,312,963) and mainly refers to the amount due to employees for remuneration, holidays and leave.

ACCRUED EXPENSES AND DEFERRED INCOME

This caption amounts to €636,122 (31 December 2021: €719,496) and mainly refers to accrued interest and commission expense, outright grants received by the Parent following Simest loans allocated over the entire term of the repayment plan.

PRODUCTION REVENUES

In 2022, production revenues amounted to €57,964,701 (2021: €55,430,776). They may be analysed as follows:

€	2022	2021	Change
Turnover from sales and services	55,385,413	52,214,284	3,171,129
Change in work in progress, semi-finished products and finished goods	1,256,822	1,578,318	(321,496)
Other revenues and income	1,322,466	1,638,174	(315,708)
PRODUCTION REVENUES	57,964,701	55,430,776	2,533,925

This caption increased by €2,533,925 mainly as a result of the turnover for the year. Reference should be made to the directors' report for information about the performance of the year.

Production revenues may be analysed by geographical segment as follows:

€	2022	2021	Change
Italy	12,053,282	10,625,913	1,427,369
Europe	41,289,405	39,619,364	1,670,041
Rest of the world	2,042,726	1,969,007	73,719
TOTAL PRODUCTION REVENUES BROKEN DOWN BY GEOGRAPHICAL SEGMENT	55,385,413	52,214,284	3,171,129

PRODUCTION COST

In 2022, production cost amounted to €49,529,345 (2021: €45,049,957). It may be analysed as follows:

€	2022	2021	Change
Raw materials, consumables, supplies and goods	24,997,963	23,013,215	1,984,748
Services	10,556,309	9,487,736	1,068,573
Use of third party assets	1,231,899	1,099,739	132,160
Personnel expenses	11,537,735	11,326,670	211,065
Amortisation, depreciation and write downs	3,433,029	2,467,244	965,785
Change in raw materials, consumables and supplies	(3,202,952)	(3,169,022)	(33,930)
Provisions for risks	99,444	48,570	50,874
Other operating costs	875,918	775,804	100,114
PRODUCTION COST	49,529,345	45,049,956	4,479,389

Production cost rose 10% on the previous year mainly as a result of the increase in the price of raw materials, energy and transportation.

FINANCIAL INCOME AND CHARGES

Net financial charges amount to €3,893,784 (2021: €1,173,839), mainly as a result of the monetary gains and losses arising from the monetary revaluation for hyperinflation.

INCOME TAXES, CURRENT AND DEFERRED

Income taxes amount to €1,893,502 (2021: €2,280,274) and comprise current taxes of €1,599,950 and changes in deferred tax liabilities of €293,552.

OTHER INFORMATION

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Pursuant to article 2427.9 of the Italian Civil Code, the Group has committed to take over the lease of the associate for a total of €533,400, in addition to commitments for a bank surety issued to a subsidiary for €700,000 and minimum lease payments nearing expiration for a total of €76,724.

EXCEPTIONAL INCOME AND EXPENSES

Pursuant to article 2427.13 of the Italian Civil Code, it is noted that the Parent did not recognise exceptional income or expenses.

AVERAGE NUMBER OF EMPLOYEES

Pursuant to article 2427.13 of the Italian Civil Code, the average number of the Group's employees is shown below broken down by category:

<i>position</i>	2022			2021		
	Parent	Subsidiaries	Total	Parent	Subsidiaries	Total
Managers	0	3	3	0	3	3
Junior managers	5	14	19	5	14	19
White collars	40	55	95	39	41	80
Blue collars	102	352	454	98	331	429
AVERAGE WORKFORCE	147	424	571	142	389	531

DIRECTORS' AND STATUTORY AUDITORS' FEES

Pursuant to article 2427.16 of the Italian Civil Code, the fees of the Parent's directors and statutory auditors, including those related to the performance of these functions also in other consolidated companies, are shown below. Directors' fees amounted to €609,000, while those pertaining to the Board of statutory auditors totalled €29,120.

AUDIT FEES

Pursuant to article 2427.16-bis of the Italian Civil Code, it is noted that the audit fees for the Parent and its subsidiaries amount to €63,200 and solely relate to the statutory audit of the annual financial statements.

SHARE CAPITAL

Pursuant to article 2427.17 of the Italian Civil Code, it is noted that the share capital amounts to €615,599.60, divided into 6,155,996 ordinary shares with a nominal amount of €0.10 each.

DIVIDEND-RIGHT SHARES, BONDS CONVERTIBLE INTO SHARES AND SECURITIES ISSUED

Pursuant to article 2427.18 of the Italian Civil Code, it is noted that, as part of the capital increase carried out in 2021 and the consequent listing on the EGM managed by Borsa Italiana, the Parent concurrently issued 345,000 warrants for new shareholders and 33,500 warrants for employees. On 30 November 2022, 2,268 warrants were subscribed.

DERIVATIVES

Pursuant to article 2427.19 of the Italian Civil Code, it is noted that the Group did not issue any financial instruments that carry dividend or voting rights.

At 31 December 2022, the Group entered into one hedging derivative while it took out two loans.

Pursuant to the Italian Civil Code, it is noted that, at 31 December 2022, the fair value (mark to market) of the above derivatives was a positive €118,226.

SHAREHOLDER LOANS

Pursuant to article 2427.19-bis of the Italian Civil Code, it is noted that the Group did not receive any shareholder loan.

ASSETS EARMARKED FOR A SPECIFIC BUSINESS

Pursuant to article 2427.20 of the Italian Civil Code, it is noted that the Group has no assets earmarked for a specific business.

RELATED PARTY TRANSACTIONS

Pursuant to article 2427.22-bis of the Italian Civil Code, it is noted that, during the year, no atypical and/or unusual transactions were carried out that, due to their significance and/or materiality, could cast doubts as to the safeguard of the group assets, either with subsidiaries, associates or other related parties or parties other than related parties.

During the year, related party transactions were carried out at market conditions.

The transactions carried out with the Parent and related parties are summarised below in terms of receivables and payables and the resulting income components:

€	TRADE RECEIV.	TRADE PAY.	FIN. PAY.	FIN. RECEIV.	REVENUES	COSTS
Valdiporto S.r.l.	0	0	0	0	0	500,168
Innovation Technology Group S.r.l.	0	0	0	100,000	4,711	1,830
Innovation Technology Group Turkey	53,820	0	0	0	37,175	26,832
Benedetti & Co. S.r.l.	0	112,407	0	0	0	351,548
Avv. F. Vitale	0	54,201	0	0	0	19,912
Ginini Danışmanlık Hizmetleri	0	6,428	0	0	0	65,371
Taylor Rubber Private Limited	0	32,370	0	0	8,866	374,682
JLG contabilidade Ltda	0	0	0	0	0	12,895
Foco administração e negócios Ltda	0	0	0	0	0	15,190
Finan.Co S.r.l.	0	0	255,000	0	0	0
RELATED PARTIES	53,820	205,406	255,000	100,000	50,752	1,368,427

OFF-BALANCE SHEET ARRANGEMENTS

Pursuant to article 2427.22-ter of the Italian Civil Code, it is noted that there are no off-balance sheet arrangements which could significantly affect the Group's financial position and results of operations.

POST-BALANCE SHEET EVENTS

Pursuant to article 2427.22-quater of the Italian Civil Code, it is noted that no significant events occurred after the reporting date that had a significant impact on the Group's financial position and results of operations.

COMPANIES DRAWING UP THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LARGER GROUP

Pursuant to article 2427.22-quinquies of the Italian Civil Code, it is noted that the Group is consolidated by Finan.co S.r.l., with registered office in Vimercate (MB).

MANAGEMENT AND COORDINATION

Pursuant to article 2497-bis of the Italian Civil Code, it is noted that the Parent is not subject to management or coordination.

DISCLOSURES REQUIRED BY ARTICLE 1.125 OF LAW NO. 124 OF 4 AUGUST 2017

Pursuant to article 3-quater of Decree law no. 135/2018 and article 35 of Decree law no. 34/2019, for information about the grants received, reference should be made to that set out in the National state aid register - transparency section, which provides the overall picture of disbursements made by public entities.

With reference to disbursements, and based on the interpretation of Assonime (the Italian association of joint stock companies) circular no. 5/2019, the following amounts are outside the scope of application:

- consideration for public works, services and supplies or due as compensation;
- remunerated positions that form part of standard business operations;
- incentives/subsidies received as part of a general aid scheme to all beneficiaries;
- public resources attributable to public entities of other States (European or non-European) and to European institutions;
- training grants received from interprofessional funds established as associations.

Disbursements are identified on a cash basis. In accordance with the applicable regulation, those worth less than €10,000 per granting entity are excluded.

Below is a summary of aids, contributions and economic benefits received from public administrations during the year:

€	GRANTING ENTITY	AMOUNT
SIMEST outright grant – Trade fairs abroad	SIMEST	4,178
SIMEST outright grant – Company capitalisation	SIMEST	38,868
SIMEST outright grant – Temporary Export Manager	SIMEST	4,640
SIMEST outright grant – Italian trade fairs	SIMEST	8,157
TOTAL GRANTS		55,844

TREZZO SULL'ADDA (MILAN), 29 MARCH 2023

CHAIRMAN OF THE

BOARD OF DIRECTORS

WALTER BARBIERI

ANNEXES

ANNEX 1 – CONSOLIDATION SCOPE

Disclosure provided pursuant to article 38.2 of Legislative decree no. 127/91 – in euro

Company	Registered office		Currency	Share capital	Net profit (loss) for the year	Net equity (deficit)	Investment %	Investor
	City	Country						
Cofle S.p.A.	Trezzo sull'Adda (Milan)	Italy	€	615,600	3,015,165	29,146,468		Consolidating company
Tabo Otomotiv A.S.	Istanbul	Turkey	TRY	524,546	1,038,482	3,166,332	80%	Cofle S.p.A.
Cofle TK Otomotiv A.S.	Istanbul	Turkey	TRY	759,393	4,390,512	10,000,200	91.92%	Cofle S.p.A.
Zhuji Cofle Mechanical Control Systems Company Ltd	Zhejiang	China	CNY	512,309	(10,033)	448,154	51%	Cofle S.p.A.
Cofle Do Brasil Ltda	Sete Lagoas	Brazil	BRL	1,866,670	(258,134)	(1,143,602)	100%	Cofle S.p.A.
Cofle Taylor India	Chennai		INR	805,410	61,467	746,206	76.48%	Cofle S.p.A.
Cofle France S.a.S.	Beauvais	France	€	130,000	104,589	25,412	100%	Cofle S.p.A.

ANNEX 2 – INTANGIBLE FIXED ASSETS

€	31/12/2021	Change in cons. scope	Incr.	Decr.	Amort.	Reclass.	Rev.	Exchange diff.	31/12/2022
Start-up and capital costs	1,021,377	0	0	0	(255,344)	0	0	0	766,033
Development costs	396,123	0	585,640	0	(420,570)	0	613,129	(93,876)	1,080,446
Industrial patents and intellectual property rights	52,914	0	60,844	0	(36,981)	(69)	24,356	(7,768)	93,297
Concessions, licences, trademarks and similar rights	1,955,673	0	0	0	(119,174)	(6,516)	0	6,897	1,836,879
Goodwill	152,209	0	28,106	0	(81,726)	0	0	0	98,587
Other	262,745	0	109,558	0	(157,481)	6,585	105,896	(25,123)	302,180
INTANGIBLE FIXED ASSETS	3,841,041	0	784,148	0	(1,071,276)	0	743,381	(119,871)	4,177,422

ANNEX 3 – TANGIBLE FIXED ASSETS

€	31/12/2021	Change in cons. scope	Incr.	Decr.	Deprec.	Reclass.	Rev.	Exchange diff.	31/12/2022
Land and buildings	467,623	0	0	0	(14,242)	0	0	0	453,381
Plant and machinery	2,867,898	0	1,410,850	(101,591)	(1,843,390)	0	2,640,342	(355,467)	4,618,642
Industrial and commercial equipment	302,917	0	565,251	(358,929)	(127,837)	0	42,673	(5,306)	418,768
Other assets	657,851	129,624	518,489	(70,209)	(374,520)	0	358,460	(46,710)	1,172,986
Assets under construction and payments on account	238,459	0	29,541	0	0	0	82,123	(56,511)	293,612
TANGIBLE FIXED ASSETS	4,534,748	129,624	2,524,130	(530,729)	(2,359,989)	0	3,123,598	(463,994)	6,957,389

ANNEX 4 – CHANGES IN NET EQUITY

€	Share capital	Share premium reserve	Rev. reserve - fixed assets	Legal reserve	Consolid. reserve	Transl. reserve	Hedging reserve	Retained earnings	Net profit for the year	Net equity Parent	Share capital and reserves attributable to minority interests	Net profit attributable to minority interests	Net equity attributable to minority interests	Net equity
31/12/2021	615,373	14,883,091	2,904,855	100,000	619,229	(7,496,249)	(17,940)	4,852,242	8,242,303	24,702,904	408,534	1,032,081	1,440,615	26,143,519
Allocation of the net profit for the previous year				23,075				8,219,228	(8,242,303)	0	1,032,081	(1,032,081)	0	0
Dividends								(2,030,730)		(2,030,730)	(387,530)		(387,530)	(2,418,260)
Capital increase	227	33,680								33,907	35,496		35,496	69,403
Monetary revaluation for hyperinflation			(469,925)					4,956,683		4,486,758	573,290		573,290	5,060,048
Translation of foreign currency financial statements						251,286		(1,892,898)		(1,641,612)	(232,273)		(232,273)	(1,873,885)
Mark-to-market derivatives							136,166			136,166			0	136,166
Other changes								(164,948)		(164,948)	36,787		36,787	(128,160)
Net profit for the year									2,288,040	2,288,040		360,031	360,031	2,648,071
NET EQUITY	615,600	14,916,771	2,434,930	123,075	619,229	(7,244,963)	118,226	13,939,578	2,288,040	27,810,486	1,466,385	360,031	1,826,416	29,636,901



FINANCIAL STATEMENTS

BALANCE SHEET

€	31/12/2022	31/12/2021
Balance sheet - Assets	51,995,493	43,076,863
B) Fixed assets	18,731,966	15,324,997
I) Intangible fixed assets	2,704,840	3,094,970
1) Start-up and capital costs	766,033	1,021,377
3) Industrial patents and intellectual property rights	16,611	19,735
4) Concessions, licences, trademarks and similar rights	1,800,000	1,900,000
7) Other	122,196	153,858
II) Tangible fixed assets	2,212,771	2,136,756
1) Land and buildings	453,381	467,623
2) Plant and machinery	1,031,910	1,021,195
3) Industrial and commercial equipment	393,100	265,124
4) Other assets	334,380	382,814
III) Financial fixed assets	13,814,355	10,093,271
1) Equity investments:	12,655,169	8,918,271
a) Subsidiaries	12,651,169	8,914,271
b) Associates	4,000	4,000
2) Financial receivables	950,000	1,175,000
a) From subsidiaries	850,000	475,000
2) Due after one year	850,000	475,000
b) From associates	100,000	700,000
2) Due after one year	100,000	700,000
3) Other securities	90,960	0
4) Derivatives	118,226	0
C) Current assets	33,036,277	27,612,315
I) Inventory	5,836,851	5,169,092
1) Raw materials, consumables and supplies	3,587,139	2,968,025
2) Work in progress and semi-finished products	120,697	105,324
4) Finished goods	2,112,399	2,061,293
5) Payments on account	16,616	34,450
II) Receivables	7,928,196	8,084,910
1) Trade receivables	5,569,818	6,655,899
1) Due within one year	5,569,818	6,655,899
2) From subsidiaries	1,437,038	872,531
1) Due within one year	1,437,038	872,531
5-bis) Tax receivables	800,210	457,290
1) Due within one year	800,210	457,290
5-ter) Deferred tax assets	0	5,665
1) Due within one year	0	5,665
5-quater) From others	121,130	93,525
1) Due within one year	121,130	93,525

	31/12/2022	31/12/2021
IV) Liquid funds	19,271,230	14,358,313
1) Bank and postal accounts	19,269,078	14,354,792
3) Cash-in-hand and cash equivalents	2,152	3,521
D) Prepayments and accrued income	227,249	139,551
€	31/12/2022	31/12/2021
Balance sheet - Liabilities	51,995,492	43,076,863
A) Net equity	29,146,468	25,146,729
A) Net equity attributable to the Parent	29,146,468	25,146,729
I) Share capital	615,600	615,373
II) Share premium reserve	14,916,771	14,883,091
III) Revaluation reserves	2,434,930	2,434,930
IV) Legal reserve	123,075	100,000
VI) Other reserves	5,318,855	(2,163,104)
VII) Hedging reserve	118,226	(17,940)
VIII) Retained earnings	2,603,847	998,249
IX) Net profit for the year	3,015,165	8,296,130
B) Provisions for risks and charges	700,523	449,809
1) Pension and similar provisions	181,920	90,960
2) Tax provision, including deferred tax liabilities		35,875
3) Derivatives		23,605
4) Other	518,603	299,369
C) Employees' leaving entitlement	622,964	630,227
D) Payables	21,150,756	16,483,854
1) Bonds	4,852,919	0
2) Due after one year	4,852,919	
4) Bank loans and borrowings	7,928,119	7,755,939
1) Due within one year	3,398,687	517,042
2) Due after one year	4,529,432	7,238,897
5) Loans and borrowings from other financial backers	429,901	498,817
1) Due within one year	5,288	68,917
2) Due after one year	424,613	429,900
7) Trade payables	3,900,629	3,957,186
1) Due within one year	3,900,629	3,957,186
9) Payables to subsidiaries	2,275,565	1,753,219
1) Due within one year	2,275,565	1,753,219
11) Payables to parents	255,000	722,500
2) Due after one year	255,000	722,500
12) Tax payables	168,203	461,126
1) Due within one year	168,203	461,126
13) Social security charges payable	289,543	269,123
1) Due within one year	289,543	269,123
14) Other payables	1,050,877	1,065,944
1) Due within one year	1,050,877	1,065,944
E) Accrued expenses and deferred income	374,781	366,244

PROFIT AND LOSS ACCOUNT

€	2022	2021
A) Production revenues	31,566,110	31,677,706
1) Turnover from sales and services	29,722,921	30,246,051
2) Changes in work in progress, semi-finished products and finished goods	66,479	238,815
5) Other revenues and income, with separate mention of grants related to income	1,776,710	1,192,840
a) Sundry	1,776,710	1,192,840
B) Production cost	31,210,742	30,238,570
6) Raw materials, consumables, supplies and goods	16,008,240	16,117,339
7) Services	6,842,946	6,177,915
8) Use of third party assets	694,013	603,249
9) Personnel expenses	6,869,085	6,391,840
a) Wages and salaries	4,564,715	4,234,660
b) Social security contributions	1,741,676	1,695,369
c) Employees' leaving entitlement	378,340	327,105
e) Other costs	184,354	134,706
10) Amortisation, depreciation and write-downs	918,126	908,338
a) Amortisation of intangible fixed assets	409,163	421,632
b) Depreciation of tangible fixed assets	507,197	461,148
c) Other write-downs of fixed assets	1,766	0
d) Write-downs for current receivables and liquid funds		25,558
11) Change in raw materials, consumables, supplies and goods	(718,558)	(412,135)
12) Provisions for risks	224,444	148,570
14) Other operating costs	372,446	303,454
Operating profit (A - B)	355,368	1,439,136
C) Financial income and charges	(112,772)	(133,140)
16) Other financial income	32,935	5,609
b) From securities classified as fixed assets which are not equity investments	8,541	5,342
d) Other income	24,394	267
17) Interest and other financial charges	138,583	116,245
e) Other	138,583	116,245
17 bis) Net exchange rate losses	(7,124)	(22,504)
D) Adjustments to financial assets and liabilities	2,936,710	7,487,501
18) Write-backs	3,531,108	8,179,142
a) Equity investments	3,531,108	8,179,142
Subsidiaries	3,531,108	8,179,142
19) Write-downs	594,398	691,641
a) Equity investments	594,398	691,641
Pre-tax profit (A - B + - C + - D)	3,179,306	8,793,497
20) Income taxes, current and deferred	164,141	497,367
a) Current taxes	200,016	533,241
c) Deferred taxes	(35,875)	(35,874)
21) Net profit for the year	3,015,165	8,296,130

CASH FLOW STATEMENT

€	2022	2021
A) Cash flows from operating activities (indirect method)		
Net profit for the year	3,015,165	8,296,130
Income taxes	164,141	497,367
Interest expense/(interest income)	112,772	133,140
(Dividends)	(2,657,016)	(2,850,216)
1) Profit before income taxes, interest, dividends and gains and losses on sales	635,062	6,076,421
<i>Adjustments for non-monetary items that did not affect net working capital</i>		
Accruals to provisions	224,444	265,088
Amortisation and depreciation	918,126	882,780
Non-monetary adjustments to derivative financial assets and liabilities	(279,694)	(4,637,285)
Other adjustments for non-monetary items	(3,927,078)	(1,089,604)
Total adjustments for non-monetary items that did not affect working capital	(3,064,202)	(4,579,021)
2) Cash flow before changes in net working capital	(2,429,140)	1,497,400
<i>Changes in net working capital</i>		
Decrease/(Increase) in inventory	(667,759)	(578,142)
Decrease/(Increase) in trade receivables	521,574	(276,904)
Increase/(Decrease) in trade payables	465,789	561,703
Decrease/(Increase) in prepayments and accrued income	(87,698)	1,915
Decrease/(Increase) in accrued expenses and deferred income	8,537	311,315
Other decreases/(Other Increases) in net working capital	(652,430)	604,283
Total changes in net working capital	(411,987)	624,170
3) Cash flows after changes in net working capital	(2,841,127)	2,121,570
<i>Other adjustments</i>		
Interest collected/(paid)	(112,772)	(133,140)
(Income taxes paid)	(164,141)	(497,367)
Dividends paid	2,657,016	2,850,216
(Use of provisions)	279,694	4,637,285
Other collections/(payments)	0	(49,469)
Total other adjustments	2,659,797	6,807,525
Cash flows from (used in) operating activities (A)	(181,330)	8,929,095
B) Cash flows from investing activities		
<i>Tangible fixed assets</i>		
(Investments)	(793,664)	(1,285,573)
Disinvestments	208,687	107,614
<i>Intangible fixed assets</i>	(19,033)	(1,419,433)
(Investments)	(19,033)	(1,419,433)
Disinvestments	0	0
<i>Financial fixed assets</i>		
	225,000	0
(Investments)	(375,000)	0
Disinvestments	600,000	0

Cash flows used in investing activities (B)		(379,009)	(2,597,392)
C) Cash flows from financing activities			
<i>Third party funds</i>			
Increase/(Decrease) in short-term bank loans and borrowings		172,180	(1,220,029)
Increase/(Decrease) in short-term loans and borrowings from other financial backers		(68,916)	0
Increase/(decrease) in medium/long-term payables to parents/associates		(467,500)	0
Increase/(decrease) in financial assets		4,852,919	0
<i>Own funds</i>			
Share capital increase against consideration		33,907	7,459,609
Financial receivables		0	358,500
(Dividends and interim dividends)		(2,030,730)	0
Other changes in net equity		2,981,396	0
Cash flows from financing activities (C)		5,473,256	6,598,080
Increase (decrease) in liquid funds (A ± B ± C)		4,912,917	12,929,783
Opening liquid funds		14,358,313	1,428,530
Closing liquid funds		19,271,230	14,358,313

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The financial statements of Cofle S.p.A. (the “Company”) consist of a balance sheet, a profit and loss account, a cash flow statement and these notes. They have been prepared by the Company’s directors in accordance with the provisions of the Italian Civil Code and the reporting standards promulgated by the Italian Accounting Standard Setter (OIC).

All additional information deemed necessary for the purposes of a true and fair view of the Company’s financial position and results of operations is provided below.

The balance sheet and the profit and loss account comply with the provisions of articles 2423-ter, 2424 and 2425 of the Italian Civil Code: balance sheet and profit and loss account captions were recognised in accordance with articles 2424-bis and 2425-bis of the Italian Civil Code, while the cash flow statement has been prepared in accordance with article 2425-ter of the Italian Civil Code and OIC 10 Cash flow statement.

The financial statements have been prepared in euros, as well as the tables and these notes. The basis of preparation of these financial statements is unchanged from that used to prepare the financial statements of the previous year.

BASIS OF PREPARATION

The financial statements captions have been measured in accordance with the principle of prudence, recognising profits only if realised before the reporting date, while risks and losses were considered on an accruals basis even when they become known after the reporting date. Furthermore, the items comprising the individual captions have been measured on a going concern basis, i.e., assuming that the Company will continue to operate and generate income at least for a predictable period of time.

Captions have been recognised and presented in accordance with the substance over form principle, i.e., by checking the correct recognition or derecognition of balance sheet and profit and loss account captions based on a comparison between the reporting standards and the rights and obligations set out in the contract terms of the transactions.

Furthermore, income and charges have been recognised on an accruals basis, regardless of their date of collection or payment.

Captions have been measured using the same measurement criteria, i.e., the accounting policies have not changed compared to those applied in the previous year.

The materiality of the individual captions that comprise the financial statements was assessed considering the financial statements as a whole and taking into account both qualitative and quantitative items.

The comparability of the financial statements captions over time was taken into account. Therefore, each balance sheet and profit and loss account caption is accompanied by the corresponding figure for the previous year.

ACCOUNTING POLICIES

The financial statements captions have been measured in accordance with the general principles of prudence and accruals, considering the economic function of the asset or liability item, and on a going-concern basis, pursuant to article 2426 of the Italian Civil Code and the reporting standards promulgated by the Italian Accounting Standard Setter. The main accounting policies used to prepare the financial statements are shown below:

INTANGIBLE FIXED ASSETS

Pursuant to article 2426.1 of the Italian Civil Code, intangible fixed assets are recognised at acquisition cost. Intangible fixed assets are amortised systematically each year over their entire useful life. Indeed, they are amortised based on a pattern that ensures the correct allocation of cost over the assets' useful life which, for deferred costs, does not exceed five years.

If, regardless of the amortisation already recognised, an impairment loss is identified, the asset is written down accordingly. If, in subsequent periods, the reasons for the write-down no longer apply, the write-down is reversed.

At 31 December 2020, pursuant to article 110 of Decree law no. 104/2020, the Company revalued the COFLE brand, adjusting it to its actual value, estimated at €2,000,000.

The revalued brand was not written down pursuant to article 2426.1. 3 of the Italian Civil Code since, as set forth in OIC 9, no indicators of impairment were identified.

TANGIBLE FIXED ASSETS

Similarly to intangible fixed assets, under the Italian Civil Code, tangible fixed assets are recognised at purchase cost, including monetary revaluations carried out in compliance with specific legal provisions and direct transaction costs, net of accumulated depreciation. Depreciation rates are calculated on a systematic and straight-line basis, using economic-technical rates deemed representative of the residual useful life of the assets.

They are as follows:

- Industrial and commercial equipment: 3%
- Photovoltaic system: 9%
- Generic plants: 10%
- Specific plants: 17.50%
- Specific high-tech plants: 17.50%
- Sundry and small equipment: 25%
- Transport vehicles: 20%
- Vehicles: 25%
- Furniture and office machines: 12%
- Electronic office machines and computers: 20%

If, regardless of the depreciation already recognised, an impairment loss is identified, the asset is written down accordingly. If, in subsequent periods, the reasons for the write-down no longer apply, the write-down is reversed.

FINANCIAL FIXED ASSETS

Financial fixed assets comprised of investments in subsidiaries are measured using the equity method, i.e., based on the corresponding portion of net equity at the reporting date or as per the most recent financial statements of the investee.

Investments in other companies and securities are recognised at purchase or subscription cost, increased by direct transaction costs. The cost incurred is reduced in the event of impairment losses. Equity investments are written back up to their original cost if the reasons for the write-downs cease to exist.

Financial receivables are recognised at amortised cost and discounted considering the time value of money.

It is noted that the investment in Innovation Technology Group S.r.l. configures a related party.

INVENTORY

Goods and finished goods are recognised at the lower of purchase or production cost, including directly attributable transaction costs, and estimated realisable value based on market trends, by accruing a write-down provision which directly reduces the carrying amount of inventory. Purchase cost is determined using the weighted average cost method. Semi-finished products are measured based on the cost incurred, considering the stage of processing achieved at the reporting date.

RECEIVABLES AND PAYABLES

They are recognised at amortised cost considering the time value of money. Receivables are measured at their estimated realisable value pursuant to article 2426.8 of the Italian Civil Code.

Receivables are adjusted to their estimated realisable value by accruing a bad debt provision which reflects the general economic and sector conditions and also country risk.

Receivables and payables for which the application of the amortised cost method and/or discounting is irrelevant for the purpose of giving a true and fair view of the Company's financial position and results of operations, are maintained at their estimated realisable value or nominal amount, respectively.

They are classified as fixed or current assets on the basis of their destination and origin in relation to ordinary activities. Amounts due within and after one year are broken down by contractual or legal due date, also taking into account facts and events that may alter the original maturity date, the debtor's realistic ability to fulfil the obligation within the contract terms and the time horizon over which the receivable is reasonably expected to be collected.

LIQUID FUNDS

Liquid funds in euros are stated at their nominal amount, while those expressed in other currencies are recognised using the closing rate. The carrying amount takes into account the interest accrued on current accounts and the related expenses.

PREPAYMENTS AND ACCRUED INCOME AND ACCRUED EXPENSES AND DEFERRED INCOME

They are determined in order to allocate the portion of costs and income common to two or more years. For those of a long-term nature, the Company analyses the conditions underlying their initial recognition and makes any necessary adjustments.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date. The amount of the accruals to the provisions is based on the best possible estimates considering the information available. These provisions are measured on a prudent and accruals basis and no generic risk provisions without economic justification were accrued.

EMPLOYEES' LEAVING ENTITLEMENT

The Italian employees' leaving entitlement (TFR) is accrued by the employees during their employment period in accordance with applicable legislation and employment contracts, net of applicable advances. The recognised amount is the liability due to the employees, net of any advances paid to them and net of the amounts paid to INPS (Italy's social security institution) treasury and those transferred to supplementary pension funds as elected by the employees.

REVENUES AND COSTS

Revenues from sales and services are recognised upon transfer of ownership, which usually coincides with the delivery or shipment of the goods to customers or upon the provision, or receipt, of the service.

Costs are recognised when they relate to goods and services sold or used during the year or by systematic allocation or when their future useful life no longer exists.

Revenue and income, costs and charges are stated net of returns, discounts, allowances and premiums, as well as taxes directly related to the sale of goods and the provision of services.

INCOME TAXES

Current income taxes are calculated on the basis of a realistic forecast of the Company's taxable profit.

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amounts of assets and liabilities determined in accordance with the Italian Civil Code and their tax base. Deferred tax assets are recognised when their recoverability is reasonably certain. Deferred tax assets are offset against deferred tax liabilities if the relevant requirements are met. The offsetting balance, if positive, is taken to “Deferred tax assets” and, if negative, to the “Provisions for risks and charges - tax provision, including deferred tax liabilities”.

DERIVATIVES

Derivatives are recognised at fair value. Fair value gains and losses are recognised in the profit and loss account or, if the instrument hedges the risk of changes in the expected cash flows of another financial instrument or a forecast transaction, they are taken directly to a positive or negative net equity reserve. This reserve is reversed to the profit and loss account to the extent and at the time the cash flows of the hedged instrument change or when hedged transaction takes place. At the reporting date, the positive balance of fair value is recognised as “Derivatives” under financial fixed assets or as current financial assets, while any negative balance is taken to the provisions for risks and charges under liabilities. All derivatives are simple hedges (as defined by OIC 32); indeed, their characteristics are entirely similar to those of the hedged item (nominal amount, maturity and underlying).

INTANGIBLE FIXED ASSETS

Intangible fixed assets amount to €2,704,840 (31 December 2021: €3,094,970) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Start-up and capital costs	766,033	1,021,377	(255,344)
Industrial patents and intellectual property rights	16,611	19,735	(3,124)
Concessions, licences, trademarks and similar rights	1,800,000	1,900,000	(100,000)
Other	122,196	153,858	(31,662)
INTANGIBLE FIXED ASSETS	2,704,840	3,094,970	(390,130)

Reference should be made to **Annex 1** for an analysis of the changes of the year in intangible fixed assets.

Pursuant to article 2427.3, **start-up and capital costs** amount to €766,033 and mainly comprise the costs incurred by Cofle S.p.A. as part of the admission to listing on the Euronext Growth Milan market managed by Borsa Italiana in 2021. These costs are amortised over five years.

Concessions, licences, trademarks and similar rights mainly include the Cofle brand revalued by the Company in 2020. The decrease of the year is due to amortisation.

Pursuant to article 2427.3-bis of the Italian Civil Code, during the year, no significant events occurred with respect to future economic results or the foreseeable useful life which required the write-down of intangible fixed assets.

TANGIBLE FIXED ASSETS

Tangible fixed assets amount to €2,212,771 (31 December 2021: €2,136,757) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Land and buildings	453,381	467,623	(14,242)
Plant and machinery	1,031,910	1,021,195	10,715
Industrial and commercial equipment	393,100	265,125	127,975
Other assets	334,380	382,814	(48,434)
TANGIBLE FIXED ASSETS	2,212,771	2,136,757	76,014

Reference should be made to **Annex 2** for an analysis of the changes of the year in tangible fixed assets.

Land and buildings total €453,381. The decrease of the year is due to depreciation.

Plant and machinery, amounting to €1,031,910, include investments of €290,151, disinvestments for €51,150 and depreciation for €257,646. The investments mainly related to high-tech machinery, such as ultrasonic welders or 3D printers.

Industrial and commercial equipment, amounting to €393,100, include investments of €431,410, disinvestments for €215,109 and depreciation for €117,823. The investments mainly related to the purchase of new moulds.

Other assets amount to €334,380 and refer to furniture and fittings, electronic office machines, and vehicles.

Pursuant to article 2427.3-bis of the Italian Civil Code, during the year, no significant events occurred with respect to future economic results or the foreseeable useful life which required the write-down of tangible fixed assets.

FINANCE LEASES

At the reporting date, the Company had two finance leases in place. Assets under finance lease were recognised in accordance with the balance sheet method. Therefore, the lease payments recognised in the profit and loss account were calculated on an accruals basis.

Table required by article 2427.22 of the Italian Civil Code

31/12/2022

Assets under finance lease at the reporting date	128,432
Depreciation that would have pertained to the year	25,953
Adjustments that would have pertained to the year	0
Present value of lease payments not past due at the reporting date	76,724
Financial charges of the year based on the effective interest rate	1,929

FINANCIAL FIXED ASSETS

Financial fixed assets amount to €13,814,355 (31 December 2021: €10,093,271) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Investments in subsidiaries	12,651,169	8,914,271	3,736,898
Investments in associates	4,000	4,000	0
Financial receivables from subsidiaries	850,000	475,000	375,000
Financial receivables from associates	100,000	700,000	(600,000)
Other securities	90,960	0	90,960
Derivatives	118,226	0	118,226
FINANCIAL FIXED ASSETS	13,814,355	10,093,271	3,721,084

Reference should be made to **Annex 3** for information about the carrying amount of investments in subsidiaries.

During the year, Cofle S.p.A. increased the capital of Cofle Taylor India for a total of €234,633. Furthermore, as described earlier, it subscribed the entire capital of the subsidiary Cofle France and, in order to capitalise this subsidiary and support its start-up phase, waived a financial receivable worth €100,000.

Equity investments in associates refer to the 20% stake in the quota capital of Innovation Technologies Group S.r.l. (a R&D company, based in Vaprio D'Adda): at 31 December 2021, the associate's net equity and net profit for the year amounted to €69,269 and €4,312, respectively.

Changes in **financial receivables from subsidiaries**, due after in one year, may be analysed as follows:

€	31/12/2021	Incr.	Decr.	31/12/2022
Cofle Do Brasil Ltda	275,000	250,000	0	525,000
Cofle Taylor India	200,000	0	0	200,000
Cofle France S.a.S.	0	225,000	(100,000)	125,000
FINANCIAL RECEIVABLES FROM SUBSIDIARIES	475,000	475,000	(100,000)	850,000

Financial receivables from associates due after one year are down by €600,000. The changes of the year may be analysed as follows:

€	31/12/2021	Incr.	Decr.	31/12/2022
Valdiporto S.r.l.	600,000	0	(600,000)	0
Innovation Technology Group S.r.l.	100,000	0	0	100,000
FINANCIAL RECEIVABLES FROM ASSOCIATES	700,000	0	(600,000)	100,000

Other securities of €90,960 include the TFM (end-of-service) insurance policy taken out during the year.

Derivatives amount to €118,226 and include the year-end positive mark-to-market of the hedging derivative entered into by Cofle S.p.A. concurrently with a loan in the past.

INVENTORY

Inventory amounts to €5,836,850 (31 December 2021: €5,169,092) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Raw materials, consumables and supplies	3,587,139	2,968,025	619,114
Work in progress and semi-finished products	120,697	105,324	15,373
Finished products and goods	2,112,399	2,061,293	51,106
Payments on account	16,615	34,450	(17,835)
INVENTORY	5,836,850	5,169,092	667,758

Inventory is shown net of the write-down provision of €190,829 which is based on inventory turnover/obsolescence: compared to the previous year, this provision was increased by €99,444.

RECEIVABLES

This caption amounts to €7,928,196 (31 December 2021: €8,084,910) and may be analysed as follows:

€	31/12/2022		31/12/2021		Change	
	Due within one year	Due after one year	Due within one year	Due after one year	Due within one year	Due after one year
Trade receivables	5,569,818	0	6,655,899	0	(1,086,081)	0
Receivables from subsidiaries	1,437,038	0	872,531	0	564,507	0
Tax receivables	800,210	0	457,290	0	342,920	0
Deferred tax assets	0	0	5,665	0	(5,665)	0
From others	121,130	0	93,525	0	27,605	0
RECEIVABLES	7,928,196	0	8,084,910	0	(156,714)	0

Receivables may be analysed by geographical segment as follows:

€	Italy	Europe	Rest of the world	Total
Trade receivables	2,907,037	2,549,887	112,893	5,569,818
Receivables from subsidiaries	0	1,308,488	128,550	1,437,038
Tax receivables	800,210	0	0	800,210
Deferred tax assets	0	0	0	0
From others	121,130	0	0	121,130
RECEIVABLES BY GEOGRAPHICAL SEGMENT	3,828,377	3,858,375	241,443	7,928,196

Pursuant to article 2427.6 of the Italian Civil Code, it is noted that, at 31 December 2022, there were no receivables due after more than five years.

With respect to foreign currency receivables, as required by article 2427.6-bis of the Italian Civil Code, it is noted that, after the reporting date, there were no significant effects of changes in exchange rates.

Furthermore, pursuant to article 2427.6-ter, it is noted that, at 31 December 2022, there were no receivables including repurchase agreements.

TRADE RECEIVABLES

Trade receivables are all due within one year and total €5,569,818 (31 December 2021: €6,655,898). They may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Initial assembly	507,226	234,365	272,861
Spare parts	1,525,880	1,745,817	(219,937)
Agriculture	3,613,987	4,724,478	(1,110,492)
Industry	220,447	209,784	10,662
Bills under reserve	50,371	89,546	(39,175)
Bad debt provision	(348,092)	(348,092)	0
TRADE RECEIVABLES	5,569,818	6,655,898	(1,086,080)

The nominal amount of trade receivables was adjusted to their estimated realisable value via the specific bad debt provision which, at 31 December 2022, amounted to €348,092. Based on the collectability of existing receivables, no further accruals were made to this provision.

RECEIVABLES FROM SUBSIDIARIES

This caption amounts to €1,437,038 (31 December 2021: €872,531) and comprises amounts due from subsidiaries:

€	31/12/2022	31/12/2021	Change
Tabo Otomotiv A.S.	605,214	248,357	356,857
Cofle TK Otomotiv A.S.	702,733	581,680	121,053
Zhuji Cofle Ltd	2,261	2,261	0
Cofle Do Brasil Ltda	108,685	38,234	70,452
Cofle Taylor India	17,604	2,000	15,604
Cofle France S.a.S.	541	0	541
RECEIVABLES FROM SUBSIDIARIES	1,437,038	872,531	564,506

The amounts due from the subsidiary Cofle Do Brasil Ltda are stated net of the bad debt provision which, at 31 December 2022, amounted to €625,000, after accruals of €125,000.

TAX RECEIVABLES

This caption amounts to €800,210 (31 December 2021: €475,290) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Tax credits	182,029	84,732	97,297
Tax advances	326,644	0	326,644
VAT	291,537	372,558	(81,021)
TAX RECEIVABLES	800,210	457,290	342,920

Tax receivables mainly comprise the income taxes paid in excess during the year and the VAT receivable accrued by the Company. Compared to the previous year end, tax credits include those relating to investments in research and development (2021) totalling €57,806.

FROM OTHERS

This caption amounts to €121,130 (31 December

2021: €93,525) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Guarantee deposits	80,785	80,785	0
Guarantee deposits - Welfare	3,159	3,239	(80)
Deposits to suppliers	10,000	0	10,000
Reimbursements to be received	8,157	0	8,157
Advances for expense accounts	1,038	8,442	(7,404)
Other	17,991	1,059	16,932
FROM OTHERS	121,130	93,525	27,605

LIQUID FUNDS

This caption amounts to €19,271,230 (31 December 2021: €14,358,313) and mainly includes amounts relating to Cofle S.p.A. held with banks and, to a residual extent, petty cash.

€	31/12/2022	31/12/2021	Change
Bank and postal accounts	19,269,078	14,354,792	4,914,286
Cash-in-hand and cash equivalents	2,152	3,521	(1,369)
LIQUID FUNDS	19,271,230	14,358,313	4,912,917

PREPAYMENTS AND ACCRUED INCOME

This caption amounts to €227,249 (31 December 2021: €139,551) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Incentive for the production of electricity from photovoltaic sources	4,192	8,459	(4,267)
Fees	0	3,395	(3,395)
ACCRUED INCOME	4,192	11,854	(7,662)
Maintenance fees	41,127	30,570	10,557
Consultancies	31,688	30,514	1,174
Interest expense and bank charges	69,547	21,854	47,693
Insurance	41,589	19,131	22,458
Advertising costs	1,164	9,005	(7,841)
Leases	9,081	7,579	1,502
Other	28,861	9,044	19,817
PREPAYMENTS	223,057	127,697	95,360
PREPAYMENTS AND ACCRUED INCOME	227,249	139,551	87,698

Prepayments and accrued income all relate to one year.

Finally, pursuant to article 2427.8 of the Italian Civil Code, no financial charges were capitalised during the year.

NET EQUITY

This caption amounts to €29,146,468 (31 December 2021: €25,146,729) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Share capital	615,600	615,373	227
Reserves	22,911,856	15,236,977	7,674,879
Retained earnings	2,603,847	998,249	1,605,598
Net profit for the year	3,015,165	8,296,130	(5,280,965)
NET EQUITY	29,146,468	25,146,729	3,999,739

Reference should be made to **Annex 4** for an analysis of the changes in net equity.

At 31 December 2022, the subscribed and paid up **share capital** amounted to €615,660, up by €227 on the previous year end as a result of the first exercise period of the Cofle 2021 - 2023 Warrants.

Reserves may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Share premium reserve	14,916,771	14,883,091	33,680
Revaluation reserves	2,434,930	2,434,930	0
Legal reserve	123,075	100,000	23,075
Other reserves	5,318,854	(2,163,104)	7,481,958
Hedging reserve	118,226	(17,940)	136,166
RESERVES	22,911,856	15,236,977	7,674,879

The **share premium reserve**, which was recognised in connection with the listing, rose by €33,680 as a result of the first exercise period of the Cofle 2021 - 2023 Warrants.

The **revaluation reserves** include €1,940,000 related to the brand revaluation carried out by the Company pursuant to Law no. 104/2020 and €494,930 related to the revaluation of real estate assets made in previous years. In 2022, they are unchanged.

During the year, the **legal reserve** rose by €23,075 in order to reach one-fifth of the share capital.

The **other reserves** include the non-distributable reserve for gains on acquired equity investments (negative by €7,708,561), the non-distributable reserve for write-back/write-down of equity investments (€589,063) and the income-related reserve (€12,438,353) attributable to prior year profits arising from the recognition of equity investments using the equity method.

The **hedging reserve** includes the positive market-to-market value of the derivatives in place at the reporting date (€118,226).

During the year, the Company distributed dividends totalling €2,030,730 as approved by the shareholders in their meeting called to approve the 2021 financial statements and held on 29 April 2022.

PROVISIONS FOR RISKS AND CHARGES

They total €481,289 (31 December 2021: €449,829) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
Pension and similar provisions	181,920	90,960	90,960
Tax provision, including deferred tax liabilities	0	35,875	(35,875)
Derivatives	0	23,605	(23,605)
Other provisions	518,603	299,369	219,234
PROVISIONS FOR RISKS AND CHARGES	700,523	449,809	250,714

Pension and similar provisions include the TFM (end-of-service) accrual recognised in favour of the members of the Board of directors entrusted with specific powers.

The **tax provision, including deferred tax liabilities** decreased by the portion of the five-year deferred taxation of the gain generated by the sale of the building/land carried out by the subsidiary in 2018, down to zero.

The **other provisions** for risks refer to the Brazilian subsidiary: its carrying amount has a negative balance caused by impairment losses which Cofle S.p.A. will cover in order to support the investee.

EMPLOYEES' LEAVING ENTITLEMENT

This caption amounts to €622,964 (31 December 2021: €630,227) and comprises the amounts held by the Company, net of the substitute tax on revaluation. Similarly, the payables related to units not yet paid to supplementary funds are recognised under caption D.14 of balance sheet liabilities.

The changes of the year may be analysed as follows:

€	31/12/2021	Incr.	Decr.	31/12/2022
Employees' leaving entitlement	630,227	378,340	(385,603)	622,964
EMPLOYEES' LEAVING ENTITLEMENT	630,227	378,340	(385,603)	622,964

The accrual of the year amounts to €378,340, while utilisations refer to the amounts paid to employees who left the Company (€59,302) and allocations to supplementary pension funds (€326,301).

PAYABLES

This caption amounts to €21,150,756 (31 December 2021: €16,483,854) and may be analysed as follows:

€	31/12/2022		31/12/2021		Change	
	Due within one year	Due after one year	Due within one year	Due after one year	Due within one year	Due after one year
Bonds	0	4,852,919	0	0	0	4,852,919
Bank loans and borrowings	3,398,687	4,529,432	517,042	7,238,897	2,881,645	(2,709,465)
Loans borrowings from other financial backers	5,288	424,613	68,917	429,900	(63,629)	(5,287)
Trade payables	3,900,629	0	3,957,186	0	(56,557)	0
Payables to subsidiaries	2,275,565	0	1,753,219		522,346	0
Payables to parents	255,000	0	0	722,500	255,000	(722,500)
Tax payables	168,203	0	461,126	0	(292,923)	0
Social security charges payable	289,543	0	269,123	0	20,420	0
Other payables	1,050,877	0	1,065,944	0	(15,067)	0
PAYABLES	10,532,655	10,070,499	8,092,557	8,391,297	2,440,098	1,679,202

Payables may be analysed by geographical segment as follows:

€	Italy	Europe	Rest of the world	Total
Bonds	4,852,919	0	0	4,852,919
Bank loans and borrowings	7,928,119	0	0	7,928,119
Loans and borrowings from other financial backers	429,901	0	0	429,901
Trade payables	3,316,562	497,884	86,183	3,900,629
Payables to subsidiaries	0	2,270,678	4,887	2,275,565
Payables to parents	255,000	0	0	255,000
Tax payables	168,203	0	0	168,203
Social security charges payable	289,543	0	0	289,543
Other payables	1,050,877	0	0	1,050,877
PAYABLES BY GEOGRAPHICAL SEGMENT	18,291,124	2,768,562	91,070	21,150,756

Pursuant to article 2427.6 of the Italian Civil Code, it is noted that, at 31 December 2022, there were no payables secured by collateral on company assets.

With respect to foreign currency payables, as required by article 2427.6-bis of the Italian Civil Code, it is noted that, after the reporting date, there were no significant effects of changes in exchange rates.

Furthermore, pursuant to article 2427.6-ter, it is noted that, at 31 December 2022, there were no payables including repurchase agreements.

BONDS

During the year, in order to support new growth initiatives in Italy, the Company subscribed a non-convertible bond for a total nominal amount of €5,000,000, comprised of 50 bonds, each with a nominal amount of €100,000.

The bond was issued on 29 November 2022 and has a duration until 21 October 2028: each bond accrues interest, on a daily basis, at a gross annual nominal fixed rate of 5.06%.

The bonds will be repaid at par in 10 six-monthly instalments of €500,000, each starting on 21 April 2024.

The related payable was recognised at amortised cost. Consequently, the initial carrying amount, which reflects the nominal amount of the payable, was netted of transaction costs, and the payable was measured considering the time value of money: at 31 December 2022, this payable amounted to €4,852,919.

BANK LOANS AND BORROWINGS

This caption amounts to €7,928,119 (31 December 2021: €7,755,939) and mainly refers to loans and financing.

€	31/12/2022		31/12/2021		Change	
	Current accounts	Financing	Current accounts	Financing	Current accounts	Financing
BCC Milan	6	0	0	0	6	0
Unicredit	75	0	67	0	8	0
Credito Emiliano	500,002	353,248	500,000	719,077	2	(365,829)
Intesa San Paolo	63	3,369,578	0	1,781,327	63	1,588,251
UBI Banca	0	142,459	0	259,134	0	(116,675)
Banco BPM	4	1,511,639	0	1,902,936	4	(391,297)
Deutsche Bank	0	2,051,045	0	2,593,398	0	(542,353)
BANK LOANS AND BORROWINGS	500,150	7,427,968	500,067	7,255,872	83	172,097

The €172,180 increase is mainly due to the new loan agreement entered into with Intesa San Paolo and totalling €2,000,000 and the regular repayment of loan instalments (€1,827,903).

LOANS AND BORROWINGS FROM OTHER FINANCIAL BACKERS

This caption amounts to €429,901 (31 December 2021: €498,817) and comprises three subsidised loans granted to Cofle S.p.A. by SIMEST.

TRADE PAYABLES

This caption totals €3,900,629 (31 December 2021: €3,957,186) and mainly refers to purchases of raw materials and services. Its balance is down €56,557 on that of the previous year end.

PAYABLES TO SUBSIDIARIES

This caption amounts to €2,275,565 (31 December 2021: €1,753,219) and comprises amounts due to the following subsidiaries:

€	31/12/2022	31/12/2021	Change
Tabo Otomotiv A.S.	821,284	705,165	116,119
Cofle TK Otomotiv A.S.	1,419,394	1,108,439	310,954
Zhuji Cofle Ltd	4,875	4,591	284
Cofle Do Brasil Ltda	0	0	0
Cofle Taylor India	12	(64,976)	64,988
Cofle France S.a.S.	30,000	0	30,000
PAYABLES TO SUBSIDIARIES	2,275,565	1,753,219	522,345

PAYABLES TO PARENTS

Payables to parents are down by €467,500 on the previous year end and refer to the residual amount due to the indirect parent Finan.co S.r.l. related to the portions of investments acquired in the Turkish subsidiaries in 2020. Of this amount, €72,000 refers to Cofle TK (16.57%) and €183,000 to Tabo (20%).

TAX PAYABLES

Tax payables amount to €168,203 (31 December 2021: €461,126) and comprise withholding taxes on employees' remuneration and consultants' fees and taxes and duties to be paid to the relevant government.

SOCIAL SECURITY CHARGES PAYABLE

This caption amounts to €289,543 (31 December 2021: €269,123) and comprises the amounts due to social security institutions.

OTHER PAYABLES

This caption amounts to €1,050,877 (31 December 2021: €1,065,944) and mainly refers to the amount due to employees for remuneration, holidays and leave.

ACCRUED EXPENSES AND DEFERRED INCOME

This caption amounts to €374,781 (31 December 2021: €366,244) and may be analysed as follows:

€	31/12/2022	31/12/2021	Change
2020 default interest	4,945	10,293	(5,348)
Insurance	17,480	14,924	2,556
Interest expense and charges	27,329	5,419	21,910
Other	3,185	9,486	(6,301)
ACCRUED EXPENSES	52,939	40,122	12,817
SIMEST grant	202,605	250,291	(47,686)
Laws nos. 160/19 and 178/20	119,237	75,831	43,406
DEFERRED INCOME	321,842	326,122	43,406
ACCRUED EXPENSES AND DEFERRED INCOME	374,781	366,244	56,223

Accrued expenses and deferred income are broken down below by amounts due within and after one year and those relating to more than five years:

€	31/12/2022		
	Due within one year	Due after one year	After five years
Accrued expenses	52,939	0	0
Deferred income	74,478	232,786	14,578
ACCRUED EXPENSES AND DEFERRED INCOME	127,418	232,786	14,578

PRODUCTION REVENUES

In 2022, production revenues amounted to €31,566,110 (2021: €31,677,706). They may be analysed as follows:

€	2022	2021	Change
Turnover from sales and services	29,722,921	30,246,051	(523,130)
Change in work in progress, semi-finished products and finished goods	66,479	238,815	(172,336)
Other revenues and income	1,776,710	1,192,840	583,870
PRODUCTION REVENUES	31,566,110	31,677,706	(111,596)

The €111,596 decrease is mainly due to the revenues earned by the After Market division as described in the directors' report.

Production revenues may be analysed by geographical segment as follows:

€	2022	2021	Change
Italy	12,053,282	10,483,646	1,569,636
Europe	16,752,059	18,700,675	(1,948,616)
Non-EU revenues	917,580	1,061,730	(144,150)
REVENUES BROKEN DOWN BY GEOGRAPHICAL SEGMENT	29,722,921	30,246,051	(523,130)

Other revenues and income mainly include royalties from the Turkish subsidiaries for the use of the brand (€1,046,863), debit notes to suppliers and invoices to customers for the provision of services (€298,705), gains from the sale of tangible fixed assets (€177,200) and prior year income (€121,581).

PRODUCTION COST

In 2022, production cost amounted to €31,210,742 (2021: €30,238,570). It may be analysed as follows:

€	2022	2021	Change
Raw materials, consumables, supplies and goods	16,008,240	16,117,339	(109,099)
Services	6,842,946	6,177,915	665,031
Use of third party assets	694,013	603,249	90,764
Personnel expenses	6,869,085	6,391,840	477,245
Amortisation, depreciation and write downs	918,126	908,338	9,788
Change in raw materials, consumables and supplies	(718,558)	(412,135)	(306,423)
Provisions for risks	224,444	148,570	75,874
Other operating costs	372,446	303,454	68,992
PRODUCTION COST	31,210,742	30,238,570	972,172

Production cost rose by 3% on the previous year mainly as a result of the increase in costs for services, consultancies, advertising and transportation and in personnel expenses, following the new resources hired during the year.

FINANCIAL INCOME AND CHARGES

Net financial charges amount to €112,772 (2012: €133,140) and mainly reflect interest and other financial charges. Pursuant to article 2427.12 of the Italian Civil Code, it is noted that the financial charges related to bank loans and borrowings amount to €74,199. while those related to bonds to €23,713.

ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES

Write-backs of subsidiaries amount to €3,531,108 (2021: €8,179,142) and include the profit for the year of the investees, while the loss for the year of the investee is recognised under write-downs and amounts to €594,398 (2021: €691,641).

INCOME TAXES, CURRENT AND DEFERRED

The IRES (corporate income tax) and IRAP (regional production tax) charge of the year amounts to 200,016.

The table below shows the reconciliation between the theoretical and effective IRES and IRAP charge of the year:

€	Taxable amount	IRES %	IRES tax
Pre-tax profit as per the financial statements	3,179,306	24%	763,033
Permanent increases	3,808,399	24%	914,016
Increase in temporary differences	475	24%	115
Permanent decreases	(6,433,804)	24%	(1,544,113)
Decrease in temporary differences	(2,745)	24%	(659)
TAXABLE PROFIT	551,631	24%	132,392
Deduction for energy saving			(2,607)
IRES tax			129,785

€	Breakdown of taxable amount	Taxable amount	IRAP %	IRAP tax
Operating profit		355,368	3.90%	13,859
Costs not relevant for IRAP purposes		8,271,666	3.90%	322,595
- Write-down of current assets	224,444			
- Personnel expenses	6,869,085			
- Other costs	1,178,137			
INAIL, tax wedge and deduction for people with disabilities		(6,657,986)	3.90%	(259,661)
Grant related to plants and outright grant		(168,247)	3.90%	(6,562)
IRAP tax		1,800,801	3.90%	70,231

The changes in deferred tax liabilities relate to the deferred tax treatment applied to the 2018 gains. They amount to €35,875 and are recognised under caption E20. These taxes account for 1/4 of the deferred taxes calculated on the 2018 gain subject to deferred taxation (€143,497.20) and fiscally divided in instalments over the next four years. The gain from the real estate sale carried out in 2018 was taxed in instalments.

OTHER INFORMATION

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Pursuant to article 2427.9 of the Italian Civil Code, the Company has committed to take over the lease of the associate for a total of €533,400, in addition to commitments for a bank surety issued to a subsidiary for €700,000 and minimum lease payments nearing expiration for a total of €76,724.

EXCEPTIONAL INCOME AND EXPENSES

Pursuant to article 2427.13 of the Italian Civil Code, it is noted that the Company did not recognise exceptional income or expenses.

AVERAGE NUMBER OF EMPLOYEES

Pursuant to article 2427.13 of the Italian Civil Code, the average number of Cofle S.p.A.'s employees is shown below broken down by category:

€	2022	2021
Junior managers	5	5
White collars	40	39
Blue collars	102	98
AVERAGE WORKFORCE	147	142

During the year, eight people left the Company and 14 were hired.

DIRECTORS' AND STATUTORY AUDITORS' FEES

Pursuant to article 2427.16 of the Italian Civil Code, the fees of the Company's directors and statutory auditors, including those related to the performance of these functions also in other consolidated companies, are shown below. Directors' fees amounted to €489,000, while the fees pertaining to the Board of statutory auditors totalled €29,120.

AUDIT FEES

Pursuant to article 2427.16-bis of the Italian Civil Code, it is noted that the audit fees for the Company amount to €31,000 and solely relate to the statutory audit of the annual financial statements and consolidated financial statements.

SHARE CAPITAL

Pursuant to article 2427.17 of the Italian Civil Code, it is noted that the share capital amounts to €615,599.60, divided into 6,155,996 ordinary shares with a nominal amount of €0.10 each.

DIVIDEND-RIGHT SHARES, BONDS CONVERTIBLE INTO SHARES AND SECURITIES ISSUED

Pursuant to article 2427.18 of the Italian Civil Code, it is noted that, as part of capital increase carried out in 2021 and the consequent listing on the EGM managed by Borsa Italiana, the Company concurrently issued 345,000 warrants for new shareholders and 33,500 warrants for employees. On 30 November 2022, 2,268 warrants were subscribed.

DERIVATIVES

Pursuant to article 2427.19 of the Italian Civil Code, it is noted that the Company did not issue any financial instruments that carry dividend or voting rights.

At 31 December 2022, the Company had entered into one hedging derivative while it took out one loan.

Pursuant to the Italian Civil Code, it is noted that, at 31 December 2022, the fair value (mark to market) of the above derivative was a positive €118,226.

SHAREHOLDER LOANS

Pursuant to article 2427.19-bis of the Italian Civil Code, it is noted that the Company did not receive any shareholder loan.

ASSETS EARMARKED FOR A SPECIFIC BUSINESS

Pursuant to article 2427.20 of the Italian Civil Code, it is noted that the Company has no assets earmarked for a specific business.

RELATED PARTY TRANSACTIONS

Pursuant to article 2427.22-bis of the Italian Civil Code, it is noted that, during the year, no atypical and/or unusual transactions were carried out that, due to their significance and/or materiality, could cast doubts as to the safeguard of the company assets, either with subsidiaries, associates or other related parties or parties other than related parties.

During the year, related party transactions were carried out at market conditions.

The transactions carried out with the Company and related parties are summarised below in terms of receivables and payables and the resulting income components:

€	TRADE RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	FINANCIAL RECEIVABLES	REVENUES	COSTS
Valdiporto S.r.l.	0	0	0	0	0	500,168
Innovation Technology Group S.r.l.	0	0	0	100,000	4,711	1,830
Benedetti & Co. S.r.l.	0	112,407	0	0	0	316,751
Avv. F. Vitale	0	54,201	0	0	0	19,912
Taylor Rubber Private Limited	0	16,517	0	0	0	152,595
Tabo Otomotiv A.S.	605,214	821,284	0	0	1,338,652	3,130,748
Cofle TK Otomotiv A.S.	702,733	1,437,572	0	0	2,697,189	4,818,992
Zhuji Cofle Ltd	2,261	4,875	0	0	0	0
Cofle Do Brasil Ltda	108,685	0	0	525,000	195,452	0
Cofle Taylor India	17,604	12	0	200,000	11,797	473,475
Cofle France S.a.S.	541	30,000	0	125,000	541	70,000
Finan.Co S.r.l.	0	0	255,000	0	0	0
RELATED PARTIES	1,437,038	2,476,868	255,000	950,000	4,248,342	9,484,470

OFF-BALANCE SHEET ARRANGEMENTS

Pursuant to article 2427.22-ter of the Italian Civil Code, it is noted that there are no off-balance sheet arrangements which could significantly affect the Company's financial position and results of operations.

POST-BALANCE SHEET EVENTS

Pursuant to article 2427.22-quater of the Italian Civil Code, it is noted that no significant events occurred after the reporting date that had a significant impact on the Company's financial position and results of operations.

COMPANIES DRAWING UP THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LARGER GROUP

Pursuant to article 2427.22-quinquies of the Italian Civil Code, it is noted that the Company is consolidated by Finan.co S.r.l., with registered office in Vimercate (MB).

MANAGEMENT AND COORDINATION

Pursuant to article 2497-bis of the Italian Civil Code, it is noted that the Company is not subject to management or coordination.

DISCLOSURES REQUIRED BY ARTICLE 1.125 OF LAW NO. 124 OF 4 AUGUST 2017

Pursuant to article 3-quater of Decree law no. 135/2018 and article 35 of Decree law no. 34/2019, for information about the grants received, reference should be made to that set out in the National state aid register, transparency section, which provides the overall picture of disbursements made by public entities.

With reference to disbursements, and based on the interpretation of Assonime (the Italian association of joint stock companies) circular no. 5/2019, the following amounts are outside the scope of application:

- consideration for public works, services and supplies or due as compensation;
- remunerated positions that form part of standard business operations;
- incentives/subsidies received as part of a general aid scheme to all beneficiaries;
- public resources attributable to public entities of other States (European or non-European) and to European institutions;
- training grants received from interprofessional funds established as associations.

Disbursements are identified on a cash basis. In accordance with the applicable regulation, those worth less than €10,000 per granting entity are excluded.

Below is a summary of aids, contributions and economic benefits received from public administrations during the year:

€	GRANTING ENTITY	AMOUNT
SIMEST outright grant – Trade fairs abroad	SIMEST	4,178
SIMEST outright grant – Company capitalisation	SIMEST	38,868
SIMEST outright grant – Temporary Export Manager	SIMEST	4,640
SIMEST outright grant – Italian trade fairs	SIMEST	8,157
TOTAL GRANTS		55,844

PROPOSED ALLOCATION OF THE NET PROFIT FOR THE YEAR

Based on the above, you are invited to allocate the net profit for the year of €3,015,165 as follows:

- €1,538,999 by paying a dividend per share of €0.25 each;
- €45 to the legal reserve upon reaching one fifth of the share capital pursuant to article 2430 of the Italian Civil Code;
- €1,476,121 to income-related reserves.

TREZZO SULL'ADDA (MILAN), 29 MARCH 2023

CHAIRMAN OF THE

BOARD OF DIRECTORS

WALTER BARBIERI

The undersigned Walter Barbieri, chairman of the Board of directors and legal representative of the Group, aware of the criminal liability envisaged in the event of false declarations, certifies, pursuant to article 47 of Presidential decree no. 445/2000, that this document is consistent with that filed with the Company.

ANNEXES

ANNEX 1 – INTANGIBLE FIXED ASSETS

€	Historical cost				Accumulated amortisation				Carrying amount	
	31/12/2021	Incr.	Decr.	31/12/2022	31/12/2021	Incr.	Decr.	31/12/2022	31/12/2021	31/12/2022
Start-up and capital costs	1,276,721	0	0	1,276,721	255,344	255,344	0	510,688	1,021,377	766,033
Industrial patents and intellectual property rights	803,613	6,332	0	809,945	783,878	9,456	0	793,334	19,735	16,611
Concessions, licences, trademarks and similar rights	2,000,000	0	0	2,000,000	100,000	100,000	0	200,000	1,900,000	1,800,000
Other	2,584,718	12,701	0	2,597,419	2,430,860	44,363	0	2,475,223	153,858	122,196
TOTAL INTANGIBLE FIXED ASSETS	6,665,052	19,033	0	6,684,085	3,570,082	409,163	0	3,979,245	3,094,970	2,704,840

ANNEX 2 – TANGIBLE FIXED ASSETS

€	Historical cost				Accumulated depreciation				Carrying amount		
	31/12/2021	Incr.	Decr.	31/12/2022	31/12/2021	Incr.	Write-down	Decr.	31/12/2022	31/12/2021	31/12/2022
Land and buildings	474,744			474,744	7,121	14,242	0	0	21,363	467,623	453,381
Plant and machinery	5,469,762	290,151	(51,150)	5,708,763	4,448,567	256,471	1,175	(29,360)	4,676,853	1,021,195	1,031,910
Industrial and commercial equipment	4,361,926	431,410	(215,109)	4,578,227	4,096,801	117,823	0	(29,497)	4,185,126	265,125	393,100
Other assets	2,039,895	72,102	(17,878)	2,094,120	1,657,081	118,661	590	(16,592)	1,759,740	382,814	334,380
TANGIBLE FIXED ASSETS	12,346,327	793,664	(284,137)	12,855,853	10,209,570	507,197	1,765	(75,450)	10,643,082	2,136,757	2,212,771

ANNEX 3 – LIST OF SUBSIDIARIES

<i>Subsidiary</i>	Registered office		Currency	Share capital	Net profit (loss) for the year	Net equity (deficit)	Investment %
	City	Country					
Tabo Otomotiv A.S.	Istanbul	Turkey	TRY	524,546	367,153	3,166,332	80%
Cofle TK Otomotiv A.S.	Istanbul	Turkey	TRY	759,393	3,544,038	10,000,200	91.92%
Zhuji Cofle Mechanical Control Systems Company Ltd	Zhejiang	China	CNY	512,309	(10,033)	448,154	51%
Cofle Do Brasil Ltda	Sete Lagoas	Brazil	BRL	1,866,670	(258,134)	(1,143,602)	100%
Cofle Taylor India	Chennai	India	INR	805,410	61,467	746,206	76.48%
Cofle France S.a.S.	Beauvais	France	€	130,000	(104,589)	25,412	100%

ANNEX 4 – CHANGES IN NET EQUITY

€	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Undistrib. reserve for gain from the acq. of equity inv.	Write-back/Write-down Undistrib. portion	Income-related reserve	Round.	Hedging reserve -	Retained earnings	Net profit for the year	Net equity
31/12/2021	615,373	14,883,091	2,434,930	100,000	(6,067,032)	589,063	3,314,867	(2)	(17,940)	998,249	8,296,130	25,146,729
Allocation of the net profit for 2021				23,075			4,636,727			3,636,328	(8,296,130)	0
Dividend distribution										(2,030,730)		(2,030,730)
Capital increase	227	33,680										33,907
Rounding								2				2
Equity investments					(1,641,529)		4,486,759					2,845,230
Derivatives									136,166			136,166
Net profit for the year											3,015,165	3,015,165
NET EQUITY	615,600	14,916,771	2,434,930	123,075	(7,708,561)	589,063	12,438,353	0	118,226	2,603,847	3,015,165	29,146,468

