Annual Report

2021

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Saleri

Annual Report 2021

Saleri

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An Italian entrepreneurship story

0 years

Industrie Saleri was founded in 1942
in Lumezzane (BS) by Italo Saleri.
For over 80 years, the Group has grown evolving
in the automotive market, first establishing itself
as a specialist in cooling systems, until becoming
the technological partner able to develop
Thermal Management solutions
for the world's leading carmakers.

Saleri

The Saleri Group

Saleri is a leader in the design, development and manufacture of Thermal Management systems and cooling systems for the automotive industry.

Research and development, flexible technical solutions and continuous improvement of quality standards are the distinctive features of the Saleri method and represent the added value of every product.

The business has a long-standing relationship with the most prestigious car manufacturers and is capable of satisfying the growing demand for innovative temperature management solutions both for vehicles fitted with an internal combustion engine and for those with new generation electric engines.

Founded in 1942, Industrie Saleri Italo S.p.A. now heads a global organisation: the **Saleri Group.** The Group brings together businesses highly specialised in the design and production of solutions to support the transformation of the automotive industry, through three business units.

Business units

Original Equipment

The Group operates mainly as a Tier 1 supplier of Original Equipment for some of Europe's leading car manufacturers, in the premium brands segment. The Thermal Management systems are co-designed with customers, at every stage of the process: from product conception, through prototyping and onto mass production.

Aftermarket

Drawing on its skills and positioning as an established manufacturer in the Original Equipment segment, the Saleri Group also produces and markets spare parts for cars in the Independent Aftermarket segment, especially water pumps, distribution kits and components and wheel bearings. The range is distributed on 65 markets worldwide and includes more than 7,000 different products.

Industrial Automation

The Group's Industrial Automation division also works on the development of industry 4.0 projects, specialising in the design and realisation of industrial automation systems and lines for assembly and General Industry.

An Italian entrepreneurship story

1942

Foundation in 1942
The history of the business began in 1942, in Lumezzane, where Italo Saleri and his wife Maria Cristina started to operate as a manufacturer of small mechanical parts.

1950s and 1960s

The business grew rapidly and, in the '50s and '60s, established itself in Italy as a supplier of components for the automotive market.

1970

Premium water Pumps since 1970, the aftermarket
In 1970, focused on production of water pumps for the IAM segment, making the SIL brand a point of reference on the European market.

2000

Entry into the automotive OE market in
Saleri became a Tier 1 Original Equipment supplier of water pumps in 2000 when it created the OE division to operate alongside the historic, well-established Aftermarket division.

Research and Development at the service of European premium carmakers, the 2000s
Through dedication and investment in Research and Development, Saleri established itself in the 2000s as a reference supplier of cooling systems for European premium carmakers.

2008

International expansion in China in 2008
Saleri launched a process of internationalisation. In 2008, in China, it founded Saleri Shanghai Co. LTD, a manufacturing and distribution entity.

Alongside customers in the electrification race, the EMP introduced in 2016
The advent of new generation engines that require higher energy management standards was accompanied by the development of the Electromechanical Pump (EMP) in 2016. Still a Saleri exclusive, the EMP provides optimal temperature control and emissions reductions without requiring increased power absorption. Thanks to this innovation, Saleri was a finalist in the OE products category at the Automechanika Innovation Awards in 2018. Innovation Awards nel 2018.

2016

The birth of the Industrial Automation business unit, 2019
In July 2019, the Saleri Group acquired ABL Automazione S.r.l., a company that produces automated assembly systems. Thanks to this deal, Saleri acquired significant process know-how which would facilitate the swift, effective roll-out of the Saleri Method at its international plants.

Foundation of Saleri Mexico, 2019
Saleri Mexico S.A. de C.V. was founded in Monterrey, Nuevo Leòn, in October 2019, in order to serve the American automotive market.

2019

2009
2012

The first electric pump in 2009, Switchable Pump patent in 2012
In 2009, the Company developed its first electric pump, a flexible technology able to communicate with the vehicle and created in order to regulate the flow of refrigerant fluid extremely precisely.
In 2012, Saleri patented the switchable pump which offers optimal regulation of temperature control in the engine compartment with the aim of reducing CO_2 and harmful emissions.

2018

Opening up of capital, 2018
Through a capital increase subscribed by the Saleri Family and QUAESTIO CAPITAL SGR S.P.A., as manager and on behalf of the Italian Fund (FIIA) Quaestio Italian Growth,
The Saleri Group raised new capital that helped accelerate its plans for growth, enabling it to evaluate strategic acquisitions and expand its investment plans.

2021

The birth of Saleri Aftermarket S.p.A., 2021
In August 2021, Saleri announced and completed the acquisition of the Ruville brand and the acquisition of C.D.C. S.r.l., a Florentine company that sells and distributes spare parts for the Aftermarket segment.The two deals represent the ideal starting point for the new Saleri Aftermarket Business Unit; December 2021, saw the establishment of Saleri Aftermarket S.p.A., the group company that brings together the historic SIL and Ruville brands and the commercial activities of C.D.C.

The products and solutions of the Saleri Group

Products and solutions developed for the OE market

Any system cooled by the circulation of a fluid requires the best Thermal Management solution.
Over the years, the Saleri Group has developed cooling and Thermal Management systems that guarantee ever more advanced solutions, in line with growing market demands in terms of performance and environmental protection.

The Saleri Group's Core Business is the design and production of Water Pumps and more complex Cooling Systems aimed at the OEM and OES segments, as divided into the following categories:

Thermal Management

Thermal Management is the energy optimisation of the thermal equilibrium in a vehicle.

In internal combustion engines, by controlling the temperature of all engine components based on the point of operation, fuel consumption and emissions can be reduced.

The thermal management of an electric vehicle is fundamental different to that of an internal combustion engine, in which excess heat is the vehicle's main thermal source. Thermal Management is, therefore, a key technology for electric mobility and plays a central role in the overall efficiency of the vehicle, especially in ensuring – under all conditions of use – the correct operating temperature of the batteries in order to maximise their autonomy and the entire life cycle.

Mechanical water pumps

Traditional water pumps connected to the belt transmission in the main or auxiliary circuit.

Switchable water pumps

Cooling systems with variable flow regulation via a vacuum actuator, electromagnetic pulley or intelligent electronic regulation.

Electric pumps (12V – 24V – 48V)

Fully adjustable electric pumps for both the main circuit and auxiliary circuits with various power and voltage levels.

Electromechanical pumps

Pumps that combine electrical operation with mechanical operation due to the effect of a dual power supply (mechanical and electrical).

Prototype and process development

Design and production of prototypes and equipment for the mass production phase or of prototypes in the case of OE designs/projects.

Products for the Independent Aftermarket segment

The newly created Saleri Aftermarket S.p.A. takes advantage of the quality guaranteed by the Saleri Group as an OE supplier and is wholly dedicated to the aftermarket where it offers a catalogue of more than 7,000 products under the SIL, Ruville, Autokit, Repkit and Movis brands.

Mechanical – switchable – electric water pumps

With a catalogue of more than 1,000 different products, Saleri Aftermarket offers excellent coverage of the European car fleet. The water pumps are produced to the same technological standards as the OE segment and their quality is equivalent to the original.

Distribution Kits with and without a pump

The solution involving the supply of a kit – with or without a water pump – minimises the risk of errors when identifying products necessary for repair/replacement, thus proposing a complete set of all distribution components.

Wheel bearing kits
Belt and chain kits
Tensioners and freewheeling alternators
Crankshaft pulleys

Industrial automation

Design, production and installation of industrial automation machines and lines for industry 4.0 and digitalisation.
The main applications are:

- assembly lines and systems;
- robotic systems with integrated systems for the servicing of machine tools, metal washers, testing and palletizing;
- testing stations, tests and inspections;
- robotic end-of-line palletizing cells;
- integration of AGV/AMR vehicles into Turnkey solutions;
- special systems, intended as custom solutions for diverse process requirements (fluid dosing, lubrication, gluing, integration of welding machines, etc.).

A global group

The Group is well-placed to serve the global market and the main automobile hubs through a local-to-local production strategy.

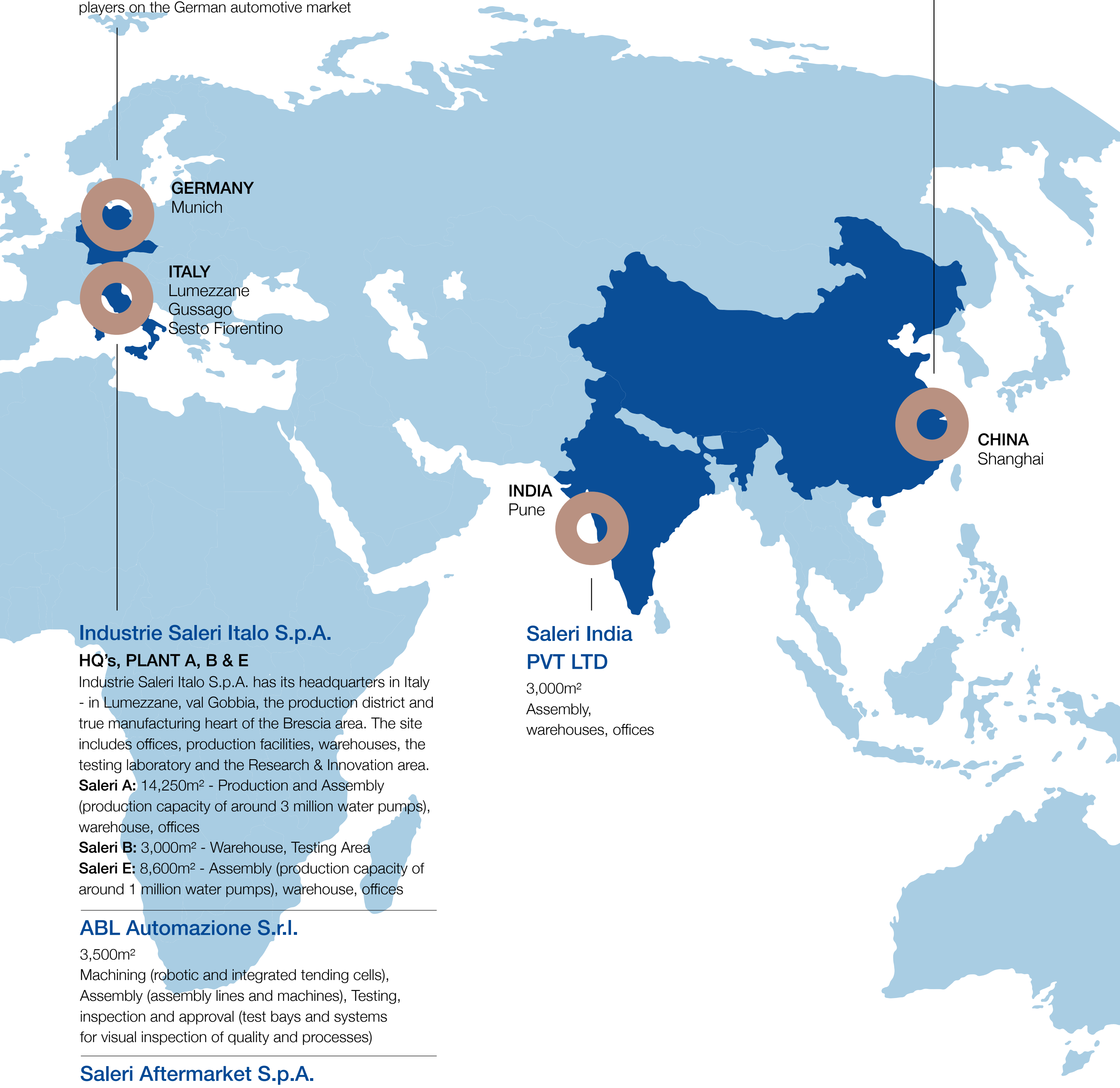
Saleri GmbH

Saleri GmbH is a Branch Company with offices in Munich. The site is a strategic centre for the fostering of business relationships and partnerships with some of the leading players on the German automotive market

Saleri Shanghai Co. LTD

6,000m²

Assembly, warehouses, offices



Industrie Saleri Italo S.p.A.

HQ's, PLANT A, B & E

Industrie Saleri Italo S.p.A. has its headquarters in Italy - in Lumezzane, val Gobbia, the production district and true manufacturing heart of the Brescia area. The site includes offices, production facilities, warehouses, the testing laboratory and the Research & Innovation area.

Saleri A: 14,250m² - Production and Assembly (production capacity of around 3 million water pumps), warehouse, offices

Saleri B: 3,000m² - Warehouse, Testing Area

Saleri E: 8,600m² - Assembly (production capacity of around 1 million water pumps), warehouse, offices

Saleri India PVT LTD

3,000m²

Assembly, warehouses, offices

ABL Automazione S.r.l.

3,500m²

Machining (robotic and integrated tending cells), Assembly (assembly lines and machines), Testing, inspection and approval (test bays and systems for visual inspection of quality and processes)

Saleri Aftermarket S.p.A.

4,730 m²

IAM logistics platform, warehouses, offices

Products and markets served

The Saleri Group has always been committed to the search for innovative solutions in the field of Thermal Management and cooling systems. Inspired by its constant collaboration with the major carmakers, Saleri aims to develop systems capable of satisfying ever greater market demands in terms of performance, reliability of components and reduction of consumption.

Saleri contributes towards product development at every stage: from conception to mass production. Integration of skills, sharing, flexibility and transparency are the distinctive features of Saleri's approach to customer needs.

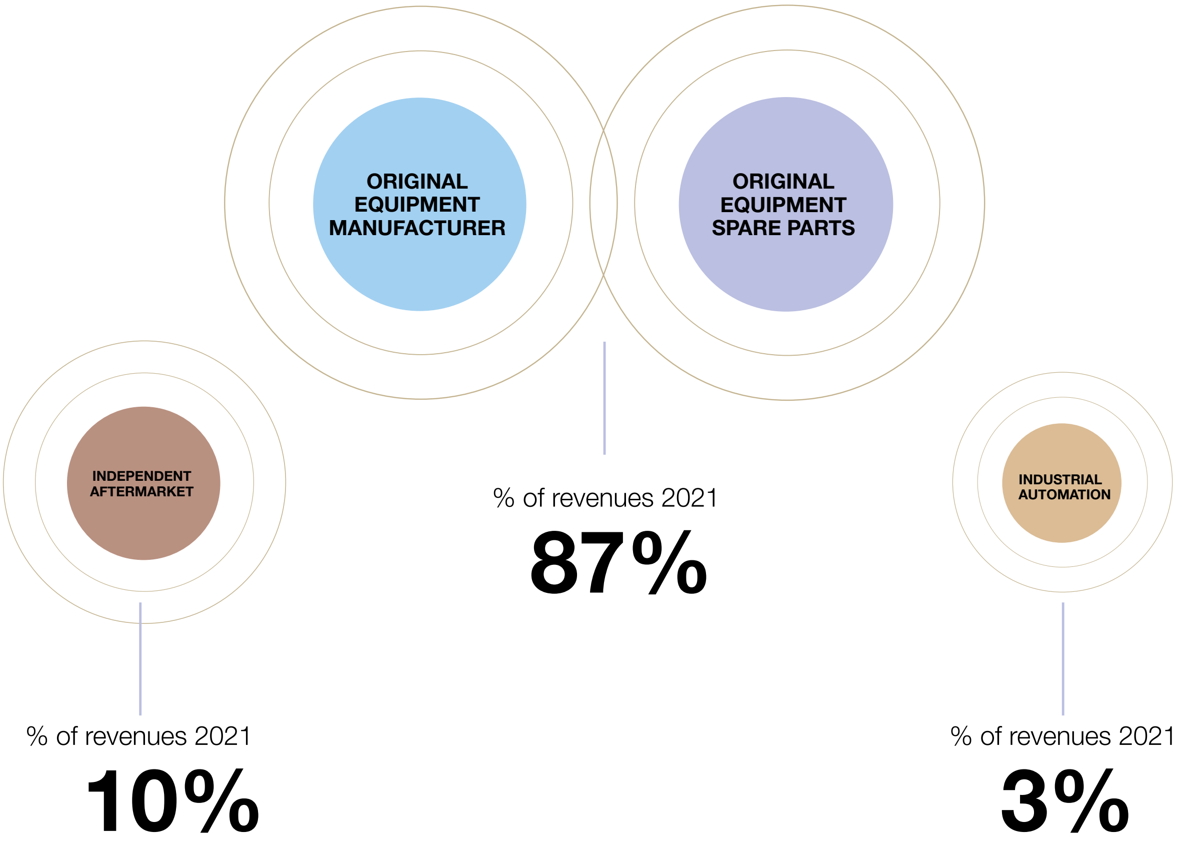
Saleri has established itself as a key supplier for the automotive industry thanks to decades of collaboration in the design and development of colling and Thermal Management systems with the most prestigious brands in the premium segment of the European automotive industry, such as BMW, DAIMLER, AUDI, VW, PORSCHE, LAMBORGHINI, FERRARI, STELLANTIS, GM and HKMC.

The markets served

The Group's main competitive sector is that of Autoparts manufacturers in the Light Vehicles segment (cars and commercial vehicles up to 3.5 tonnes).

Target markets include the Original Equipment Manufacturer (OEM) segment, the Original Equipment Spare Parts (OES) segment and the Independent Aftermarket (IAM) segment.

In 2021, products destined for the Original Equipment segment (OEM and OES) accounted for around 87% of revenues. Products for the Independent Aftermarket (IAM) represented a10% of revenues and the remaining 3% of revenues were generated by the Industrial Automation segment.



Our expertise: automated production and attention to detail

Saleri has implemented a highly automated production system based on principles of **modularity** and **flexibility**.
This enables it to produce with the highest levels of quality and reliability, handling a large number of variants and increasing volumes. The production structure at the factories can be adapted to small and large production runs with regard to both autoparts production and assembly of finished products.

The use of **advanced technology** together with the development of **specific know-how** permits the implementation of state-of-the-art solutions and enables the optimisation of the manufacturing process while, also, guaranteeing the best use of resources, reducing waste and, consequently, maximising efficiency.

It is with this specific objective in mind that Saleri has long applied the **lean** philosophy to the design and development of its production lines. In 2020, the adoption of **Shop Floor Management** techniques led to the creation of the "Saleri Excellence Operation System" (SEOS): a management system designed to improve production performance, leverage on empowerment, know-how and dialogue and seek continuous improvement.

The Group has introduced the SEOS at Saleri plants around the world. Shopfloor Management will lay sustainable foundations for the long-term **Lean Transformation** process, in step with business growth.

Research and Innovation

The need to find increasingly efficient solutions, in order to guarantee customers ever more innovative products with a high technical content, is at the heart of the way of thinking of every person in the Saleri Research and Innovation department.
This fits perfectly with the need to create solutions that are increasingly compliant with environmental regulations, as designing more efficient products means optimising thermal management and, therefore, reducing emissions.
The main projects developed include:

EMP – Electromechanical Pump

This is a water pump with a dual power supply – mechanical and electrical – that combines in a single product the advantages of mechanical pumps with those of electric pumps. Highly adjustable, in performance and power, the electric drive can control the speed of the impeller for an extremely broad range of use. Moreover, the presence of an electric drive means the pump can remain active even when the internal combustion engine is turned off or during start&stop, thus avoiding localised overheating. The possibility of having a single pump, with centralised control, permits a considerable saving on weight and space. The mechanical drive uses the power delivered by the internal combustion engine and ensures the pump achieves the highest performance levels. The possibility of controlling the pump independently, whether mechanically or electrically, allows for the best management of vehicle engine cooling and has led to improvements in terms of energy efficiency, fuel consumption and CO_2 emissions produced.
The pump's strengths include the immediate switch between mechanical and electrical modes, energy saving when the vehicle is warming up and the possibility of providing a zero flow rate if there is no need for cooling.
How many trees can be saved? Considering a medium-sized car – which produces 3,900kg of CO_2 a year – and the fact that a single tree converts just 15kg of CO_2 into oxygen per year, we would have to plant 260 trees to offset the emissions of a car during this time frame. Using an EMP, it is possible to save 5kg in a year so we can save one tree per year using three cars fitted with an EMP.

Research into applications for the Heavy Duty segment

A pure research project, in collaboration with the University of Graz (Austria), which aims to demonstrate the possibility of cutting CO_2 emissions even on fuel-heavy vehicles. In fact, it is claimed that eddy losses can potential be reduced by replacing mechanical pumps with electrically operated hydraulic pumps. Tests carried out on a 6-cylinder, diesel engine showed fuel savings. Further tests are underway, demonstrating the importance of optimal thermal management for fuel consumption.

Water Injection Pump

The technical department is developing a cooling system that injects water spray into the intake chamber, in internal combustion engines. This makes it possible to reduce the temperature peaks of the air-fuel mixture in the combustion chamber i.e. the main cause of the production of nitrogen oxides. Along with the reduction in NO_x emissions, there is also an improvement in performance and a reduction in consumption, with further benefits in terms of emissions such as optimisation of combustion (reduction of NO_x emissions) and an increase in power produced for the same amount of fuel (reduction in fuel consumption and CO_2 emissions).

Dual Pump

This is the combination of two electric water pumps in a single product. It involves numerous benefits including: the ability to use a single component two manage two separate circuits with two different liquids, the possibility of expanding the operating range of the pump by combining the two circuits via a control valve and exploiting component synergies due to economy of scale.

Research into the use of alternative fluids

Research project on the use of alternative fluids – viscous and dielectric oils – for the cooling of components such as batteries and power modules. The use of fluids of this type, in direct contact with electronic devices, combines the benefits of electrical insulation with those of effective thermal management.

Quality and Management Systems Policy

Respect for the customer, employees, the supply chain and the environment: key values of the management system. Saleri has invested in the growth and implementation of a system that enables it to respond to customer requests in accordance with their most stringent specifications.

Certifications obtained by the Group over the years

1993 - Quality Management System Certification ISO 9001 (Italy)

2004 - Quality Management System Certification for the Automotive industry IATF 16949 (Italy)

2010 - Quality Management System Certification ISO 9001 (Saleri AM)

2014 - Quality Management System Certification ISO 9001 (China)

2015 - Environment Management System Certification ISO 14001 (Italy)

2017 - Occupational health and safety management system certification ISO 45001 (Saleri AM)

2019 - Environment Management System Certification ISO 14001 (China)

2019 - Environment Management System Certification ISO 14001 (Saleri AM)

2021 - Quality Management System Certification for the Automotive industry IATF 16949 (China)

2021 - Quality Management System Certification ISO 9001 (ABL)

2022 - Occupational health and safety management system certification ISO 45001 (Italy)

2022 - Quality Management System Certification ISO 9001 (Mexico)

2022 - Quality Management System Certification for the Automotive industry IATF 16949 (Mexico)

purpose

Our purpose

to enable people sustainable mobility by innovating and supporting the automotive industry transformation.

Our sustainability ambition

integrating sustainability into our business to support the industry transformation to pursue growth for our local communities and the people who work with us and our supplier partner.

Saleri

We are Saleri

We are an innovative global group in the automotive industry

Our purpose is to enable people sustainable mobility

We have integrated sustainability into our business to achieve our ambition

Innovating to support the automotive industry transformation

To pursue growth for our local communities,

the people who work with us and our partners

Preserving our planet

Sustainable Development Goals (SDGs)

The United Nations 2030 Agenda for Sustainable Development has identified 17 Sustainable Development Goals (SDGs), valid from 2015 until 2030. They will coordinate common objectives and touch on issues of social development, the fight against climate change, environmental protection, human rights and cooperation.

Since 2020, the Saleri Group has identified the SDGs most relevant to it and has paired them with its own material issues in order to render more explicit its contribution, as a business, towards sustainable development.

Sustainability report

Consolidated non-financial statement

prepared pursuant to Art. 4 of Legislative Decree 254/2016

Letter to the stakeholders

Lumezzane, June 2022

Dear Stakeholders,

we hereby present the fourth edition of the non-financial statement, prepared on a voluntary basis by the Saleri Group. Our evolution as a Group and as an agent of sustainability has grown and matured in recent years, together with awareness of our ability to play a part in bringing about changes and innovations that will have an impact on future generations.

This year the business will celebrate its 80^{th} anniversary. Strengthened by the experience of past generations, we can look to the future with this perspective: our history and that of the generations that preceded and that will succeed us are a lesson rooted in core values which look upon our people and the territory with deep respect and pride. Saleri was founded in 1942, in wartime, but managed to face up to circumstances, improving itself. It has gone through key periods in its history and dealt with difficulties that have made it stronger and stronger.

Since 1942, the Saleri Group has accompanied automobile evolution by designing and producing cooling systems that provide increasingly efficient and sustainable solutions. Saleri was born for this purpose: to evolve through continuous innovation and create products that make cars ever more comfortable and sustainable.

Thanks to the teaching and confirmation of our main customers, we have embarked upon a path that we hope will lead us to achieve carbon neutrality by 2039. To do this, we have defined objectives for the Group as a whole. In turn, these objectives are linked to the global ambitions of the Sustainable Development Goals.

The Saleri Group Sustainability Plan 2022-2025, drawn up in 2021 and approved in March 2022, is a part of this process. It has redefined governance and the performance objectives and indicators that will coordinate our commitment to corporate, social and environmental responsibility.

We are more than proud that, as well as reporting on it, we can be agents and participants in the choral effort to fight climate change through our core business: innovation. For years, we have been supporting the industry in which we operate with technological improvements aimed at energy saving. In 2020-2021, a critical period for our sector, we have taken part in key projects in the field of electrification, participating in emissions reduction.

In 2021, we reorganised our business in order to represent better our mission: **to accompany the transformation of the automotive industry.** The scope of our activities and of the Research and Innovation, Procurement and Project Management departments have been redefined, also through the acquisition of skills and the recruitment of new resources with experience in the field of Thermal Management and electrification. The goal is to respond to the needs of the new electrification market which increasingly requires us to be **a partner and technological point of reference for the development, sustainability and ecological transition** of the entire sector.

The innovation drive has also involved subsidiary ABL Automazione; in 2021, that company strengthened its workforce by hiring people with new skills to help customers to evolve through industry 4.0 and digitalisation projects.

The year 2021 ended as another challenging year, in a market environment impacted by rising commodity and energy prices and semi-conductor shortages, as well as by the aftermath of the latest waves of the pandemic. Despite these issues, the Saleri Group has continued with its proverbial resolve and resilience to build a more solid, yet more flexible, business.

During 2021, we opened the subsidiary in India (thus increasing our global presence which also includes Europe, Mexico and China) in a production and market context that allows us to diversify further both our supply chain and our customer portfolio. We completed two important acquisitions – of C.D.C. S.r.l. and the Ruville brand – and established Saleri Aftermarket S.p.A., a company wholly owned by the Parent Company, which will focus solely on the Aftermarket segment.

We have obtained an important recognition: AGCOM's legality rating, a tangible sign of our commitment to transparency and dialogue with stakeholders.
Finally, we ended 2021 with satisfactory results, even in a context greatly conditioned by external factors. We generated economic value of Euro 164.4 million and distributed 92% of it to our stakeholders.

For these results, we thank you, the people of Saleri, who have, once again, sustained the growth of the Group with passion, courage and determination.

Basilio Saleri
Chairman of the
Board of Directors

Matteo Cosmi
Managing Director

Note on reporting methodology

Reporting criteria

This is the voluntary Non-Financial Statement (hereinafter, also "NFS" or "Sustainability Report" or "Non-Financial Statement") of the Saleri Group (hereinafter, also "Saleri"), prepared in accordance with European directive 2014/95/EU and Articles 3 and 4 of Legislative Decree 254/2016 (hereinafter, also "Decree"). It contains thorough, transparent information on environmental issues, social issues, personnel-related issues, respect for human rights and the fight against corruption.

The Statement has been prepared in compliance with Legislative Decree 254/2016, with reference to the "GRI Sustainability Reporting Standards" (2016 et seq.), published by the Global Reporting Initiative (GRI), as indexed in the table "Index of GRI contents". The more recent 2018 versions of the specific standards GRI 403 (Occupational Health and Safety) and GRI 303 (Water and Effluents) have been adopted along with the 2020 version of specific standard GRI 306 (Waste).

In line with one of the two options offered by Article 5 of Legislative Decree no 254/2016, this Non-Financial Statement has been integrated into the Directors' Report.

The Non-Financial Statement is published annually. This frequency of publication was approved by the Industrie Saleri Italo S.p.A. Board of Directors on 15 June 2022.

The contents were finalised and the significant issues determined, also in relation to the areas required by the Decree, based on the principles set out by the GRI-101 (materiality, stakeholder inclusiveness, sustainability context, completeness, comparability, accuracy, timeliness, clarity, reliability and balance).

The reporting perimeter of the financial and economic information contained in this document is the same as for the Consolidated Annual Financial Report of Industrie Saleri Italo S.p.A. at 31 December 2021[1]. The scope of the non-financial information includes the companies consolidated line-by-line in the Consolidated Annual Financial Report. However, we note that, in order to expand the reporting perimeter for information on the Group workforce and environmental issues, Saleri Gmbh and Saleri India Private Ltd have been included (excluded from the scope of consolidation for the 2021 Consolidated Financial Statements given their immateriality for accounting purposes). In accordance with the reporting standard applied and with the provisions of Legislative Decree 254/16, these and any other minor limitations are specifically mentioned in the document.

The figures contained in this Non-Financial Statement refer to the period between 1 January and 31 December 2021, except for Saleri Aftermarket S.p.A., a company acquired during the year, for which only the second half of 2021 has been considered. Where possible, the information presented in the DNF has been accompanied with comparative information for 2020. Any further limitations regarding the reporting perimeter have been duly disclosed in this document.

The Non-Financial Statement has been prepared based on a structured reporting process involving all business departments, managers in charge of relevant areas and those responsible for the figures and information subject to non-financial reporting. They were asked to contribute not only with the identification and assessment of significant projects for inclusion in the report but, also, with the collection, analysis and consolidation of data. In more detail, the figures and information included in the Statement were obtained from the business information system used for each legal entity's financial and management reporting and by a non-financial reporting system set up to meet the requirements of Legislative Decree 254/2016 and the GRI Standards. In order to ensure the reliability of the figures and information included in the Statement, the use of estimates was limited insofar as possible and any estimates made have been highlighted in the document.

This document has been the subject of a limited assurance engagement (following the criteria indicated by Standard ISAE 3000 Revised) by Deloitte & Touche S.p.A. which has issued a separate report confirming that the information reported meets the requirements of Article 3(10) of Legislative Decree 254/2016.

The engagement was performed based on the procedures described in the "Report of the Independent Audit Firm", included in this document. For any questions or information requests regarding the Report, please email the following address: **sustainability@saleri.com**.

[1] For further information, see the Consolidated Annual Financial Report of Industrie Saleri Italo S.p.A. at 31 December 2021. Any changes in the reporting area are clearly identified in the text and do not materially impact understanding of the Group's activities, performance and results.

Our approach: ethics and integrity

“Our purpose

to enable people sustainable mobility by innovating and supporting the automotive industry transformation.”

“Our sustainability ambition

integrating sustainability into our business to support the industry transformation to pursue growth for our local communities and the people who work with us and our supplier partner.”

We are aware that the value we generate is the measure of our ability as a company and as a group to meet the expectations of our stakeholders, be they shareholders and lenders, employees and their families or the areas where we are situated.
We understand that the value we generate must be sustainable from an economic, social and environmental perspective.

Our values represent the way in which we intend to generate and share value.
This distinguishes us and is part of our identity.

Our values, our identity

For more than 80 years, our business has been operating, growing and evolving, expanding its horizons and remaining true to its values:

Determination and reliability

We are the main performers of each of our actions and of all of their consequences. We are ready, practical and concrete and we improve ourselves daily in order to earn the respect of those who choose to rely on us.

Transparency and dialogue

We are not afraid of showing ourselves for who we are. We strongly believe in showing integrity.
We are committed to creating an open exchange and to the sharing of information that is simple, usable and available to all.

Courage and pride

We proudly defend our history, who we are and the territory we come from. We have learned to overcome obstacles by consolidating our attitude and our evolutionary strength with dedication and capability.

Ambition

We set ourselves increasingly challenging goals. To achieve them, we look for opportunities for progress and act promptly, flexibly and dynamically.

Passion, care, respect

We love our work and, for this reason, we make sure that we take care of our products and processes, as well as all of our actions and relationships.
For us, excellence is dedicating ourselves to every detail and cultivating our passion: a taste for things done properly.

Corporate social responsibility

The Saleri Group aims to achieve sustainable growth by supplying innovative products of the highest quality, while creating added value for its stakeholders through **actions inspired by conscious corporate social responsibility.**

Saleri has always been inspired by corporate social responsibility and it is a fundamental part of the business and its values; historically, this has been especially so in relation to the local area where the business is situated. Attention to these aspects is an integral part of the Company's DNA, based on sound principles and values which every Group company, employee and partner - in Italy and around the world - is asked to share and respect.

Over the years and with the major international expansion that has made Saleri a global group, sensitivity towards respect for people has led to acceptance of the principles of the **United Nations Global Compact** which are based on the universal pillars of human rights: the Universal Declaration of Human Rights, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption.

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights in their respective spheres of influence and

Principle 2 make sure that they are not complicit, even indirectly, in human rights abuses.

ENVIRONMENT

Principle 7 Businesses should support a precautionary approach to environmental challenges;

Principle 8 undertake initiatives to promote greater environmental responsibility;

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

LABOUR

Principle 3 Businesses should uphold the freedom of association of workers and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labour;

Principle 5 the effective abolition of child labour;

Principle 6 the elimination of all forms of discrimination in respect of employment and occupation.

ANTI-CORRUPTION

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

The Saleri Group's materiality matrix

The materiality matric highlights ESG issues relevant to the Group and its Stakeholders; it represent strategic priorities in the ESG field and inspired the drafting of the sustainability plan.

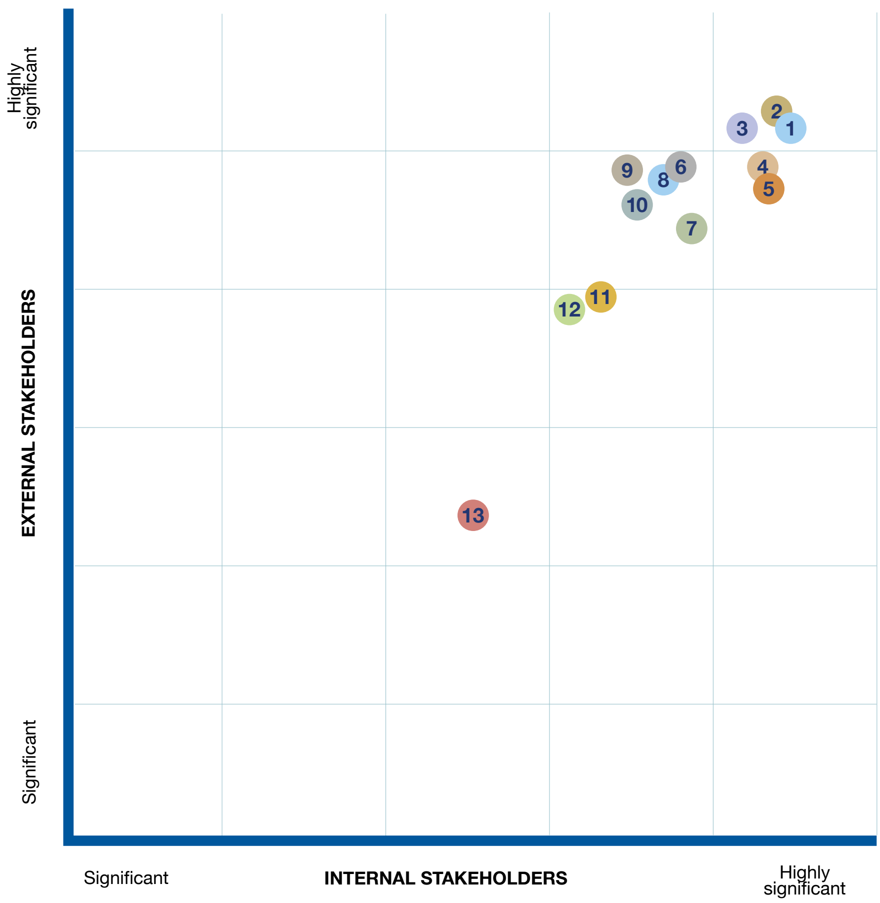
For the Saleri Group, economic, social and environmental matters that help generate shared value and that could impact that value are considered relevant for the business and its stakeholders[2].

During 2021, the subjects of relevance for the Group were analysed when preparing the sustainability plan. The analysis considered relevant issues from ESG ratings submitted by customers, major European carmakers, investors and lenders.

The material issues were processed and presented to the **Sustainability Steering Committee**, consisting of top management representing all key Group functions (see sustainability governance paragraph).

The results of this analysis confirmed the issues that the Group had identified in previous years, albeit while placing greater emphasis on environmental sustainability, training and development of skills for the sustainable growth of the Group and governance.

The main material issues are listed below.



1 PRODUCT QUALITY AND RELIABILITY
2 CUSTOMER SATISFACTION
3 PRODUCT INNOVATION AND SUSTAINABILITY
4 OCCUPATIONAL HEALTH AND SAFETY
5 TRAINING AND SKILLS DEVELOPMENT
6 APPROPRIATE RISK MANAGEMENT
7 DIVERSITY AND EQUAL OPPORTUNITY
8 ECONOMIC PERFORMANCE AND SUSTAINABLE DEVELOPMENT
9 BUSINESS INTEGRITY AND REGULATORY COMPLIANCE
10 RESPONSIBLE PROCUREMENT
11 TACKLING CLIMATE CHANGE
12 CONSERVATION OF NATURAL RESOURCES
13 SOLIDARITY PROJECTS

[2] Employees, Banks, Customers, Local Area and Community, Shareholders, Suppliers, Business Network, Public Administration.

Creation and distribution of economic value

The economic value generated and distributed reflects the ability of a business to create wealth and distribute it among stakeholders.

In 2021, the economic value generated by the Group amounted to Euro 164.4 million.

The economic value distributed in 2021 amounted to Euro 151.6 million, 10% higher than in 2020. 92% of the economic value generated was distributed to stakeholders while the remaining 8% was retained within the Group.

€ million	FY 2021	FY 2020
Economic value generated*	**164.4**	**145.0**
Economic value distributed	**151.6**	**137.9**
Economic value distributed to suppliers/vendors	117.8	108.4
Economic value distributed to collaborators/employees	31.2	28.8
Economic value distributed to Investors and Lenders	2.0	1.6
Economic value distributed to the Public Administration	0.5	-1.0
Economic value distributed to the Community	0.1	0.1
Economic value retained	**12.9**	**7.1**

For further information, see the 2021 Annual Financial Report.

* This value represents the wealth generated by the Group including revenues, capitalized development cost and other income.

Governance

Shareholding structure

The share ownership of Industrie Saleri Italo S.p.A. is as shown in the following table.

Shareholders/Shareholding Structure	%	No of Shares
El.Fra Holding S.r.l.	**55.99%**	**1,750,809**
Basilio Saleri	60.00%	1,050,485
Giovanna Maria Saleri	40.00%	700,324
Quaestio Capital SGR S.p.A. per Quaestio Italian Growth Fund	**26.60%**	**831,654**
Luca Saleri	**8.35%**	**260,974**
Mariacristina Saleri	**4.89%**	**153,000**
Annacaterina Marella Saleri	**3.67%**	**114,767**
Industrie Saleri Italo S.p.A. (Treasury shares)	**0.51%**	**15,799**
Total	**100%**	**3,127,003**

Corporate Governance

Industrie Saleri Italo S.p.A. has adopted a traditional administration and control model which includes:

the **Shareholders' General Meeting** - sitting in Ordinary and Extraordinary Sessions and called upon to pass resolutions in accordance with the law and the Articles of Association.

The **Board of Statutory Auditors** - required to supervise: (i) observance of the law and the articles of association, as well as respect for principles of good administration in conducting company business; (ii) the appropriateness of the organisational structure, the internal control and risk management system and the Company's accounting and administrative system; (iii) risk management and (iv) the audit of the financial statements and auditor independence.

The **Board of Directors,** appointed to manage the business.

The administration and control model also includes the **Supervisory Board** which was established following the adoption of the Organisation, Management and Control Model in terms of Legislative Decree no 231/2001, as adopted by Industrie Saleri Italo S.p.A. in April 2018.

Governance bodies

Board of Directors

The current Board of Directors has nine members, including two executive directors and seven non-executive directors.

The following table contains details of the membership of the Board of Directors at 31/12/2021.

For further details, see the Directors' Report on the Consolidated Financial Statements.

Membership of the Board of Directors at 31/12/2021

Name and Surname	Role	Age	Gender
Basilio Saleri	Chairman and Managing Director	67	M
Matteo Cosmi	Managing Director	44	M
Sergio Bona	Director	66	M
Giorgio Garimberti	Director	72	M
Wilhelm Becker	Director	74	M
Alberto Bartoli	Director	61	M
Alessandro Potestà	Director	53	M
Massimo Colli	Director	72	M
Simona Heidempergher	Director	53	F

88.9% of the members of the Board of Directors are male and are more than 50 years of age.

Board of Statutory Auditors

The Board of Statutory Auditors, as appointed by the Ordinary General Meeting of Industrie Saleri Italo S.p.A. on 27 May 2021 and in office until the General Meeting convened to approve the 2023 Financial Statements, has three members.

Membership of the Board of Statutory Auditors at 31/12/2021

Name and Surname	Role
Francesco Facchini	Chairman
Andrea Gabola	Statutory Auditor
Roberta Lecchi	Statutory Auditor

External Auditors

The Ordinary Shareholders' General Meeting of Industrie Saleri italo S.p.A. held on 7 August 2020 appointed **Deloitte & Touche S.p.A.** to audit the separate financial statements of Industrie Saleri Italo S.p.A. and the consolidated financial statements of the Saleri Group until the date of the General Meeting convened to approve the 2022 financial statements. On 31 July 2019, the Board of Directors of Industrie Saleri Italo S.p.A. approved the extension of said engagement to include the audit of the six-monthly separate financial statements of Industrie Saleri Italo S.p.A. and the consolidated financial statements of the Saleri Group.

Supervisory board

The Saleri Group is aware that the profound sense of responsibility that permeates its activities is a fundamental part of its ethos. Confirming its strong focus on responsible governance and in compliance with current laws and regulations, parent company Industrie Saleri Italo S.p.A. has adopted an Organisation, Management and Control Model pursuant to Legislative Decree 231/2001.

The 231 model is a tool whereby the Group incorporates compliance with applicable laws on administrative and criminal liability for certain types of crimes and offences into its **processes, internal control system and policies.** This includes practices and control mechanisms such as:

ANTI-MONEY LAUNDERING

ANTI-CORRUPTION

Compliance with the document is overseen by the Supervisory Board. It also sets out the risks regarding circumstances covered by the Legislative Decree and the measures to mitigate them.
The Code of Ethics is an integral part of the Model and it lays down the ethical principles that the Group undertakes to follow in pursuit of its business objectives.

In November 2021, the Board of Directors of Industrie Saleri Italo S.p.A. appointed the members of the Supervisory Board who will remain in office until the General Meeting to approve the 2023 Financial Statements. The members are as follows:

Membership of the Supervisory Board at 31/12/2021

Name and Surname	Role
Nicla Picchi	Chairman
Simonetta Patti	External member
Markus Werner Wiget	External member

The 231 Organisation and Control Model is currently adopted by parent company Industrie Saleri Italo S.p.A.. The Italian and foreign subsidiaries have implemented practices inspired by the parent company and which reflect its principles and values.

With a view to increasing gradually the integration of governance and compliance practices, the Group has launched the process to extend the management of 231 Model-related matters to the Italian subsidiaries. The process has commenced with ABL Automazione S.p.A. which will complete work on the drafting and application of the Model in 2022. It will be followed by Saleri Aftermarket S.p.A. for which work on the drafting and application of the model will be completed by the end of 2023.

With regard to the other Group companies not directly subject to Italian laws and regulations, new anti-corruption guidelines were drawn up in December 2020. These guidelines will be implemented and will become binding for each subsidiary. Moreover, in order to standardise, the key principles of corporate values throughout the Saleri Group, a Group Code of Ethics has been adopted. It has been published on the www.saleri.com website and distributed to employees in their local language for greater understanding.

The fact that there were no cases of corruption in 2020 and 2021 demonstrates the attention paid by the Group to the issue, regardless of the formal procedures implemented by each company.

Whistleblowing

Since Law 179/2017 on Whistleblowing came into force, the Group has set up channels for use in reporting improper conduct while respecting the guarantees and protections afforded to whistleblowers by the law. These channels are as follows:

E-mail: odv@saleri.it
Traditional mail: Odv c/o Industrie Saleri Italo S.p.A., via Ruca n. 406, 25065 - Lumezzane (BS)

We note that no whistleblower reports were received in 2021.

Sustainability governance

The Group has always believed that social and environmental issues are an integral part of its strategy and, as such, are matters for the Board of Directors. The Board of Directors guides the company in seeking to create sustainable value for stakeholders with a medium/long-term outlook. With the aim of boosting attention to corporate social responsibility on all levels, in order to guide the Transition plan and, consequently, to draw up and implement the Sustainability Plan, the Saleri Group has set up the **Sustainability Steering Committee.** Subject to the instructions, approval and guidance of the Board of Directors, it is tasked with applying the Group's sustainability strategy, implementing sustainability projects, monitoring and reporting on the progress made with this strategy.

The **Sustainability Steering Committee** is chaired by the Managing Director who is an executive member of the Board of Directors. Its other members are Senior Managers representing all divisions of the company. Ultimate responsibility for achieving the objectives of the Sustainability Plan lies with the Board of Directors.

Through the activities of the members of the committee - comprising representatives of all divisions involved with their resources, their tools and their knowhow - the Board ensures that all activities and projects necessary to achieve the objectives are carried out.

Priority environmental, social and governance issues, especially with regard to climate change, are incorporated into the agenda of the Board of Directors and into the priorities of top management. This also involves linking management incentive schemes to certain specific sustainability objectives.

In order to stimulate internal dialogue, raise awareness and involve all Saleri Group people, issue-focused “round tables” with ESG Ambassadors have been created. They aim to create, share, propose and implement initiatives consistent with the measures in the plan or which, through innovative methods, can contribute towards the generation of new ideas and activities to generate sustainable value.

Sustainability Plan

Since 1942, Saleri has accompanied the evolution of the automobile, designing and producing cooling systems that offer increasingly efficient and sustainable solutions, with the aim of constant improvement. Saleri was born for this: to evolve through continuous innovation and to create products that make cars ever more comfortable and sustainable.

The Group has done this also by developing its production processes to increase production efficiency through a lean management approach and industry 4.0 industrial automation with subsidiary ABL Automazione.

Starting from its roots, from its DNA, the Group has committed to and drawn up a Transition Plan in compliance with the undertaking signed with its customers: to become carbon neutral by 2039.

The drawing up of the Sustainability Plan 2022-2025 forms part of the Transition Plan. It has defined areas, targets, actions and projects in order to pursue sustainability objectives. The Sustainability Plan has also established a monitoring system for the systematic, regular monitoring of the actions taken.
When determining the Plan's strategic drivers, in addition to the strategic business plan and the Group materiality matrix, the proprieties set out in the United Nations 2030 Agenda, through the Sustainable Development Goals (SDGs), were also taken into account.

Drafting and governance of the plan

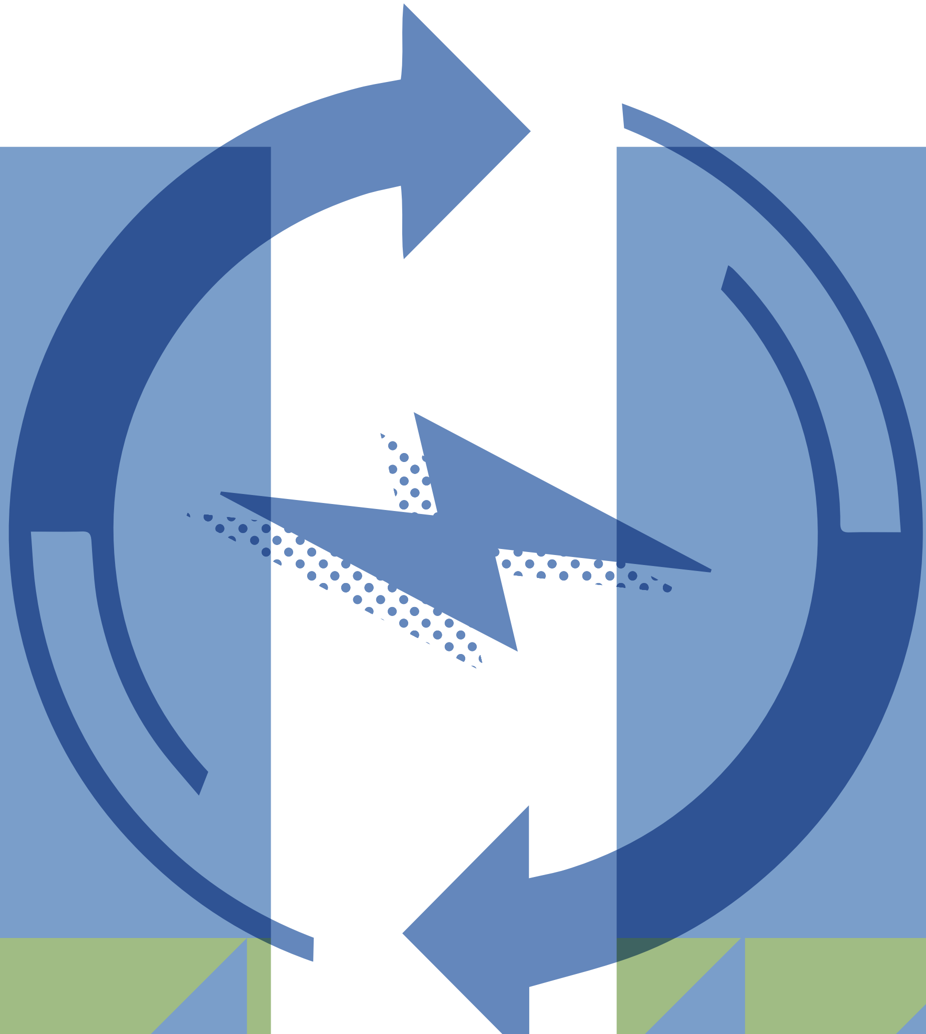
In line with the objectives of the plan and, more broadly, in line with strategic business objectives, the Sustainability Steering Committee was established before the plan was drawn up.

Therefore, the plan was drafted, and submitted to the Sustainability Steering Committee for scrutiny and formally approved by the Board of Directors.

Responsibility for the actions included in the Sustainability Plans lies with the various corporate divisions represented on the committee.

In order to ensure compliance with the commitments made, the Board of Directors is kept informed on the progress made by the plan, on updates (made at least annually) and on the inclusion or amendment of objectives if the need emerges from the constant dialogue with stakeholders. All of this is in line with the definition of sustainability as a process of continuous improvement.

electrification



Innovating and supporting the automotive industry transformation

The research for the best Thermal Management solutions to go along with the transformation of the automotive industry, supporting it in the production of increasingly sustainable and comfortable vehicles through optimal thermal energy management.

Saleri

Innovation is our core business

> *"Innovating and supporting the automotive industry transformation."*

The pursuit of the best Thermal Management solutions to accompany the transformation of the automotive industry, supporting it in the production of ever more sustainable and comfortable vehicles through optimal thermal management: this is the fulcrum of the Saleri Research & Innovation department.

The development of new systems aims to:

- increase the technological content of existing products to improve the performance of internal combustion engine cooling circuits;
- anticipate the need for thermal management and regulation of new components related to electrification (battery packs and power modules);
- contribute towards reducing the atmospheric emissions and fuel consumption of engines, thus responding to ever tighter anti-pollution regulations;
- overcome competitors' patents, maintaining quality, duration and ease of assembly with automatic systems;
- improve process technologies, through the search for design simplifications that achieve savings on production costs.

The new organisation of the R&I department

Saleri firmly believes that the capacity to innovate is a key factor for sustainable growth that is economically and socially profitable. In 2021, the Research and Development department, having welcomed new skills, reshaped its organisation and took on the name of Research and Innovation department which better represents its mission and the capabilities of the new organisation.

New market scenarios mean the business must be increasingly seen by customers as a **partner and technological point of reference**, in order to embrace and influence future market trends (electrification, sustainability, ecological transition, IoT), play a proactive role in creating paths of technological and scientific development and, ultimately, enhance the technological uniqueness of each carmaker.

The Research and Innovation department is structured into three divisions, each with key capabilities:

Mechanical – Electromechanical

Division responsible for the definition and development of mechanical and electromechanical solutions for the automotive market.

Electrification

Division dedicated to the development of thermal management solutions related to vehicle electrification. The team, which brings together HW and SW development expertise, is responsible for the design of electric pumps and systems equipped with electrical actuation and/or power electronics.

Thermal Management

Division dedicated to the integrated coordination and management of the thermal dynamics of the vehicle (Thermal Management System) in order to design and define system architectures capable of guaranteeing an optimal operating environment for each component, optimising operational efficiency and vehicle safety and reducing emissions.

These divisions are assisted by the following three functions:

Product concept

The beating heart of Saleri innovation. The function is composed of a multi-disciplinary scientific and technical team responsible for the research, conception and prototyping of new product concepts with the goal of predicting customer needs and anticipating development issues.

Testing and simulation

Function that brings together professionals with a range of skills in the fields of physical and virtual functional validation techniques. Working in support of the product development divisions, the team is responsible for the identification, design and realisation of test bays for analysis of system and component requirements. It also determines test methods, procedures and simulations, also using engineering calculation software.

Innovation Management

Saleri's innovation management area draws on scientific and regulatory literature in the sector in order to support the organisation along the Innovation Funnel model.
The reorganisation of the department saw the introduction of the figure of Innovation Manager. Given the importance of the new function and as a concrete expression of its commitment, Saleri has embarked upon a process to implement its own innovation management system in accordance with ISO 56000 and UNI 11814 guidelines.
The Innovation Manager aims to facilitate innovation through a work environment in which innovation is systematically encouraged, cultivated and managed. Chesbrough's Open Innovation paradigm has proven highly effective and is now a fundamental part of Saleri's innovation management system, which also gathers and develops innovation opportunities from outside the organisation.

Thermal Management

Thermal Management is the energy optimisation of the thermal equilibrium in a vehicle.

In internal combustion engines, controlling the temperature of all engine components based on their point of operation makes it possible to reduce fuel consumption and, therefore, emissions.

The thermal management of an electric vehicle is fundamental different to that of vehicle with an internal combustion engine as excess heat represents the vehicle's main thermal source of energy. Thermal Management. Thermal Management is, therefore, a key technology for electric vehicles and plays a central role in their overall efficiency especially in ensuring, in all conditions of use, the correct operating temperature of the batteries in order to maximise their autonomy and overall life cycle.

The benefits of Thermal Management:

Greater efficiency

Thermal management is a key factor for both internal combustion engines and electric engines, in order to increase the overall efficiency of the vehicle. Without an efficient energy management system, the range of an electric vehicle may be greatly influenced by diverse weather conditions and it may be reduced by 33% (in case of extreme heat) and even by 60% (in case of extreme cold). This variability is at the heart of "range anxiety", one of the main factors limiting the market penetration by electric vehicles.

Improving acoustic performance

Electric vehicles have set new standards in terms of the acoustic performance of components and systems with thermal management playing a key role.

Reducing emissions by internal combustion engines

Thermal Management plays a key role in reducing emissions from internal combustion engine vehicles. A shortened heating phase, optimised combustion and exhaust temperature control, combined with efficient cabin conditioning, are essential in minimising CO_2 and NO_x emissions.

Influencing the overall cost of the life cycle of electric vehicles

Thermal management is essential in guaranteeing battery performance, life cycle and safety. The optimal battery temperature range is extremely limited and prolonged operation in non-optimal conditions is the primary cause of rapid performance deterioration in terms of power and charging capacity, thus compromising the useful life of the battery itself.

Main ongoing projects

BEV Thermal Management project

The Thermal Management division is supporting several customers on the German market with the development of an integrated heat flow management system for future BEV (Battery Electric Vehicle) platforms. The system guarantees the interconnection of the main components and heat users of the electric vehicle and allows for optimal regulation of refrigerant flow rates in different conditions of use. The high degree of integration leads to a drastic reduction in weight, system volume and cooling fluids, contributing directly to increased range and to simplification of vehicle installation processes.

Electric pump range

The Electrification division is developing a new range of electric pumps for 12 V applications on Light Vehicles to cover of range of between 30 and 400 W. The first of the series are expected to be in production by the end of 2022. The project objective is to supply standardised electric pumps with a customisable interface to meet the needs of the different Thermal Management systems of carmakers.
The new generation electric pumps can be used with water and glycol or with alternative fluids.

Off-Highway Applications

Prototype and mass development of 24V electric water pumps with capacity of between 200 and 600 W with CAN-bus communications for off-Highway applications.

Rotary positive displacement pumps

Design is engaged in pre-development activities with a view to the study, design and prototyping of a new pump unit with electric drive for vehicle cooling and lubrication systems, which is able to achieve high pressure fluid flows (oil or water). The new hydraulic actuation family, with two gear and screw-based constructions, can be applied in future projects for the production of high efficiency systems.

Digital Twin

The "Digital Twin" concept is one of the major game-changers for the manufacturing industry and enables companies significantly to increase their global competitiveness", says the Change2twin consortium, which offers a cascade funding scheme within the Horizon 2020 project. A digital twin is a digital replica of a product, process or services, which is so precise that it can be used as the bases for making strategic decisions.
In 2021, the Saleri Group won the Change2twin Assessment phase and, together with a digital innovation hub, built three detailed projects for a digital twin that were, respectively, descriptive, predictive and prescriptive. In 2022, Saleri aims to apply for the Change2twin Deployment phase and to equip its Testing area with this innovative technology.

Saleri's people

The employees and collaborators involved in the business are a strategic resource and, for this reason, Saleri is committed to promoting their well-being and their professional development.

At 31 December 2021, the Saleri Group had 610 employees[3]. This represented a 3% increase compared to 591 employees at 31 December 2020, mainly because of external growth resulting from the acquisition of C.D.C. S.r.l. which was later transformed into Saleri Aftermarket S.p.A. On a like-for-like basis, the number of Group employees at 31 December 2021 remained largely unchanged compared to prior year. At 31 December 2021, Industrie Saleri Italo S.p.A. had 423 employees (based on headcount at that date).

Employees hired under permanent contracts account for the bulk of the workforce used by the Group companies (around 91% of all workers). This percentage increases to 100% if only parent company Industrie Saleri Italo S.p.A. is considered.

Moreover, around 94% of Group employees work full-time.

GRI 102-8	2021				2020			
Contract type	**M**	**W**	**Tot.**	**%**	**M**	**W**	**Tot.**	**%**
Workers with permanent contracts	337	219	556	**91%**	329	215	544	**92%**
Workers with fixed-term contracts	27	27	54	**9%**	20	27	47	**8%**
Total	**364**	**246**	**610**	**100%**	**349**	**242**	**591**	**100%**

GRI 102-8	2021						2020					
Contract type by geographical area	**IT**	**CN**	**MX**	**IN**	**DE**	**Tot.**	**IT**	**CN**	**MX**	**IN**	**DE**	**Tot.**
Workers with permanent contracts	481	52	15	6	2	556	487	54	3	-	-	544
Workers with fixed-term contracts	2	48	4	-	-	54	7	34	6	-	-	47
Total	**483**	**100**	**19**	**6**	**2**	**610**	**494**	**88**	**9**	**-**	**-**	**591**

GRI 102-8	2021				2020			
Type of employment	**M**	**W**	**Tot.**	**%**	**M**	**W**	**Tot.**	**%**
Full-Time	362	219	581	**95%**	349	210	559	**95%**
Part-Time	2	27	29	**5%**	-	32	32	**5%**
Total	**364**	**246**	**610**	**100%**	**349**	**242**	**591**	**100%**

[3] The figure includes all Group companies at 31/12/2021, including Saleri Gmbh and Saleri India Private Ltd. Which were excluded from the scope of consolidation for the 2021 Consolidated Financial Statements and for the 2021 Consolidated Non-Financial Statement given their immateriality for accounting purposes and for non-financial reporting purposes, as described in more detail on page 64.

The underlying strategy behind Saleri's recruitment policy seeks to guarantee equal opportunities to all candidates. Saleri assesses candidates and encourages career advancement. It avoids all forms of discrimination based on gender, sexual orientations, age, ethnic origin, nationality, state of health and political or religious beliefs.

The availability of skilled, qualified resources and a strong sense of belonging represent key factors in ensuring Saleri maintains its competitive edge.

Offering workers a stable, long-term relationship is considered essential to the growth of the business, as well as an important source of motivation. During 2021, the Saleri Group hired 106 new employees - including 28 by Industrie Saleri Italo S.p.A..

The percentages of employee starters and leavers shown in the following tables were calculated on the respective total number of employees (by age range, gender and geographical area) at the reporting date.

Starters	2021				2020			
Age group (no)	< 30	30-50	> 50	Tot.	< 30	30-50	> 50	Tot.
Men	12	39	7	**58**	15	17	2	**34**
Women	8	37	3	**48**	5	24	1	**30**
Total	**20**	**76**	**10**	**106**	**20**	**41**	**3**	**64**

Starters	2021				2020			
Age group (%)	< 30	30-50	> 50	Tot.	< 30	30-50	> 50	Tot.
Men	11%	37%	7%	**55%**	23%	27%	3%	**53%**
Women	8%	35%	3%	**45%**	8%	38%	2%	**47%**
Total	**19%**	**72%**	**9%**	**100%**	**31%**	**64%**	**5%**	**100%**

GRI 401-1	2021						2020					
Starters by geographical area (no)	IT	CN	MX	IN	DE	Tot.	IT	CN	MX	IN	DED	Tot.
Men	35	12	5	5	1	**58**	26	4	4	-	-	**34**
Women	8	16	23	1	-	**48**	10	15	5	-	-	**30**
Total	**43**	**28**	**28**	**6**	**1**	**106**	**36**	**19**	**9**	**-**	**-**	**64**

GRI 401-1	2021						2020					
Starters by geographical area (%)	IT	CN	MX	IN	DE	Tot.	IT	CN	MX	IN	DED	Tot.
Men	33%	11%	5%	5%	1%	**55%**	41%	6%	6%	0%	0%	**53%**
Women	8%	15%	22%	1%	0%	**45%**	16%	23%	8%	0%	0%	**47%**
Total	**41%**	**26%**	**26%**	**6%**	**1%**	**100%**	**56%**	**30%**	**14%**	**0%**	**0%**	**100%**

Leavers	2021				2020			
Age group (no)	< 30	30-50	> 50	Tot.	< 30	30-50	> 50	Tot.
Men	15	25	15	**55**	10	11	7	**28**
Women	6	30	9	**45**	3	11	4	**18**
Total	**21**	**55**	**24**	**100**	**13**	**22**	**11**	**46**

Leavers	2021				2020			
Age group (%)	< 30	30-50	> 50	Tot.	< 30	30-50	> 50	Tot.
Men	15%	25%	15%	**55%**	22%	24%	15%	**61%**
Women	6%	30%	9%	**45%**	7%	24%	9%	**39%**
Total	**21%**	**55%**	**24%**	**100%**	**28%**	**48%**	**24%**	**100%**

GRI 401-1	2021						2020					
Starters by geographical area (no)	IT	CN	MX	IN	DE	Tot.	IT	CN	MX	IN	DED	Tot.
Men	48	7	-	-	-	**55**	27	1	-	-	-	**28**
Women	16	11	-	18	-	**45**	11	7	-	-	-	**18**
Total	**64**	**18**	**-**	**18**	**-**	**100**	**38**	**8**	**-**	**-**	**-**	**46**

GRI 401-1	2021						2020					
Starters by geographical area (%)	IT	CN	MX	IN	DE	Tot.	IT	CN	MX	IN	DED	Tot.
Men	48%	7%	0%	0%	0%	**55%**	59%	2%	0%	0%	0%	**61%**
Women	16%	11%	0%	18%	0%	**45%**	24%	15%	0%	0%	0%	**39%**
Total	**64%**	**18%**	**0%**	**18%**	**0%**	**100%**	**83%**	**17%**	**0%**	**0%**	**0%**	**100%**

Diversity and equal opportunities

Equal opportunities have always been guaranteed to Saleri's personnel. The Company pays great attention to the family-related needs of its workers.

We note that, in 2021, the management team was strengthened by the addition of new resources: at 31 December, there were 15 senior managers, including 5 women while, at the same date, three out of the nine members of the Top Management team were women.

GRI 405-1	2021					2020				
Workforce by employee category and gender	**Senior Mngrs**	**Mgrs**	**White Collar**	**Blue Collar**	**Total**	**Senior Mngrs**	**Mgrs**	**White Collar**	**Blue Collar**	**Total**
Men	1.6%	3.0%	29.2%	25.9%	**59.7%**	0.2%	2.7%	27.4%	28.8%	**59.1%**
Women	0.8%	0.0%	10.3%	29.2%	**40.3%**	0.0%	0.8%	9.8%	30.3%	**40.9%**
Total	**2.5%**	**3.0%**	**39.5%**	**55.1%**	**100%**	**0.2%**	**3.6%**	**37.2%**	**59.1%**	**100%**

GRI 405-1	2021					2020				
Workforce by employee category and age	**Senior Mngrs**	**Mgrs**	**White Collar**	**Blue Collar**	**Total**	**Senior Mngrs**	**Mgrs**	**White Collar**	**Blue Collar**	**Total**
under 30	0.0%	0.0%	7.0%	15.7%	**22.8%**	0.0%	0.0%	7.4%	19.3%	**26.7%**
30-50	1.8%	2.0%	27.4%	32.3%	**63.4%**	0.2%	2.5%	24.0%	31.3%	**58.0%**
over 50	0.7%	1.0%	5.1%	7.0%	**13.8%**	0.0%	1.0%	5.8%	8.5%	**15.2%**
Total	**2.5%**	**3.0%**	**39.5%**	**55.1%**	**100%**	**0.2%**	**3.6%**	**37.2%**	**59.1%**	**100%**

In accordance with the law, Industrie Saleri Italo S.p.A. employs disabled personnel and personnel belonging to protected categories. It has a total of 11 such employees, seven men and four women, at 31 December 2021. The duties assigned to employees from these categories take account of their physical and mental condition which is constantly monitored.
The development of disabled and protected category employees is encouraged and they are offered due safeguards.

Training and skills development

The Saleri Group pays great attention to getting the best from its employees while guaranteeing them a work environment capable of encouraging the growth and development of talent. Continuous training of employees is an issue of primary importance for Saleri.

In 2021, a total of 4,600 hours of training was provided to Industrie Saleri personnel while, at Group level, a total of 7,497 hours were dedicated to training.

Training 31/12/2021

GRI 401-1					
Employee category and gender	**Senior Managers**	**Managers**	**White Collars**	**Blue Collars**	**Total**
Men	70	168	3,743	1,053	**5,033**
Women	80	-	785	1,599	**2,464**
Total	**150**	**168**	**4,528**	**2,652**	**7,497**

Training 31/12/2020

GRI 401-1					
Employee category and gender	**Senior Managers**	**Managers**	**White Collars**	**Blue Collars**	**Total**
Men	-	40	2,016	793	**2,849**
Women	-	23	303	383	**709**
Total	**-**	**63**	**2,319**	**1,176**	**3,558**

Benefit and welfare

Industrie Saleri Italo S.p.A. offers benefits in kind for employees depending on their contractual category. These include medical insurance, life insurance and insurance against injury at and away from work. The pilot agile working project introduced in 2019 i.e. pre-Covid has now become established practice and is contractually regulated.

Industrie Saleri Italo S.p.A. has fully implemented the policies on Corporate Welfare introduced in the Metal-mechanical segment collective labour agreement signed in 2017. Pursuant to the collective agreement, Industrie Saleri Italo S.p.A. has paid the welfare indemnities required and has enabled employees to join the Metasalute Fund, a healthcare fund for metal-mechanical workers - it is free for employees while the employer pays a contribution of 13€/month per employee. On a welfare-related issue, the Company has established a canteen where all employees can enjoy meals prepared on the premises. Industrie Saleri Italo S.p.A. is also a member of “Welstep”, a network of businesses created in the Brescia area with the aim of ensuring that corporate welfare activities are handled in a uniform manner. At present, the network has 13 members and covers a total of 2,100 workers. ABL Automazione S.r.l. is also subject to the Metal-mechanical segment collective labour agreement so it applies the same corporate welfare mechanisms. In China and Mexico, each business is left to set up its own employee welfare system. At present, Saleri Shanghai Co. Ltd does not have a welfare plan.

Trade union relations

As stated in its Code of Ethics, Industrie Saleri Italo S.p.A. guarantees the right of its employees to join trade unions. It also recognises the role of the unions and workers' representatives created in accordance with the law and normal practice. The parties maintain relations founded on mutual respect and constructive dialogue.

There is ongoing, open dialogue with the Trade Unions and workers' representatives with the aim of seeking agreed solutions to respond to market requirements, while increasing competitiveness, flexibility and organisational efficiency. There has also been intensive collective bargaining on various levels and it has led to important agreements with the unions on salaries and other conditions of employment. Around 100 Industrie Saleri Italo S.p.A. employees belong to FIOM_CGIL while 45 belong to FIM-CISL.

Relations between Management and the Trade Unions are based on transparency and reciprocal correctness. During the year, about 50 meetings were held between Industrie Saleri Italo S.p.A. Management and the Unions.

In China, the sole trade union, the ACFTU (All China Federation of Trade Unions) 中华全国总工会, is present in Saleri Shanghai Co. Ltd. Under the Mexican trade union system, the trade union is selected by the company. Saleri Mexico S.A. de C.v. has chosen the Sindicato industrial de trabajadores de Nuevo León.

On a Group level, regulations and remuneration vary depending on the national collective labour agreements and laws in the countries in which the Group operates.

Workers' health and safety

The Saleri Group considers the protection of the Health and Safety of its workers and all those interacting or collaborating with its business activities to be a priority objective. The Company is committed to providing safe and secure working conditions in order to prevent work-related illness and injury.
The health and safety management system regards all of Saleri's employees, irrespective of their contractual status. It also regards all of those working on Company premises who are given para-employee status (work experience students, trainees, etc). The system has been implemented in order to guarantee the standardisation, distribution and sharing of preventive and protective practices so as to guarantee and improve worker protection.

All related documents and operating policies are available to employees on Company noticeboards and on the Company web site www.saleri.it or on the intranet site available to employees.

With regard to the identification of risks and related investigations, Industrie Saleri Italo S.p.A. performs a "Risk Assessment" regarding the employer's responsibility. For the purposes of this assessment, it consults with the internal Health and Safety Officer, as supported by an external consulting firm, in collaboration with the medical officers with responsibility for health and safety and consulting with Workers' Safety Representatives. In order to maintain a more detailed knowledge of and pay constant attention to business risks, the risk assessment takes account not only of the residual risk (i.e. the risk after the adoption of any prevention and protection measures) but, also, the absolute risk. The risk assessment also considers workplace facilities, whether made available by the organisation or by other parties, and risks to the health and safety of workers. Risks are identified and assessed in accordance with management system procedures. Based on the risk assessment, the Employer – in collaboration with the Health and Safety Officers, the medical officer and the Workers' Safety Representatives – identifies possible improvements, schedules them and appoints those responsible for implementing the improvements. These instructions are included in the Improvement Plan of the Risk Assessment Report. The measures identified may be operational procedural or technical and are managed as part of the Improvement Plan for the Health and Safety Environment, in accordance with agreed practice.

The role of ABL Automazione S.r.l. RSPP ("Health and Safety Officer") has been assigned to a third party consultant who operates under the supervision of the parent company. The company has the same Medical Officer as its parent Industrie Saleri Italo S.p.A..

Occupational health and safety regulations in China require the appointment of an EHS Specialist when the number of employees exceeds 100 – the 100 employee threshold has not yet been reached. In the meantime, the company will continue to operate in full compliance with applicable laws and regulations.

Saleri Mexico S.A., de C.V. has appointed a third party consultant, offering specialist services, as its Health and Safety Officer. Health monitoring is conducted in accordance with local law.

Health services

Industrie Saleri Italo S.p.A. has set up a specific organisation to guarantee the proper performance of activities designed to eliminate or minimise risk, to ensure a proper flow of information to the Employer for risk assessment purposes and, vice versa, a flow of information towards the employee so that he/she has all of the information needed to safeguard his/her interests.
The professional figures included in the organisation in question are those indicated by Legislative Decree 81/08.
The Health and Safety Officer reviews the organisation constantly to check that it is suitable and suggests any changes to the Employer. This subject is a key issue at the regular meetings in terms of Article 35 of Legislative Decree 81708, during which any requests for changes are considered and finalised.

The Employer has appointed a health training and monitoring officer, specifically in order to facilitate the effective implementation of the necessary measures in terms of health training and monitoring. Said officer is responsible for appointing a medical officer and signing an annual contract with them in order to guarantee a regular presence in the Company - around once a week.

The Employer, directly or through the risk prevention and protection service, convenes the “regular meeting” monthly, in accordance with Article 25 of Legislative Decree 81/08, and it is attended by:
a) the Employer and the representative for training and health monitoring (CHCO);
b) the Health and Safety Officer;
c) the Medical Officer;
d) workers’ safety representatives.

Employee participation and consultation is guaranteed by:
- meetings between Company management and workers’ safety representatives over issues regarding health, safety and the environment (e.g. regular meeting in terms of Art. 35 of Legislative Decree 81/08);
- meetings between the Health and Safety Service and the Workers’ Safety Representatives, as called by one of the two parties, in order to analyse Risk Assessment Reports, corrective measures and improvements and any issues that could arise in the course of the various risk prevention and protection activities;
- sharing/distribution of SGAS (“Environment and Safety Management System”) documents.

Health and safety training for workers

The Saleri Group understands the key role played by its human resources. Therefore, it has implemented an employee training system involving many channels and levels. All employees are trained on occupational health and safety, compliance with business ethics and the processing of confidential information.
The Group provides:

- introductory information to all those who start working for Saleri (students, work experience, trainees, newly-hired employees, irrespective of contract type and duration);
- general training required by law;
- specific training required by law;
- specific information if necessary because of (i) situations of particular risk or (ii) new substances.

In addition to training strictly related to work activities, Saleri is also committed to preventative action to improve workers’ health e.g. the distribution - through the medical officer and together with the Employer, the Health Training and Monitoring Officer and the Health and Safety Officer - of useful guidelines to encourage employees to stop smoking (or to cut down) or to avoid alcohol abuse.

Prevention and mitigation of the risk of professional illness

Industrie Saleri Italo S.p.A. and ABL Automazione S.r.l. have appointed a medical officer who guarantees his/her presence at the Company almost once a week to perform appropriate medical check-ups, any extraordinary medicals needed (on request by the employee or the medical officer), to establish the health monitoring plan and to review reports from health monitoring.

The medical officer has drawn up the health monitoring plan based on the list of duties, considering the results of the risk assessment and the comments of the Employer and the Health Training and Monitoring Officer.

Every year, the Company signs an annual contract with a health centre and schedules appointments for workers based on the health monitoring plan.

Any requests by the medical officer for additional clinical tests by specialists are accepted and satisfied in order to achieve better assessment of suitability for work.

The medical officer works with the Employer during the risk assessment phase in order to identify any situations that could represent a potential source of professional illness. Based on the health monitoring results, the medical officer may reach conclusions of use in directing and planning risk assessment activities.

Workplace injuries

No cases of professional illness arose in 2021 while there were four cases of workplace injury on a Group-wide level[4].
The workplace injuries recorded were not very serious with a prognosis of not more than 40 days absence from work, except in one case where the injured worker was off for more than 100 days. The total number of workplace injuries does not include injuries suffered while travelling to and from work, although such injuries are recorded; in 2021, there was just one case of an injury to an employee travelling to and from work.

Furthermore, we note that the injury figures no not include injuries suffered by temporary workers supplied by employment agencies. If any such injuries had occurred, they would be recorded in order to review the circumstances and the causes and to determine what corrective and preventive action should be taken.

The results of the risk analysis show that the most probable risks are those regarding fire and those relating to logistics activities (handling and storage of goods). For this reason, in 2020, Industrie Saleri Italo S.p.A. identified a series of specific measures in these risk areas and they were implemented in 2020 and 2021.

The following matrix summarises data on injuries, excluding those during travel to/from work, with the respective frequency and severity rates.[5]

[4] The figure excludes Saleri Gmbh and Saleri India Private Ltd., companies not included in the scope of consolidation for the 2021 Consolidated Financial Statements or the 2021 Consolidated Non-Financial Statement given their immateriality for accounting purposes and for non-financial reporting purposes, as described in more detail on page 64.

[5] The Frequency Index represents the ratio of the total number of accidents at work to the total number of ordinary hours worked (i.e. excluding overtime) in the same period, as multiplied by 1,000,000. The Frequency Index of accidents with serious consequences represents the ratio of the total number of accidents at work with serious consequences to the total number of ordinary hours worked (i.e. excluding overtime) in the same period, as multiplied by 1,000,000. The Mortality Index represents the ratio of the total number of deaths to the total number of ordinary hours worked (i.e. excluding overtime) in the same period, as multiplied by 1,000,000. A total of 957,719.25 hours worked (excluding overtime hours) were recorded in 2021, of which 573,061.25 hours by male employees and 384,658.00 hours by female employees. In 2020, the corresponding figures were 864,266.00 hours worked (excluding overtime hours), of which 542,667.00 hours by male employees and 321,609.00 hours by female employees.

GRI 403-9	2021			2020		
	M	W	Tot.	M	W	Tot.
Frequency rate	1.75	7.80	**4.18**	0.00	3.11	**1.16**
Mortality rate	0.00	0.00	**0.00**	0.00	0.00	**0.00**
Frequency rate for accidents with severe consequences	0.00	0.00	**0.00**	0.00	0.00	**0.00**

Details of employee injuries	2021			2020		
	M	W	Tot.	M	W	Tot.
Workplace injuries	1	3	**4**	0	1	**1**
of which fatal	0	0	**0**	0	0	**0**
of which with severe consequences (excluding fatal ones)	0	0	**0**	0	0	**0**

Handling of the Covid-19 health emergency

Once again in 2021, Group activities were impacted by the ongoing Covid-19 pandemic and by its intensification during the latest waves.
Workers' health and safety have always been at the centre of the Group's attention. In 2021, drawing on the experience of 2020, the Group continued to implement all of the measures taken to prevent the workplace from becoming a place of contagion. Excellent results were achieved given that there are no confirmed cases of contagion inside the business.

In line with the measures adopted in 2020, the emergency management team (Managing Director, the representative for training and health supervision (CHCO), the Health and Safety Officer, the Medical Offer and the Workers' Safety Representatives) has ensured compliance with the law in every country in which Saleri operates while maintaining tight control over the application of relevant laws and regulations, combined with training and communications activities.

Agile working has become established practice for the Group and has been contractually regulated since 2019 when the first pilot scheme was launched.

Saleri and the environment[6]

Environmental risk management

As part of its routine activities, the Risk Protection and Protection Service constantly monitors compliance with environmental laws and regulations. The Service also allocates some time for more detailed and specific checks.

The effectiveness of compliance with environmental protection laws and regulations is assessed as required by the environment management system, performing the following annually:

- a test of compliance with the law
- an environmental review
- a review by management
- a test of compliance with international standard ISO 14001:2015, performed by an independent certification body and drawing up an annual improvement plan.

In addition to the above checks, compliance with laws and regulations is continuously monitored during the year.
Therefore, any non-compliance would be swiftly detected so that an appropriate response could be taken.

Environmental issues are also managed by means of a risk-based approach:

- external risks (environmental sustainability), regarding protection of the environment and the local territory, by reducing environmental impacts and limiting the use of natural and energy resources. These impacts are considered in relation to the entire product lifespan;
- strategic risks, including collaboration with strategic providers of services involving a potential environmental risk (refuse collection, cleaning services, maintenance);
- legal and compliance risks, regarding respect for legislative requirements (authorisations and compliance obligations) and requests by local institutions.

Industrie Saleri Italo S.p.A. (since 2015), Saleri Shanghai Co. Ltd and Saleri Aftermarket S.p.A. (both since 2019) have adopted an environment management system consistent with international standard ISO 14001:2015 and which has been certified by independent body Intertek. The environmental policy which establishes the foundations of this management system also includes the criteria which Saleri intends to follow in order to minimise its environmental footprint from a sustainability perspective, with regard to the use of materials, energy, water and waste management.

[6] The environmental data includes all Group companies at 31/12/2021 including Saleri India Private Ltd, a company that was excluded from the scope of consolidation for the 2021 Consolidated Financial Statements and for the 2021 Consolidated Non-Financial Statement given its immateriality for accounting purposes and for non-financial reporting purposes; further details are provided on page 66.

Energy consumption

Industrie Saleri Italo S.p.A., Saleri Aftermarket S.p.A. and ABL Automazione S.r.l. use electricity and methane gas as sources of energy for the manufacture of their products, for their packaging and for production-related services. Methane gas is not used in the production process but only for heating and to produce hot water. Electricity is the sole energy source used in the production process. Electricity is the only energy source used by Saleri Shanghai Co. Ltd, Saleri Mexico S.A. de C.V and Saleri India PVT LTD.

Industrie Saleri Italo S.p.A. performed its first energy health check in 2015 and updated it on 30 September 2019. The energy health check considers all energy sources (electricity and methane gas).

Energy management effectiveness is measured as prescribed by the environment management system, performing an annual environmental analysis, a management review and drawing up an annual improvement plan.

Electricity consumption mainly depends on production requirements.

Non-renewal energy consumed within the organisation (GJ)

GRI 302-1

Total energy consumption 2021		GJ
METHANE GAS m^3	221,908	8,813
ELECTRICITY kwh	7,935,473	28,568
PETROL FOR COMPANY VEHICLE FLEET litre	19,860	682
DIESEL FOR COMPANY VEHICLE FLEET litre	59,657	2,278
TOTAL	-	40,341

Total energy consumption 2020		GJ
METHANE GAS m^3	204,060	8,086
ELECTRICITY kwh	7,747,493	27,891
PETROL FOR COMPANY VEHICLE FLEET litre	20,283	691
DIESEL FOR COMPANY VEHICLE FLEET litre	41,500	1,581
TOTAL	-	37,969

Emissions

Emissions management effectiveness, like energy management, is measured as prescribed by the environment management system, performing an annual environmental analysis, a review by management and drawing up an annual improvement plan. Emissions analyses are performed periodically, as required, and the results evaluated – for both fugitive emissions and channelled emissions. Periodically, the need to update communications and authorisation levels for significant and non-significant emissions is assessed.

For the purposes of the calculation, the main types of emissions relating to the energy sources mentioned above are set out below. Specifically, we refer to Scope 1 and Scope 2 emissions as follows:

- scope 1: direct emissions, associated with sources owned or controlled by the Company such as fuel used for heating and for the operational vehicles needed for business activities;
- scope 2: indirect emissions, resulting from the consumption of electricity purchased by the Company. In more detail, in accordance with GRI reporting standards, they are calculated with location and market based methodologies, using appropriate emission factors.

Total greenhouse gas emissions (in t CO_2)

Emissions 2021

Consolidated	Unit of measurement	Amount
SCOPE 1		
METHANE GAS m^3	tCO_2e	**449**
PETROL FOR COMPANY VEHICLE FLEET litre	tCO_2e	**44**
DIESEL FOR COMPANY VEHICLE FLEET litre	tCO_2e	**150**
TOTAL SCOPE 1	**tCO_2e**	**642**
SCOPE 2		
ELECTRICITY LOCATION BASED	tCO_2	**2,709**
ELECTRICITY MARKET BASED	tCO_2e	**3,731**

Emissions 2020

Consolidated	Unit of measurement	Amount
SCOPE 1		
METHANE GAS m^3	tCO_2e	**413**
PETROL FOR COMPANY VEHICLE FLEET litre	tCO_2e	**44**
DIESEL FOR COMPANY VEHICLE FLEET litre	tCO_2e	**106**
TOTAL SCOPE 1	**tCO_2e**	**562**
SCOPE 2		
ELECTRICITY LOCATION BASED	tCO_2	**2,822**
ELECTRICITY MARKET BASED	tCO_2e	**3,727**

Scope 1: emission factors DEFRA 2021 (https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021).
Scope 2 (location-based method): emission factors relating to the generation of national energy for the different operating countries expressed in CO2 (source: Terna - international comparisons, 2019).

Scope 2 (market-based method): emission factors expressed in CO2 eq relating to the "residual mix" (European Residual Mix 2020, source: AIB 2021), where available. Otherwise, the same emission factors used for the location-based method were also used for the market-based method.

Environmental impact of water resources

Water consumption by the Saleri Group is monitored with water used in production processes and in the offices. Water is used in the production of items for sale (machine working processes and washing) and for production related services (testing area, cleaning processes, water for sanitary purposes, heating, fire prevention water reserves, canteens).

Water is drawn solely from the public water system for all purposes. No other sources of water are used. The water is drawn manually except for fire prevention reserve tanks which have an automatic filling system. This means that the appropriate amount of water is drawn to meet requirements as they arise, with a direct check by the individual drawing the water.

Water consumption is summarised as follows:

GRI 303-3 water withdrawal

Source of withdrawal (megalitres)	2021		2020	
	All areas	Areas subject to water stress	All areas	Areas subject to water stress
Surface water	-	-	-	-
of which Fresh water (≤1,000 mg/l of total dissolved solids)	-	-	-	-
of which other types of water (>1,000 mg/l of total dissolved solids)	-	-	-	-
Underground water	-	-	-	-
of which Fresh water (≤1,000 mg/l of total dissolved solids)	-	-	-	-
of which other types of water (>1,000 mg/l of total dissolved solids)	-	-	-	-
Sea water	-	-	-	-
of which Fresh water (≤1,000 mg/l of total dissolved solids)	-	-	-	-
of which other types of water (>1,000 mg/l of total dissolved solids)	-	-	-	-
Produced water	-	-	-	-
of which Fresh water (≤1,000 mg/l of total dissolved solids)	-	-	-	-
of which other types of water (>1,000 mg/l of total dissolved solids)	-	-	-	-
Third party water resources	**28.44684**	**28.44684**	**13.15800**	**13.15800**
Fresh water (≤1.000 mg/l of total dissolved solids)	28.447	28.447	13.158	13.158
of which surface water	-	-	-	-
of which underground water	28.44684	28.44684	13.15800	13.15800
of which produced water	-	-	-	-
Other types of water (>1.000 mg/l of total dissolved solids)	-	-	-	-
of which surface water	-	-	-	-
of which underground water	-	-	-	-
of which sea water	-	-	-	-
of which produced water	-	-	-	-
Total water withdrawal	**28.44684**	**28.44684**	**13.15800**	**13.15800**

The above figures are the final figures shown in the bills issued by the water company.

Water management effectiveness is evaluated as prescribed by the environment management system, performing an annual environmental review, a review by management and drawing up an annual improvement plan.

The significant increase in water consumption in 2021 is due to a loss estimated at 13 mega litres because of a leak. The leak at the Saleri B plant in Lumezzane was detected and repaired.
The water consumed by the leak flowed into the area around and into the water table.

Environmental impact of waste

Activities at the Group's production facilities are carried out and controlled with the objective of optimising waste management with waste handed on to disposal companies for subsequent disposal or recycling.

In order to optimise waste management - recycling or disposal - the various departments at each factory separate the different types of waste (hazardous and non-hazardous) and check that it is handled without any danger or harm to health or the environment.

In Industrie Saleri Italo S.p.A., waste management is handled by the Waste Management Officer, in accordance with the internal management system.

Waste management has been performed using specific software (GRIF LIGHT) since the start of 2016.

Waste management effectiveness is evaluated as prescribed by the environment management system, performing an annual environmental review, a review by management and drawing up an annual improvement plan.

Waste management effectiveness is measured using two indicators:
• amount of hazardous waste produced in the year;
• amount of non-hazardous waste produced in the year.

Description of waster produced

With regard to separated waste management, following studies and simulations conducted in-house together with current and potential providers of waste disposal services with a view to minimising environmental impact, it has been decided to hand mixed packaging (code CER 15.01.06) to an authorised recycler with its own waste sorting facility, in order to recycle as much as possible.
The sorting process performed by the recycling firm separates general waste from recyclable plastic (plastic film is packaged and sent to a recycling plant to produce new plastic film while hard plastic is sent to a recycling plant to be transformed into plastic granules).
The results of the sorting process are calculated and reported.

Collection points for each type of waste have been set up in the various divisions of each production facility. The separated waste is then taken on by the Waste Management Officer for temporary storage before being transferred to recycling and disposal companies.

Since 2020, the Company has chosen a quantity based criterion for the manage and control of its temporary waste storage areas.
This means that waste is sent for disposal at least six-monthly, in order to ensure that the quantitative limits laid down by law are respected.

Waste by type and disposal method (t)						
GRI 306-2	**2021**			**2020**		
	Hazardous	**Non-hazardous**	**Total**	**Hazardous**	**Non-hazardous**	**Total**
Recycling	6.87	583.24	590.12	1.35	487.60	488.95
Disposal	314.65	52.38	367.02	294.49	80.87	375.36
Total	**321.52**	**635.62**	**957.14**	**295.83**	**568.47**	**864.30**

Anomalous and emergency situations and related risks

Anomalous and emergency situations that may arise in relation to waste and the environment regard:

- spillage of hazardous substances/waste during movement resulting in production of waste consisting of contaminated absorbent materials;
- in case of fire, hazardous waste may be produced by the combustion of the materials present.

The management of any spreads of hazardous materials, including waste, is covered by the internal emergency plan.

Proper methods for the handling and storage of hazardous materials, including waste, in order to avoid anomalous or emergency situations are set out in Guideline IAS 04 “Handling and storage of hazardous materials”.

Supply chain management

For years, the Saleri Group has sought to develop strong relations with its suppliers in order to safeguard quality and create an environment geared towards safety, technological development and an open, constructive dialogue. The Saleri Group strongly believes in encouraging open dialogue and constant evolution along the entire supply chain. It undertakes to foster supplier relationships with the utmost care and attention.

The Group is aware that doing business responsibly requires a first person commitment to raising awareness of key issues along the entire supply chain. Numerous initiatives have been undertaken in order to guide suppliers towards a process of development of sustainability issues. These include the publication of policies and guidelines, such as:

- **THE ENVIRONMENTAL POLICY**
- **THE CODE OF ETHICS**
- **THE POLICY ON CONFLICT MINERALS**
- **GUIDELINES FOR RESPONSIBLE TRADE**
- **GENERAL PURCHASE TERMS AND CONDITIONS**

Respect for the principles set out in the policies and guidelines issued by the Group is an essential prerequisite for the establishment of any commercial relationship and this is stated in the general purchase terms and conditions.. In the medium/long-term.
The Saleri Group intends to involve its commercial partners even more actively by organising audits and having them complete self-assessment questionnaires on sustainability issues.
Saleri identifies and approves new suppliers in compliance with IATF 19649 requirements, following a well-defined selection process. In general, all matters regarding identification of the supplier, order methods, determination of price and lead time are planned and managed following the IATF certification.

The Saleri Group uses supplier approval and selection criteria to assess their ability to satisfy Group standards on ethics, operational reliability, health, safety, environmental protection and human rights.

This evaluation process has not only guaranteed compliance with the requirements laid down by the Group but, above all, it has encouraged the spread of good environmental and social practices among suppliers, raising the level of awareness in the industry.

Our story, the story of a valley, the story of a community: our commitment to the territory

Industrie Saleri Italo S.p.A. has its headquarters and main production facility in Lumezzane, Val Gobbia.

Since it was founded by Italo Saleri - a fourth generation Saleri family member now heads what has become a multinational group - the business has always played an active role in improving the living standards and working conditions of the Val Gobbia area.

The activities carried out in favour of the local community aim to sustain organisations and entities focused on young people, on the most fragile sections of the population and on the development of cultural projects.

Since 2015, Industrie Saleri Italo S.p.A., together with other companies in the Brescia area, has been a member of the "Welstep" business network which aims to support business welfare.

For many years, Industrie Saleri Italo S.p.A. has been working with the ITIS Beretta di Gardone Val Trompia (BS) Technical School on a school-work experience project that aims to raise the awareness of young people on the concept of innovation i.e. as a process not only regarding technical design but also the deployment of all capabilities: technical, humanistic and creative.

Financial Commitment to the Community in 2021 (€ thousand)	
Sponsorship	60
Charity	37
Donations	20
Total	**117**

Relations with industrial associations

Saleri is profoundly aware of its role within the network of businesses with which it collaborates and in its economic environment.
For this reason, Saleri believes it is of fundamental importance to foster and help create valuable intra-segmental relations that last over time. We highlight below some of the associations to which parent company Industrie Saleri S.p.A. currently belongs:

ANFIA

Associazione Nazionale Filiera Industria Automobilistica

The Company is a member of ANFIA, one of the largest trade associations affiliated to CONFINDUSTRIA. It aims to represent members' interests in dealings with public and private, national and international institutions and to study and resolve technical, economic, fiscal, legislative, statistical and quality issues regarding the automotive industry.

CONFINDUSTRIA BRESCIA

The Company is a member of Confindustria Brescia which, in coordination with Confindustria Lombardia and, nationwide, with Confindustria, works to protect the interests of member manufacturing businesses, campaigning for business freedom, employment and the expectations of the industrial sector. Confindustria Brescia has a mandate to represent its members in dealings with all authorities, public administrations and entities, as well as with trades unions, economic, public, social and cultural organisations and in relation to public opinion.

RETIMPRESA

Welstep network agreement

The Company also participates in the Welstep business network i.e. a network of 13 businesses whose objective is to form a critical mass and develop economies of scale so that they can jointly adopt business welfare plans. The agreement was born from an initiative by Retimpresa, Confederal Agency for business groupings and networks.

Appendix

Perimeter and impact of material topics

The following table lists the sustainability topics considered material for Saleri, together with the related GRI Sustainability Reporting Standards referred to in this document and the topics referred to by Legislative Decree 254/16.

Material topic	Correlation with GRI Standards	Boundary of impact	Type of impact
Economic performance and sustainable development	Economic performance	Saleri Group	Caused by the Saleri Group
Innovation and product sustainability	-	Saleri Group	Caused by the Saleri Group
Appropriate risk management	-	Saleri Group	Caused by the Saleri Group
Business integrity and regulatory compliance	Anti-corruption Anti-competitive practices	Saleri Group	Caused by the Saleri Group
Occupational health and safety	Occupational health and safety	Saleri Group employees	Caused by the Saleri Group
Diversity and equal opportunity	Diversity and equal opportunity Employment Non-discrimination	Saleri Group	Caused by the Saleri Group
Training and skills development	Training and Education	Saleri Group	Caused by the Saleri Group
Responsible procurement	-	Saleri Group Suppliers	Caused by the Saleri Group
Product quality and reliability	-	Saleri Group Customers	Caused by the Saleri Group
Tackling climate change	Emissions	Saleri Group Suppliers	Caused by and contributed to by the Saleri Group
Conservation of natural resources	Energy Water Waste	Saleri Group	Caused by and contributed to by the Saleri Group
Solidarity projects	-	Local community	Caused by the Saleri Group
Customer satisfaction	-	Saleri Group Customers	Caused by the Saleri Group

GRI content index

This report refers to the following GRI disclosures:

GRI Standard	Disclosure	Page number	Note
	GRI 102: GENERAL DISCLOSURES (2016)		
	ORGANISATION PROFILE		
102-1	Name of the organisation	7	
102-2	Activities, brands, products and services	10-13, 16	
102-3	Location of headquarters	15	
102-4	Location of operations	14-16	
102-5	Ownership and legal form	33	
102-6	Markets served	16	
102-7	Scale of the organisation	16, 32-33, 44	
102-8	Information on employees and other workers	44-46	
102-9	Supply chain	60	
102-10	Significant changes to the organisation and its supply chain	8-9, 27	
102-11	Application of precautionary approach to risk management	"Main risks and uncertainties" - Directors Report accompanying the Separate and Consolidated Financial Statements	
102-12	External initiatives	22, 30, 61	
102-13	Main partnerships and associations	62	
	STRATEGY		
102-14	Statement from senior decision-maker	24-25	
	ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behaviour	28-31, 35-36	
	GOVERNANCE		
102-18	Governance structure	33-36	
102-19	Delegating authority for economic, environmental and social issues	35-37	
102-20	Executive-level responsibility for economic, environmental and social issues	35-37	
	STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	31	
102-42	Identification and selection of stakeholders	31	
102-43	Approach to stakeholder engagement	31, 36, 51, 60, 62	
102-45	Entities included in the Consolidated Financial Statements	27	
	REPORTING TOPICS		
102-46	Defining reporting content and topic boundaries	27, 31	
102-47	List of material topics	31	
102-48	Restatement of information compared to previous report	27	
102-50	Reporting period	27	
102-51	Date of publication of most recent report	27	
102-52	Reporting cycle	27	
102-53	Contact point for questions regarding the report	27	
102-54	Claims of reporting in accordance with the GRI standards	27	
102-55	GRI content index	64-68	
102-56	External assurance	69-71	

TOPIC SPECIFIC STANDARDS		Page number	Note
GRI 200: ECONOMIC SERIES			
MATERIAL TOPIC: Economic Performance and Sustainable Development			
GRI 201: Economic performance (2016)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	32	
103-3	Evaluation of the management approach	32	
201-1	Direct economic value generated and distributed	32	
MATERIAL TOPIC: Business Integrity and Regulatory Compliance			
GRI 205: Anti-corruption (2016)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	35-36	
103-3	Evaluation of the management approach	35-36	
205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption were reported during the reporting period.	
GRI 206: Anti-competitive practices (2016)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	35-36	
103-3	Evaluation of the management approach	35-36	
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and respective outcomes	During the reporting period there were no reports and/or complaints about failure to comply with laws or regulations and legal actions for anti-competitive behaviour.	
GRI 300: ENVIRONMENTAL SERIES			
MATERIAL TOPIC: Conservation of Natural Resources			
GRI 302: Energy (2016)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	54-55	
103-3	Evaluation of the management approach	54-55	
302-1	Energy consumption within the organisation	55	

TOPIC SPECIFIC STANDARDS		**Page number**	**Note**
GRI 303: Water and effluents (2018)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	57-58	
103-3	Evaluation of the management approach	57-58	
303-1	Interactions with water as a shared resource	57-58	
303-2	Management of water-discharge related impacts	57-58	
303-3	Water withdrawal	57	
MATERIAL TOPIC: Tackling Climate Change			
GRI 305: Emissions (2016)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	56	
103-3	Evaluation of the management approach	56	
305-1	Direct greenhouse gas emissions (Scope 1)	56	
305-2	Indirect greenhouse gas emissions due to energy consumption (Scope 2)	56	
MATERIAL TOPIC: Conservation of Natural Resources			
GRI 306: Waste (2020)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	58-59	
103-3	Evaluation of the management approach	58-59	
306-1	Waste generation and significant waste-related impacts	58-59	
306-2	Management of significant waste-related impacts	58-59	
306-3	Waste generated	59	
GRI 400: SOCIAL SERIES			
MATERIAL TOPIC: Diversity and equal opportunity			
GRI 401: Employment (2016)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	44-48	
103-3	Evaluation of the management approach	44-48	
401-1	New employee hires and employee turnover	45-46	

TOPIC SPECIFIC STANDARDS		Page number	Note
MATERIAL TOPIC: Occupational Health and Safety			
GRI 403: Occupational health and safety (2018)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	50-53	
103-3	Evaluation of the management approach	50-53	
403-1	Occupational health and safety management system	50-53	
403-2	Hazard identification, risk assessment and incident investigation	52	
403-3	Occupational health services	51-52	
403-4	Worker participation, consultation and communication on occupational health and safety	51-52	
403-5	Worker training on occupational health and safety	51	
403-6	Promotion of worker health	51	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	52	
403-9	Work-related injuries	52-53	
MATERIAL TOPIC: Training and Skills Development			
GRI 404: Training and Education (2016)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	48	
103-3	Evaluation of the management approach	48	
404-1	Average hours of training per year per employee	48	
MATERIAL TOPIC: Diversity and equal opportunity			
GRI 405: Diversity and equal opportunity (2016)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	47	
103-3	Evaluation of the management approach	47	
405-1	Diversity of governance bodies and employees	34, 47	
GRI 406: Non-discrimination (2016)			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	35-36, 47	
103-3	Evaluation of the management approach	47	
406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination were reported during the reporting period.	

TOPIC SPECIFIC STANDARDS		Page number	Note
MATERIAL TOPIC: Risk Management			
GRI: N/A			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	"Main risks and uncertainties" - Directors Report accompanying the Separate and Consolidated Financial Statements	
103-3	Evaluation of the management approach	"Main risks and uncertainties" - Directors Report accompanying the Separate and Consolidated Financial Statements	
MATERIAL TOPIC: Innovation and product sustainability			
GRI: N/A			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	18, 40-41	
103-3	Evaluation of the management approach	18, 40-41	
MATERIAL TOPIC: Product quality and reliability			
GRI: N/A			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	17, 19	
103-3	Evaluation of the management approach	17, 19	
MATERIAL TOPIC: Customer Satisfaction			
GRI: N/A			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	16, 18, 19, 40-41	
103-3	Evaluation of the management approach	16, 18, 19, 40-41	
MATERIAL TOPIC: Responsible procurement			
GRI: N/A			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	60	
103-3	Evaluation of the management approach	60	
MATERIAL TOPIC: Solidarity Projects			
GRI: N/A			
103-1	Explanation of the material topic and its boundary	31, 63	
103-2	The management approach and its components	61	
103-3	Evaluation of the management approach	61	

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INDEPENDENT AUDITOR'S REPORT ON THE VOLUNTARY CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267 OF JANUARY 2018

To the Board of Directors of
Industrie Saleri Italo S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the consolidated and voluntary Non-Financial Statement of Industrie Saleri Italo S.p.A. and its subsidiaries (hereinafter "Saleri Group" or "Group") as of December 31, 2021 prepared on the basis of art 4 of the Decree, presented in the specific section of the Directors' Report and approved by the Board of Directors on June 15, 2022 (hereinafter "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "*Global Reporting Initiative Sustainability Reporting Standards*" established in 2016 by GRI – *Global Reporting Initiative* (hereinafter "GRI Standards"), with reference to the selection of GRI Standards, which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI *Standards*, with reference to the selection of GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art 3 of the Decree and taking into account the adopted reporting standard.

2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.

3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Saleri Group.

4. Understanding of the following matters:

   - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
   - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
   - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

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Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a).

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

   In particular, we carried out interviews and discussions, in presence and remote meetings, with the management of Industrie Saleri S.p.A. and ABL Automazione S.r.l. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

   In addition, for material information, taking into consideration the Group's activities and characteristics:

   - at the parent company's and subsidiaries' level:

     a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
     b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

   - for Industrie Saleri Italo S.p.A. and ABL Automazione S.r.l., which we selected based on its activities and contribution to the performance indicators at the consolidated level, we carried out remote meetings, during which we have met its management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Saleri Group as of December 31, 2021 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI *Standards*, with reference to the selection of GRI *Standards*.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Marnati
Partner

Milano, Italy
June 28, 2022

This report has been translated into the English language solely for the convenience of international readers.

values

Our values represent the way in which we intend to generate and share value.
This distinguishes us and is part of our identity.

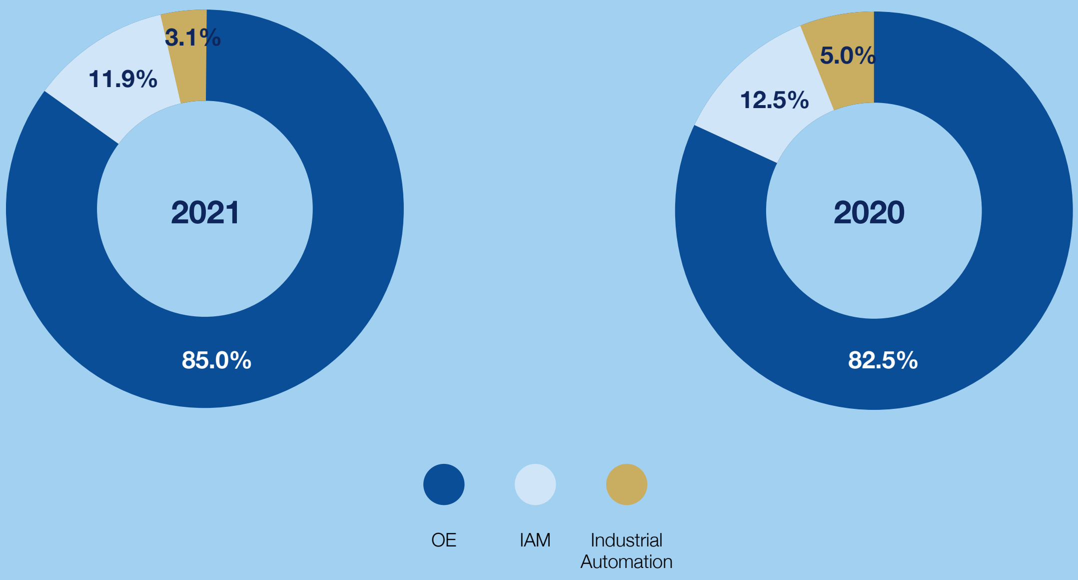
For more than 80 years, our business has been operating, growing and evolving, expanding its horizons and remaining true to its values:

Determination and reliability
Transparency and dialogue
Courage and pride
Ambition
Passion, care, respect

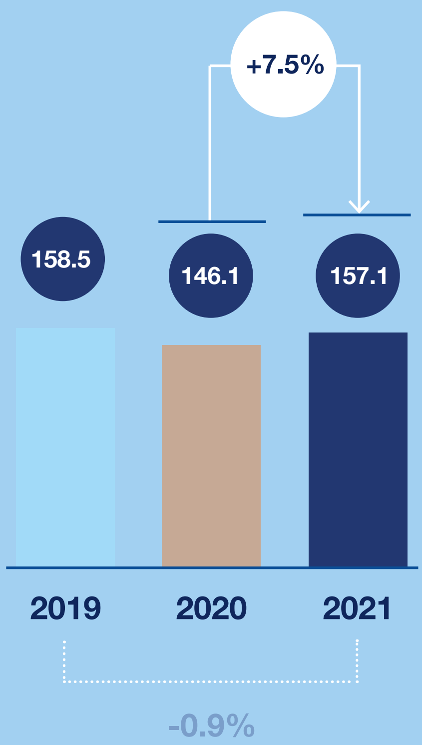
Annual financial report 2021

The Group's Financial Highlights

Revenue for BU



Revenue



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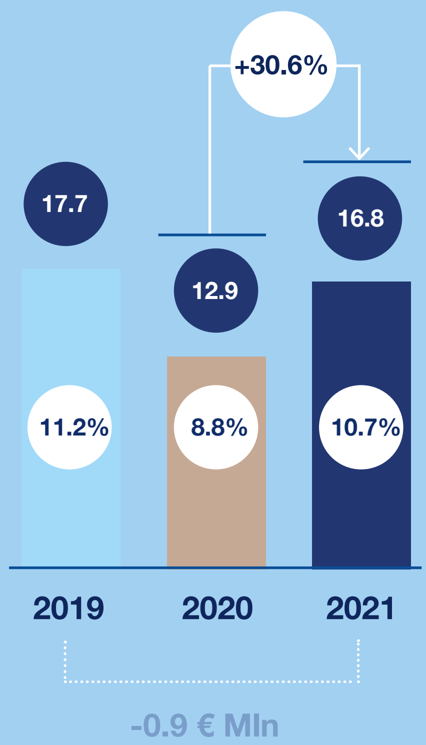

Letter from the Chairman

Lumezzane, June 2022

Dear Shareholders,
The year 2021 was another challenging year for the Saleri Group and for the automotive industry as a whole.
As you are aware, the market has been impacted by rising commodity and energy prices, by a shortage of semi-conductors and by the aftermath of the most recent waves of the Covid-19 Pandemic. Macroeconomic growth forecasts envisaged a strong recovery in 2022 but the outlook has deteriorated gradually as a result of the Russia-Ukraine conflict, ongoing supply shortages and continued inflationary pressure on production costs.

Despite this complex situation, the Saleri Group has continued to pursue its strategy of external growth and it completed two important deals in August 2021: the acquisition of C.D.C. S.r.l., a Florentine company that sells and distributes spare parts for the aftermarket segment and the acquisition of global rights to the historic Ruville brand which will strengthen the commercial offering of the Aftermarket business unit.

We have specialised our brands in their respective target markets in order to serve our customers with a more focused offering while, at the same time, diversifying our customer portfolio and our scope of operation. The Group now consists of three business units - Original Equipment, Independent Aftermarket e Industrial Automation - each with its own, autonomous value proposition. In line with previous announcements, 2021 saw the establishment and launch of Saleri India. This must be viewed against a backdrop of strong local market growth in terms of both sales (+27.7%) and production (+26%) in 2021 compared to prior year.

Saleri Mexico became fully operational in the second half of 2021 and completed the implementation of the Saleri Excellence Operation System. The speed and effectiveness of the implementation were confirmed in May 2022 when the company obtained ISO 9001 and IATF16949 certification.

By pursuing a **strategy of being present on the main, global automotive hubs**, the Group has been able to respond actively to customers' localisation needs both from a production perspective and in terms of supply chain proximity.

The year 2021 cast the spotlight on the Group's strengths:

- offer solutions customised to meet customer needs;
- support carmakers throughout the process from development to supply;
- succeed - through a **unique approach** - in accompanying and assisting customers, even at the most critical times, while also demonstrating the flexibility and resilience that have made it possible to cope with increased demand volatility.

Participation in the development of important Thermal Management projects has provided further confirmation that customers consider Saleri capable of being a key partner.
In line with the strategy for the Group's consolidation and positioning on the market, the R&I department has completed a market-driven reorganisation: from functional to technology oriented through the establishment of the **Mechanical-Electromechanical, Electrification** and **Thermal Management** departments. The transversal Product Concept and Testing functions have been set up along with the Innovation Management Function.

The scope and sphere of activity of the Procurement and Project Management departments have been redefined with the same objectives in mind; at Group level, their role is to coordinate the value generation chain at the various international plants and make it as autonomous as possible.

During 2021, the Saleri Group completed some important projects in the field of electrification. These projects, sustained by appropriate investment, will be marketed in the coming years in line with increased production of electrified vehicles.

At the end of 2021, the Group had 610 employees, demonstrating its constant investment in human capital. I offer my heartfelt thanks to all collaborators in every part of the world for their enthusiasm and determination. Strengthened by our principles and our expertise, we can look upon the future as an opportunity rather than a risk. Finally, in 2021, the Group finalised and approved the five-year business plan which maps even more clearly the way ahead in the next five years. It is accompanied by the sustainability plan which identifies the objectives and actions to be taken in order to make the Group carbon neutral and aligned with the objectives of the UN's SDGs.

Moving on to operating results, the economic environment in the industry in 2021 led to a drop in orders from carmakers in the final quarter of the year as semiconductor shortages forced them to reschedule production. Despite this delay, the Group achieved satisfactory results with consolidated revenue of Euro 157.1 million (7.5% up on 2020) and EBITDA of Euro 16.8 million (+30.9% compared to prior year).

The Group's EBITDA margin improved from 8.8% in 2020 to 10.8% in 2021. Meanwhile, EBIT – after depreciation/amortisation and provisions of Euro 9.7 million – totalled Euro 7.2 million in 2021 (Euro 1.5 million in 2020), i.e. 4.6% of revenue (1.0% of revenue in 2020). Finally, the year 2021 saw the Group report a profit of Euro 2.9 million (after the loss of Euro 4.4 million reported for 2020) thanks to the massive optimisation and efficiency drive undertaken by every department of the business.

This Directors' Report has been prepared as an accompaniment to the Consolidated and Separate Financial Statements. It presents details of the Group situation and of the main risks to which the Group is exposed. Further information can be found in the Notes to the Consolidated Financial Statements and in the Notes to the Separate Financial Statements.

We present for your review and approval the Consolidated Financial Statements of the Group and the Separate Financial Statements of Industrie Saleri Italo S.p.A., comprising the Balance Sheet, the Income Statement, the Statement of Cash Flows and the Notes, as at 31 December 2021.

Basilio Saleri
Chairman of the Board
of Directors

Directors' Report

Consolidated financial statements and separate financial statements at 31 December 2021

Foreword

Parent company Industrie Saleri Italo S.p.A. has prepared the Directors' Report as a single document to accompany both the Separate Financial Statements of Industrie Saleri Italo S.p.A. and the Consolidated Financial Statements of the Group, as permitted by Article 40(2 bis) of Legislative Decree no 127 of 09/04/91. The 2021 Consolidated Financial Statements have been prepared in accordance with Italian Accounting Standards / OIC. It should be noted that the accounting and measurement criteria used when preparing the Financial Statements at 31 December 2021 take account of the changes introduced to Italian statutory reporting requirements by Legislative Decree 139/2015 which implemented Directive 2013/34/EU.

In order to make it easier to understand the economic and financial performance of the Saleri Group, we note the following with regard to the results reported in this Report:

- the Directors have identified certain Alternative Performance Indicators ("API"). These indicators also help the Directors to identify operating trends and make decisions regarding investments, the allocation of resources and other operational issues. The Income Statement, Balance Sheet and Statement of Cash Flows are presented in reclassified, Management Accounting format. This is in order to make it possible to perform a comparison with indicators for the sector or with the information issued periodically by the Group to its Stakeholders;
- compared to the Italian GAAP-based classification, as reflected in the Notes to the Financial Statements and in other schedules included in the Financial Statements, reclassification adjustments have been made in order to provide the most appropriate representation of the performance of the Saleri Group;
- when the Directors' Report was prepared, certain account balances were disclosed differently in order to bring them more into line with Management Accounting purposes; the corresponding prior year figures were also restated accordingly.

Correction of errors
Effect of application of OIC 29

As in previous reporting periods, at 31 December 2021, Inventory includes the sub-category "Equipment for Resale" which includes the cost valuation of Euro 1,776,156 of Tools to Resell to our end customers. We note that the balance of this sub-category has been adjusted downwards due to the effect - totalling Euro 1,293,623 - of errors regarding the booking of movements of certain inventory items in prior years that were only identified during the current reporting period. In 2021, the Parent Company implemented a new enterprise management/ERP system - SAP. The implementation was preceded by an overhaul of business processes including that relating to "Tools to Resell". The overhaul of the process and the launch of the new ERP system brought to light the error resulting from the erroneous (pre-SAP) procedure regarding movements on the aforementioned inventory category in previous periods.

The Directors believe that this error may be defined as "material" considering its nature and amount in relation to the aforementioned sub-category as reported in the income statements and balance sheets presented for previous reporting periods.

As the error was committed in previous periods and as it was not considered feasible to determine the effect relating to the 2020 reporting period, the opening balances of the captions Inventory and Shareholders' Equity were redetermined for the current reporting period. Therefore, pursuant to the guidelines containedin Italian Accounting Standard OIC 29, the amount of Euro 1,293,623 has been accounted for as an adjustment to the opening balance of Shareholders' Equity for 2020 under the caption "Retained earnings (Accumulated losses)".

Alternative Performance Indicators

The APIs have been chosen and set out in the Directors' Report because the Directors believe that:

- Net Financial Indebtedness, together with other performance indicators such as Capex/Revenues, Net Financial Indebtedness/ Equity permit a better assessment of the solidity of the balance sheet structure and the ability to repay debt;
- Net Working Capital, Fixed Capital and Net Invested Capital permit a better assessment of capacity to meet short-term commercial commitments through current assets and of the consistency between the structure of temporary applications and sources of funds;
- EBITDA and EBIT, together with other profit indicators, can show changes in operating performance and provide useful information on the Group's capacity to sustain debt; these indicators are also widely used by analysts and directors to assess performance in the segment where the Group operates.

The following should be noted for a proper interpretation of the APIs:

- the APIs are determined solely based on the historical information of the Saleri Group and are not indicative of the Group's future performance;
- the APIs are not regulated by ITAGAAP or by IFRS;
- the APIs must not be considered as replacing the indicators provided for by ITA GAAP. The APIs shall be read together with financial information obtained from the financial statements;
- as the APIs are not defined by ITA GAAP, the methods used by the Group to calculate them might not be consistent with those adopted by other groups/companies and they might not be suitable for comparison;
- the APIs used by the Group and by the Company have been calculated on a consistent basis for all periods for which financial information is included in these Financial Statements.

Governance bodies and corporate information

Board of Directors

Basilio Saleri
Chairman and CEO

Matteo Cosmi
General Manager and Managing Director

Alberto Bartoli
Director

Wilhelm Becker
Director

Sergio Bona
Director

Massimo Colli
Director

Giorgio Garimberti
Director

Simona Heidempergher
Director

Alessandro Potestà
Director

Board of Statutory Auditors

Francesco Facchini
Chairman of the Board of Statutory Auditors

Andrea Gabola
Statutory auditor

Roberta Lecchi
Statutory auditor

External auditor

Deloitte & Touche S.p.A.

Deloitte & Touche S.p.A. has been appointed as external auditor until the date of the Shareholders’ Meeting convened to approve the financial statements for the 2022 reporting period.

Registered Office and corporate information

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Share Capital Euro 23,922,413.12 wholly paid
Register of Companies and Tax Number 03066870175
VAT Number IT 01589150984 | REA BS-31760
www.saleri.com

Members of the Board of Directors

CHAIRMAN AND CEO

Basilio Saleri

Appointed CEO and Chairman of the Board of Directors in 2013. At present, he is also the Chairman and CEO of El.Fra Holding S.r.l., holding company of Industrie Saleri Italo S.p.A., and of Immobiliare Industriale S.r.l., a subsidiary of Industrie Saleri Italo S.p.A. He also sits on the BoD of Saleri Shanghai Co., Ltd, Chinese subsidiary of Industrie Saleri Italo S.p.A., and on the BoD of Saleri Mexico S.A. de C.V.

GENERAL MANAGER AND MANAGING DIRECTOR

Matteo Cosmi

Appointed CFO and General Manager in May 2018 after acting as Temporary Manager with the roles of CFO and CRO since February 2017. In December 2019, he was appointed Managing Director of Industrie Saleri Italo. He also sits on the BoD of Saleri Mexico S.A. de C.V. He started in leading investment banks to become founder and director of a corporate finance consulting firm specialising in Debt Advisory, M&A and performance improvement services.

DIRECTOR

Sergio Bona

Graduated in Construction Engineering from Politecnico di Milano. He is the Managing Director of real estate companies Sabim S.r.l. and Simpafin S.r.l.

DIRECTOR

Giorgio Garimberti

Graduated in Mechanical Engineering from the University of Bologna. He joined VM Motori S.p.A. as Director of Production and Plant Director in 1987 before becoming its General Manager a year later and taking on the role of Managing Director from 2007 to 2017. Currently a member of the committee of directors of FCA.

DIRECTOR

Wilhelm Becker

A graduate in Business and Economics, he began his career with BMW in 1976, dealing with logistics. In 1987, he was appointed Global Material Planning Senior Vice President. In 2000, became Strategic Director of the Group’s small vehicles division and fulfilled that role until 2007. At present he sits on the Board of Directors of various leading companies in the automotive industry and also provides strategic consulting services.

DIRECTOR

Alberto Bartoli

Managing Director of Gefran S.p.A. from May 2017 until December 2019. A qualified accountant with a degree in Business and Economics from the University of Parma, he joined Sabaf S.p.A. as CFO in 1994 before becoming a Director during the period 1997 – 2017 and taking on the role of Managing Director from 2012 until 2017. Also holds honorary positions with various Associations.

DIRECTOR

Alessandro Potestà

Graduated in Business and Economics from the University of Turin. Between 2008 and 2011, he held management positions in the Investment and Corporate Development divisions of IFIL Group (now EXOR). Is currently Senior Portfolio Manager with Quaestio Capital Management SGR S.p.A.

DIRECTOR

Massimo Colli

A qualified accountant and registered auditor with a degree in Business and Economics from Luigi University Business University. He has forty years' audit experience with Ernst & Young, specialising in listed companies in the banking and financial sector. He is a lecturer at Luigi Bocconi Business University and at the Training Academy of the Ordine dei Dottori Commercialisti of Milan as well as heading Ernst & Young's in-house training courses on the audit of banks and lending institutions.

DIRECTOR

Simona Heidempergher

A graduate in Economic and Social Disciplines from Luigi Bocconi Business University. She holds the position of Chief Investment Officer with the Merifin Europe SA Group, as well as sitting as an independent director on the Board of Directors of several listed companies.

Group structure

The Group Organisation Chart at 31 December 2021 is set out below:

Industrie Saleri Italo S.p.A.

OE business unit

The parent company is active in research, development and production for the OE and AM segments

100% **Saleri Gmbh**

Munich, Germany
Thermal Management Competence Center

95% **Saleri Shanghai Co.Ltd**

51%* **Saleri Mexico S.A. de C.V**

51%* **Saleri India Private Limited**

Companies engaged in production for the OE and AM segments

IAM business unit

100% **Saleri Aftermarket**

Commercial and logistics services for the AM segment

Industrial Automation business unit

100% **ABL Automazione S.r.l.**

Manufacturer of automated system solutions and custom assembly lines

100% **Immobiliare industriale S.r.l.**

Real Estate

* 49% SIMEST S.p.A.

Scope of consolidation

At 31 December 2021, the scope of consolidated included the following companies directly controlled by Industrie Saleri Italo S.p.A.. Unless otherwise stated, the companies are consolidated line-by-line.

Parent company

Company	Registered office	Interest held	Currency	Share capital
Industrie Saleri Italo S.p.A.	Via Ruca, 406 – Lumezzane (BS)	-	EURO	23,922,413

Directly controlled companies

Company	Registered office	Interest held	Currency	Share capital
ABL Automazione S.r.l.	Via Mandolossa, 102/B - Gussago (BS)	100%[1]	EURO	750,000
Saleri Aftermarket S.p.A.	Via Ruca, 406 - Lumezzane (BS)	100%	EURO	50,000
Saleri México S.A. de C.V.	San Pedro Garza Garcia, Nuevo Leon México CP 66269 - Ave San Patricio #111	51%	MXN	50,234,000
Saleri Shanghai Co.Ltd	Taifeng road 188/b, Anting Town Jiading district 201.814 Shanghai China	95%	RMB	14,821,016
Immobiliare industriale S.r.l.	Via Ruca, 406 – Lumezzane (BS)	100%	EURO	10,000

Compared to 2020, the scope of consolidation for the 2021 Consolidated Financial Statements now includes:

- Saleri México S.A. de C.V., a company incorporated in 2019 but whose operations only became significant from the second half of 2021; it has been included in the scope of consolidation with effect from 31 December 2021;
- C.D.C. S.r.l., a company acquired on 28 July 2021 (following a change of name and legal form, it has since become Saleri Aftermarket S.p.A.). Note that the income statement information of C.D.C. S.r.l. has been consolidated with effect from the date of acquisition.

Companies directly controlled at 31 December 2021 but excluded from the scope of consolidation

Company	Registered office	Interest held	Currency	Share capital
Saleri GMBH	Spitzerstrasse, 14 – Munchen (Deutschland)	100%	EURO	25,000
Saleri India Private Limited	Chakan Industrial Area, Village Khalumbre, Tal-Khed, District Pune 410501, Maharashtra	51%	INR	305,900,000

List of Group business locations

Pursuant to Art. 2428 of the Italian Civil Code, we note that business is conducted in Italy at the registered office at Via Ruca 406, Lumezzane - Brescia, at the factory in Gussago - Brescia, Via Mandolossa, 102/B, at the factory in Provaglio di Iseo - Brescia, via Stazione Vecchia, 51 and at the factory in Sesto Fiorentino - Florence, Via Rodolfo Morandi, 3. The Group also operates in Shanghai (China), Monterrey (Mexico), Monaco (Germania) e a Pune (India).

[1]Note that the percentage interest held in ABL Automazione S.r.l. has increased from 70% at 31 December 2020 to 100% at 31 December 2021, During 2021, following measures made necessary pursuant to Art. 2482-ter of the Italian Civil Code, Industrie Saleri Italo S.p.A. fully subscribed and paid the reconstruction of the subsidiary's quota capital, taking the interest held by it to 100%.

Significant events in 2021

Incorporation of Saleri India

Saleri India Private Ltd was incorporated in February 2021.

New resources for Saleri Mexico

In June 2021, Simest Sace acquired a 49% investment in Saleri Mexico S.A. de C.V. by subscribing a share issue.

Start of operations for Saleri Mexico S.A. de C.V.

The company incorporated in 2019 in Monterrey, Mexico commenced mass production in the second half of 2021.

New resources for Saleri India

In July 2021, Simest Sace acquired a 49% investment in Saleri India Private Ltd by subscribing a share issue.

Acquisition of the Ruville brand

In August 2021, the Group announced the acquisition of global rights to the Ruville brand from business partner Schaeffler. This historic, globally recognised brand will strengthen the Aftermarket commercial offering.

Acquisition of C.D.C. S.r.l.

In August 2021, the Group announced the acquisition of C.D.C. S.r.l. a Florentine company which is a leader in the production and distribution of engine components for motor vehicles; it operates in the Aftermarket segment.

Legality Rating

In September 2021, Industrie Saleri Italo S.p.A. obtained a legality rating with a maximum score from the Italian Competition Authority. The legality rating is an indicator of compliance with high standards of legality by companies and of the degree of attention paid to proper management of their business.

New R&I department

In October 2021, having welcomed new skills onboard, the Research and Development department underwent a reorganisation and took on the name of Research and Innovation department which better represents the mission and capabilities of the new organisation: to embrace and influence future market trends (electrification, sustainability, ecological transition, IoT), proactively map out paths of technological and scientific development and, ultimately, enhance the technological uniqueness of each carmaker.

Finalisation of the sustainability plan

In December 2021, the new sustainability governance became operational and the sustainability plan for the next three years was finalised together with the business plan.

Incorporation of Saleri Aftermarket S.p.A.

Saleri Aftermarket S.p.A. was born in December 2021.
With effect from 1 January 2022, it brings together the newly acquired C.D.C. S.r.l. and the activities of the Aftermarket business unit, focusing on the IAM.
The new company will be able to operate ten years of experience in the sector, new product categories and a high level of service.

Overview of the macroeconomic situation

The end of 2021 saw the recovery of the European economy with annual GDP growth of 5.3%. Alongside Europe, the economy was also gaining momentum on a global scale, although this was accompanied by inflationary phenomena that reflected rising energy costs and commodity prices which had already been noticeable from the second half of the year. Before the geopolitical crisis triggered by the conflict in Ukraine, European GDP growth was forecast at +4% in 2022 and at +2.7% in 2023[2].

However, despite an encouraging start in the first two months of the year, the global economy entered a weaker than expected position in 2022: the spread of the new Covid-19 Omicron variant led to further restrictions on mobility, rising energy and commodity prices and higher than expected inflation, all factors that slowed down the prospects for recovery in private consumption.

Global economic growth was expected to fall from +5.9% in 2021 to +4.4% in 2022 with a reduction of half of a percentage point for 2022 compared to the World Economic Outlook (WEO) in October, slowing to +3.8% in 2023. Although this is 0.2 percentage points more than the previous forecast, the update largely reflected a mechanical recovery following the removal of barriers to growth in the second half of 2022, including a gradual decrease in inflation proportionate to the reduction of supply-demand imbalances in 2022 and the effects of monetary policies on leading economies.

The entry of Russian troops into Ukrainian territory at the end of February and the resulting geopolitical crisis led to a further adjustment to 2022 forecasts.

According to the IMF, through the World Economic Outlook of April 2022, the global geopolitical situation has caused a major slowdown in global growth in 2022, which includes inflation on top of the economic damage of the war. Global growth is expected to slow from 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023, respectively, than per January forecasts. Commodity price increases triggered by the war and growing pressure on prices have led to inflation forecasts of 5.7% for advanced economies in 2022 and 8.7% in emerging markets and developing economies; this is 1.8 and 2.8 percentage points lower, respectively, than per January forecasts.

The automotive industry

In 2021, the automotive market as a whole - and with it the Saleri Group - had to deal with tension throughout the entire supply chain caused by a semi-conductor shortage. This situation worsened for customers in the second half of the year and, for the Group, led to a significant reduction in orders scheduled in the final quarter of 2021.

The year 2022 began with signs of an easing of procurement and logistics tensions which the Group was, in any case, preparing to handle through closer monitoring and through cost control for raw materials, energy and logistics, with improvement expected by the end of 2022.

[2] Source: European Commission Winter 2022 Economic Forecast, 10 February 2022

Light Vehicles – Sales volumes 2021[3]

					% of total	
Region	**2019**	**2020**	**2021**	**Δ %**	**2020**	**2021**
ASEAN	3.4	2.5	2.7	9.4%	3.2%	3.4%
Central Europe	1.7	1.3	1.4	4.3%	1.7%	1.7%
East Europe	2.7	2.9	2.9	-1.1%	3.8%	3.6%
Greater China	25.3	24.1	24.2	0.4%	31.3%	30.3%
Indian Subcontinent	3.7	3.0	3.8	27.7%	3.8%	4.7%
Japan/Korea	6.8	6.4	6.0	-5.2%	8.3%	7.6%
Middle East/Africa	3.9	3.2	3.7	17.3%	4.1%	4.7%
North America	20.3	17.1	17.7	3.8%	22.1%	22.2%
Oceania	1.2	1.0	1.2	18.1%	1.3%	1.5%
South America	4.5	3.2	3.7	15.0%	4.2%	4.6%
West Europe	16.4	12.5	12.5	-0.3%	16.2%	15.6%
Grand total	**89.9**	**77.2**	**79.9**	**3.5%**	**100.0%**	**100.0%**

In 2021, Light Vehicles sales volumes struggled to return to pre-pandemic levels. They were held back by production delays due to raw materials shortages and by the lengthening of global supply chains still affected by consequences of the pandemic.

Globally, new car sales increased by 4% compared to 2020 to stand at a total of 80 million vehicles. This growth was compared to the modest performance in 2020 when 77.2 million vehicles were sold and the 2021 figure was still around 10 million vehicles short of the 89.9 million vehicles sold in 2019.

In North America, car sales were affected by supply chain issues and the resulting slowdown in production. Volumes reached 18 million vehicles in 2021, a 3.8% increase compared to 2020. Meanwhile, in South America, results remained solid in 2021 with a 15% increase on prior year to reach 3.7 million vehicles sold.

Japan and South Korea recorded a 5.2% decrease compared to prior year because of a slow post-pandemic recovery and supply chain issues.

In China, sales remained close to 2020 levels with a modest 0.4% increase and a slowdown due to supply chain issues in the second half of the year; nonetheless, China still accounts for 30% of the global market.

In India, sales grew by 27.7% in 2021 and totalled 3.8 million vehicles sold. This was largely thanks to an increase in private savings and low interest rates, leading to an increase in spending capacity for car purchases. Another factor was the desire to avoid public transport during the pandemic.

Light Vehicles – Engine production volumes 2021[4]

Region	Mln Units			% of total	
Vehicle engines	**2020**	**2021**	**Δ % vs '20**	**2020**	**2021**
Europe	17.4	16.7	-3.9%	23.3%	21.6%
Greater China	23.7	24.9	5.3%	31.7%	32.3%
Japan/Korea	12.9	12.7	-1.3%	17.3%	16.5%
Middle East/Africa	0.9	1.0	13.8%	1.2%	1.4%
North America	11.9	12.2	2.9%	15.9%	15.8%
South America	1.9	2.0	6.1%	2.5%	2.6%
South Asia	6.0	7.6	27.1%	8.0%	9.8%
Grand total	**74.6**	**77.2**	**3.5%**	**100.0%**	**100.0%**

[3] Source: IHS, April 2022
[4] Source: IHS, April 2022

In 2020, the effects of the Covid-19 Pandemic led to a 16.2% drop in Light Vehicles production volumes from 89 million units in 2019 to 75 million units in 2020. The semi-conductor crisis, the first signs of which were seen at the end of 2020, affected the entire automotive industry supply chain throughout 2021, preventing production volumes from enjoying the post-pandemic recovery.

In 2021, production volumes ended the year at 77 million units, with no significant changes compared to prior year and recording growth of 3.5%. Despite this, end of 2021 forecasts saw the year as a turning point towards a trend of continuous growth until 2025; this growth was expected to regard all geographical areas.

Over the year, the semi-conductor shortages limited activity in the global automotive industry, preventing production from realigning with demand. As a result, European car production fell by 3.9% in 2021.

In America, production of Light Vehicles reached around 12 million in 2021, an increase of 2.9% compared to 2020. Manufacturers have continued to focus their efforts on keeping production in line with demand, even though this left little scope for stock replenishment.

In 2021, South American car production returned to growth (+6.1%), benefiting from the low comparative base of 2020 and the bounce back enjoyed by Argentine production (+21.2%). Brazil also made a positive contribution to growth in the region (+5.6%).

Chinese production of Light Vehicles increased by 5.3% in 2021 to stand at 25 million units. China maintained its position as the world's leading car producer with a market share of 32%.

In 2021, car production in Japan and South Korea fell by 1.3%. Manufacturing activity should have accelerated its recovery in the wake of the launch of Covid-19 vaccines. However, supply chain problems affected production, especially in the second half of the year.

India recorded a large +26% increase, benefiting not only from the low basis of comparison in 2020 but also from greater demand for personal vehicles.

Global production recorded an overall increase of 3.5% to total 77.2 million units. However, this figure is around 12 million units below the pre-pandemic volumes of 89.0 million units in 2019.

The Aftermarket market

The Aftermarket is positively influenced by inflation and by production shortages on the original equipment market. Factors such as long waiting periods for car purchases and lower propensity to spend because of inflation could lead to a further increase in the average age of vehicles on the roads.

Estimates[5] speak of a car fleet in circulation that will increase with a CAGR of 2.7% between 2019 and 2025, going from 1.5 billion vehicles in 2019 to 1.7 billion in 2025. At the same time, the average age of the fleet in circulation is expected to rise considerably. In China, the average age of the car fleet will increase from 5.1 years in 2019 to 6.0 years in 2026 with a CAGR 19-21 of 17.6%. In Europe, over the same period, the average age of the car fleet will increase from 11.5 years in 2019 to 12.0 years in 2021 with a CAGR 19-21 of 13.0%.

These figures could be destined to rise further, especially in Europe where inflationary pressure is influencing new vehicle purchasing decisions and new vehicle production is slowed down by the shortage of semi-conductors. While, in 2020, the pandemic led to a decrease in the average distance travelled by vehicles, in 2021, the evolution of the pandemic meant that people tended to favour using their car over taking public transport.

The impact of the geopolitical crisis in Ukraine on the automotive industry

The geopolitical crisis in Ukraine and the accompanying increase in uncertainty has led to downwards adjustments to automotive market growth forecasts, with a gradual downsizing of volumes expected in the short-term (March, April, May, June) and a more settled situation in the second half of 2022.

The event has aggravated the delayed return to growth of an industry already under pressure and has negatively impacted production by increasing procurement problems throughout the supply chain and making planning more volatile.

[5] LMC International and LMC Automotive

Further increases in the cost of commodities and energy, the transfer of these cost increases to selling prices and the general uncertainty are expected to influence demand. They will impact the of consumers who are already dealing with inflation and, consequently, will make new car purchases less economically accessible on many markets around the world.

Moreover, the strategies adopted by all carmakers (especially in the premium segment) have - driven by the need to rationalise semi-conductors, ships and particular raw materials - led to the concentration of production and sale on higher added value vehicles; this means that revenue and profit trends are in sharp contrast to the reduction in overall volumes.

The combination of these factors led, in April 2022, to the revision of sector forecasts: zero growth in sales of Light Vehicles is now expected in 2022 compared to 2021 for a total of 80.4 million units sold.

With regard to Engine production volumes, the revised forecasts for 2022 envisage a total of 80.6 million units, +4% compared to 2021 which was affected by supply chain issues.

Compared to the previous estimates, the direct impact of the geopolitical crisis in Ukraine accounts for around one million fewer vehicles per year. The impact of supply chain issues accounts for around two million fewer vehicles in 2022 and 1.2 million in 2023 while the situation is expected to be fully resolved by 2024.

The electrification race

	2020	2021
ICE Gasoline & Diesel	64.6	62.2
Ibrido (MHEV - HEV - PHEV)	7.5	10.0
Elettrico (BEV)	2.4	5.0
Grand total	**74.6**	**77.2**

The transport sector is one of the sectors with the greatest impact on GHG emissions worldwide; its impact is estimated at 19% of total emissions with vehicle emissions accounting for 75% of total transport sector emissions[6]. At the same time, technological innovation has given the sector the possibility of eliminating or significantly reducing this impact. This issue is strongly felt, especially by the European Union which has introduced regulatory restrictions and incentives to speed up the transition of the automotive industry.

Carmakers have taken up the challenge by accelerating the introduction of electrification. They have attracted USD 400 billion of investment over the past decade and around USD 100 billion since the start of 2020. Many carmakers have announced they are ceasing to invest in new ICE platforms and that production will end by a given date.[7]

Estimates of penetration into total Engine production show that BEVs will increase from 3.1% in 2020 to 8.7% in 2022 while PHEVs will increase from 1.5% in 2020 to 3.3% in 2022.
Growth in the market share of electric vehicles is driven by the Chinese and European markets and is dictated by the reaction to legislative stimulus, product availability and consumer preferences.[8]

In an evolving regulatory environment, consumer attitudes are changing rapidly. Electric vehicle adoption has accelerated since 2020, despite the impact of the Covid-19 pandemic. Europa is at the forefront of this trend: electric vehicles account for 8% of new car registrations. Moreover, while it is true that, for consumers, the cost of the initial investment in an electric vehicle is high (the initial cost of a BEV is generally 30 to 90% more than for an ICE), the total cost of vehicle ownership decreases significantly.[9]

[6] McKynsey & Company, Mobility's net-zero transition: A look at opportunities & risks, April 2022
[7] McKynsey & Company, Mobility's net-zero transition: A look at opportunities & risks, April 2022
[8] IHS, Aprile 2022
[9] McKynsey & Company, Mobility's net-zero transition: A look at opportunities & risks, April 2022

Orderbook trend

In the OE segment, the Product Development and Launch Cycle is typical of contract businesses. All projects entering the mass production phase are subject to orders scheduled based on customer planning.

As at 31 December 2021, the orderbook – providing a clear picture from 2022 to 2028 - amounted to more than **Euro 1 billion**, an average figure of Euro 167 million a year.[10]

The incidence of Hybrid and BEV vehicles on orders per year increases from 37% in 2022 to 75% in 2025 and to 80% from 2027 onwards. This rise in the incidence of cooling and Thermal Management systems for electric vehicles testifies to the Group's success in following its strategy of technological and product focusing and specialisation. Further, a comparison with market figures that expect global production of electric and hybrid vehicles to represent 46% of total vehicles produced in 2025 demonstrates that the Group's percentage contribution in terms of electric vehicles is significantly higher.

The Group's operating performance

Consolidated results

Saleri Group Income Statement	**December 2021**		**December 2020**		**December 2019**		**Δ 2021 - 2020**	
	€ million	% of Revenues	€ million	% of Revenues	€ million	% of Revenues	Δ € million	Δ %
Revenues	157.1	100.0%	146.1	100.0%	158.5	100.0%	+11.0	+7.5%
Incr. in non-current assets (Cap. Development Costs)	8.4	5.3%	1.6	1.1%	2.6	1.7%	+6.7	N.S.
Direct consumption	(98.6)	-62.8%	(89.5)	-61.3%	(93.6)	-59.0%	(9.1)	-83.1%
First contribution margin	**66.8**	**42.5%**	**58.2**	**39.9%**	**67.6**	**42.6%**	**8.6**	**14.8%**
Operating costs	(20.5)	-13.0%	(18.2)	-12.5%	(20.4)	-12.9%	-2.3	+12.4%
Labour costs	(29.5)	-18.8%	(27.1)	-18.6%	(29.5)	-18.6%	-2.4	+8.7%
EBITDA	**16.8**	**10.7%**	**12.9**	**8.8%**	**17.6**	**11.1%**	**+4.0**	**+30.9%**
Depreciation, amortisation and provisions	(9.7)	-6.1%	(11.4)	-7.8%	(12.9)	-8.2%	-1.7	-14.9%
Net Operating Margin	**7.2**	**4.6%**	**1.5**	**1.0%**	**4.7**	**3.0%**	**+5.7**	**n.s.**
Financial income (expenses)	(2.2)	-1.4%	(1.6)	-1.1%	(1.7)	-1.1%	-0.6	+36.7%
Extraordinary income (expenses)	(1.6)	-1.0%	(5.3)	-3.7%	(0.8)	-0.5%	+3.7	-69.4%
Profit / (Loss) before taxation	**3.4**	**2.2%**	**(5.4)**	**-3.7%**	**2.2**	**1.4%**	**+8.8**	**n.s.**
Taxation	(0.5)	-0.3%	1.0	0.7%	0.5	0.3%	-1.5	n.s.
Net Profit (Loss) before Non-Controlling Interests	**2.9**	**1.8%**	**(4.4)**	**-3.0%**	**2.8**	**1.7%**	**+7.3**	**n.s.**
Profit / (Loss) pertaining to Non-controlling interests	(0.2)	-0.1%	0.7	0.5%	(0.6)	-0.4%	-0.9	-129.0%
Net Profit / (Loss)	**2.7**	**1.7%**	**(3.7)**	**-2.5%**	**2.1**	**1.3%**	**+6.4**	**n.s.**

The Group's consolidated income statement for 2021 shows revenues of Euro 157.1 million compared to Euro 146.1 million in 2020 and Euro 158.5 million in 2019. Revenues have increased by 7.5% compared to 2020 but have not yet fully returned to pre-pandemic levels (slightly down by 0.9% compared to 2019, partly because of the aftermath of the pandemic the effects of which were most felt in the first half of the year and because of slowdowns due to semi-conductor shortages that greatly affected the second half of the year). For a better interpretation of the results, it should also be noted that the 2021 revenue figure of Euro 157.1 million includes revenues of Euro 4.8 million of Saleri Aftermarket relating only to its period of consolidation (August - December 2021); without the contribution of said company, revenues would have been up by 4.2% compared to 2020 and down by 3.9% compared to 2019.

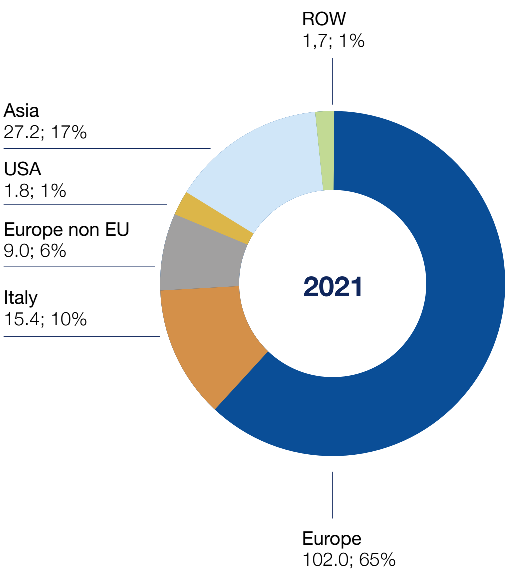
[10] Management estimate

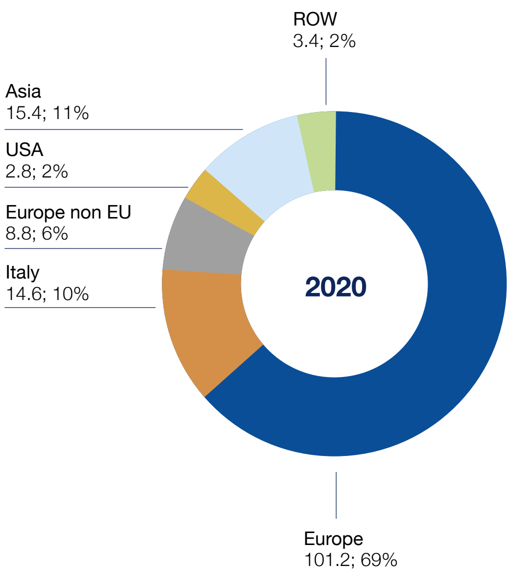
The Original Equipment sector, which accounts for 76.5% of the Group's revenues, ended 2021 with a 10.6% increase compared to 2020 and a 6.4% increase compared to 2019. The 2020 and 2021 results highlight the positive impact of the strategy adopted by the Group, aimed at both geographical expansion and external growth (through acquisitions).

As already reported, the Aftermarket sector recorded revenue growth compared to 2020, also thanks to the contribution of the newly-acquired Saleri Aftermarket. In 2021, revenue decreases were recorded by the Prototypes and Tools sector (-21.2% compared to 2020 and -49.8% compared to 2019) and by the Automation sector (-34.1% compared to 2020 and +17.0% compared to 2019, the year when the Group acquired ABL Automazione).

The following table contains a breakdown of revenues by geographical area, both in absolute terms and as a percentage of the total:

Geographical Area	FY 2021	%	FY 2020	%
Europe	102.0	65.0%	101.2	69.2%
Italy	15.4	9.8%	14.6	10.0%
Europe non EU	9.0	5.7%	8.8	6.0%
USA	1.8	1.1%	2.8	1.9%
Asia	27.2	17.3%	15.4	10.6%
ROW	1.7	1.1%	3.4	2.3%
Total	**157.1**	**100.0%**	**146.1**	**100.0%**





"Increases in Non-Current Assets" amounts to Euro 8.4 million (Euro 1.6 million in 2020 and Euro 2.6 million in 2019) and includes:

- Euro 4.4 million of capitalised costs incurred by the Automation Business Unit for the realisation of automatic and semi-automatic production lines for new productions by the Group for electric vehicles (Euro 0.4 million in 2020 and Euro 1.3 million in 2019). The Group's constant commitment to the pursuit of efficiency and to updating production facilities for the ongoing technological transition is confirmed by its major internal investment, aimed at implementing production solutions that are increasingly cutting edge;

- Euro 4.0 million of capitalised research and development costs (Euro 1.3 million in 2020 and Euro 1.3 million in 2019); this item reflects the Group's strong commitment to the research and development of new technological solutions and new products, primarily oriented towards vehicle electrification.

In 2021, raw material costs increased in absolute terms and as a percentage of revenues compared to both 2020 and 2019 - they represented 62.8% of revenues (61.3% in 2020 and 59.0% in 2019). This was because of raw material cost increases recorded mainly in the second half of the year and also because of the different mix of products sold.

Operating costs amount to Euro 20.5 million - against Euro 18.2 million in 2020 and Euro 20.3 million in 2019 - and include Euro 1.0 million relating to Saleri Aftermarket which was acquired in July 2021. Despite the fact that transport/shipping rates and energy tariffs increased during the year, as a percentage of revenues, operating costs remain in line with their 2019 level. This is thanks to the attention paid by the Group to striving for operating efficiency also in non-purely production processes.

Labour costs amount to Euro 29.5 million - including Euro 0.3 million relating to Saleri Aftermarket - and have increased compared to Euro 27.1 million in 2020. The 2020 figure was characterised by the impact of measures activated to contain costs and made available by local governments in response to the spread of the pandemic (e.g. the Cassa Integrazione furlough scheme in Italy). The total recorded in 2021 is in line with the 2019 figure, both in absolute terms and as a percentage of revenues.

Consolidated EBITDA for the year ended 31 December 2021 amounts to Euro 16.8 million (10.7% of revenues), a 30.9% increase compared to 2020 (Euro 12.9 million and 8.8% of revenues) and in line with the figure reported for 2019 (Euro 17.7 million and 11.2% of revenues).

"Depreciation, Amortisation and Writedowns" amounts to Euro 9.7 million and has decreased by Euro 1.7 million compared to the 2020 figure of Euro 11.4 million. The increase mainly regards the updating of provisions for risks and charges to take account of future contingencies.

Financial expenses for 2021 amount to Euro 2.2 million compared to Euro 1.6 million in 2020. The higher expense reflects the increase in medium/long-term loans at the end of 2020 which impacted financial expenses in 2021.

"Extraordinary expenses" includes both losses on disposals and restructuring costs and amounts to Euro 1.6 million. This is down on the total of Euro 5.3 million reported for 2020 which included a loss on the sale of an industrial property as well as additional expenses to clean-up a building that was damaged by fire in 2018.

A net profit (before non-controlling interests) of Euro 2.9 million is reported (1.8% of revenues), representing a Euro 7.3 million improvement compared to the 2020 figure. The improvement is thanks to higher revenues reported for the year and to savings on production and non-production costs.

Consolidated balance sheet

The Saleri Group's reclassified consolidated balance sheet at 31 December 2021 may be analysed as follows:

Saleri Group Balance Sheet	December 2021	December 2020	Δ 2021 - 2020
	€ million	€ million	€ million
Tangible assets	65.0	60.9	+4.1
Intangible assets	16.8	12.7	+4.2
Other non-current assets	10.3	9.2	+1.0
Non-current assets	**92.1**	**82.8**	**+9.4**
Trade receivables	16.5	11.8	+4.6
Trade payables	(35.2)	(37.9)	+2.7
Inventory	32.6	25.7	+6.9
Trade Working Capital	**13.9**	**(0.4)**	**+14.3**
Other current assets / (liabilities)	(4.3)	(5.2)	+0.8
Deferred tax provision	(3.0)	(2.7)	-0.4
Employee severance indemnity / "TFR" provision	(2.2)	(2.2)	-0.0
Other provisions	(3.9)	(4.0)	+0.1
Net Invested Capital	**92.5**	**68.3**	**+24.2**
Medium/Long-Term financial payables	49.1	57.4	-8.3
Short-Term financial payables	9.4	8.0	+1.3
Cash and cash equivalents	(16.8)	(45.2)	+28.5
Saleri Bonds payable	3.9	3.9	+0.0
Net Financial Position	**45.7**	**24.2**	**+21.5**
Shareholders' Equity - Group	**44.6**	**40.0**	**+4.6**
Shareholders' Equity - Non-Controlling Interests	2.2	4.2	-1.9
Consolidated Shareholders' Equity	**46.8**	**44.1**	**+2.7**
Sources of Finance	**92.5**	**68.3**	**+24.2**

Tangible Assets amount to Euro 65.0 million and have recorded a net increase of Euro 4.1 million compared to 31 December 2020, due to the following:

- Capex/Additions of Euro 7.7 million which includes Euro 4.5 million of capitalised internal costs. These costs relate to the realisation of production lines, mainly by the Parent Company;
- depreciation for the year of Euro 5.3 million;
- euro 1.8 million due to changes in the scope of consolidation following the acquisition of Saleri Aftermarket and the line-by-line consolidation of Saleri Mexico;
- decreases due to disposals of Euro 0.3 million, net of accumulated depreciation.

Intangible assets totalled Euro 16.8 million at 31 December 2021 compared to Euro 12.7 million at 31 December 2020. The overall increase of Euro 4.2 million includes Euro 0.5 million due to changes in the scope of consolidation following the acquisition of Saleri Aftermarket and the line-by-line consolidation of Saleri Mexico. Additions for the year amount to Euro 7.6 million and include the acquisition of rights to the Ruville brand and the capitalisation of research and development costs. Decreases due to amortisation and impairment adjustments total Euro 3.9 million.

Other Non-Current Assets total Euro 10.3 million at 31 December 2021 (Euro 9.2 million at 31 December 2020). The increase of Euro 1.1 million includes Euro 0.4 million relating to Saleri Aftermarket.

At 31 December 2021, Trade Working Capital amounts to Euro 13.9 million and has increased by Euro 14.3 million compared to 31 December 2020. The increase includes Euro 7.8 million as a result of changes in the scope of consolidation.

Trade receivables amount to Euro 16.5 million and have increased by Euro 4.6 million, including Euro 3.7 million due to changes in the scope of consolidation (Euro 2.8 million relating to Saleri Aftermarket and Euro 0.9 million to Saleri Mexico).

At 31 December 2021, trade payables amount to Euro 35.2 million. This includes Euro 1.5 million due to changes in the scope of consolidation following the acquisition of Saleri Aftermarket and the line-by-line consolidation of Saleri Mexico. Excluding the effect of the changes in the scope of consolidation, trade payables have recorded an overall decrease of Euro 4.4 million. This decrease mainly regards the Parent Company whose payables at the end of 2020 reflected the increase in purchases in the second half of the year following the lockdown-enforced suspension of activities at the Group's production plants earlier in the year.

Inventory amounts to Euro 32.6 million at 31 December 2021 compared to Euro 25.7 million at 31 December 2020. The increase of Euro 6.9 million includes Euro 5.6 million due to changes in the scope of consolidation. The net increase in inventory amounts to Euro 2.4 million and is due to the need to build up sufficient stocks to cover orders that will be fulfilled in the first few months of 2022; another factor is the decision to pre-purchase key materials in order to avoid possible production disruption caused by the lengthening of procurement times which is affecting the market in general.

"Other Current Assets and Liabilities" shows net liabilities of Euro 4.3 million, a Euro 0.8 million decrease compared to 31 December 2020. It mainly includes tax payables and receivables as well as payables to employees and to social security and pensions institutions. Changes in the scope of consolidation led to an overall increase of Euro 2.0 million in this caption.

At 31 December 2021, Net Invested Capital amounts to Euro 92.5 million compared to Euro 68.3 million at 31 December 2020. The increase of Euro 24.2 million includes Euro 13.9 million due to changes in the scope of consolidation.

At 31 December 2021, net financial indebtedness stands at Euro 45.7 million (Euro 24.2 million at 31 December 2020). It comprises net cash and cash equivalents of Euro 3.4 million and medium/long-term debt of Euro 49.1 million. The increase of Euro 21.5 million in net financial debt is mainly due to the following (not including changes in the scope of consolidation):

- absorption of net working capital of Euro 7.8 million, as partially offset by a Euro 0.7 million reduction in other current items;
- absorption of cash of Euro 14.6 million due to net investment activities;
- capital increase of Euro 2.1 million (acquisition of 49% of share capital of Saleri Mexico by Simest).

At 31 December 2021, the covenant regarding the ratio of the Parent Company's net financial position to its EBITDA - applicable under several loan agreements - was not respected.
The Company moved swiftly to enter into discussions with the banks involved and they have now granted the relevant waivers. For this reason, outstanding loans payable have not been reclassified as current and continue to be reported as medium/long-term debt in the Balance Sheet. At 31 December 2021 the covenants on consolidated results has been respected.

At 31 December 2021, Consolidated Shareholders' Equity amounts to Euro 46.8 million (of which Euro 2.2 million pertaining to Non-Controlling Interests). The increase of Euro 2.7 million compared to 31 December 2020 is mainly due to the Group's results for the year.

No dividends were paid during the year.

As a result of the above, the Net Financial Position / Consolidated Equity ratio has increased from 0.5x in 2020 to 1.0x in 2021.

Consolidated statement of cash flows

	December 2021	December 2020
EBITDA	**16.8**	**12.9**
Change in trade receivables	(4.6)	(1.4)
Change in trade payables	(2.7)	0.6
Change in inventory	(6.9)	4.4
Change in Trade Working Capital	**(14.3)**	**3.6**
Change in Other Assets and Liabilities	**(3.0)**	**(1.3)**
Taxes paid	(0.5)	1.0
Cash flows from operating activities (A)	**(0.9)**	**16.2**
Net Investment in Tangible and Intangible Assets	(16.6)	(7.9)
Net Financial Investments	0.0	(2.1)
Cash flows from investing activities (B)	**(16.6)**	**(10.0)**
Sale of Immobiliare Industriale Asset	-	9.0
Other changes regarding non-recurring events	(1.6)	(3.4)
Free Cash Flow	**(19.1)**	**11.8**
Net Change in Equity	(0.2)	5.6
Net Change in Third Party Finance/Debt	(6.9)	21.1
Net financial expenses paid	(2.2)	(1.6)
Cash flows from financing activities (C)	**(9.3)**	**25.1**
Net Cash Flows (A+B+C)	**(28.5)**	**36.9**
Cash and cash equivalents at start of period	45.2	8.3
Cash and cash equivalents at end of period	**16.8**	**45.2**

At the start of the period, cash and cash equivalents - the positive current account balances of the Saleri Group companies - amounted to Euro 45.2 million and reflected the disbursement of a loan of Euro 24 million at the end of December 2020. Cash of Euro 28.5 million was absorbed in 2021.

This mainly included Euro 6.9 million to for loan repayments, Euro 8.5 million for acquisitions, Euro 1.8 million for interests' payment, Euro 3.4 million for other items and Euro 7.9 million for capex on tangible and intangible assets.

Performance of the Group companies

Industrie Saleri Italo S.p.A.

Founded in 1942 and based in Lumezzane (BS), Industrie Saleri Italo S.p.A.'s activities include the study, design, development, processing, assembly and sale of cooling systems for the automobile industry, as an OE (Original Equipment) manufacturer and for the Aftermarket.

Saleri Group Income Statement	December 2021		December 2020		December 2019		Δ 2021 - 2020	
	€ million	% of Revenues	€ million	% of Revenues	€ million	% of Revenues	Δ € million	Δ %
Revenues	123.1	100.0%	125.9	100.0%	148.7	100.0%	-2.8	-2.3%
Incr. in non-current assets (Cap. Development Costs)	3.9	3.1%	1.3	1.0%	1.3	0.9%	+2.6	N.S.
Direct consumption	(76.3)	-61.9%	(80.4)	-63.8%	(91.5)	-61.5%	4.1	N.S.
First contribution margin	**50.7**	**41.2%**	**46.8**	**37.2%**	**58.5**	**39.3%**	**3.9**	**8.3%**
Operating costs	(15.7)	-12.7%	(14.4)	-11.5%	(17.4)	-11.7%	-1.3	+8.7%
Labour costs	(23.9)	-19.4%	(22.9)	-18.1%	(26.6)	-17.9%	-1.1	+4.6%
EBITDA	**11.1**	**9.0%**	**9.6**	**7.6%**	**14.4**	**9.7%**	**+1.6**	**+16.5%**
Depreciation, amortisation and provisions	(8.3)	-6.8%	(9.6)	-7.6%	(11.7)	-7.9%	+1.3	-13.2%
Net Operating Margin	**2.8**	**2.3%**	**(0.0)**	**-0.0%**	**2.7**	**1.8%**	**+2.8**	**n.s.**
Financial income (expenses)	(0.3)	-0.3%	(2.2)	-1.7%	(1.5)	-1.0%	+1.8	-84.6%
Extraordinary income (expenses)	(1.6)	-1.3%	(3.3)	-2.6%	(0.8)	-0.5%	+1.7	-52.0%
Profit / (Loss) before taxation	**0.9**	**0.7%**	**(5.5)**	**-4.4%**	**0.4**	**0.3%**	**+6.4**	**n.s.**
Taxation	0.3	0.3%	1.0	0.8%	0.4	0.3%	-0.7	-68.3%
Net Profit /(Loss) for the year	**1.2**	**1.0%**	**(4.5)**	**-3.6%**	**0.8**	**0.6%**	**+5.7**	**n.s.**
Effect of Finance Lease Method	0.9	0.8%	0.4	0.3%	(0.1)	-0.1%	+0.6	n.s.
Net Profit /(Loss) for the year ITA GAAP	**0.3**	**0.2%**	**(4.9)**	**-3.9%**	**0.9**	**0.6%**	**+5.1**	**n.s.**

The year 2021 ended with net revenues of Euro 123 million, a 2.8% decrease compared to Euro 125.9 million in 2020 and down by 17.2% on the total of Euro 148.7 million reported for 2019. Consequently, consumption of direct materials decreased by Euro 4.1 million from Euro 80.4 million in 2020 to Euro 76.3 million in 2021; these costs fell as a percentage of revenues (63.8% in 2020 and 61.9% in 2021) thanks to careful monitoring of direct purchase costs and the percentage incidence returned to the 2019 level. Labour costs increased by Euro 1.1 million compared to 2020 (when the Company accessed the CIGO furlough scheme following Covid lockdowns) but decreased by Euro 2.7 million compared to 2019. Operating costs of Euro 15.7 million were also up on 2020 (Euro 14.4 million) but lower than in 2019 (Euro 17.4 million).

The constant pursuit of innovative technological solutions to increase operating efficiency (production and non-production) has made it possible to improvement the deployment of resources, in terms of both personnel and operating costs.

EBITDA for 2021 amounts to Euro 11.1 million (9.0% of revenues) compared to Euro 9.6 million (7.6% of revenues) in 2021 and to Euro 14.4 million in 2019 (9.7% of revenues): the decrease in revenues and in Contribution Margin has been partially - but not wholly - offset by better utilisation of other operating items. Depreciation, amortisation and impairment adjustments to tangible and intangible assets amount to Euro 8.3 million compared to Euro 9.6 million in 2020; this follows the updating of provisions for risks and charges to reflect future requirements.

Net financial expenses amount to Euro 0.3 million compared to Euro 2.2 million in 2020. They include:

- financial expenses of Euro 2.1 million for the year ended 31 December 2021 (Euro 1.4 million in 2020); the increase is partly due to interest expenses on the loan received at the end of December 2020;
- income from investments which amount to Euro 1.7 million in 2021 against Euro 0.8 million in 2020.

Extraordinary expenses have decreased by Euro 1.7 million compared to Euro 3.3 million in 2020.

These non-recurring expenses include staff restructuring expenses as well as losses on asset disposals and out-of-period expenses.

Taxes for 2021 show net income of Euro 0.3 million compared to net income of Euro 1.0 million in 2020. They include deferred tax income of Euro 0.4 million (deferred tax income of Euro 1.0 million in 2020), as partially offset by the current tax expense of Euro 0.1 million (zero in 2020).

The Company reports a net profit of Euro 0.3 million for 2021 compared to a net loss of Euro 4.9 million for 2020.

Industrie Saleri Italo Balance Sheet	**December 2021**	**December 2020**	**Δ 2021 - 2020**
	€ million	€ million	€ million
Tangible assets	61.7	59.6	+2.1
Intangible assets	12.2	8.5	+3.7
Other non-current assets	43.1	38.4	+4.8
Non-current assets	**117.0**	**106.5**	**+10.5**
Trade receivables	11.5	5.5	+6.0
Trade payables	(34.2)	(33.6)	-0.6
Inventory	19.4	19.6	-0.3
Trade Working Capital	**(3.4)**	**(8.5)**	**+5.1**
Other current assets / (liabilities)	(2.4)	(4.7)	+2.3
Deferred tax provision	(3.0)	(2.7)	-0.4
Employee severance indemnity / "TFR" provision	(1.2)	(1.4)	+0.2
Other provisions	(3.6)	(3.5)	-0.1
Net Invested Capital	**103.4**	**85.6**	**+17.7**
Medium/Long-Term financial payables	44.8	53.2	-8.4
Short-Term financial payables	10.3	7.8	+2.5
Cash and cash equivalents	(14.2)	(36.3)	+22.0
Saleri Bonds payable	3.9	3.9	+0.0
Net Financial Position	**44.8**	**28.6**	**+16.2**
Shareholders' Equity - ITA GAAP	**54.9**	**54.3**	**+0.6**
Effect of Finance Lease Method	3.7	2.7	+0.9
Shareholders' Equity	**58.6**	**57.0**	**+1.5**
Sources of Finance	**103.4**	**85.6**	**+17.7**

At 31 December 2021, Non-Current Assets amount to Euro 117 million and have increased by Euro 10.5 million compared to 31 December 2020. They include:

- tangible assets of Euro 61.7 million; during the year, there were additions of Euro 7.4 million, as partially offset by depreciation for the year (Euro 5.1 million) and by decreases due to disposals (Euro 0.2 million);
- intangible assets of Euro 12.2 million which includes additions of Euro 6.7 million (of which Euro 3.9 million due to capitalisation of internal costs), amortisation of Euro 2.1 million and decreases due to disposals of Euro 0.9 million;
- "Other non-current assets" includes investments in subsidiaries which total Euro 36.4 million. Compared to 31 December 2020, there have been increases of Euro 8.6 million due to new acquisitions and decreases of Euro 4.5 million due to impairment adjustments. See the specific Note for more details.

Trade working capital has increased by Euro 5.1 million mainly in relation to trade receivables which show an overall increase of Euro 6.0 million.

This caption includes receivables from prestigious customers and the credit risk is very low. The increase compared to 2020 reflects the different mix of collections in the two reporting periods.

At 31 December 2021, net financial indebtedness stands at Euro 44.8 million. It includes cash and cash equivalents of Euro 14.2 million, short-term debt of Euro 14.2 million and medium/long-term debt of Euro 44.8 million.

At 31 December 2021, the covenant regarding the ratio of the net financial position to EBITDA - applicable under several loan agreements – was not respected. The Company moved swiftly to enter into discussions with the banks involved and they have now granted the relevant waivers. For this reason, outstanding loans payable have not been reclassified as current and continue to be reported as medium/long-term debt in the Balance Sheet.

At 31 December 2021, Shareholders' Equity amounts to Euro 58.6 million compared to Euro 57.0 million at 31 December 2020. The increase of Euro 1.5 million is mainly due to the result for the year.

Statement of Cash Flows	**December 2021**	**December 2020**	**Δ 2021 - 2020**
EBITDA	**11.1**	**9.6**	**1.6**
Change in trade receivables	(6.0)	0.9	(6.9)
Change in trade payables	0.6	(3.6)	4.3
Change in inventory	0.3	5.8	(5.5)
Change in Trade Working Capital	**(5.1)**	**3.0**	**(8.2)**
Change in Other Assets and Liabilities	**(3.9)**	**(0.4)**	**(3.5)**
Taxes paid	0.3	1.0	(0.7)
Cash flows from operating activities (A)	2.4	13.2	(10.8)
Net Investment in Tangible and Intangible Assets	(13.0)	(6.2)	(6.8)
Net Financial Investments	(2.3)	0.3	(2.6)
Cash flows from investing activities (B)	**(15.3)**	**(5.9)**	**(9.3)**
Sale of Immobiliare Industriale Asset	-	-	-
Other changes regarding non-recurring events	(1.6)	(3.3)	1.7
Free Cash Flow	**(14.5)**	**4.0**	**(18.5)**
Net Change in Equity	0.3	6.0	(5.7)
Net Change in Third Party Finance/Debt	(5.8)	20.9	(26.7)
Net financial expenses paid	(2.1)	(1.4)	(0.6)
Cash flows from financing activities (C)	**(7.6)**	**25.5**	**(33.0)**
Net Cash Flows (A+B+C)	**(22.0)**	**29.4**	**(51.5)**
Cash and cash equivalents at start of period	36.3	6.8	-
Cash and cash equivalents at end of period	14.2	36.3	-

At the start of the period, cash and cash equivalents - the Company's positive current account balances - amounted to Euro 36.3 million and reflected the disbursement of a loan of Euro 24 million at the end of December 2020.

Cash of Euro 22.0 million was absorbed in 2021.
The cash generated by EBITDA was mainly absorbed as follows:
Euro 8.4 million to for medium/long-term loan repayments,
Euro 8.5 million for the acquisition of new investments and
Euro 13.0 million for capex on tangible and intangible assets.

Treasury shares

There were no movements on treasury shares in 2021.

Saleri Shanghai Co. LTD (China)

The Saleri Group operates on the Asian market through subsidiary Saleri Shanghai Co. Ltd (95% owned) which manufactures and distributes water pumps.

The investment in Saleri Shanghai is an important part of the Group's development strategy. It also satisfies the need of the automotive components market to service key customers locally and reinforces the Group's position on the global market for cooling systems for the automotive industry. The subsidiary also satisfies a good part of the Group's aftermarket requirements, enabling it to maintain a strong competitive position.

The company is based in Shanghai and was incorporated in 2008. In 2021, net revenues amounted to Euro 31.2 million (+71.2% compared to Euro 18.2 million in 2020) while a net profit of Euro 4.1 million (13.1% of revenues) was reported. In 2020, a net profit of Euro 2.0 million was reported. In Balance Sheet terms, net invested capital mainly consists of production lines (Euro 3.0 million) and net working capital (Euro 8.5 million), as partially offset by other current liabilities of Euro 2.7 million. The sources of finance include equity (Euro 10.8 million) and the net financial position, comprising net cash of Euro 1.9 million.

Saleri Mexico S.A. de C.V. (Mexico)

The Saleri Group operates on the North American market through subsidiary Saleri Mexico S.A. de C.V. (51% owned) which manufactures and distributes water pumps. The subsidiary has been consolidated since 31 December 2021.

The company was incorporated in 2019 and is based in Monterrey. Its launch formed part of the Group's growth strategy and was intended to satisfy the needs of the local market for automotive components.

In 2021, the company recorded net revenues of Euro 2.7 million and a net loss of Euro 1.3 million (46.1% of revenues). In Balance Sheet terms, net invested capital mainly consists of production lines (Euro 2.4 million) and net working capital (Euro 1.1 million), as partially offset by other current liabilities of Euro 1.4 million. The sources of finance include equity (Euro 2.3 million) and the net financial position, comprising net cash of Euro 0.2 million.

ABL Automazione S.r.l.

ABL Automazione S.r.l. was acquired by the Saleri Group with effect from 31 July 2019 (100% investment held); the investment formed part of a broader strategy to acquire a high value added process that would have been difficult to recreate in-house.
In this way, the Saleri Group acquired process know-how regarding one of the key phases of the production model of the business.

ABL Automazione's core business is the design and production of industrial automation plant and equipment. Its business consists of the production of automated assembly lines for manufacturing segments such as automotive, Oil&Gas (assembly of hydraulic components) and earth moving equipment. The main standards required are the efficiency, flexibility and quality of the production systems. The company has always developed the market by drawing on its experience in the field of industrial automation with the aim of proposing itself as a uniquely qualified supplier of automated assembly lines and equipment.
The company is based in Gussago in the province of Brescia.

As a result of accumulated and current losses, the Company's Quota Capital was cancelled during 2021. The Parent Company subscribed the reconstitution of Quota Capital to its original amount, taking the percentage interest held from 70% to 100%.

In 2021, the company recorded net revenues of Euro 9.81 million compared to Euro 8.1 million in 2020 and reported a net loss of Euro 32 thousand compared to a net loss of Euro 1.0 million in 2020.

In balance sheet terms, net invested capital mainly comprises goodwill (Euro 1.7 million), industrial property, production assets and software (Euro 0.7 million) and net working capital (Euro 4.3 million), mainly represented by contract work in progress and trade receivables. Invested capital also includes other current liabilities of Euro 2.2 million and provisions of Euro 1.0 million. The company's sources of finance loans of Euro 2.6 million and cash and cash equivalents of Euro 0.2 million Equity amounts to Euro 1.1 million and consists of the reconstituted quota capital and retained earnings.

Immobiliare Industriale

Since the spin-off of the real estate activities of Italpresse Industrie S.p.A. (February 2015), the Saleri Group has operated in the "Real Estate" segment through subsidiary Immobiliare Industriale S.r.l. which is now 100% owned.

The Company's activities involved renting out its real estate properties i.e. an industrial property in the Municipality of Capriano del Colle (BS).

The Company generated a net profit of Euro 0.1 million thanks to contributions received to deal with the Covid emergency and to interest income generated.
In balance sheet terms, net invested capital mainly consists of financial receivables from the parent company of Euro 3.5 million and deferred tax assets of Euro 0.4 million. The sources of finance include equity of Euro 4.2 million and cash and cash equivalents of Euro 0.2 million.

Saleri Aftermarket S.p.A.

In 2021, the Saleri Group acquired 100% of this company which sells and markets automotive components in the Aftermarket sector.

The investment in Saleri Aftermarket represents an important part of the strategy to regain market share in this sector, together with the acquisition of the Ruville brand.

The company is based in Sesto Fiorentino in the province of Florence. In 2021, the company reported net revenues of Euro 12.0 million (+19.3% compared to Euro 10.0 million in 2020) and a net loss of Euro 0.026 million (0.2% of revenues).
In 2020, it reported a net profit of Euro 0.5 million. In Balance Sheet terms, net invested capital mainly consists of net working capital (Euro 8.6 million) and non-current assets of Euro 0.6 million, including the investment in C.D.C. Taiwan and deferred expenses incurred to implement the information system and procedures to bring standards up to the level required by the parent company. Working capital is partially offset by other current liabilities which include payables towards the parent company of Euro 3.9 million.

The sources of finance include equity (Euro 4.0 million) and the net financial position which includes Loans (Euro 1.5 million) and net cash (Euro 0.8 million).

Research and development

The need to find ever more efficient solutions, in order to guarantee customers increasingly innovative products with a high technical content, is at the heart of the way of thinking of every person in the Saleri Research and Innovation department.

This is a perfect fit with the need to create solutions that are increasingly compliant with environmental regulations as designing more efficient products means optimising thermal management and, thus, reducing emissions.

Main ongoing projects

BEV Thermal Management project

The Thermal Management division is supporting several customers on the German market with the development of an integrated heat flow management system for future BEV (Battery Electric Vehicle) platforms. The system guarantees the interconnection of the main components and heat users of the electric vehicle and allows for optimal regulation of refrigerant flow rates in different conditions of use. The high degree of integration leads to a drastic reduction in weight, system volume and cooling fluids, contributing directly to increased range and to simplification of vehicle installation processes.

Electric pump range

The Electrification division is developing a new range of electric pumps for 12 V applications on Light Vehicles to cover of range of between 30 and 400 W. The first of the series are expected to be in production by the end of 2022. The project objective is to supply standardised electric pumps with a customisable interface to meet the needs of the different Thermal Management systems of carmakers. The new generation electric pumps can be used with water and glycol or with alternative fluids.

Off-Highway applications

Prototype and mass development of 24V electric water pumps with capacity of between 200 and 600 W with CAN-bus communications for off-Highway applications.

Rotary positive displacement pumps

Design is engaged in pre-development activities with a view to the study, design and prototyping of a new pump unit with electric drive for vehicle cooling and lubrication systems, which is able to achieve high pressure fluid flows (oil or water). The new hydraulic actuation family, with two gear and screw-based constructions, can be applied in future projects for the production of high efficiency systems.

Digital Twin

“The “Digital Twin” concept is one of the major game-changers for the manufacturing industry and enables companies significantly to increase their global competitiveness”, says the Change2twin consortium, which offers a cascade funding scheme within the Horizon 2020 project. A digital twin is a digital replica of a product, process or services, which is so precise that it can be used as the bases for making strategic decisions.
In 2021, the Saleri Group won the Change2twin Assessment phase and, together with a digital innovation hub, built three detailed projects for a digital twin that were, respectively, descriptive, predictive and prescriptive. In 2022, Saleri aims to apply for the Change2twin Deployment phase and to equip its Testing area with this innovative technology.

Information on the environment and personnel

Since 2019, the company has voluntarily prepared a consolidated Non-Financial Statement pursuant to Article 4 of Legislative Decree 254/2016 and in accordance with GRI international standards.

Environment and workplace safety

The Group has not been involved in any circumstances causing damage to the environment.

In 2021, there were no serious workplace injuries or cases of professional illness. On a consolidated level, there were four minor injuries with a prognosis of not more than 40 days for recovery. We note that the figure does not include injuries on the way to and from work.

Human Resources

A detailed analysis of the Saleri Group workforce is provided below (reporting date figures).

Human Capital	2021	2020
Number of employees	610	591
Breakdown by gender		
Men	364	349
% of total	60%	59%
Women	246	242
% of total	40%	41%
Breakdown by type of contract		
Permanent	556	544
% of total	91%	92%
Fixed term	54	47
% of total	9%	8%
Breakdown by type of employment		
Workers with part-time contracts	29	32
% of total	5%	5%
Workers with full-time contracts	581	559
% of total	95%	95%

At the end of 2021, the Saleri Group had 610 employees (head count at 31/12/2021), an increase of 19 compared to 591 employees at 31 December 2020, mainly as a result of the Group's external growth through the incorporation of Saleri India Private Ltd and the acquisition of C.D.C. S.r.l.

In terms of the types of contract used, 556 employees are hired under permanent contracts (91%) while 54 have fixed-term contracts (9%). Part-time employees (29 in total) represent 5% of the total number of employees.

Relations with subsidiaries and associated companies

Intra-Group relations, whether commercial or financial, take place on an arm's length basis.

In 2021, there were no atypical and/or unusual transactions or transactions not forming part of ordinary business activities or such as to significantly influence the Company's income statement, balance sheet and financial position.

The following tables show the amounts relating to transactions with Group companies.

Amounts are stated in thousands of Euro:

Intra-Group income statement relations

Company	Revenues for goods and services	Costs for goods and services	Interest income and (expenses)
Industrie Saleri Italo S.p.A.	11,188.3	9,846.9	(24.8)
Immobiliare Industriale S.r.l.	0,0	13,8	69.0
Saleri Shanghai Co. Ltd	4,628.1	2,947.5	0.0
Saleri Mexico SA de CV	0,0	3,774.0	(42.8)
Saleri India Pvt Ltd	0,0	792,2	0.0
Saleri Aftermarket S.p.A.	24,0	3,945.2	0.0
Saleri TMS Competence Center GMBH	213,8	0,0	(1.0)
ABL Automazione S.r.l.	5,826.0	560.5	(0.4)
Total	**21,880.1**	**21,880.1**	**(0.0)**

Intra-Group financial relations

Company	Receivables	Payables	Of which NON Consolidated Receivables	Of which NON Consolidated Payables
Industrie Saleri Italo S.p.A.	12,938.6	10,593.5	727.4	119.9
El.Fra Holding S.r.l.	0.0	0.0	0.0	0.0
Saleri Shanghai Co. Ltd	2,979.7	2,546.8	0.0	0.0
Immobiliare Industriale S.r.l.	3,511.1	13.8	0.0	0.0
ABL Automazione S.r.l.	3,890.7	667.2	1.4	0.0
Saleri Mexico CV de S.A.	138.8	4,420.7	0.0	0.0
Saleri Aftermarket S.p.A.	225.3	4,866.8	0.0	33.5
Saleri India Pvt Ltd	117.2	622.2	117.2	622.2
CDC Taiwan Inc.	33.5	0.0	33.5	0.0
Saleri TMS Competence Center GMBH	2.7	106.6	2.7	106.6
Total	**23,837.5**	**23,837.5**	**882.2**	**882.2**

Main risks and uncertainties

Risks regarding the performance of the automotive industry

During 2021, the automotive industry suffered the effects of the global shortage of microchips which forced OEMs to slow down production. The Saleri Group's OE business unit general operates to a five-year timescale but it had to resort to weekly planning of production. Persistent volatility of orders is a risk the Group can cope with thanks to the flexibility of its production system. In the long-term, the risk regards the planning of investment in new projects which may be adversely affected by the general performance of the sector.

Risks regarding the supply chain

As a result of its proximity strategy, the Saleri Group operates with international plants in the world's leading automotive hubs. Given the global nature of the supply chain and considering the ongoing pandemic situation and global logistical difficulties which may lead to shortages of specific components, the Group is exposed to the risk of supply chain disruption that could cause problems for the production system and, consequently, for its ability to fulfil customer orders. In order to mitigate this risk, as well as developing its new production plants in Mexico and India, the Group is working on a proximity strategy for the entire supply chain so as to make each plant independent. This strategic initiative is consistent with the decision to service customers locally with on-site production plants.

Risks regarding the conflict in Ukraine

The first few months of 2022 were characterised by the escalation of tension between Russia and Ukraine.
The geopolitical crisis which led to the conflict that is still ongoing today has gradually spread internationally.
This situation of uncertainty has led to a rise in inflation which is reflected in the increased cost of commodities and energy.

The Saleri Group does not own any strategic assets in the territories directly involved in the conflict and it has limited commercial activity with these regions. Therefore, the Group does not expect any direct impact on its ability to generate income. Nevertheless, the Group is paying close attention to the possible inflationary effects which could impact procurement costs.

Product liability risk

The Sectors in which the Group operates are particularly demanding in terms of product quality as any defects could result in product liability towards end customers or a market recall campaign resulting in additional costs. Therefore, the Group has implemented quantity control procedures in accordance with its quality certification.

Risks regarding the loss and recruitment of key resources and skills

The Group's success largely depends on the ability of its executive directors and other members of the management team to manage the Group and each business area in an effective manner. The loss of the services of an executive director, manager or other key resource as a result of organisational change and/or business restructuring without proper and timely replacement and reorganisation, as well as the inability to attract and retain new, skilled resources, could have a negative effect on the Group's business future, as well as on its operating results and/or financial situation. The current organisational structure provides for significant involvement of line management in the decision-making process and, therefore, they are considered key resources. If any of these individuals should leave the Group, it could cause temporary problems with management of certain activities.
For some years, the Group has had several initiatives to encourage staff loyalty. These include the granting of employee benefits, non-competition agreements and loyalty incentive agreements with key personnel.

Risks regarding failure to protect product exclusivity on the markets where the Group operates

Most of the Saleri Group's products and design solutions are patented. There is a risk that competitors may infringe this patent protection and/or that the markets where such patents are infringed will not adequately defend patent holder rights. Commercial activities in countries where it is hard to enforce industrial patent rights exposes the Group to a greater risk in relation to the protection of its products.
The Group has adopted structured processes to manage innovations and protect intellectual property. The Group also performs regular monitoring of the patent strategies adopted/to be adopted based on a cost/opportunity analysis.

Revenue concentration risk

The Saleri Group's products are destined mainly for the Premium automotive segment which consists of a limited number of leading customers. Customer relations are stable and long-established as cooling systems follow the path of development and production of the engine on which they are applied. There are significant entry barriers due to the high engineering content in the production process, the long development period (time to market in excess of 2 years) and the high initial investment to develop projects and processes. Compared to other sectors or segments of the same industry, revenue is relatively easy to forecast as contracts acquired tend to be long-term (in line with engine life cycles, generally 5-8 years). Sales contracts with Premium automotive customers do not provide for guaranteed minimum volumes. However, historically, the variance between budget and actual contract orders has never exceeded 5% (duly taken into account by the parent company when making production and revenue forecasts). The leading customers in the OE segment (BMW, Audi, Daimler, GM) have excellent credit ratings, as do Independent Aftermarket segment customers which belong to large international groups.

The risk is constantly monitored through preliminary customer assessment and checks on compliance with agreed terms of payment. Some time ago, in order to reduce the risk of saturation of the segments/markets where it operates, the Group launched a strategy of diversification into other geographical areas and is gradually expanding its product range, also turning its attention to the mid-premium and truck sectors. Analysis of trade receivable balances does not show any variation in credit quality; therefore, no significant changes to commercial credit protection policy have been implemented.

Interest rate risk

The Group constantly monitors the interest rate risk in relation to its sources of finance represented by bank borrowing at variable rates of interest linked to the Euribor rate. Given current interest rate trends and the average duration of its bank borrowing, the Group prefers variable rate borrowing. Exposure to the interest rate risk is regularly monitored at Group level, taking account of the overall net exposure through coordinated management of debt and available liquidity and the related maturities.

During the reporting period, although expected economic trends do not appear to suggest a sudden rise in interest rates in the immediate future, the Group decided to enter into hedging operations in relation to a portion of its borrowing. It did so by signing three Interest Rate Swap agreements with a total notional amount of Euro 24 million. At 31 December 2021, these derivatives were accounted for without any income statement effect as they were arranged as hedges of the interest rate risk in relation to medium/long-term loans.

Exchange rate risk

The Consolidated Financial Statements of the Saleri Group and the Separate Financial Statements of parent company Industrie Saleri Italo S.p.A. are prepared in Euro. The Group mainly operates in Euro on major international markets. Except for a few transactions carried out in Euro, the subsidiary Saleri Shanghai subsidiary operates in Chinese renminbi. We also note that Mexican subsidiary Saleri Mexico S.A. de C.V. was incorporated in 2019 but it only began to operate in 2021. Subsidiary Saleri India Private Limited was incorporated in July 2021 and will start to operate in 2022. The international production and sales activities through companies incorporated in countries that use currencies other than the Euro mean that the Group is exposed to the risk of exchange rate fluctuation.

In the year ended 31 December 2021: some 17% of consolidated revenues were generated in currencies other than the Euro, the bulk of them regarding sales in Chinese Renmimbi; consolidated costs incurred in currencies other than the Euro represented around 19% of consolidated revenues, the bulk of them costs incurred in Chinese Renmimbi and, to a lesser extent, in US Dollars.

Although the incidence of transactions in currencies other than the Euro is not such as to produce a potentially significant effect on Group results, exchange rate trends are monitored constantly in relation to the operating activities of the non-Italian Group companies.

Risk of volatile raw material prices

Aluminium alloys represent a significant portion of the Group's purchase costs. The selling prices of the Saleri Group's products are negotiated and agreed with customers in specific nomination letters. In major transactions, there is a percentage adjustment to the selling price in case of raw material price fluctuation. Such adjustments are made monthly, quarterly or annually depending on the contractual agreement. This means that the Group can pass on to the customer during the year much of any price fluctuation and is not, therefore, exposed to the risk of raw material price volatility.

Liquidity risk

The liquidity risk is usually defined as the risk that a business might be unable to fulfil its payment commitments because of difficulty in raising funds (funding liquidity risk) or in liquidating assets on the market (asset liquidity risk). This leads to a negative impact on the result for the year if the entity is forced to incur additional costs to meet its commitments or, in extreme cases, finds itself in a situation of insolvency that puts at risk its ability to operate as a going concern. In order to minimise the liquidity risk, the Group's Finance and Administration Management follows a prudent approach, constantly ensuring:

- the maintenance of an appropriate level of cash by systematically checking that short-term cash inflows (receipts from customers and any other receipts) are capable of covering its cash outflows (short-term borrowing, supplier payments and other outgoings);
- the availability of appropriate sources of funds and credit facilities to ensure that commitments are covered in terms of cost and duration. With a view to the continuous improvement of financial planning processes, we note that the Group has adopted management and control tools that ensure the risk is constantly monitored and, thus, mitigated. In particular:
- there is a plan to ensure the Group companies follow "best practices" on working capital management, helping to improve turnover ratios while, in the medium-term, helping to reduce inventory;
- the sales invoicing cycle and customer collections process has been improved through appropriate monitoring;
- additional short-term cash flow control and forecasting systems have been implemented to cope with the business generated by the Group.

Cyber Security risk

Growing use of information systems increases the Group's exposure to various types of risk. The most significant one is the risk of cyber attacks. Given the importance of the continuous operation of its IT systems, the Group has implemented specific measures such as redundancy, high-reliability systems and emergency procedures on which simulations are regularly performed in order to ensure their effectiveness also in relation to the GDPR on personal data protection and the increasing digitalisation of the production cycle (Industry 4.0).

Ethical risks

In the course of its activities, the Saleri Group applies and observes rigorous ethical and moral principles, conducting its business in full compliance with the law and market rules. Parent company Industrie Saleri Italo S.p.A. has duly adopted the Organisation and Management Model in terms of Legislative Decree no 231/2001, reorganising its activities and internal procedures in order to prevent the commission of offences under said Decree.
The subsequent adoption of the Ethical Code, internal procedures to ensure compliance with the Code and the controls implemented guarantee a healthy, secure and efficient working environment for employees and an approach designed to ensure full respect for the external stakeholders. However, the Group does business with private sector customers - not belonging to organisations directly or indirectly controlled by governments or public sector bodies - and does not take part in public tendering processes.
This further reduces the risk of reputational and economic damage resulting from ethically unacceptable conduct.

Personal data protection/privacy risk

Since the GDPR (General Data Protection Regulation) came into force on 25 May 2018, parent company Industrie Saleri Italo has implemented the internal procedures necessary to comply with the requirements of the new EU regulation. In more detail, in its capacity as Controller, Industrie Saleri Italo S.p.A. has designated Third Party Processors and the DPO (Data Protection Officer), a figure which must be appointed in cases where the processing is performed by a public authority or by a public body, except for judicial authorities, by parties whose main activities consist of processing operation that require the regular, systematic monitoring of data subjects on a large-scale, by persons whose activities consist of the large-scale processing of particular categories of personal data (sensitive data) or of data relating to criminal convictions or offences.

Business outlook

Despite the ongoing pandemic, the year 2021 distinguished itself thanks to several relaunch triggers such as support from economic and fiscal policies, the change of administration in the United States of America and intensive vaccine roll-outs which have boosted global growth prospects.

At the beginning of 2022, in light of the trends seen during 2021, the International Monetary Fund confirmed its economic growth forecasts, although it did revise them downwards in the report published at the end of January: globally, growth of 5.9% was achieved in 2021 (in line with the October 2021 estimate) while 4.4% growth is forecast in 2022 (down by 0.5pp on the previous estimate). The downwards revision of the forecasts for 2022 is driven by uncertainty regarding economic and monetary dynamics in the two main economies: on the one hand, fiscal and monetary policies and constant supply shortages in the USA and, on the other hand, disruption caused by the policy of zero tolerance as part of pandemic containment measures and the prolonged financial stress in China. Further growth of 3.8% is forecast for 2023 (down by 0.2pp compared to the October 2021 estimate). This forecast is conditional on the health emergency being resolved by the end of 2022 in most countries, thanks to improved vaccination rates and treatments.

China stands out in this context with the IMF forecasting higher than average growth rates - growth of 8.1% is forecast in 2021 with growth of 4.8% in 2022 (down by 1.2pp on previous estimates). The growth forecast for 2023 is 5.2%.

For the Eurozone, the IMF forecasts growth of 3.9% in 2022 (3.8% for Italy) and 2.5% in 2023 (2.2% for Italy).

For the Group, the greatest unknowns regard supply chain procurement issues - both internal and, above all, for OE customers - and lead times for receiving goods and materials.

The general rise in raw material and energy purchase prices is a potential risk factor that could affect sales margins.

The year 2022 will see the start of several projects for which the Group has been appointed by customers and for which it carried out development work. Despite the utmost attention paid to achieving planned market release dates, there could be some delays because of postponements decided by customers due to the need to source other materials or in order to launch new products at time they would have a greater impact on the market.

Finally, the ongoing geopolitical crisis that led to the Russia-Ukraine conflict could also have repercussions on the macroeconomic situation, especially in Europe. However, the Group does not operate in the territories currently affected and its supply chain is not significantly impacted. Based on current assessments and while acknowledging that the situation could change, we do not believe that the hostilities will significantly impact the Group's capacity to generate income.

In light of the above, the Group believes that it can generate higher revenues in 2022 than in 2021 with profits slightly higher thanks to increased volumes.

transparency

Our commitment to transparency towards our customers and stakeholders

In 2021, the Saleri Group has obtained the highest score in legality rating assigned by the Italian Competition Authority.
Legality rating is a synthetic indicator of companies' compliance with high standards of legality and the degree of attention paid to the proper management of their business.
A further step in the path of transparency and voluntary disclosure started by the Saleri Group in 2018 with the publication of the first Non-Financial Statement.
Assuming and communicating corporate social responsibility, as well as in favour of its customers and stakeholders, is a task that the company has assumed towards the territory and its entrepreneurial history.

Saleri

Consolidated Financial Statements at 31 december 2021

General information about the Company

General details

Name	▶	INDUSTRIE SALERI ITALO S.P.A.
Registered office	▶	VIA RUCA 406 25065 LUMEZZANE BS
Share capital	▶	23,922,413.12
Is share capital wholly paid?	▶	yes
Chamber of Commerce code	▶	Brescia
VAT number	▶	01589150984
Tax number	▶	03066870175
Business database/REA number	▶	BS-317605
Legal form	▶	Società per azioni (Joint stock company)
Main business segment (ATECO)	▶	293209 Manufacture of other parts and accessories for cars and their engines
Is company in liquidation?	▶	no
Does company have a single shareholder?	▶	no
Is company subject to management and coordination by another entity?	▶	no
Name of company or entity that provides management and coordination	▶	
Does company belong to a group?	▶	yes
Name of holding company	▶	El.fra Holding S.r.l.
Country of holding company	▶	Italy
Register of cooperatives number	▶	

Balance Sheet

ASSETS	31/12/2021	31/12/2020
A) Due from shareholders for unpaid capital	0	0
B) Non-current assets		
I - Intangible assets:		
1) Start-up and expansion costs	286,317	0
2) Research, development and advertising costs	2,273,808	1,286,971
3) Patents and intellectual property rights	2,924,358	365,257
4) Concessions, licences, trademarks and similar rights	1,994,867	0
5) Goodwill	0	0
5-bis) Consolidation difference	3,186,796	3,600,714
6) Assets in progress and payments on account	4,650,947	5,266,759
7) Other	1,526,329	2,134,516
Total	**16,843,422**	**12,654,217**
II - Tangible assets:		
1) Land and buildings	18,850,156	19,308,268
2) Plant and machinery	36,313,671	34,786,727
3) Industrial and commercial equipment	5,260,138	4,844,914
4) Other tangible assets	1,049,918	1,181,530
5) Assets under construction and payments on account	3,531,078	739,448
Total	**65,004,961**	**60,860,887**
III - Financial assets:		
1) Investments in:	2,116,161	2,146,006
a) Non-consolidated subsidiaries	2,115,629	2,141,759
b) Associated companies	0	0
c) Parent companies	0	0
d) Entities controlled by parent companies		
d-bis) Other entities	532	4,247
2) Receivables:	0	0
a) Due from non-consolidated subsidiaries	0	0
due within a year	0	0
due after more than a year	0	0
b) Due from associated companies	0	0
due within a year	0	0
due after more than a year	0	0
c) Due from parent companies	0	0
due within a year	0	0
due after more than a year	0	0
d) Due from entities controlled by parent companies	0	0
due within a year	0	0
due after more than a year	0	0

ASSETS	31/12/2021	31/12/2020
e) Due from others	0	0
due within a year	0	0
due after more than a year	0	0
3) Other securities	6,340	6,340
4) Derivative instruments	1,080	0
Total	**2,123,581**	**2,152,346**
Total non-current assets (B)	**83,971,964**	**75,667,450**
C) Current assets		
I - Inventory:		
1) Raw, ancillary and consumable materials	13,602,674	10,186,588
2) Work in progress and semi-finished goods	5,684,880	2,439,374
3) Contract work in progress	833,529	2,428,844
4) Finished goods	11,858,348	9,560,582
5) Payments on account	109,458	1,084,105
Total	**32,088,889**	**25,699,493**
II - Receivables:		
1) Trade accounts	16,435,229	11,881,242
due within a year	16,435,229	11,881,242
due after more than a year	0	0
2) Due from non-consolidated subsidiaries	728,817	2,454,618
due within a year	728,817	2,454,618
due after more than a year	0	0
3) Due from associated companies	0	0
due within a year	0	0
due after more than a year	0	0
4) Due from parent companies	0	7,290
due within a year	0	7,290
due after more than a year	0	0
5) Due from entities controlled by parent companies	0	0
due within a year	0	0
due after more than a year	0	0
5-bis) Tax receivables	4,597,113	1,688,066
due within a year	4,054,572	1,655,511
due after more than a year	542,541	32,555
5-ter) Deferred tax assets	8,158,987	7,092,620
5-quater) Due from others	3,933,289	2,546,678
due within a year	3,251,200	2,396,404
due after more than a year	682,089	150,274
Total	**33,853,435**	**25,670,514**

ASSETS	31/12/2021	31/12/2020
III - Current financial assets:		
1) Investments in non-consolidated subsidiaries	0	0
2) Investments in associated companies	0	0
3) Investments in parent companies	0	0
3-bis) Investments in entities controlled by parent companies	0	0
4) Other investments	13,606	13,294
5) Derivatives	0	0
6) Other securities	643	570,213
Total	**14,249**	**583,507**
IV - Cash and cash equivalents:		
1) Bank and post office accounts	18,225,981	44,734,919
2) Cheques	0	0
3) Cash and cash equivalents on hand	15,412	4,762
Total	**18,241,393**	**44,739,681**
Total current assets (C)	**84,197,966**	**96,693,195**
D) Prepaid expenses and accrued income	**3,750,784**	**3,405,366**
Total assets	**171,920,714**	**175,766,011**

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2021	31/12/2020
A) Shareholders' equity		
I - Share capital	23,922,413	23,922,413
II - Share premium reserve	7,696,219	7,696,219
III - Revaluation reserves	4,353,789	2,832,678
IV - Legal reserve	1,179,976	1,179,976
V - Statutory reserves	0	0
VI - Other reserves:	5,886,139	4,323,655
- Consolidation reserve	4,058,746	3,379,172
- Extraordinary reserve	857,395	857,395
- Merger surplus	0	0
- Merger deficit	0	0
- Reserve for translation of financial statements in foreign currency	605,946	(276,964)
- Other reserves	364,052	364,052
VII - Cash flow hedge reserve	(1,775)	(323,421)
VIII - Retained earnings (Accumulated losses)	(842,351)	4,341,399
IX - Profit (Loss) for the year	2,675,944	(3,688,565)
X - Negative reserve for treasury shares held	(285,014)	(285,014)
Total shareholders' equity - Group	**44,585,340**	**39,999,340**
Capital and reserves pertaining to non-controlling interests	2,002,674	4,899,679
Profit (Loss) for year pertaining to non-controlling interests	213,262	(735,590)
Total shareholders' equity - non-controlling interests	**2,215,936**	**4,164,089**
Total consolidated shareholders' equity	**46,801,276**	**44,163,429**
B) Provisions for risks and charges		
1) Retirement benefits and similar obligations	0	0
2) Taxation, including deferred tax	3,046,237	2,696,129
2-bis) Consolidation provision for future risks and charges	0	0
3) Derivatives	2,855	323,421
4) Other	3,865,754	3,644,100
Total	**6,914,846**	**6,663,650**
C) Employee severance indemnity ("tfr") provision	**2,247,688**	**2,244,787**
D) Payables		
1) Bonds	3,931,162	3,930,586
due within a year	3,931,162	105,479
due after more than a year	0	3,825,107
2) Convertible bonds	0	0
due within a year	0	0
due after more than a year	0	0

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2021	31/12/2020
3) Shareholder loans payable	0	417,000
due within a year	0	0
due after more than a year	0	417,000
4) Bank borrowing	50,789,124	55,542,214
due within a year	18,933,204	16,501,178
due after more than a year	31,855,920	39,041,036
5) Payables to other lenders	8,961,102	9,728,429
due within a year	5,550,212	3,454,956
due after more than a year	3,410,890	6,273,473
6) Payments on account	4,604,670	6,056,010
due within a year	4,604,670	6,056,010
due after more than a year	0	0
7) Trade payables	35,136,330	37,941,096
esigibili entro 12 mesi	35,136,330	37,941,096
due after more than a year	0	0
8) Credit instruments	0	0
due within a year	0	0
due after more than a year	0	0
9) Payables to non-consolidated subsidiaries	153,410	57,848
due within a year	153,410	57,848
due after more than a year	0	0
10) Payables to associated companies	0	0
due within a year	0	0
due after more than a year	0	0
11) Payables to parent companies	0	0
due within a year	0	0
due after more than a year	0	0
11-bis) Payables to entities controlled by parent companies	0	0
due within a year	0	0
due after more than a year	0	0
12) Tax payables	1,441,511	1,174,230
due within a year	1,441,511	1,174,230
due after more than a year	0	0
13) Payables to social security and pensions institutions	1,679,362	1,105,697
due within a year	1,679,362	1,105,697
due after more than a year	0	0
14) Other payables	7,517,041	6,219,446
due within a year	6,304,292	6,219,446
due after more than a year	1,212,749	0
Total	**114,213,712**	**122,172,556**
E) Accrued expenses and deferred income	**1,743,192**	**521,589**
Total liabilities and shareholders' equity	**171,920,714**	**175,766,011**

INCOME STATEMENT	31/12/2021	31/12/2020
A) Value of production		
1) Revenue from sales and services	155,117,928	141,793,283
2) Change in inventory of work in progress, semi-finished and finished goods	(1,877,941)	(2,710,823)
3) Change in contract work in progress	(1,595,315)	318,852
4) Increase in non-current assets due to internal works	8,382,774	1,647,858
5) Other revenue and income	6,643,010	2,605,181
operating grant income	253,231	95,664
other	6,389,779	2,509,517
Total	**166,670,456**	**143,654,351**
B) Cost of production		
6) Raw, ancillary and consumable materials and goods for resale	90,750,993	69,987,844
7) Services	32,081,103	31,570,940
8) Use of third party assets - lease and rental costs	2,686,637	2,157,944
9) Personnel:	30,213,439	27,054,977
a) wages and salaries	22,147,952	20,295,735
b) social contributions	6,724,799	5,439,820
c) employee severance indemnity ("TFR")	1,292,649	1,203,243
d) retirement benefits and similar obligations	0	0
e) other personnel costs	48,039	116,179
10) Depreciation, amortisation and writedowns:	8,347,821	8,070,815
a) amortisation of intangible assets	2,959,794	2,479,695
b) depreciation of tangible assets	5,338,133	5,568,677
c) other writedowns of non-current assets	0	0
d) writedowns of current receivables and cash and cash equivalents	49,894	22,443
11) Change in inventory of raw, ancillary and consumable materials and goods for resale	(5,299,975)	2,848,591
12) Provisions for risks	0	0
13) Other provisions	1,210,112	3,269,548
14) Sundry operating expenses	1,113,580	2,510,635
Total	**161,103,710**	**147,471,294**
Difference between value and cost of production (A-B)	**5,566,746**	**(3,816,943)**
C) Financial income and expenses		
15) Income from investments	309	0
from non-consolidated subsidiaries	0	0
from associated companies	0	0
from parent companies	0	0
from entities controlled by parent companies	0	0
other	309	0
16) Other financial income:	0	0
a) from receivables classed as non-current assets	0	0
from non-consolidated subsidiaries	0	0
from associated companies	0	0
from parent companies	0	0
from entities controlled by parent companies	0	0
other	0	0
b) From securities classed as non-current assets other than equity investments	0	164
c) From securities classed as current assets other than equity investments	98,687	2,105

INCOME STATEMENT	31/12/2021	31/12/2020
C) Financial income and expenses		
d) Income other than the above	92,439	58,489
from non-consolidated subsidiaries	43,840	21,215
from associated companies	0	0
from parent companies	0	0
from entities controlled by parent companies	0	0
other	48,599	37,274
Total	**191,126**	**60,758**
17) Interest and other financial expenses	2,145,615	1,624,148
to non-consolidated subsidiaries	0	0
to associated companies	0	0
to parent companies	0	0
to entities controlled by parent companies	0	0
other	2,145,615	1,624,148
17-bis) Exchange gains and losses	(212,168)	(20,005)
exchange gains	0	0
exchange losses	212,168	20,005
TOTAL (15 + 16 - 17 + - 17 bis)	**(2,166,348)**	**(1,583,395)**
D) Adjustments to value of financial assets		
18) Revaluations:	0	0
a) of investments	0	0
b) of non-current financial assets other than equity investments	0	0
c) of securities classed as current assets other than equity investments	0	0
d) of derivatives	0	0
19) Writedowns:	5,743	13
a) of investments	5,743	0
b) of non-current financial assets other than equity investments	0	0
c) of securities classed as current assets other than equity investments	0	0
d) of derivatives	0	13
Total adjustments (18 - 19)	**(5,743)**	**(13)**
Profit before taxation (A - B + - C + - D)	**3,394,655**	**(5,400,351)**
20) Taxes on income for the year	(505,449)	976,196
a) current tax	(1,377,585)	(736,859)
b) prior year taxes	(946)	(6,168)
c) (i) deferred tax and utilisation of deferred tax assets	(1,221,515)	(1,097,947)
c) (ii) deferred tax income and use of deferred tax provisions	2,094,597	2,817,170
d) income and expenses from tax consolidation	0	0
21) Profit (loss) for the year	**2,889,206**	**(4,424,155)**
Profit (loss) for year - non-controlling interests	**213,262**	**(735,590)**
Profit (loss) for year - group	**2,675,944**	**(3,688,565)**

Statement of cash flows, indirect method

	31/12/2021	31/12/2020
A) Cash flows from operating activities		
profit (loss) for the year	**2,889,206**	**(4,424,155)**
Taxes on Income	505,449	(976,196)
Interest expenses/(income)	2,166,348	1,583,395
(Dividends)	0	0
(Gains)/Losses on asset disposals	100,565	(43,635)
1) Profit (Loss) for the year before taxes on income, dividends and gains/losses on disposals	**5,661,568**	**(3,860,591)**
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	2,812,907	5,012,886
Depreciation/Amortisation of non-current assets	8,297,927	8,048,372
Impairment writedowns	0	0
Adjustments to Value of Fin Assets and Liabilities	0	13
Other adjustments for non-cash items	(78,111)	157,499
Total adjustments for non-cash items with no impact on net working capital	**11,032,723**	**13,218,770**
2) Cash Flows before changes in NWC	**16,694,291**	**9,358,179**
Changes in net working capital		
Decrease / (Increase) in Inventory	(6,389,396)	3,851,502
Decrease / (Increase) in Trade Receivables	(4,553,987)	(2,240,809)
(Decrease) / Increase in Trade Payables	(2,804,766)	4,479,038
Decrease / (Increase) in Prepaid Exp & Acc Income	(345,418)	(1,913,919)
(Decrease) / Increase in Acc Exp & Def Inc	1,221,603	(241,394)
Other decreases/(Other increases) in net working capital	(1,993,106)	3,614,679
Change in net working capital	**(14,865,070)**	**7,549,097**

	31/12/2021	31/12/2020
3) Cash Flows after changes in NWC	**1,829,221**	**16,907,276**
Interest received / (paid)	(1,804,809)	(1,583,395)
Taxes on income (paid)	(1,007,460)	976,196
Dividends received		
(Use of provisions)	(3,248,860)	(3,138,475)
Other receipts/(payments)		
Total other adjustments	**(6,061,129)**	**(3,745,674)**
4) Cash Flows after other adjustments	**(4,231,908)**	**13,161,602**
Cash flows from operating activities		
B) Cash flows from investing activities		
Capex on non-current assets		
- Tangible assets		0
(Additions)	(7,676,660)	(3,786,647)
Disposals	152,498	10,697,152
- Intangible assets		0
(Additions)	(7,385,900)	(3,919,011)
Disposals	925,184	0
- Financial assets		
(Additions)		(2,110,567)
Disposals	29,845	
- Current financial assets		
(Additions)	569,570	(3,980)
Disposals	0	0
(Acquisition of business units net of cash and cash equivalents)	(3,000,000)	0
Sale of business units net of cash and cash equivalents		
Cash flows from investing activities	**(16,385,463)**	**876,947**

	31/12/2021	31/12/2020
C) Cash flows from financing activities		
Debt		
- Increase (Decrease) in ST bank borrowing	25,935	(1,691,782)
- Loans arranged		24,092,733
- (Loans repaid)	(5,963,928)	(5,666,249)
Equity		
- Paid share capital increase	0	6,000,000
- (Share capital refunds)		
- Sale (Purchase) of treasury shares	0	0
- (Dividends and advances on dividends paid)	57,076	
Cash flows from financing activities	**(5,880,917)**	**22,734,702**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**(26,498,288)**	**36,773,251**
Forex effect on cash and cash equivalents		
Cash and cash equivalents at start of period		
Bank and post office accounts	44,734,919	7,952,094
Cheques		
Cash and cash equivalents on hand	4,762	14,336
Total cash and cash equivalents at start of period	**44,739,681**	**7,966,430**
Of which not freely available		
Cash and cash equivalents at end of period		
Bank and post office accounts	18,225,981	44,734,919
Cheques		0
Cash and cash equivalents on hand	15,412	4,762
Total cash and cash equivalents at end of period	**18,241,393**	**44,739,681**
Of which not freely available		

INDUSTRIE SALERI ITALO S.p.A.
Via Ruca n. 406 – Lumezzane (BS)
Share capital Euro 23,922,413.12 – wholly paid
Tax number and Brescia Register of Companies no. 03066870175
VAT number 01589150984

Notes to the Consolidated Financial Statements at 31 december 2021

General information

The Consolidated Financial Statements at 31 December 2021, as prepared in accordance with Italian Accounting Standard OIC 30 and consistent with Articles 25 et seq. of Legislative Decree 127/1991, reflect the line-by-line consolidation of the financial statements of Industrie Saleri Italo S.p.A. and its subsidiaries, as described in more detail in the “Scope of Consolidation” note. They comprise the Balance Sheet, the Income Statement, the Statement of Cash Flows and the Notes – prepared in accordance with Article 38 of the aforementioned Legislative Decree – which constitute an integral part of the Consolidated Financial Statements.

The Consolidated Financial Statements are presented with prior year comparative figures. It should be noted that, where necessary, the prior year figures have been reclassified in order to produce a consistent comparison between the two periods but without altering the result for the period. For the adjustments made to Shareholders’ Equity at 31 December 2020, reference should be made to the “Effects of application of OIC 29” paragraph.
The Balance Sheet, Income Statement and Statement of Cash Flows amounts at 31/12/2020 reflect the amounts included in the prior year Consolidated Financial Statements, as approved by the Shareholders’ General Meeting.
Unless otherwise stated, the amounts reported in these Notes are stated in Euro, given that the Euro is the currency in which the majority of the Group’s transactions are carried out.

Foreword

Like 2020, the reporting period ended 31 December 2021 was affected by the pandemic caused by the Coronavirus called "Covid-19", with consequential effects for the productivity, profitability, finances, employment and markets of companies both in Italy and internationally.
Despite having operated within the limits established by law, once more in 2021, the Group suffered from the impact that the pandemic emergency has had on the general economic environment. We note that the recent conflict in Ukraine, which began in February 2022 and was followed by international sanctions adopted against Russia, is heightening tension on global commodity markets. Already during the 2021 reporting period, these markets were affected by significant price increases and procurement problems. Moreover, energy and petroleum product prices are rising.

Given the initiatives taken (i) to deal with the state of emergency caused by the pandemic and (ii) to mitigate the risks created by the recent military conflict, considering the analysis performed by the Directors, as derived from the Business Plan 2022-2025 approved by the Parent Company Board of Directors on 1 March 2022, we believe there is no significant uncertainty over the Group’s ability to continue to operate as a going concern.

Reference should also be made to the Directors’ Report for further information on the above.

Consolidated reporting date

The Consolidated Financial Statements have been prepared as at and for the year ended 31 December 2021, the same reporting date as for the reporting packages of all of the companies included in the scope of consolidation. Reporting packages prepared in accordance with Italian Accounting Standards ("OIC") and approved by the Boards of Directors of the consolidated entities were used to prepare the Consolidated Financial Statements at 31 December 2021.

The group's business activities

The Group headed by parent company Industrie Saleri Italo S.p.A., a company founded in 1942, is mainly involved in the design, manufacture and sale of engine cooling systems for the automobile industry and operates in both the original equipment and the aftermarket segments.

The Group's ability to provide a leading customer base in the automotive industry with a wide range of technologically advanced solutions has enabled the business to grow strongly in recent years. Long-term production contracts have consistently been acquired, guaranteeing a healthy workload for the years ahead.

Through subsidiary ABL Automazione S.r.l., the Group also carries out the design and realisation of industrial automation systems, specifically, automated equipment for hi-tech robotised assembly destined for the Automotive and Oil&Gas industries.

Reporting principles

The Consolidated Financial Statements have been prepared in accordance with Legislative Decree no 127/1991 which implemented in Italy EEC VII Directive on Consolidated reporting. Their preparation also took account of the financial reporting provisions of the Italian Civil Code, as amended by Legislative Decree no 6 of 17 January 2003 as subsequently amended, concerning the "Organic reform of corporate legislation" where applicable to Consolidated financial statements. The Notes are intended to illustrate, analyse and, in some cases, interpret the amounts reported in the financial statements and contain the disclosures required by Article 38 and by other provisions of Legislative Decree no 127/1991. Such additional information considered necessary to present a true and fair view of the situation has been provided even if not specifically required by law. Where statutory reporting requirements demand particular information on items and events not present or non-existent, rather than indicating their non-applicability to these Financial Statements, we have chosen to make no mention thereof in order to avoid increasing unnecessarily the information provided in these Notes.

The Group Statement of Cash Flows has been attached in order to complete the financial information provided by the Consolidated Financial Statements.
The Consolidated Financial Statements are also accompanied by a report of the Board of Director's on the Group's operating activities, in terms of Article 40 of Legislative Decree 127/91.
The scope of consolidation, the consolidation principles, the main accounting policies and details of each of the captions reported in the Consolidated Financial Statements are presented below.

The Financial Statements have been prepared in Euro. Roundings have been allocated as follows:

- roundings of Balance Sheet assets and liabilities have been allocated to Shareholders' equity line item "VII Other reserves", even where said line item has a zero balance;
- positive roundings of Income Statement items have been allocated to caption "A5 Other revenues and income";
- negative roundings of Income Statement items have been allocated to caption "B14 Sundry operating expenses".

Consolidation criteria

The financial statements of companies included in the scope of consolidation that are used for consolidation purposes are those prepared as at 31 December 2021 by the respective Boards of Directors. Such financial statements have been adjusted, where necessary, to render them consistent with Group accounting principles which are in line with consolidated statutory reporting requirements, as interpreted by the accounting standards issued by Italian Accounting Standards Board ("OIC") and by the IASB (International Accounting Standards Board).

All of the subsidiaries included in the scope of consolidation are consolidated on a line-by-line basis, as follow:

a) assets, liabilities, revenues and costs are included in full, irrespective of the percentage investment held, while the portion of Shareholders' Equity and result for the period pertaining to non-controlling interests are disclosed separately;
b) the carrying amount of investments on consolidated companies is eliminated against the corresponding portion of equity while the assets and liabilities, revenues and costs are included on a line-by-line basis; the difference emerging, at the acquisition date, from the elimination of the carrying amount of an entity included in the scope of consolidation against the corresponding portion of shareholders' equity at present value is allocated, where possible, to the assets and liabilities of the entity in question. Any residual amount is treated as follows:

- if positive, it is recorded under "consolidation differences" under "intangible assets" and amortised on a straight-line basis over its expected useful life (not more than 20 years);
- if negative, it is recorded under Shareholders' Equity as a "consolidation reserve" or, where unfavourable results are forecast, under a caption called "consolidation provision for risks and charges";

c) all receivables and payables and transactions between consolidated entities are eliminated;
d) significant gains realised between consolidated entities and profits included in intangible assets coming from consolidated entities have been eliminated;
e) profits and losses from trade or financial transactions between Group companies, net of related deferred tax and/or deferred tax income, are eliminated; an exception to this rule regards positive intercompany margins realised and relating to assets recorded in inventory at the reporting date – such margins are not eliminated in terms of Article 31(2);
f) any provisions made by foreign subsidiaries included in the scope of consolidation in order to take advantage of tax benefits otherwise not available have been eliminated from the Consolidated Financial Statements, net of the related tax effects, based on the tax rate in force at the date of preparation of the Consolidated Financial Statements;
g) income and expenses resulting from transactions between the same entities are eliminated;
h) profits included in tangible and intangible assets and resulting from purchases of goods and services produced within the Group on an arm's length basis are eliminated. The portion of intra-Group revenues relating to such goods and services is reclassified, net of the related "internal profits", under the caption "increases in non-current assets due to internal works;
i) assets and liabilities expressed in currencies other than the Euro are translated at the reporting date exchange rate; revenues and costs are translated at average rates for the period. The exchange rates used are those officially published. Exchange differences arising from the comparison between opening equity translated at the spot rates at the end of prior period and the difference between the result for the period, translated at average rates, and those obtained from the translation at reporting date rates are allocated directly to Consolidated Shareholders' Equity under the caption "Reserve for translation of financial statements prepared in foreign currency".

In detail:

- for balance sheet items, equity items and current assets, the Euro / Renmimbi reporting date exchange rate is Euro 1: Renmimbi 7.1947;
- for income statement items, the average rate for 2021 is Euro 1: Renmimbi 7.6282.

Scope of consolidation

The scope of consolidation at 31 December 2021 includes all of the Italian and foreign entities shown in the following table, in which the Company holds a majority of voting rights and, in any cases, the entities over which it exercises dominant influence.
The financial statements of the Companies in the scope of consolidation have been included on a line-by-line basis.
The companies not included in the scope of consolidation and those in which the percentage interest held is lower than 20% and which constitute non-current assets are valued under the cost method.
For consolidation purposes, the financial statements used are those of the individual companies, as approved or under approval by the respective General Meetings, as reclassified and adjusted to bring them into line with the accounting principles and measurement criteria adopted by the Group.

The scope of consolidation has undergone the following changes compared to 31 December 2020:

Direct Subsidiaries

Name	Interest held at 31/12/2020	Interest held at 31/12/2021
ABL Automazione S.r.l.	70.00%	100%
Immobiliare Industriale S.r.l.	62.50%	100%
Saleri Aftermarket S.p.A	Acquired in 2021	100%
Saleri México S.A. de C.V.	Not consolidated	51%

ABL Automazione S.r.l.
On 11 May 2021, an Extraordinary Meeting of the Quotaholders of ABL Automazione S.r.l. rescheduled the company's losses (which had completely eroded quotaholders' equity) and restored the Company's quota capital to its original amount of Euro 750,000. The non-controlling quotaholders elected not to participate in the recapitalisation. Therefore, it was wholly subscribed by the Parent Company which became the Sole Quotaholder of the Company as a result.

Immobiliare Industriale S.r.l.
On 12/04/2021, the Parent Company acquired an additional 37.5% interest in Immobilare Industriale S.r.l. from non-controlling investors and became the Sole Quotaholder.

Saleri Aftermarket S.p.A.
On 28/07/2021, the Parent Company acquired from third parties 100.00% of Saleri Aftermarket S.p.A., a company operating in the Independent AM sector.

Saleri México S.A. de C.V.
The Company has been included in the scope of consolidation with effect from 31/12/2021.

The companies included in the scope of consolidation on a line-by-line basis are listed below:

Parent company

Name	Registered office	Share capital
Industrie Saleri Italo S.p.A.	Via Ruca, 406 – Lumezzane (BS)	Euro 23,922,413.12

Direct Subsidiaries

Name	Registered office	Share capital	Interest held
ABL Automazione S.r.l.	Via Mandolossa, 102/B - Gussago (BS)	Euro 750,000	100%
Immobiliare Industriale S.r.l.	Via Ruca, 406 – Lumezzane (BS)	Euro 10,000	100%
Saleri Aftermarket S.p.A.	Via Ruca, 406 – Lumezzane (BS)	Euro 50,000	100%
Saleri México S.A. de C.V.	Avenida Aero Industrial Lote 13, Apodaca, C.P. 66629, Nuevo Léon, México	MXN 98,233,500	51%
Saleri Shanghai Co.Ltd	Taifeng road 188/b, Anting Town Jiading district 201.814 Shanghai China	RMB 14,821,016	95%

The subsidiaries excluded from the scope of consolidation are listed below:

Name	Registered office	Shareholder	Share capital	Interest held
C.D.C. Taiwan Inc.	1F, No. 63, LN. 118,St.Dongjid RD., Guishan Dist., Taoyuan City 33353, Taiwan (R.O.C.)	Saleri Aftermarket S.p.A.	TWD 32,000,000	51%
Immobiliare Industriale Deutschland GMBH in liquidation	Siemenstrasse, 26 70825 – Korntal Munchingen (Deutschland)	Immobiliare Industriale S.r.l.	Euro 540,000	100%
Saleri GMBH	Landesberger Strasse, 155 D-80687 Munich - Deutschland	Industrie Saleri Italo S.p.A.	Euro 25,000	100%
Saleri India Private Ltd	Chakan Industrial Area, Village Khalumbre, Tal-Khed, District Pune 410501, Maharashtra	Industrie Saleri Italo S.p.A.	INR 305,900,000	51%

Reasons for exclusion

Pursuant to Article 28(2)(a) of Legislative Decree 127/91, we note that the following companies have been excluded from the scope of consolidation as their financial statements are immaterial in relation to the provision of a true and fair representation of the Group's balance sheet and financial position:

- **C.D.C. Taiwan Inc** – the financial statements of this 51% owned company are currently immaterial to the Group;
- **Immobiliare Industriale Deutschland Gmbh in liquidation** – controlled by Immobiliare Industriale S.r.l. – the company originally owned a property leased to third parties and is now at an advanced stage of liquidation as it has sold the only asset it held. At the date of these Notes, the last formal steps for the liquidation of the legal entity were still in progress. The liquidation process has not produced any significant effects on the company's financial statements;
- **Saleri Gmb** – with effect from the 2020 reporting period, the company – which, in prior years, essentially operated as a branch office on the German market – began to provide consulting activities to support the parent company in its dealings with customers based in Germany; despite the start of these activities, its financial statements remain immaterial;
- **Saleri India Private Ltd.** – on 12 February 2021, the Parent Company acquired an investment in Saleri India Private Limited, a company incorporated on 4 December 2020. The Company has not yet begun to operate to a significant extent.

Accounting policies and measurement criteria

The accounting policies and valuation criteria adopted by the Company in preparing the attached Financial Statements are those required by the applicable legislation (Article 2423(2) of the Italian Civil Code), as well as by the accounting standards issued by the OIC – Italian Accounting Standards Board – and, where they are lacking, those issued by the IASB (International Accounting Standards Board).
The Financial Statements have been prepared clearly and provide a true and fair representation of the Group's balance sheet and financial situation and its result for the year.
Further information is provided in the notes on each caption.
The criteria used when preparing the Financial Statements at 31 December 2021 are those used in the separate financial statements of the parent company which prepares the consolidated financial statements. They are consistent with those used when preparing the prior year Consolidation Financial Statements, especially with regard to valuations and the consistent application of the same principles.
The amounts reported in the Financial Statements have been measured using the general prudence and accrual principles, on a going concern basis and taking account of the economic function of each asset and liability considered.

Prudence

Application of the prudence principle involved the separate measurement of each component item of the individual asset or liability captions, in order to avoid offsetting of losses that should be recognised and profits that should not as they have not been realised.

Accruals

In accordance with the accrual principle, the effect of transactions and other events has been accounted for and allocated to the period to which such transactions and events refer and not to those in which the related cash movements (collections and payments) take place.

Going concern issue

As described in more detail in the "Foreword" paragraph, the Group has prepared the 2021 Consolidated Financial Statements on a going concern basis.
Consistent application of accounting policies and valuation methods is essential to ensure the comparability of the financial statements from one reporting period to another.
Details of the most significant accounting policies and measurement criteria applied during the period are provided below.

Intangible assets

Intangible assets are recorded at purchase or production cost, including related expenses, and amortised on a straight-line basis. Start-up and expansion costs are reported under the relevant caption and amortised over their useful life which cannot exceed five years.Software licences are amortised on a straight-line basis over three years. Management/ERP software is amortised on a straight-line basis over five years.Trademarks are amortised on a straight-line basis over 18 years. Development costs are expensed in the Income Statement for the period in which they are incurred. This is except for expenses relating to projects designed to realise new products whose sale on a commercial basis – with margins sufficient to enable recovery of the expenses incurred – is realistically foreseeable. Development costs whose useful life cannot be reliably estimated are amortised over not more than five years. Development costs with a clear link to projects with an estimated useful life of 10 years are amortised over that period at a rate of 10% per annum. Until amortisation has been completed, dividends may only be distributed if there are sufficient residual available reserves to cover the development costs not yet amortised.

Leasehold improvements made during the period are amortised over the residual period of the related lease/rental agreement.
The consolidation difference emerges upon preparation of the Consolidated Financial Statements when the carrying amount of investments is eliminated for the first time against the corresponding portion of equity of the subsidiaries.
Any excess that cannot be allocated to individual asses of the entities included in the consolidation is recorded under the caption "Goodwill", where requirements are met. This caption is amortised over a period of ten years as this period is felt best to represent its useful life and not to exceed the period of utilisation of the asset, taking account of the extent of the benefits expected and the synergies resulting from the business acquired.
Other items included in intangible assets but not specifically mentioned here are recorded in the Financial Statements at purchase cost and amortised on a straight-line basis over their estimated useful lives which cannot exceed five years.
Where required by the Italian Civil Code, the above items have been recognised with the agreement of the Board of Statutory Auditors.
Intangible assets whose fair value at the reporting date is permanently impaired compared to the amortised cost determined as above are adjusted to bring them into line with their fair value; the amount and reasons for any impairment adjustments made to intangible assets are disclosed, with specific reference to their involvement in the future generation of profits, their estimated useful life and, insofar as relevant, their market value. Details of differences with adjustments made in prior periods are also shown and their impact on the results for the period is highlighted.
During the reporting period, there were no conditions requiring impairment adjustments to be made to intangible assets.

Tangible assets

Tangible assets are recorded at purchase or production cost, adjusted for certain assets in application of specific monetary revaluation laws, as reported on a specific schedule.
Cost includes related expenses and direct and indirect expenses insofar as reasonably attributable to the asset until the time the assets become available for use.

Tangible assets are systematically depreciated every year on a straight-line basis using rates determined based on the residual useful lives of the assets.
The depreciation rates used are unchanged compared to prior year and are in line with those established by the Finance Ministry Decree of 31/12/1988, as follows:

Asset Category	Rate
Land and buildings	
Industrial buildings	3.00%
Plant and machinery	
General plant and machinery	5-10.00%
Specific plant and machinery	5-10.00%
Industrial and commercial equipment	
Equipment	12.50-25.00%
Prototype Equipment	50.00%
Other tangible assets	
Office furniture and equipment	12.00%
Electronic office equipment	20.00%
Motor vehicles	25.00%
Internal means of transport	20.00%
Assets costing not more than Euro 516.46	100.00%

Ordinary maintenance expenses are charged in full to the Income Statement. Incremental maintenance expenses are allocated to the relevant tangible asset and depreciated over the remaining useful life of that asset.
Tangible assets under construction are valued at cost including direct and indirect related expenses and disclosed under the asset caption reserved for them.Tangible assets purchased under finance leases with a final purchase option are recognised as assets in the period in which the final purchase option is exercised.

Any assets subject to sale and purchase with a final return obligation are recorded in the Balance Sheet of the seller.
Tangible assets whose fair value at the reporting date is permanently impaired compared to the depreciated cost determined as above are adjusted to bring them into line with their fair value; the amount and reasons for any impairment adjustments made to tangible assets are disclosed, with specific reference to their involvement in the future generation of profits, their estimated useful life and, insofar as relevant, their market value. Details of differences with adjustments made in prior periods are also shown and their impact on the results for the period is highlighted.
During the reporting period, no indicators of impairment of any of the tangible assets included on the Balance Sheet were identified.

Financial assets

Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies classified as non-current assets are measured at purchase and/or subscription cost. Cost is adjusted for impairment if the subsidiaries/associated companies have incurred losses and sufficient profits to absorb said losses are not foreseeable in the immediate future.
Investments recorded under non-current financial assets represent a permanent, strategic investment by the Company. Investments that are not considered long-term are classified as current assets.

Other investments and non-current securities

Securities constituting short-term investments have been measured at the lower of purchase or subscription cost and fair value.

Inventory, securities and current financial assets

Inventory, securities and current financial assets are recorded at the lower of purchase cost – including direct related expenses – and estimated realisable amount, based on market trends.
The cost calculation methods adopted are as follows:

- for raw and ancillary materials, purchase cost is determined applying the weighted average cost method;
- for finished goods and work in progress, production cost includes the purchase cost of raw materials and components determined as above plus the portion of direct and indirect production costs ("general production costs") reasonably attributable to them, also taking account of the percentage of completion of the production phase they have reached;
- for contract work-in-progress, in addition to purchase cost of raw materials and components determined as above, production cost also includes the portion of direct and indirect production costs that may reasonably be attributed to these items; cost is measured using the percentage of completion method;
- for some items such as prototypes and equipment ("tooling"), purchase cost is determined using the specific cost method.

Estimated realisable amount, based on market trends, is determined based on the current prices-costs and prices-revenues of inventory at the reporting date. If estimated realisable amount is lower than purchase or production cost, the inventory is written down accordingly by means of an allocation to the inventory provision.
The value of obsolete and slow moving inventory has been written down based on their possible future utilisation or realisation by means of an allocation to the inventory obsolescence provision.

Receivables

Receivables are classified as non-current assets or as current assets based on their destination/origin in relation to ordinary activities. They are reported at estimated realisable amount, after the provision for bad debts calculated in relation to the risk of bad debts resulting from a specific analysis of each balance and taking account of historical bad debt trends and the country risk; the amount recorded in the bad debt provision is considered reasonable in relation to expected bad debts. Where necessary, this amount is obtained by means of direct adjustment to specific receivables on a detailed basis.

Receivables due after more than 12 months are recorded using the amortised cost method, taking account of the time factor. The amortised cost method is not applied when the effective interest rate is not significantly different than the market interest rate or when the effects of application of the amortised cost method are immaterial compared to the method already adopted.

Receivables include invoices issued and invoices not yet issued but referring to transactions relating to the reporting period.

Receivables denominated in foreign currency are initially recognised at the spot exchange rate in force at the transaction date. At the reporting date, foreign currency receivables are restated at the reporting date spot rate. When realised, exchange gains and losses are recorded in the Income Statement. Any unrealised net exchange gain resulting from translation of foreign currency receivables is allocated to a non-distributable reserve until realised.

Receivables are derecognised from the Balance Sheet when the right to receive cash flows is extinguished and substantially all of the risks and rewards of title to the asset have been transferred or if the receivable is definitively considered non-recoverable after all necessary recovery procedures have been completed.

Any receivables from customers involved in insolvency proceedings or in a state of proven economic distress which render enforcement measures pointless are written off in full or to the extent that information obtained or the procedures in progress lead to the conclusion that they will prove uncollectable.

Current financial assets

This caption includes bonds and investments which the Directors have decided will not be held as long-term investments by the Company. They are carried at the lower of specific cost and fair value, as determined – for listed securities – based on the listed price at the reporting date of 31 December 2021.
Investments and securities are adjusted to bring them into line with their lower fair value on an individual basis, for each type of investment and not for the entire segment. When the reasons for an impairment adjustment cease to apply, the adjustment is reversed up to a maximum of the cost of the asset.

Cash and cash equivalents

This caption contains all cash and cash equivalents held by the Group, whether on hand or in bank accounts. They are reported at nominal amount.

Prepaid expenses and accrued income, accrued expenses and deferred income

Prepaid expenses and accrued income include income relating to the period but collectible in future periods and expenses incurred before the reporting date but relating to future periods. Accrued expenses and deferred income include expenses relating to the period but payable in future periods and income already received by the reporting date but relating to future periods. They do not depend on the payment or collection date of the related expenses or income which are common to two or more reporting periods and are allocated based on time. The amount is determined by spreading the income or the expense (generally arising under contracts for a fixed period of time) in order to allocate the relevant portion to the reporting period and to defer or accrue the remaining portion.

Provisions for risks and charges

Provisions for risks and charges have been created to cover losses or liabilities of a determinate nature, which are certain or probable, but whose amount or due date could not be determined at the reporting date.
Provisions for risks and charges also include the provision for "taxation, including deferred tax" which includes amounts relating to probable tax liabilities whose amount or due date is uncertain and which originate from tax assessments not yet finalised or ongoing tax disputes or similar circumstances. The provision "for taxation, including deferred tax" includes deferred tax liabilities determined based on taxable temporary differences.
These provisions were calculated in accordance with the prudence and accrual principles. No general provisions for risks without any economic justification have been created.
Allocations to provisions for risks and charges are recorded under the appropriate Income Statement cost headings (B, C or D) if possible. Whenever it is not possible to make a connection between allocations to provisions for risks and charges are recorded under Income Statement captions B12 and B13.

Employee severance indemnity ("TFR") provision

The employee severance indemnity provision represents the Parent Company's effective commitment towards each employee, as determined in accordance with current legislation in each country and for the Italian companies, in particular, in accordance with the terms of Article 2120 of the Italian Civil Code, national collective labour agreements and supplementary local agreements. Therefore, the "Employee severance indemnity provision" includes indemnities accruing in favour of employees at the reporting date, net of advances paid and after deducting partial advances maturing and paid. For the Italian companies, following supplementary pension reform in 2006, amounts accruing from 1 January 2007 onwards may be maintained in the company or allocated to a supplementary pension fund, as the employee chooses.
This liability is subject to index-based revaluation.
Advance payments are treated separately and deducted from the provision to show the net liability. The portion of the provision relating to the reporting period is allocated to the Income Statement.
As required by rules on the *Trattamento di Fine Rapporto* contained in Law no 296 of 27 December 2006 and in subsequent Implementing Decrees issued in the first few months of 2007 (Pension Reform), the liability reported represents the actual amount payable to employees at 31 December 2006, as revalued based on indexes and updated for amounts accruing in the first half of 2007 and not paid into supplementary pension funds. The balance also includes the TFR entitlement of persons hired in the second half of 2021 who have not yet stated their choice as to the destination of the TFR accruing, given the fact that this choice may be made within six months of the date of employment.

Payables

Payables falling due within a year are stated at nominal amount and include, where applicable, interest accruing and due at the reporting date.

Payables falling due after more than a year are recorded using the amortised cost method, taking account of the time factor. The amortised cost method is not applied when the effective interest rate is not significantly different than the market interest rate or when the effects of application of the amortised cost method are immaterial compared to the method already adopted.

Payables include invoices received and invoices yet to be received but for services relating to the reporting period.

Payables are derecognised from the Balance Sheet when the specific contractual obligation is extinguished.

Payables for employee holidays accruing and for deferred remuneration, including amounts due to social security and pensions institutions, are recorded based on the amount that would have been payable if the employment relationship had ended on the reporting date.

Derivative instruments

Derivative instruments are arranged solely in order to hedge underlying interest rate, exchange rate, price and credit risks. The instruments meet the requirements to be considered as simple hedges and are, therefore, measured using the simplified method. Derivatives are classified as hedging instruments only when, at the start of the hedge, there is a close, documented relationship between the characteristics of the item hedged and those of the hedging instrument and that hedging relationship is formally documented. A derivative instrument used to hedge the cash flows or the fair value of an asset follows the classification of the hedged asset, in current assets or non-current assets; a derivative instrument used to hedge the cash flows or the fair value of a liability, a binding commitment or a highly probable planned transaction is classified in current assets, as is a non-hedging financial instrument. If they have a negative fair value, these instruments are recorded as liabilities under provisions for risks. When derivatives hedge the risk of the future cash flows from the hedged instrument (cash flow hedges), the effective portion of the gains or losses on the derivative instrument is suspended in Equity. The ineffective portion of the gains and losses of a hedge are recorded in the Income Statement. When the related transaction is realised, accumulated gains and losses – until then recorded in equity – are recorded in the Income Statement (as adjustments to the Income Statement items affected by the hedged flows). The Group has decided to apply hedge accounting for the hedging of changes in cash flows of financial liabilities as a result of interest rate fluctuation.
Therefore, changes in the fair value of derivative hedging instruments are recorded:

- in the Income Statement in captions D18 or D19 in case of a hedge of the fair value of an asset or liability reported in the financial statements or of changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in fair value of the hedging instrument, the difference is recorded in the Income Statement caption affected by the hedged item);
- in a specific Equity reserve (caption AVII “Cash flow hedge reserve”) in case of a cash flow hedge in such a way as to counterbalance the hedged cash flows (the ineffective portion, as well as the change in the time value of options and forward contracts, is classified in captions D18 and D19.

Translation of amounts denominated in foreign currency

Receivables and payables originally expressed in foreign currency are translated into Euro at the historical rates on the date they arose. Exchange differences realised upon settlement of payables and collection of receivables in foreign currency are recorded in the Income Statement.
Foreign currency receivables outstanding at the reporting date have been translated into Euro at the reporting date exchange rate. Exchange gains and losses arising in this way have been recorded in the Income Statement under caption C.17-bis "Exchange gains/ losses ", while allocating an amount equal to any net gain arising to a non-distributable equity reserve until the time of realisation.

Revenue, income, costs and expenses

Revenue and expenses are recorded in the Income Statement on an accrual basis, while recognising prepaid expenses and accrued income, accrued expenses and deferred income, in accordance with the prudence principle.
Revenue and income, costs and expenses are recorded net of returns, discounts, allowances and bonuses, as well as any taxes directly related to the sale of products and the provision of services. Revenue from the sale of products is recognised upon change of ownership which normally coincides with shipment or delivery. Revenue for services is recognised when the services have been rendered. Revenue relating to contract work in progress is recognised upon the transfer of ownership/transfer of risks and rewards, which normally occurs upon delivery or despatch of the goods. Income and expenses relating to sale and purchase transactions with a future return obligation, including the difference between forward price and spot price, are recognised on an accrual basis. Gains on finance lease transactions are allocated over the period of the finance lease agreement.
Financial income and revenue from services are recognised on an accrual basis.
Extraordinary or non-recurring income and expenses are recorded under the Income Statement captions deemed appropriate based on the type of transaction. Any residual amounts are recorded under “Other revenues and income” and “Other operating expenses”.

Taxes on income for the period

Current taxes, deferred taxes and deferred tax income are calculated applying tax rules in the countries where the consolidated companies are based.
Current taxes are determined based on a realistic estimate of the expense payable in application of current tax legislation; the related liability is stated net of payments on account, withholding taxes suffered and tax credits under the caption "Tax payables"; any net receivable is recorded under "Tax receivables".
Deferred taxes are calculated in the financial statements of the individual consolidated entities based on temporary differences between the amount attributed to assets and liabilities for statutory reporting purposes and the amount attributed to the same assets and liabilities for tax purposes; they are also recorded in the consolidated financial statements in relation to differences generated by consolidation adjustments. Deferred tax assets, including the benefit of tax loss carry-forwards, are recognised under the relevant current assets caption. The tax benefit of tax loss carry-forwards is recognised when it is reasonably certain that it will be realised.
Once again in 2021, the consolidated taxation arrangement elected for by Industrie Saleri Italo S.p.A. together with subsidiaries Immobiliare Industriale S.r.l. and ABL Automazione S.r.l. was in operation. The related rules, as contained in Articles 117-129 of Legislative Decree 917/86, as subsequently amended and integrated, involve the determination for corporate income tax (IRES) purposes of an overall amount of taxable income consisting of the sum of the income and/or losses of the parent company and the participating subsidiaries. This leads to a single tax payment or to a single tax receivable that may be collected or carried forward by the parent company. The parent company also carries forward any consolidated tax loss.

Finance leases

In accordance with Italian Accounting Standard OIC 17, the "finance lease method" has been used to account for leases in the consolidated financial statements, broadly in line with the rules laid down by International Accounting Standards.
Therefore, the related tangible assets have been capitalised and are reported net of accumulated depreciation. The outstanding principal payable is reported as a liability. Interest expense and depreciation have been recorded in the Income Statement in place of the finance lease instalments.

Use of estimates

Preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that affect the value of assets and liabilities at the reporting date. Inevitably, the actual results that will subsequently materialise may differ from these estimates.
In particular, estimates are used to determine the useful life of tangible assets and to record the related depreciation, to make provisions for bad debts and for inventory obsolescence, to make writedowns, to provide for employee benefits and to provide for taxation and other items. Estimates and assumptions are revised periodically and the effects of every change are reflected in the Income Statement for the period in which the estimate is revised.

Changes to accounting policies and measurement criteria

We note that in these Financial Statements no changes have been made to accounting policies and valuation criteria compared to prior year. This is except for foreign currency assets and liabilities which have been measured in accordance with the new requirements of Article 2426 (8-bis) of the Italian Civil Code.

Exceptions in terms of Article 2423(4) of the Italian Civil Code

No exceptions in terms of Article 2423(4) of the Italian Civil Code were made when preparing the Consolidated Financial Statements.

Effects of application of OIC 29

Correction of Errors:

As in previous reporting periods, at 31 December 2021, Inventory includes the sub-category "Equipment for Resale" which includes the cost valuation of Euro 1,332,684 of Tools to Resell to our end customers. We note that the balance of this sub-category has been adjusted downwards due to the effect – totalling Euro 1,293,623 – of errors regarding the booking of movements of certain inventory items in prior years that were only identified during the current reporting period. In 2021, the Parent Company implemented a new enterprise management/ERP system - SAP. The implementation was preceded by an overhaul of business processes including that relating to "Tools to Resell". The overhaul of the process and the launch of the new ERP system brought to light the error resulting from the erroneous (pre-SAP) procedure regarding movements on the aforementioned inventory category in previous periods.
The Directors believe that this error may be defined as "material" considering its nature and amount in relation to the aforementioned sub-category as reported in the income statements and balance sheets presented for previous reporting periods.

As the error was committed in previous periods and as it was not considered feasible to determine the effect relating to the 2020 reporting period, the opening balances of the captions Inventory and Shareholders' Equity were redetermined for the current reporting period.
Therefore, pursuant to the guidelines contained in Italian Accounting Standard OIC 29, the amount of Euro 1,293,623 has been accounted for as an adjustment to the opening balance of Shareholders' Equity for 2020 under the caption "Retained earnings (Accumulated losses)".

Change of accounting policies:

In 2021, subsidiary ABL Automazione S.r.l. opted to change the measurement criteria applied to contract WIP and passed from the completed contract method (used until the 2020 reporting period) to the percentage of completion method. In 2021, the Company implemented some important improvements to its enterprise management systema and business processes (including the necessary updates and changes to information systems) in order to achieve a high level of reliability of contract estimates and permit detailed analysis of their percentage of completion.
Consequently, the Company concluded that it should account for contracts using the percentage of completion method as it was more representative of the business reality. Therefore, it changed the measurement criteria and, in accordance with Italian Accounting Standard OIC 29, restated the financial statements by Euro 37,204 in order to enable the necessary comparison with prior year.

The error correction and the change of accounting policies involved adjustments to the following captions:

Adjustments to financial statements at 31/12/2020 for comparative purposes	Amount per financial statements at 31/12/2020	Amount per financial statements for comparative purposes	Adjustments
Inventory - Contract WIP (change of accounting policy)	2,275,000	2,428,844	153,844
Inventory - Finished Goods (correction of accounting errors)	10,854,205	9,560,582	-1,293,623
Provision for risks and charges - other (change of accounting policy)	-3,527,460	-3,644,100	-116,640
Consolidated Shareholders' Equity at 31/12/2020 (change of accounting policy and correction of accounting errors)	-45,419,848	-44,163,429	1,256,419

Comparability of account balances

The amounts reported in these consolidated financial statements are all suitable for comparison in terms of Article 2423-ter of the Italian Civil Code.

Notes to the balance sheet

Non-current assets

Intangible assets

Movements	Start-up and expansion costs	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Consolidation differences	Assets in progress and payments on account	Other	Total
Historical cost	110,920	2,871,708	985,341	0	4,139,181	5,266,759	5,854,008	**19,227,917**
Previous revaluations	0	0	0	0	0	0	0	**0**
Accumulated amortisation	(110,920)	(1,584,737)	(620,084)	0	(538,467)	0	(3,719,492)	**(6,573,700)**
Previous writedowns	0	0	0	0	0	0	0	**0**
Opening amount	**0**	**1,286,971**	**365,257**	**0**	**3,600,714**	**5,266,759**	**2,134,516**	**12,654,217**
Additions during the year	0	410,303	587,735	2,013,187	0	4,059,154	315,521	**7,385,900**
Change in scope of consolidation (cost)	293,658	308,117	5,636	33,558	0	0	72,272	**713,241**
Change in scope of consolidation (Accum. Amort'n)	(7,341)	(32,455)	(4,796)	(22,799)	0	0	(1,474)	**(68,865)**
Reclassifications	0	1,048,029	2,930,992	0	0	(3,979,021)	0	**0**
Movements to other caption during period	0	0	0	0	0	0	0	**0**
Disposals (historical cost)	0	(317,328)	0	0	0	(695,945)	0	**(1,013,273)**
Disposals (Accum. Amort'n)	0	88,089	0	0	0	0	0	**88,089**
Revaluations during year	0	0	0	0	0	0	0	**0**
Amortisation for the year	0	(517,919)	(975,959)	(29,079)	(413,918)	0	(1,022,919)	**(2,959,794)**
Writedowns for the year	0	0	0	0	0	0	0	**0**
Other changes - cost	0	1	391	0	0	0	132,058	**132,450**
Other changes - accumulated amortisation	0	0	15,102	0	0	0	(103,645)	**(88,543)**
Total changes	**286,317**	**986,837**	**2,559,101**	**1,994,867**	**0**	**(615,812)**	**(608,187)**	**4,189,205**
Historical cost	404,578	4,320,830	4,510,095	2,046,745	4,139,181	4,650,947	6,373,859	**26,446,235**
Previous revaluations	0	0	0	0	0	0	0	**0**
Accumulated amortisation	(118,261)	(2,047,022)	(1,585,737)	(51,878)	(952,385)	0	(4,847,530)	**(9,602,813)**
Previous writedowns	0	0	0	0	0	0	0	**0**
Closing amount	**286,317**	**2,273,808**	**2,924,358**	**1,994,867**	**3,186,796**	**4,650,947**	**1,526,329**	**16,843,422**

Intangible assets represent expenses that produce long-term benefits. They amount to Euro 16,843,422 (Euro 12,654,217 at 31 December 2020) and are stated net of accumulated amortisation (Euro 9,602,813).

The amounts are after consolidation adjustments for intercompany transactions.The captions “other changes in cost” and “other changes in accumulated amortisation” include the forex difference relating to movements of Saleri Shanghai in 2021 compared to the prior reporting date balance translated at the corresponding balance sheet exchange rate.The amounts shown under “Changes in Scope of Consolidation (cost)” and “Changes in Scope of Consolidation (accumulated amortisation)” refer to the effects of consolidation of amounts relating to subsidiaries at the date of acquisition (Saleri Aftermarket S.p.A.) or consolidation (Saleri México S.A. de C.V.).

Start-up and expansion costs

The amount of Euro 286,317 (zero carrying amount at 31 December 2020) is net of accumulated amortisation of Euro 118,261 and refers to expansion costs of subsidiary Saleri México S.A. de C.V.. The balance also includes deferred expenses (historical cost of Euro 110,920, now fully amortised) relating to the spin-off operation in 2015 whereby subsidiary Immobiliare Industriale S.r.l. was established.

Development Costs

The amount of Euro 2,273,808 (Euro 1,286,971 at 31 December 2020), net of accumulated amortisation of Euro 2,047,022, relates to development costs incurred by the parent company and by subsidiaries ABL Automazione S.r.l. and Saleri México S.A. de C.V.; the latter amounts are disclosed separately under changes to the scope of consolidation.

Once again in 2021, the Group carried out intensive research and development activities into technological innovation. Further details are provided in the Directors' Report.

The following table contains the disclosures required by Article 2427(3) in relation to development costs:

Description	Opening amount	Change in scope of consolidation	Increases	Decreases	Closing amount
Development costs	1,286,971	275,662	1,458,333	747,158	2,273,808
Total	**1,286,971**	**275,662**	**1,458,333**	**747,158**	**2,273,808**

The balance and the main changes during the reporting period are detailed below:

Industrie Saleri Italo S.p.A.

During the reporting period, the Parent Company carried out research and development activities into technological innovation. Further details are provided in the Directors' Report.

With regard to development activities alone, in 2021, the Parent Company incurred personnel costs totalling Euro 4,954,332 and external development costs of Euro 367,058. Based on a careful analysis of available information on external development costs and on the number of hours spent on development projects already assigned (i.e. projects for which a final contract has been signed), the Directors concluded that they could capitalise the lower amount of Euro 3,856,873. In more detail:

- Euro 3,500,454 of costs relating to projects for which the development phase has not yet been completed; these costs are recorded under Intangible assets in progress;
- Euro 356,419 of costs relating to projects for which the development phase has been completed and which have been capitalised under Development costs.

During the reporting period, following completion of the development phase, certain projects with a value of Euro 1,048,029 were reclassified from “Intangible assets in progress and payments on account” and the amortisation process commenced.

Costs capitalised up to 2019 whose useful life could not be reliably estimated are amortised over not more than five years; this period is normally shorter than the mass production period of the related items. Development costs with a clear connection to projects with an estimated useful life of 10 years are amortised over that period at 10% per annum.
As previously stated, increases totalling Euro 1,404,448 (of which Euro 1,048,029 reclassified from “Assets in progress and payments on account”) includes the amount of projects for which the development phase was completed during the year.
Disposals relate to projects launched in previous years for which clients have confirmed cancellation of expected future volumes (net carrying amount of Euro 229,238).

ABL Automazione S.r.l.

With regard to development activities alone, in 2021, the Company incurred personnel costs totalling Euro 172,132. Based on a careful analysis of available information on the number of hours spent on development projects, the Directors concluded that they could capitalise the full amount. The amount refers to costs relating to projects for which the development phase has been completed (Euro 53,884) and costs relating to projects for which the development phase has not yet been completed and which have, therefore, been recorded under Intangible assets in progress (Euro 118,248).

The capitalised costs are amortised over a period of five years.

Patents and intellectual property rights

The net balance amounts to Euro 2,924,358 (Euro 365,257 at 31 December 2020), net of accumulated amortisation of Euro 1,585,737, and refers almost entirely to Software.
Increases for the year of Euro 3,518,727 (of which Euro 2,930,992 reclassified from “Intangible assets in progress and payments on account”) mainly entirely refers to purchases of new management/ ERP software by the Parent Company (Euro 3,426,908) and to implementation of existing software by subsidiary ABL Automazione S.r.l. (Euro 88,241).

“Changes in the scope of consolidation” entirely refer to subsidiary Saleri Aftermarket S.p.A..

Concessions, licences, trademarks and similar rights

The net balance amounts to Euro 1,994,867 (zero at 31 December 2020) net of accumulated amortisation of Euro 51,878 and almost entirely refers to trademarks purchased by the Parent Company during the year (Euro 2,013,187).
It also includes a small amount of trademarks owned by subsidiary Saleri Aftermarket S.p.A. and shown under “changes in scope of consolidation”.

Consolidation difference

The consolidation difference of Euro 3,186,796 (Euro 3,600,714 at 31 December 2020) is net of amortisation of Euro 952,385 and arose upon the elimination of the carrying amount of the investment in ABL Automazione S.r.l. against the corresponding portion of Equity at the acquisition date. The difference is not attributable to any individual assets of the entity and is being amortised over ten years. Said period is felt best to reflect its useful life and does not exceed the period in which the asset will be used, taking account of the expected benefits and synergies expected from the business acquired.

The balance did not undergo any changes during the reporting period, except for the amortisation charge of Euro 413,918.
The Parent Company has performed an impairment test in order to check the recoverability of the consolidation difference recognised in the Consolidated Financial Statements. The impairment test was performed using forecast information from the Business Plan 2022-2025 prepared by Management and approved by the Board of Directors and did not detect the presence of any impairment.

Intangible assets in progress and payments on account

This balance amounts to Euro 4,650,947 (Euro 5,266,759 at 31 December 2020) and consists of payments on account relating to the Parent Company (Euro 4,405,714) and subsidiaries Saleri Aftermarket S.r.l. (Euro 115,443 after consolidation adjustments) and ABL Automazione S.r.l. (Euro 129,790). In more detail, the balance includes:

- Euro 4,523,962 of internal development costs incurred in relation to development projects not yet completed. The costs now recorded under this caption will be reclassified to the relevant asset category as described above – once their suitability for capitalisation has been confirmed – and they will be amortised from the date of completion of the development phase, considering the estimated residual useful life of the project to which they refer; the balance increased by Euro 3,932,849 during the period. Development costs with a clear connection to projects with an estimated useful life of 10 years are amortised over that period at a rate of 10% per annum. Where useful life cannot be reliably estimated, such development costs are amortised over a period of not more than five years;
- Euro 115,443 of capex on new management/ERP software that has not yet completed its testing and release phase; additions during the period make up the entire amount;
- Euro 11,542 of payments on account towards leasehold improvements.

Decreases during the reporting period of Euro 695,945 mainly refer to chargebacks to customers of development costs incurred in prior years.

During the period, the development phase was completed for several projects so the related costs totalling Euro 1,048,029 were reclassified and capitalised under “Development Costs”.
The additional amount of Euro 2,930,992, reported under reclassifications, refers to investment in new management/ERP Software completed during the year in respect of which payments on account were made in prior year.

Other intangible assets

This caption amounts to Euro 1,526,329 (Euro 2,134,516 at 31 December 2020) after accumulated amortisation of Euro 4,847,530; total increases for the period amount to Euro 315,521.
"Changes in the scope of consolidation" entirely refer to subsidiary Saleri México S.A. de C.V..

The balance and changes thereon are detailed below:

Industrie Saleri Italo S.p.A.

This item, amounting to Euro 1,047,437 (Euro 1,685,801 at 31 December 2020), entirely refers to leasehold improvements. Additions for the period amount to Euro 10,000 and refer to leasehold improvements.

ABL Automazione S.r.l.

This item, amounting to Euro 37,035, increased by Euro 27,803 during the period and consists entirely of leasehold improvements.

Saleri México S.A. de C.V.

This item, amounting to Euro 70,798, refers entirely to leasehold improvements.

Saleri Shanghai Co. Ltd.

This item, amounting to Euro 118,248 (Euro 439,840 at 31 December 2020), refers to:
- Euro 90,218 of leasehold improvements;
- Euro 28,030 of deferred expenses.

Additions for the period total Euro 18,323 and refer to leasehold improvements.

Tangible assets

Movements	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction and payments on account	Total
Historical cost	20,112,723	80,682,432	34,046,804	6,048,228	739,448	141,629,635
Previous revaluations	6,502,686	0	0	0	0	6,502,686
Accumulated depreciation	(5,746,653)	(45,895,705)	(29,201,890)	(4,866,698)	0	(85,710,946)
Previous writedowns	(1,560,488)	0	0	0	0	(1,560,488)
Opening amount	**19,308,268**	**34,786,727**	**4,844,914**	**1,181,530**	**739,448**	**60,860,887**
Additions during the year	117,602	2,541,135	1,566,625	198,902	3,252,396	7,676,660
Change in scope of consolidation (cost)	0	1,968,120	157,676	388,597	106,118	2,620,511
Change in scope of consolidation (Accum. Depre'n)	0	(366,812)	(136,045)	(267,785)	0	(770,642)
Reclassifications	99,440	47,164	296,873	2,495	(445,972)	0
Movements to other caption during period	0	0	0	0	0	0
Disposals (historical cost)	0	(312,300)	(1,354,920)	(96,424)	(123,106)	(1,886,750)
Disposals (Accum. Depr'n)	0	281,095	1,257,118	95,474	0	1,633,687
Revaluations during year	0	0	0	0	0	0
Amortisation for the year	(675,154)	(2,778,952)	(1,426,122)	(457,905)	0	(5,338,133)
Writedowns for the year	0	0	0	0	0	0
Other changes -cost	0	263,780	200,007	23,702	2,195	489,684
Other changes - accumulated dep'n	0	(116,286)	(145,988)	(18,668)	(1)	(280,943)
Total changes	**(458,112)**	**1,526,944**	**415,224**	**(131,612)**	**2,791,630**	**4,144,074**
Historical cost	20,329,765	85,190,331	34,913,065	6,565,500	3,531,079	150,529,740
Previous revaluations	6,502,686	0	0	0	0	6,502,686
Accumulated depreciation	(6,421,807)	(48,876,660)	(29,652,927)	(5,515,582)	(1)	(90,466,977)
Previous writedowns	(1,560,488)	0	0	0	0	(1,560,488)
Closing amount	**18,850,156**	**36,313,671**	**5,260,138**	**1,049,918**	**3,531,078**	**65,004,961**

Tangible assets include land, buildings, industrial and commercial equipment, tangible assets under construction and other tangible assets. They amount to Euro 65,004,961 (Euro 60,860,887 at 31 December 2020) after accumulated depreciation (Euro 90,466,977).

The captions "other changes in cost" and "other changes in accumulated amortisation" include the forex difference relating to movements of Saleri Shanghai Co. Ltd in 2021 compared to the prior reporting date balance translated at the corresponding balance sheet exchange rate.
The amounts shown under "Changes in Scope of Consolidation (cost)" and "Changes in Scope of Consolidation (accumulated amortisation)" refer to the effects of consolidation of amounts relating to subsidiaries at the date of acquisition (Saleri Aftermarket S.p.A.) or consolidation (Saleri México S.A. de C.V.)
In 2018, the Group identified potential indicators of impairment of certain tangible assets. Therefore, in accordance with Italian Accounting Standard OIC 9, it made further writedowns in terms of Articles 2426(1) and (3) of the Italian Civil Code and created an impairment provision totalling Euro 1,560,488. These impairment adjustments have been maintained unchanged in subsequent years and in 2021 as there are no new factors requiring changes to the conclusions reached at the time..

Amounts are stated net of consolidation adjustments regarding intercompany transactions.

In accordance with the law, the following table shows the tangible assets reported in the Financial Statements of Group companies at 31 December 2021 that have been subject to monetary revaluations and exceptions to statutory valuation methods.

Description	Revaluation under Decree Law no.185/2007	Total Revaluations
Land and Buildings	6,502,686	6,502,686
Total	**6,502,686**	**6,502,686**

Land and Buildings

This caption amounts to Euro 18,850,156 (Euro 19,308,268 at 31 December 2020) and is stated net of accumulated depreciation of Euro 6,421,807 (Euro 5,746,653 at 31 December 2020). The balance refers entirely to the Parent Company.
During the reporting period, the balance increased by Euro 217,042 (of which Euro 99,440 reclassified from "Assets under construction and payments on account") mainly for safety improvements to buildings. As stated above, the Parent Company has not made any impairment provisions on top of the amount provided in 2018 as it believes the existing provision reflects the effective impairment of land and buildings. In compliance with Italian Accounting Standard OIC 16, the value of the land on which the buildings are situated has been reported separately.

Plant and machinery

This balance, amounting to Euro 36,313,671 (against Euro 34,786,727 at 31 December 2020), is stated net of accumulated depreciation of Euro 48,876,660 (Euro 45,895,705 at 31 December 2020). It includes plant and machinery of Euro 11,669,390 (Euro 12,593,473 at 31 December 2020) held under finance leases and reported in accordance with International Accounting Standards.

The balance and the main changes thereon are detailed below:

Industrie Saleri Italo S.p.A.

The balance amounts to Euro 32,883,194 (Euro 34,343,827 at 31 December 2020) after accumulated depreciation of Euro 47,396,814 (Euro 44,896,002 at 31 December 2020)
Additions for the period amount to Euro 2,712,697 (including Euro 82,208 reclassified from "Assets under Construction" for payments on account previously made towards projects completed during the period). Additions mainly refer to maintenance capex incurred to ensure machinery is kept updated and fully efficient, as well as to new workstations needed to handle the contracts acquired by the Company. Decreases for the period amount to Euro 16,317 and almost entirely refer to the net carrying amount of assets sold to third parties or scrapped.

ABL Automazione S.r.l.

Plant and machinery amounts to Euro 15,745 (Euro 16,921 at 31 December 2020) net of accumulated depreciation of Euro 286,395 (Euro 285,219 at 31 December 2020).

Saleri Aftermarket S.p.A.

The balance amounts to Euro 20,081 net of accumulated depreciation of Euro 304,201.
Since the date of acquisition, the balance has increased by Euro 4,699 due to purchase of plant.

Saleri México S.A. de C.V.

Plant and machinery amounts to Euro 1,579,946 after accumulated depreciation of Euro 68,591.

Saleri Shanghai Co.Ltd

The balance amounts to Euro 1,494,533 (Euro 1,363,932 at 31 December 2020) after accumulated depreciation of Euro 1,219,797 (Euro 926,339 at 31 December 2020).

Decreases during the reporting period totalled Euro 14,888 as a result of the disposal or sale of machinery no longer used in the production process.

Industrial and Commercial Equipment

This caption amounts to Euro 5,260,138 (Euro 4,844,914 at 31 December 2020) and is stated net of accumulated depreciation of Euro 29,652,927 (Euro 29,201,890 at 31 December 2020).
The balance and the main changes during the period may be detailed as follows:

Industrie Saleri Italo S.p.A.

The balance amounts to Euro 4,215,962 (Euro 4,142,335 at 31 December 2020) after accumulated depreciation of Euro 28,179,007 (Euro 28,131,843 at 31 December 2020).
Additions for the period amount to Euro 1,440,062, including Euro 277,802 reclassified from "Assets under Construction and Payments on Account".
As in the case of "Plant and Machinery", additions to "Industrial and Commercial Equipment" mainly refer to purchases of new equipment needed to carry out the contracts acquired by the Company. The costs incurred have been sustained as part of the plan of capex necessary to install the additional production capacity needed to cope with the new, long-term production contracts acquired by the Original Equipment division. Decreases for the period amount to Euro 91,839 and almost entirely refer to the net carrying amount of assets sold to third parties or scrapped.

ABL Automazione S.r.l.

The balance amounts to Euro 11,866 after accumulated depreciation of Euro 37,442. At 31 December 2020, the balance consisted entirely of fully depreciated equipment.
Additions for the period totalled Euro 15,004.

Saleri Aftermarket S.p.A.

The net carrying amount of Euro 4,430 is after accumulated depreciation of Euro 126,187.

Saleri México S.A. de C.V.

The net carrying amount of Euro 16,722 is after accumulated depreciation of Euro 10,338.

Saleri Shanghai Co.Ltd

The balance amounts to Euro 824,904 (Euro 580,536 at 31 December 2020) after accumulated depreciation of Euro 1,486,207. Increases for the period totalled Euro 408,432 (of which Euro 19,071 of reclassifications from "Assets under construction and payments on account") while decreases totalled Euro 5,963.

Other tangible assets

This caption amounts to Euro 1,049,918 (Euro 1,181,530 at 31 December 2020) and is stated net of accumulated depreciation of Euro 5,515,582 (Euro 4,866,698 at 31 December 2020). It includes cars held under finance leases of Euro 144,455 (Euro 251,489 at 31 December 2020) as a result of application of IFRS 16.
The balance and the main changes during the period may be detailed as follows:

Industrie Saleri Italo S.p.A.

The balance amounts to Euro 721,015 (Euro 1,071,649 at 31 December 2020) after accumulated depreciation of Euro 4,896,332 (Euro 4,594,707 at 31 December 2020) and refers to:

- furniture and fittings of Euro 307,382 (Euro 399,318 at 31 December 2020); additions for the period totalled Euro 7,573, almost entirely in respect of costs for new fittings in production areas. Some furnishings with a carrying amount of zero were disposed of during the period (historical cost Euro 620;
- electronic office equipment of Euro 263,662 (Euro 411,474 at 31 December 2020); additions for the period totalled Euro 36,258, mainly for purchases of laptop PCs to cope with the greater amount of work being done from home and to update and replace electronic devices currently in use; during the period, also as a result of the renewal process, certain electronic equipment with a carrying amount of close to zero was disposed of (original historical cost Euro 71,420;
- cars and vehicles of Euro 149,971 (Euro 260,856 at 31 December 2020); several vehicles were disposed of during the period (original historical cost Euro 21,800).

ABL Automazione S.r.l.

The balance amounts to Euro 59,052 (Euro 50,562 at 31 December 2020) after accumulated depreciation of Euro 300,225 (Euro 280,076 at 31 December 2020).
Increases for the period totalled Euro 28,639 (of which Euro 2,495 reclassified from "Assets under construction") mainly in respect of purchases of electronic equipment.

Saleri Aftermarket S.p.A.

The balance amounts to Euro 77,322 after accumulated depreciation of Euro 266,234 and refers to:

- furniture and fittings of Euro 9,799 (Euro 1,271 at 31 December 2020); since the acquisition date, the balance has increased by Euro 9,485 entirely in relation to the cost of furniture and fittings for new offices;
- electronic office equipment of Euro 38,823 (Euro 25,979 at 31 December 2020); since the acquisition date, the balance has increased by Euro 26,960 mainly for purchases of laptop PCs to cope with the greater amount of work being done for home and for implementations required on the company servers;
- cars and vehicles of Euro 28,700 (Euro 70,805 at 31 December 2020).

Saleri México S.A. de C.V.

The balance amounts to Euro 66,629 after accumulated depreciation of Euro 14,856.

Saleri Shanghai Co.Ltd

The balance amounts to Euro 125,900 (Euro 59,319 at 31 December 2020) after accumulated depreciation of Euro 192,722 (Euro 146,703 at 31 December 2020).During the period, there were increases of Euro 91,482 for purchases of vehicles (Euro 42,240) and electronic equipment (Euro 49,242).

Assets under construction and payments on account

Assets under construction and payments on account total Euro 3,531,078 (Euro 739,448 at 31 December 2020).
The balance and the main changes during the year may be detailed as follows.

Industrie Saleri Italo S.p.A.

The balance amounts to Euro 3,205,900 (Euro 752,925 at 31 December 2021) and refers to payments made on account during the period towards additions to tangible assets.
During the period, Euro 459,450 was reclassified to the relevant tangible asset categories following the completion of the related capex. Decreases for the period totalled Euro 123,106 and mainly referred to the reversal of payments on account received in prior years in relation to equipment to be resold.
Increases for the period totalling Euro 3,035,530 regard payments made on account in relation to new production lines and equipment to cope with the new long-term production contracts acquired by the Original Equipment Division.

Saleri México S.A. de C.V.

The balance amounts to Euro 106,118 and refers to payments made on account in relation to the realisation of new production lines and equipment to cope with new long-term production contracts acquired by the Original Equipment Division.

Saleri Shanghai Co.Ltd

The balance amounts to Euro 452,472 (Euro 19,071 at 31 December 2020).
Increases during the period totalled Euro 450,278 due to additional payments on account for purchases of machinery and moulds.
During the period, Euro 19,071 was reclassified to the relevant tangible asset categories.

Financial assets

Total financial assets	Euro
Historical cost	2,165,967
Previous revaluations	0
Previous writedowns	(13,621)
Opening amount	**2,152,346**
Acquisitions during the period	1,842,615
Increases due to change in scope of consolidation	249,094
Decreases due to change in scope of consolidation	(2,116,759)
Reclassifications from another caption	0
Reclassifications to another caption	0
Disposals	(3,715)
Revaluations during the period	0
Writedowns during the period	0
Other changes	0
Closing amount	**2,123,581**

Investments

Investments in	Subsidiaries	Associated companies	Parent companies	Other entities	Total
Historical cost	2,141,759	0	0	4,247	2,146,006
Previous revaluations	0	0	0	0	0
Previous writedowns	0	0	0	0	0
Opening amount	**2,141,759**	**0**	**0**	**4,247**	**2,146,006**
Acquisitions during the period	1,841,535	0	0	0	1,841,535
Increases due to change in scope of consolidation	249,094	0	0	0	249,094
Decreases due to change in scope of consolidation	(2,116,759)	0	0	0	(2,116,759)
Reclassifications from another caption	0	0	0	0	0
Reclassifications to another caption	0	0	0	0	0
Disposals	0	0	0	(3,715)	(3,715)
Revaluations during the period	0	0	0	0	0
Writedowns during the period	0	0	0	0	0
Other changes	0	0	0	0	0
Closing amount	**2,115,629**	**0**	**0**	**532**	**2,116,161**

The increase during the period of Euro 1,841,535 wholly relates to the investment in Saleri India Private Ltd, acquired by the Parent Company and including acquisition-related expenses and capital increases during the period.

Increases due to changes in the scope of consolidation amount to Euro 249,094 and refer to C.D.C. Taiwan Inc in which subsidiary Saleri Aftermarket S.p.A. has a 51% interest.

Decreases due to changes in the scope of consolidation, amounting to Euro 2,116,759, refer to Saleri México S.A. de C.V. which has been consolidated line-by-line with effect from 31 December 2021.

Investments in subsidiaries

“Investments in subsidiaries” refers to the following investments not included in the scope of consolidation:

Name	Location	Share capital Euro
C.D.C. Taiwan Inc.	1F, No. 63, LN. 118,St.Dongjid RD., Guishan Dist., Taoyuan City 33353, Taiwan (R.O.C.)	1,020,177
Immobiliare Industriale Deutschland Gmbh in liquidation	Siemenstrasse, 26 70825 – Korntal Munchingen (Deutschland)	0
Saleri GmbH	Landesberger Strasse, 155 D-80687 Munich - Deutschland	25,000
Saleri India Private Ltd	Chakan Industrial Area, Village Khalumbre, Tal-Khed, District Pune 410501, Maharashtra	3,631,757

The following table presents a comparison between Book Equity pertaining to the Group and the carrying amount of the investments:

Name	% Interest	Equity	Profit (Loss) for prior year	Share of equity	Carrying amount	Difference
C.D.C. Taiwan Inc.	51.00%	488,420	(60,861)	249,094	249,094	0
Immobiliare Industriale Deutschland Gmbh in liquidation	100.00%	0	0	0	0	0
Saleri GmbH	100.00%	37,139	11,053	37,139	25,000	12,139
Saleri India Private Ltd	51.00%	3,274,518	(357,240)	1,670,004	1,841,535	(171,531)
			Total	**1,956,237**	**2,115,629**	**(159,392)**

For subsidiary Saleri Gmbh, the financial information shown is as at 31.12.2021 – reporting date of the latest financial statements approved by the Board.

With regard to subsidiary Immobiliare Industriale Deutschland Gmbh in liquidation, as already reported in the Notes to the Consolidated Financial Statements at 31 December 2020, we note that the subsidiary has refunded part of its share capital in the form of an advance on the liquidation proceeds; the refund already received was greater than the carrying amount of the investment. Therefore, the value of the investment was written down to zero while the surplus refunded was recognised as financial income in prior year. We also note that, at the date of these Notes, the liquidation procedure had not yet been completed but it is reasonable to believe that its completion will not lead to any further, significant refunds.

For subsidiary Saleri India Private Ltd, we note that:

- the financial information shown refers to the financial statements at 31 December 2021;
- although the cost of the investment is greater than the corresponding portion of Shareholders’ Equity, no adjustment has been made as the difference is not felt to reflect any permanent impairment of value, considering the fact that the subsidiary is still in its start-up phase. The carrying amount almost entirely consists of capital injected by the Parent Company during the period to cover the subsidiary’s liquidity requirements while the remainder includes ancillary costs incurred to acquire the investment and commence its activities.

For C.D.C. Taiwan Inc., the financial information shown refers to the financial statements at 31 December 2021 and the carrying amount of the investment is in line with the corresponding portion of Equity.

Other securities

Other Securities	Total
Historical cost	19,961
Previous revaluations	0
previous writedowns	(13,621)
Opening amount	**6,340**
Acquisitions during the period	0
Reclassifications from another caption	0
Reclassifications to another caption	0
Disposals during the period	0
Revaluations during the period	0
Writedowns during the period	0
Other changes	0
Closing amount	**6,340**

The amount of Euro 6,340 has not changed compared to prior year.

Derivative instruments

Derivative instruments	Total
Historical cost	0
Previous revaluations	0
Previous writedowns	0
Opening amount	**0**
Acquisitions during the period	1,080
Reclassifications from another caption	0
Reclassifications to another caption	0
Disposals during the period	0
Revaluations during the period	0
Writedowns during the period	0
Closing amount	**1,080**

The balance of Euro 1,080 (zero at 31 December 2020) entirely relates to the Parent Company.

The caption includes the reporting date measurement of the positive fair value of the derivative instruments in place at that date. These derivatives have been arranged to hedge the interest rate risk in relation to medium/long-term loans at 31 December 2021.

Current assets

Inventory

Description	Opening amount	Change in scope of consolidation	Change during period	Closing amount
Raw, ancillary and cons. materials	10,186,588	1,691,067	1,725,019	13,602,674
WIP	2,439,374	-	3,245,506	5,684,880
Contract WIP	2,428,844	-	(1,595,315)	833,529
Finished goods and products	9,560,582	3,509,711	(1,211,945)	11,858,348
Payments on account	1,084,105	-	(974,647)	109,458
Total	**25,699,493**	**5,200,778**	**1,188,618**	**32,088,889**

As already stated in the “Effects of application of OIC 29” paragraph:

- the opening balance of sub-category “Equipment for sale”, included in “Finished goods and products”, has been adjusted by Euro 1,293,623, to correct errors made in prior years;
- the opening balance of “Contract WIP” has been adjusted by Euro 153,844 due to a change of accounting policy.

At 31 December 2021, inventory totalled Euro 32,088,889 and mainly referred to parent company Industrie Saleri Italo S.p.A. (57%), to subsidiary Saleri Aftermarket S.p.A: (24%), to subsidiary Saleri Shanghai Co. Ltd (10%), to subsidiary Saleri México S.A. de C.V. (5%) and to subsidiary ABL Automazione S.r.l. (4%).
The contract work in progress entirely relates to subsidiary ABL Automazione S.r.l.

The amounts are stated net of consolidation adjustments for intercompany transactions.

The increases in “Raw, ancillary and consumable materials” and “Work in progress” mainly refer to the inventory of the Parent Company.

The inventory balance reported above is stated net of the Inventory provision totalling Euro 1,127,240 recorded to take account of obsolete and slow moving items and to report carrying amount at the lower of cost and realisable amount.
During 2021, the provision was increased by Euro 666,168 while there as a decrease of Euro 680,396 due to the reversal of amounts previously allocated that were no longer required.

The following table shows movements on the inventory provision.

Inventory provision	Opening amount	Change in scope of consolidation	Increase	Decrease	Closing amount
1. Raw, ancillary and consumable materials	(700,138)	-	(266,201)	322,751	(643,588)
2. WIP and semi-finished goods	(135,055)	-	(127,598)	103,526	(159,127)
3. Contract WIP	-	-	-	-	-
4. Finished goods and products	(306,275)	-	(272,369)	254,119	(324,525)
5. Payments on account	-	-	-	-	-
Total	**(1,141,468)**	**-**	**(666,168)**	**680,396**	**(1,127,240)**

Receivables

There are no receivables relating to transactions that involve a forward return obligation for the purchaser.

Description	Opening amount	Change in scope of consolidation	Change during year	Closing amount
Trade receivables	11,881,242	4,318,715	235,272	16,435,229
Receivables from non-consolidated subsidiaries	2,454,618	-	(1,725,801)	728,817
Receivables from associated companies	-	-	-	-
Receivables from parent companies	7,290	138,775	(146,065)	-
Receivables from entities controlled by parent companies	-	-	-	-
Tax receivables	1,688,066	951,175	1,957,872	4,597,113
Deferred tax assets	7,092,620	123,138	943,229	8,158,987
Receivables from others	2,546,678	676,415	710,196	3,933,289
Total	**25,670,514**	**6,208,218**	**1,974,703**	**33,853,435**

The overall change in receivables mainly regards trade receivables, receivables from non-consolidated subsidiaries and receivables from others. It is analysed in more detail in the relevant sections of this Note.

Breakdown by residual duration

Description	Amount at 31/12/2021	Due within a year	Due after more than a year	Of which due after more than 5 years
Trade receivables	16,435,229	16,435,229	-	-
Receivables from non-consolidated subsidiaries	728,817	728,817	-	-
Receivables from associated companies	-	-	-	-
Receivables from parent companies	-	-	-	-
Receivables from entities controlled by parent companies	-	-	-	-
Tax receivables	4,597,113	4,054,572	542,541	-
Deferred tax assets	8,158,987	-	-	-
Receivables from others	3,933,289	3,251,200	682,089	-
Total	**33,853,435**	**24,469,818**	**1,224,630**	**-**

Trade receivables

At 31 December 2021, trade receivables amounted to Euro 16,435,229 (against Euro 11,881,242 at 31 December 2020) and referred to parent company Industrie Saleri Italo S.p.A. (30% of the total), to subsidiary Saleri Shanghai Co. Ltd (40% of the total), to subsidiary Saleri Aftermarket S.p.A. (16% of the total), subsidiary ABL Automazione S.r.l. (9% of the total) and to subsidiary Saleri México S.A. a C.V. (remaining 5% of the total).

The increase of Euro 235,272 compared to 31 December 2020 mainly refers to subsidiary Saleri Shanghai and is largely due to the higher level of revenue than in prior year. Trade receivables are stated net of a provision for bad debts of Euro 261,723 created to take account of collection issues. The provision is considered reasonable compared to expected losses on receivables, also in light of ongoing disputes and litigation. Changes in the provision during the reporting period are shown below:

Description	Opening amount	Change in scope of consolidation	Allocated	Utilised	Closing amount
Provision for bad debts	(126,559)	(86,165)	(56,007)	7,008	(261,723)

Receivables from non-consolidated subsidiaries

Receivables from subsidiaries amount to Euro 728,817 against Euro 2,454,618 at 31 December 2020. They entirely refer to receivables from Saleri Gmbh and Saleri India Private Ltd.
In more detail:

- the receivables from Saleri Gmbh, totalling Euro 106,587 (Euro 102,908 at 31 December 2020), include:
  - Euro 101,000 for a short-term loan granted to the subsidiary, inclusive of interest accruing;
  - Euro 5,587 for sundry advance.
- The receivables from Saleri India Private Ltd, totalling Euro 622,230 (zero at 31 December 2020), entirely consist of trade receivables.

At 31 December 2020, this caption also included receivables totalling Euro 2,351,710 from subsidiary Saleri México S.A. de C.V. which was not yet included in the scope of consolidation.

Receivables from parent companies

As at 31 December 2021, there were no receivables from the Parent Company.

Tax receivables

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Immobiliare Industriale S.r.l.	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
W/holding taxes suffered	75	-	-	-	-	-	75
IRES receivables	134,608	-	-	21,226	-	-	155,834
IRAP receivables	65,070	24,508	9,261	20,184	-	-	119,023
VAT receivables	746,042	-	89,764	835,590	851,657	116,179	2,639,232
Other tax receivables	1,647,464	35,474	-	-	11	-	1,682,949
Total	**2,593,259**	**59,982**	**99,025**	**877,000**	**851,668**	**116,179**	**4,597,113**

The balance of Euro 4,597,113 (Euro 1,688,066 at 31 December 2020) is analysed as follows:

Industrie Saleri Italo S.p.A.

"IRES Receivables", amounting to Euro 134,608 (Euro 117,644 at 31 December 2020), include the IRES credit for 2021.
"IRAP Receivables", amounting to Euro 65,070, refer to the IRAP credit for the year.
"VAT Receivables", amounting to Euro 746,042 (Euro 1,091,956 at 31 December 2020), mainly refer to the VAT balance resulting from the December 2021 VAT return (Euro 474,836). The balance also includes foreign VAT receivables relating to EU countries where the Company has operated directly or for which a refund has been requested. It also includes consolidation adjustments regarding intercompany transactions..
"Other tax receivables", amounting to Euro 1,647,464 (Euro 50,415 at 31 December 2020), almost entirely refers to the tax credit of Euro 1,052,527 for Assets functional to 4.0 transformation processes (of which Euro 453,199 due after more than a year).

ABL Automazione S.r.l.

"IRAP Receivables", amounting to Euro 24.508, refer to the IRAP credit for the year. Other tax receivables refer to:

- Tax credit of Euro 1,132 for sanitisation and purchases of PPE, under Art 32 of Decree Law no 73/2021;
- Euro 34,342 for the Tax credit in relation to innovative ace 2021.

Immobiliare Industriale S.r.l.

"IRAP Receivables", amounting to Euro 9,261, refer to the IRAP balance net of payments made on account.
"VAT Receivables", amounting to Euro 89,764, refer to the VAT balance per the December 2021 VAT return.

Saleri Aftermarket S.p.A.

"IRES Receivables", amounting to Euro 21,226, refer to the IRES credit for the year. "IRAP Receivables", amounting to Euro 20,184, refer to the IRAP credit for the year. "VAT Receivables", amounting to Euro 835,590 (Euro 17,339 at 31 December 2020), refer to the VAT balance per the December 2021 VAT return."VAT Receivables" of Euro 851,657 for Saleri México S.A. de C.V. and Euro 116,179 for Saleri Shanghai Co. Ltd, refer to the net VAT receivables for the year.

Deferred tax assets

Deferred tax assets amount to Euro 8,158,987 (Euro 7,092,620 at 31 December 2020) and mainly comprise the amounts recognised in the financial statements of the parent company and the Italian subsidiaries in relation to temporary differences, in accordance with current tax legislation, as well as in relation to tax losses and to the carry forward of interest expenses deductible in future periods. These deferred tax assets were calculated using an IRES rate of 24%. A small portion (Euro 550,701) of deferred tax assets were recognised in relation to consolidation adjustments.
We highlight the recognition of deferred tax assets relating to losses of Euro 4,362,885; the losses in question regard the parent company (Euro 3,695,303), subsidiary ABL Automazione S.r.l. (Euro 280,216) and subsidiary Immobiliare Industriale S.r.l. (Euro 387,366). The Directors concluded that it was reasonable to recognise these deductible temporary differences, also on the basis of the companies' Business Plans 2022-2025, as it was reasonably certain that in the periods in which the temporary difference reverse, there will be taxable income of not less than the amount of the differences reversing.

Other receivables

The amount of Euro 3,933,289 at 31 December 2021 (Euro 2,546,678 at 31 December 2020) regards all of the Group companies and mainly comprises:

Receivables due within a year:

- Euro 2,053,267 of Advances to Suppliers for services not yet completed;
- Euro 605,778 of costs advanced, mainly to supplier;
- Euro 486,320 of sundry receivables, after a bad debt provision of Euro 170,090;
- Euro 106,902 of DR balances with certain suppliers of goods and services.

Receivables due after more than a year:

- Euro 682,089 almost entirely relating to guarantee deposits paid mainly in respect of lease and rental agreements of the parent company.

Current financial assets

Investments in other entities

The amount of Euro 13,606 entirely relates to the parent company and refers to minority investments in other entities.

Other securities

The securities totalling Euro 570,213 held by subsidiary ABL Automazioni S.r.l. at 31 December 2020 were sold in their entirety during 2021.

The balance of Euro 643 wholly refers to subsidiary Saleri México S.A. de C.V..

Cash and cash equivalents

This balance includes cash on hand of Euro 15,412 plus bank current account balances of Euro 18,225,981.

Description	Opening amount	Change in scope of consolidation	Change during period	Closing amount
Bank and post office accounts	44,734,919	1,364,164	(27,873,102)	18,225,981
Cash and cash equivalents on hand	4,762	1,977	8,673	15,412
Total	**44,739,681**	**1,366,141**	**(27,864,429)**	**18,241,393**

This balance may be detailed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Immobiliare Industriale S.r.l.	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
Bnak and post office accounts	14,222,005	343,366	205,651	1,206,567	155,580	2,092,812	18,225,981
Cash and cash equivalents on hand	118	651	-	-	432	14,211	15,412
Total	**14,222,123**	**344,017**	**205,651**	**1,206,567**	**156,012**	**2,107,023**	**18,241,393**

The change for the period is due to the cash flow management strategy adopted by Group management.

Prepaid expenses and accrued income

Description	Opening amount	Change in scope of consolidation	Change during period	Closing amount
Prepaid expenses:				
Contributions to customers	2,697,143	-	(235,137)	2,462,006
Insurance policies	84,531	-	(51,945)	32,586
Other costs	623,692	87,383	545,117	1,256,192
Total	**3,405,366**	**87,383**	**258,035**	**3,750,784**

This item, amounting to Euro 3,750,784 at 31 December 2021 (Euro 3,405,366 at 31 December 2020) almost entirely refers to the prepaid expenses of parent company Industrie Saleri Italo S.p.A.

Prepaid contributions to customers refers to contributions charged or for which a payment commitment has already been signed with the customer and which relate to future periods.
Other prepaid expenses mainly refer to maintenance contracts and subscription instalments.

Shareholders’ equity

Movements on group consolidated shareholders’ equity

	Opening amount	Allocation of prior year net profit (loss)		Other changes			Profit for year	Amount at 31/12/2021
		Allocation to dividends	Other allocations	Increases	Decreases	Reclassif.		
Share capital	23,922,413	-	-	-	-	-		23,922,413
Share premium reserve	7,696,219	-	-	-	-	-		7,696,219
Revaluation reserves	2,832,678	-	-	-	-	1,521,111		4,353,789
Legal reserve	1,179,976	-	-	-	-	-		1,179,976
Statutory reserves	-	-	-	-	-	-		-
Other reserves								
Consolidation reserve	3,379,172	-	-	679,574	-	-		4,058,746
Extraordinary reserve	857,395	-	-	-	-	-		857,395
Reserve for translation of foreign currency financial statements	(276,964)	-	-	882,910	-	-		605,946
Sundry other reserves	364,052	-	-	-	-	-		364,052
Total other reserves	4,323,655	-	-	1,562,484	-	-		5,886,139
Cash flow hedge reserve	(323,421)	-	-	321,646	-	-		(1,775)
Retained earnings (Accumulated losses)	4,341,399	-	(3,688,565)	53,221	(1,548,406)	-		(842,351)
Profit (Loss) for the year	(3,688,565)	-	3,688,565	-	-	-	2,675,944	2,675,944
Negative reserve for treasury shares held	(285,014)	-			-	-	-	(285,014)
Total shareholders' equity - Group	**39,999,340**	**-**	**-**	**1,937,351**	**(1,548,406)**	**1,521,111**	**2,675,944**	**44,585,340**
Capital and reserves of non-controlling interests	4,899,679		(735,590)	-	(640,304)	(1,521,111)	-	2,002,674
Profit (Loss) for year pertaining to non-controlling interests	(735,590)		735,590	-	-	-	213,262	213,262
Total shareholders' equity - non-controlling interests	**4,164,089**	**-**	**-**	**-**	**(640,304)**	**(1,521,111)**	**213,262**	**2,215,936**
Total consolidated shareholders' equity	**44,163,429**	**-**	**-**	**1,937,351**	**(2,188,710)**	**-**	**2,889,206**	**46,801,276**

Share capital

Share Capital, wholly subscribed and paid at 31 December 2021, amounts to Euro 23,922,413.23 and is represented by 3,127,003 shares.The balance has not changed compared to 31 December 2020.

Share premium reserve

This reserve was created in 2018 and amounts to Euro 7,696,219. The amount was paid in the form of a share premium by shareholder Quaestio Capital SGR S.p.A., as manager of and on behalf of the Quaestio Italian Growth Fund, following the share capital increase ("Aucap B") approved by the Shareholders' General Meeting of 5 April 2018.
The reserve did not change during the reporting period.

Revaluation reserves

This balance refers to monetary revaluations carried out in application of the following revaluation laws:

- Law 413/91 - Euro 84,651;
- Decree Law no. 185/08 - Euro 4,269,138.

Following the acquisition of a 100% investment in Immobiliare Industriale S.r.l. during the period, the subsidiary's revaluation reserve was reconstituted in full (change of Euro 1,521,111).

Legal reserve

La At 31 December 2021, this reserve amounted to Euro 1,179,976 and did not change during the period.
Taking account of the Share Capital increases carried out in 2018 and in 2020, the reserve has not yet reached the limit permitted by Article 2430 of the Italian Civil Code.

Consolidation reserve

This caption shows a balance of Euro 4,058,746 at 31 December 2021 (Euro 3,379,172 at 31 December 2020). It increased during the period as a result of changes to the scope of consolidation resulting from the acquisition of Saleri Aftermarket S.p.A. and from increases in the percentage interests held in Immobiliare Industriale S.r.l. and ABL Automazione S.r.l..
The consolidation difference emerging upon preparation of the Consolidated Financial Statements due to elimination of the carrying amount of the investments included in the scope of consolidation in 2021 against the corresponding portions of Equity of those subsidiaries has been recognised under the asset caption "Consolidation difference".

Extraordinary reserve

This reserve amounts to Euro 857,395 at 31 December 2021 and did not change during the period.

Reserve for translation of financial statements prepared in foreign currency

This caption shows a positive balance of Euro 605,946 at 31 December 2021 in relation to the translation of the foreign currency financial statements of subsidiary Saleri Shanghai Co.Ltd..

Sundry other reserves

This item, amounting to Euro 364,052, did not change during the period.

Cash flow hedge reserve

This reserve has a negative balance of Euro 1,775 at 31 December 2021 and refers entirely to hedging contracts signed by the Parent Company in relation to the loan with a SACE guarantee arranged in 2020 in the amount of Euro 24,000,000, as described in more detail in the Note on Bank Borrowing.
As described in the introduction, the Group decided to apply hedge accounting in relation to the hedging of changes in cash flows for financial liabilities as a result of interest rate fluctuation. Therefore, this caption includes changes in the Fair Value of the effective portion of cash flow hedging instruments. The change over the period led to a Euro 321,646 decrease in the Reserve.

Retained earnings (accumulated losses)

This caption showed accumulated losses of Euro 842,351 at 31 December 2020 against retained earnings of Euro 4,341,399 at 31 December 2020. Movements during the reporting period were as follows:

- a decrease of Euro 3,688,564 due to allocation of the Group's net loss for 2020;
- a decrease of Euro 1,548,407 due to the effects of the inclusion of Saleri México S.A. a C.V. in the scope of consolidation;
- an increase of Euro 53,221 due to consolidation adjustments mainly generated by application of IAS 17 and alignment to Group accounting policies.

As stated in the "Effects of application of OIC 29" paragraph:

- the opening balance of sub-category "Equipment for resale", included in "Finished goods and products", has been adjusted by Euro 1,293,623 to correct errors made in previous periods;

- the opening balances of "Contract WIP" and "Provisions for risks and charges" have been adjusted by Euro 153,844 (positive adjustment) and Euro 116,640 (negative adjustment) due to a change of accounting policy.

As required by Italian Accounting Standard OIC 29, these adjustments have been accounted for under "Retained earnings (Accumulated losses) by restating the opening balance by Euro 1,256,419.

Negative reserve for treasury shares held

At 31 December 2021, this caption had a negative balance of Euro 285,014. It was created following the purchase – authorised by the General Meeting of 24 June 2019 – of 15,799 treasury shares at a total cost of Euro 285,014.
The purchase price has been paid in full.
There were no movements on the reserve during the period.

Reconciliation between the net profit/(loss) and shareholders' equity of the consolidating entity and the corresponding amounts per the consolidated financial statements

	2021		2020	
Amounts in thousands of Euro	**Equity**	**of which Profit for year**	**Equity**	**of which Loss for year**
Equity and result for the year of the Parent Company	54,876,821	261,390	54,330,988	(4,885,685)
Elimination of carrying amount of investments against pro-quota amount of equity	(19,993,534)	(1,535,883)	(20,651,240)	759,925
Pro-quota results of investee companies	3,857,629	3,857,629	347,997	347,997
Gains on disposals after depreciation allocated to non-current assets and to consolidation difference at the date of acquisition of the investee companies	3,186,796	(413,918)	3,600,714	(413,918)
Elimination of effects of transactions between consolidated companies	(1,444,232)	(618,923)	(602,466)	(83,722)
Alignment of accounting policies	4,101,860	1,125,648	2,973,347	586,838
Restatement of investments at equity	0	0	0	0
Equity and result for the year - **Group**	**44,585,339**	**2,675,943**	**39,999,340**	**(3,688,565)**
Equity and result for the year - **non-controlling interests**	2,215,936	213,262	4,164,089	(735,590)
Equity and result for the year - **consolidated**	**46,801,275**	**2,889,205**	**44,163,429**	**(4,424,155)**

Provisions for risks and charges

Description	Provision for taxation, including deferred tax	Provision for derivative instruments	Other provisions	Total provisions for risks and charges
Opening amount	**2,696,129**	**323,421**	**3,644,100**	**6,663,650**
Changes during the year				
Change in scope of consolidation	-	-	157,836	157,836
Allocated	365,617	-	1,534,486	1,900,103
Utilised	(15,509)	(320,566)	(1,470,668)	(1,806,743)
Other changes	-	-	-	-
Total changes	350,108	(320,566)	221,654	251,196
Amount at 31/12/2021	**3,046,237**	**2,855**	**3,865,754**	**6,914,846**

The “Provision for taxation, including deferred tax”, amounting to Euro 3,046,237, includes taxes resulting from accounting for finance leases in accordance with the applicable accounting standards and the deferred taxes recorded by the parent company in relation to the revaluation of properties performed in 2008 in terms of Decree Law no 185/08 which was not deductible for tax purposes.

The provision “Liabilities for derivatives” includes the reporting date measurement of the negative fair value of derivative instruments in place at that date. These derivative instruments have been entered into as hedges of the interest rate risk regarding medium/long-term loan agreements and finance lease agreements in place. At 31 December 2021, there were derivative instruments with a negative fair value of Euro 2,855.

“Other provisions”, amounting to Euro 3,865,754, refer to:

- Euro 311,582 of prudent provisions made by the parent company and by subsidiary Saleri Aftermarket S.p.A. for sundry litigation in progress or threatened which, at the date of approval of the financial statements, had not yet been settled. The provisions decreased by Euro 92,665 during the reporting period;
- Euro 2,000,000 of product warranty provisions. During the period, utilisation of the provision totalled Euro 984,983 while increases totalled Euro 84,983; the provision is reasonable in relation to the estimated costs that the Group could be called upon to sustain to fulfil its contractual warranty commitments, taking account of historical costs and any complaints already received;
- Euro 1,021,244 of provisions for the risk of enforcement of sureties given to third parties in the form of guarantees for which the recovery prospects could not yet be estimated at the date of approval of the financial statements;
- Euro 426,473 of provisions for future employee-related expenses in relation to agreements signed during 2021;
- Euro 106,455 of provisions made by subsidiary ABL Automazione S.r.l. for completion costs in relation to contracts invoiced during the period.

Employee severance indemnity (“TFR”) provision

The TFR provision has been calculated, for the parent company and subsidiaries ABL Automazione S.r.l. and Saleri Aftermarket S.p.A. in accordance with Article 2120 of the Italian Civil Code, taking account of legislative requirements and the specific provisions of employment contracts and professional agreements. It includes annual accruals and revaluations performed based on ISTAT coefficients. It represents the effective liability accruing in favour of employees in accordance with the law and applicable labour agreements, considering all forms of continuous remuneration.The provision represents the total of the individual indemnities accruing in favour of employees at the reporting date. It is stated net of payments made on account and amounts paid to social. Security and pensions institutions and pension funds, in accordance with current legislation. It represents the companies’ liability towards employees at the reporting date.

The following table provides details of the creation and utilisation of the provision (Art. 2427(4) of the Italian Civil Code).

Description	Employee Severance Indemnity - "TFR"
Opening amount	**2,244,787**
Changes during the year	
Change in scope of consolidation	166,798
Allocated	1,292,649
Utilised	(1,456,546)
Other changes	-
Total changes	2,901
Amount at 31/12/2021	**2,247,688**

The amount utilised during the period mainly refers to payments to treasury funds.

Payables

There are no payables relating to transactions involving a future return obligation for the buyer.

Description	Opening amount	Change in scope of consolidation	Change during period	Amount at 31/12/2021
Bonds	3,930,586	-	576	3,931,162
Convertible bonds	-	-	-	-
Shareholder loans payable	417,000	-	(417,000)	-
Bank borrowing	55,542,214	1,566,692	(6,319,782)	50,789,124
Payables to other lenders	9,728,429	39,770	(807,097)	8,961,102
Payments on account	6,056,010	22,076	(1,473,416)	4,604,670
Trade payables	37,941,096	2,205,426	(5,010,192)	35,136,330
Payables in form of credit instruments	-	-	-	-
Payables to non-consolidated subsidiaries	57,848	53,595	41,967	153,410
Payables to associated companies	-	-	-	-
Payables to parent companies	-	4,420,718	(4,420,718)	-
Payables to companies controlled by parent companies	-	18,971	(18,971)	-
Tax payables	1,174,230	300,526	(33,245)	1,441,511
Payables to social security and pensions institutions	1,105,697	16,861	556,804	1,679,362
Other payables	6,219,446	107,662	1,189,933	7,517,041
Total	**122,172,556**	**8,752,297**	**(16,711,141)**	**114,213,712**

Breakdown by residual duration

Description	Amount at 31/12/2021	Due within a year	Due after more than a year	Of which due after more than five years
Bonds	3,931,162	3,931,162	-	-
Convertible bonds	-	-	-	-
Shareholder loans payable	-	-	-	-
Bank borrowing	50,789,124	18,933,204	31,855,920	-
Payables to other lenders	8,961,102	5,550,212	3,410,890	-
Payments on account	4,604,670	4,604,670	-	-
Trade payables	35,136,330	35,136,330	-	-
Payables in form of credit instruments	-	-	-	-
Payables to non-consolidated subsidiaries	153,410	153,410	-	-
Payables to associated companies	-	-	-	-
Payables to parent companies	-	-	-	-
Payables to companies controlled by parent companies	-	-	-	-
Tax payables	1,441,511	1,441,511	-	-
Payables to social security and pensions institutions	1,679,362	1,679,362	-	-
Other payables	7,517,041	6,304,292	1,212,749	-
Total	**114,213,712**	**77,734,153**	**36,479,559**	**-**

Bonds

On 1 July 2020, the Parent Company issued a bond with a value of Euro 3,825,107, called the "Saleri Supplier Value Chain Bond 2020-2022", by converting trade payables into bonds. The bond, as subscribed by several of the Company's suppliers, has a lifespan from 1 July 2020 until 30 June 2022 and is subject to interest at a fixed rate of 5.50%. The Company looked into the effect of using the amortised cost method to measure this debt and, given the limited time period and the absence of any bond placement costs, it concluded that the effects of using the amortised cost method would be immaterial.
The amount of Euro 3,931,162 reported under the caption includes interest accruing at 31 December 2021.

Loans payable to shareholders

Loans payable to shareholders at 31 December 2020 (Euro 417,000)- entirely referring to loans received by subsidiary ABL Automazione S.r.l. from former shareholder Berfin S.r.l. – have been reclassified to Payables to others following the acquisition of a 100% stake in said subsidiary by the Parent Company.

Bank borrowing

Description	Amount at 31/12/2020	Change in scope of consolidation	Amount at 31/12/2021	Change
a) Bank borrowing due within a year	16,501,178	277,304	18,933,204	2,154,722
Lines of credit	-	-	-	-
Current account overdrafts	1,267,784	66,692	1,651,248	316,772
Loans	9,151,637	210,612	10,372,825	1,010,576
Advances on receivables	6,081,757	-	6,909,131	827,374
Other payables	-	-	-	-
b) Bank borrowing due after more than a year	39,041,036	1,289,388	31,855,920	(8,474,504)
Loans	39,041,036	1,289,388	31,855,920	(8,474,504)
Advances on receivables	-	-	-	-
Other payables	-	-	-	-
Total bank borrowing	**55,542,214**	**1,566,692**	**50,789,124**	**(6,319,782)**

The following bank borrowings – as also analysed by maturity date – are secured on the assets of the companies included in the scope of consolidation:

Description	Due within a year	Due after between 1 year and 5 years	Due after more than 5 years	Total	Owner of mortgaged asset
BPM Loan	132,304	492,783	-	625,086	Industrie Saleri Italo S.p.A.
MPM Loan	238,625	888,803	-	1,127,428	Industrie Saleri Italo S.p.A.
ICCREA Loan	122,199	570,523	-	692,722	Industrie Saleri Italo S.p.A.
Total	**493,127**	**1,952,109**	**0**	**2,445,236**	

For secured bank borrowing, reference should be made to the detailed notes below for each consolidated company.
The amount of the guarantees shown in the table represents the value of the guarantees in relation to the outstanding debt at the reporting date.

The total amount of Euro 50,789,124 against Euro 55,542,214 at 31 December 2020 is detailed as follows:

Industrie Saleri Italo S.p.A.

Description	31/12/2020	31/12/2021	Change
a) Bank borrowing due within a year	13,391,076	17,549,882	4,158,806
Lines of credit	0	0	0
Current account overdrafts	1,159,399	1,091,460	(67,939)
Loans	6,449,920	9,549,291	3,099,371
Advances on receivables	5,781,757	6,909,131	1,127,374
Other payables			-
b) Bank borrowing due after more than a year	38,359,797	28,963,215	(9,396,582)
Loans	38,359,797	28,963,215	(9,396,582)
Advances on receivables			
Other payables			
Total bank borrowing	**51,750,873**	**46,513,097**	**(5,237,776)**

Bank Borrowing amounts to Euro 46,513,097 and has decreased by Euro 5,237,776 compared to 31 December 2020. Bank borrowing due within a year amounts to Euro 17,549,882 and has increased by Euro 4,158,806 compared to 31 December 2020. Bank borrowing due after more than a year amounts to Euro 28,963,215 and has decreased by Euro 9,396,582 compared to 31 December 2020. In 2021, the payment moratorium agreed with the banks in prior year, as a result of the Covid-19 emergency and as provided by the Liquidity Decree, came to an end.

Loans payable at 31 December 2021 (both current and non-current) amount to Euro 38,512,507, against Euro 44,809,718 at 31 December 2020, and are analysed as follows (amounts at amortised cost):

- secured loan with an outstanding amount of Euro 625,086 and original principal of Euro 2,000,000. The loan is repayable in 84 monthly instalments in arrears between 31/12/2017 and 31/12/2024; interest is index linked to the Euribor 3 month rate;
- secured loan with an outstanding amount of Euro 1,127,428 and original principal of Euro 5,000,000. The loan is repayable in 84 monthly instalments in arrears between 31/12/2017 and 31/12/2024; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 199,202 and original principal of Euro 750,000. The loan is repayable over 60 months between 31/12/2017 and 31/12/2022; interest is index-linked to the Euribor 3 month rate;
- secured syndicated loan with an outstanding amount of Euro 692,722, original principal of Euro 2,000,000. The loan is repayable over 84 months between 31/12/2017 and 31/12/2024; interest is index-linked to the Euribor 3 month rate;
- unsecured syndicated loan with an outstanding amount of Euro 105,821, original principal of Euro 2,000,000. The loan is repayable in 9 six-monthly instalments in arrears between 31/12/2017 and 31/05/2022; interest is index-linked to the Euribor 6 month rate;
- unsecured loan with an outstanding amount of Euro 1,019,292 and original principal of Euro 5,000,000. The loan is repayable in 60 monthly instalments in arrears between 31/12/2017 and 31/12/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 143,219 and original principal of Euro 1,500,000. The loan is repayable in 60 monthly instalments in arrears between 31/12/2017 and 31/12/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro227,399 and original principal of Euro 1,000,000. The loan is repayable in 70 monthly instalments in arrears between 31/12/2017 and 10/01/2024; interest is index linked to the Euribor 3 month rat;
- unsecured loan with an outstanding amount of Euro 362,528 and original principal of Euro 1,000,000. The loan is repayable in 70 monthly instalments in arrears between 31/12/2017 and 10/01/2024; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 461,819 and original principal of Euro 2,000,000. The loan is repayable in 72 monthly instalments in arrears between 31/12/2017 and 01/01/2024; interest is index linked to the Euribor 1 month rate;
- unsecured loan with an outstanding amount of Euro 1,693,588 and original principal of Euro 4,000,000. The loan is repayable in 72 monthly instalments in arrears between 31/12/2017 and 01/01/2024; interest is index linked to the Euribor 1 month rate;

- unsecured loan with an outstanding amount of Euro 355,415 and original principal of Euro 2,000,000. The loan is repayable in 71 monthly instalments in arrears between 31/12/2017 and 31/12/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 1,936,414 and original principal of Euro 7,000,000. The loan is repayable in 71 monthly instalments in arrears between 31/12/2017 and 30/11/2023; interest is index linked to the Euribor 3 month rate. The loan requires compliance with covenants linked to the Parent Company's Financial Statements;
- unsecured loan with an outstanding amount of Euro 561,966 and original principal of Euro 1,500,000. The loan is repayable in 71 monthly instalments in arrears between 31/12/2017 and 30/11/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 419,424 and original principal of Euro 2,000,000. The loan is repayable in 71 monthly instalments in arrears between 31/12/2017 and 31/12/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 696,329 and original principal of Euro 4,000,000. The loan is repayable in 67 monthly instalments in arrears between 31/12/2017 and 31/07/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 522,385 and original principal of Euro 1,700,000. The loan is repayable in 59 monthly instalments in arrears between 31/12/2017 and 30/11/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 200,232 and original principal of Euro 459,510. The loan is repayable in 54 monthly instalments in arrears between 01/06/2018 and 30/11/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 791,594 and original principal of Euro 2,500,000. The loan is repayable in 60 monthly instalments in arrears between 31/12/2017 and 30/12/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 977,114 and original principal of Euro 2,109,713. The loan is repayable in 65 monthly instalments in arrears between 19/06/2018 and 01/12/2023; interest is index linked to the Euribor 1 month rate;
- unsecured loan with an outstanding amount of Euro 1,335,477 and original principal of Euro 3,500,000. The loan is repayable in 66 monthly instalments in arrears between 31/12/2017 and 31/10/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 204,554 and original principal of Euro 500,000. The loan is repayable in 69 monthly instalments in arrears between 31/12/2017 and 31/12/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 159,994 and original principal of Euro 400,000. The loan is repayable in 57 monthly instalments in arrears between 31/12/2017 and 30/11/2022; interest is index linked to the Euribor 3 month rate.
- Loan secured by a SACE guarantee with an outstanding amount of Euro 23,693,505 and original principal of Euro 24,000,000. The loan is repayable in 16 quarterly instalments in arrears between 31/12/2022 and 30/09/2026; interest is linked to the Euribor 3 month rate. The loan requires compliance with covenants based on the Group Consolidated Financial Statements from the year ended 31 December 2021 onwards.

With regard to the loan agreements listed above (with the sole exclusion of the SACE Loan) the banks require compliance with two covenants measured based on the Financial Statements as provided for by the Framework Agreement of May 2018.

It should be noted that, at 31 December 2021, the covenant regarding the ratio of the Company's net financial position to its EBITDA was not respected. The Company duly reached an agreement with the lenders that they would waive the right to take account in response to the covenant breach. The covenant provided for only in the loan agreement for an original principal amount of Euro 7,000,000 was respected.

Reference should be made to the Directors' Report for further, more detailed information about the availability of credit facilities to meet working capital funding requirements and any extraordinary liquidity requirements.

ABL Automazione S.r.l.

Description	31/12/2020	31/12/2021	Change
a) Bank borrowing due within a year	2,060,787	605,631	(1,455,156)
Lines of credit	0	0	0
Current account overdrafts	108,249	98,470	(9,779)
Loans	1,652,538	507,161	(1,145,377)
Advances on receivables	300,000	0	(300,000)
Other payables			
b) Bank borrowing due after more than a year	681,239	1,709,078	1,027,839
Loans	681,239	1,709,078	1,027,839
Advances on receivables			
Other payables			
Total bank borrowing	**2,742,026**	**2,314,709**	**(427,317)**

Current account overdraft balances include expenses not yet debited at 31 December 2021 but relating to the period then ended.
Bank loans payable (both current and non-current) amounting to Euro 2,216,239 (Euro 2,333,777 at 31 December 2020) may be analysed as follows:

- loan with an outstanding amount of Euro 71,152 and original principal of Euro 420,000. The loan was originally repayable in 36 months between 31/10/2017 and 31/10/2020. As a result of the moratorium granted to the Company in 2021 with the postponement of repayments due in 2020 and of some of those due in 2021, the final maturity date has been extended until 31/10/2022. Repayment of the outstanding amount has been agreed in two annual instalments in arrears, subject to interest index linked to the Euribor 6 month rate;
- loan with an outstanding amount of Euro 47,435 and original principal of Euro 280,000. The loan was originally repayable in 36 months between 31/10/2017 and 31/10/2020. As a result of the moratorium granted to the Company in 2020 with the postponement of repayments due in 2020 and of some of those due in 2021, the final maturity date has been extended until 30/04/2022. Repayment of the outstanding amount has been agreed in two six-monthly instalments in arrears, subject to interest index linked to the Euribor 6 month rate;
- loan with an outstanding amount of Euro 125,445 and original principal of Euro 500,000. The loan was originally repayable in 15 months between 16/03/2020 and 16/06/2021. As a result of the moratorium granted to the Company in 2020 with the postponement of repayments due in 2020 and of some of those due in 2021, the final maturity date has been extended until 16/03/2022. Repayment of the outstanding amount has been agreed in three quarterly instalments in arrears, subject to interest at a fixed rate of 0.95%;
- loan with an outstanding amount of Euro 439,127 and original principal of Euro 500,000. The loan is repayable in 60 months between 05/06/2020 and 05/06/2025; repayment has been agreed in 60 quarterly instalments in arrears, subject to interest index linked to the Euribor 3 month rate;
- loan with an outstanding amount of Euro 1,535,000 which was disbursed in the same amount. The loan is repayable in 60 months between 28/02/2021 and 28/02/2026; repayment has been agreed in 61 monthly instalments in arrears (the first 19 payments are interest only), subject to interest index linked to the Euribor 3 month rate.

Saleri Aftermarket S.p.A.

Description	Change in scope of consolidation	31/12/2021	Change
a) Bank borrowing due within a year	277,304	777,691	500,387
Lines of credit	0	0	0
Current account overdrafts	66,692	461,318	394,626
Loans	210,612	316,373	105,761
Advances on receivables	0	0	0
Other payables			
b) Bank borrowing due after more than a year	1,289,388	1,183,627	(105,761)
Loans	1,289,388	1,183,627	(105,761)
Advances on receivables			
Other payables			
Total bank borrowing	**1,566,692**	**1,961,318**	**394,626**

Loans payable totalling Euro 1,500,000 (current and non-current portion) may be analysed as follows:

- unsecured loan with a direct guarantee from the Fund for small and medium-sized enterprises in terms of Law 662/96 with an outstanding amount of Euro 1,500,000 which was disbursed in the same amount. The loan repayment plan includes 7 quarterly interest only payments from 05/07/2020 and 14 quarterly repayments in arrears from 05/04/2022; it is subject to interest linked to the Euribor 3 month rate and has a final maturity date of 05/07/2025.

Payables to other lenders

This caption amounts to Euro 8,961,102 (Euro 9,728,429 at 31 December 2020) and consists almost entirely of payables towards leasing companies and factoring companies.

Payments on account

This item amounts to Euro 4,604,670 (Euro 6,056,010 at 31 December 2020) and refers mainly to the parent company and to subsidiary ABL Automazione S.r.l. as follows:

- Euro 358,074 of payments on account from customers towards the supply of equipment (Tooling);
- Euro 2,037,100 of payments on account from customers of ABL Automazione S.r.l. for the supply of machinery;
- Euro 2,187,420 of payments on account from customers of the Parent Company which, in order to provide adequate support to their supply chain, have agreed to make significant advance payments towards future purchases; these payments on account are secured by guarantees on the machinery of the Parent Company.

Trade payables

Trade payables amount to Euro 35,136,330 against Euro 37,941,096 at 31 December 2020. They include liabilities for purchases of goods and services based on agreed contractual terms and conditions.

Payables to non-consolidated subsidiaries

The amount of Euro 153,410 (against Euro 57,848 at 31 December 2020) includes payables to C.D.C. Taiwan Inc., Saleri Gmbh and Saleri India Private Ltd.
In more detail:

- the payables to Saleri Gmbh amount to Euro 117,227 and comprise amounts payable under the service agreement;
- payables to Saleri India Private Ltd, amount to Euro 2,664 and consist entirely of trade payables;
- payables to C.D.C. Taiwan Inc. amount to Euro 33,519 and consist entirely of trade payables.

Tax payables

Tax payables amount to Euro 1,441,511 against Euro 1,174,230 at 31 December 2020. They are detailed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Immobiliare Industriale S.r.l.	Saleri Aftermarket S.p.A.	Saleri México S.A. a C.V.	Saleri Shanghai Co. Ltd	Consolidated
IRES payable	-	-	-	-	-	-	-
Taxes withheld at source from employees	618,553	76,871	-	29,043	-	-	724,467
Taxes withheld at source from freelance professionals	25,542	2,430	525	1,018	-	-	29,515
Substitute taxes	2,996	3,433	-	2,163	-	-	8,592
VAT payable	85,700	81,335	-	-	27,157	221,867	416,059
Other tax payables	-	-	-	-	15,841	247,037	262,878
Total	**732,791**	**164,069**	**525**	**32,224**	**42,998**	**468,904**	**1,441,511**

VAT payables represents the VAT liability at 31 December 2021.

Payables for taxes withheld at source from employees and professionals/collaborators represent the deductions made at source by the companies which have been duly paid over to the authorities on their legal due dates.

Payables to social security and pensions institutions

Payables to Social Security and Pensions Institutions amount to Euro 1,679,362 against Euro 1,105,697 at 31 December 2020. They are detailed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri Aftermarket S.p.A.	Consolidated
Payables to INPS	810,920	195,745	30,195	1,036,860
Payables to INAIL	-	-	-	-
Payables to other social security and pensions institutions	621,651	-	20,851	642,502
Total	**1,432,571**	**195,745**	**51,046**	**1,679,362**

Payables to social security and pensions institutions represent the contributions payable by the companies. They have been duly paid by the legal due date.
The significant increase "Payables to INPS" compared to prior year is mainly due to relief on payroll contributions received and used received in 2020 and utilised in relation to the month of December.
"Other payables to social security and pensions institutions" includes amounts relating to contributions allocated on payroll accruals.

Payables to others

Payables to others amount to Euro 7,517,041 against Euro 6,219,446 at 31 December 2020. They are detailed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri Aftermarket S.p.A.	Saleri México S.A. a C.V.	Saleri Shanghai Co. Ltd	Consolidated
Payables to employees	3,837,469	417,436	96,377	-	43,209	4,394,491
Payables to directors and statutory auditors	60,894	45,535	25,291	-	-	131,720
Other	2,323,239	430,453	12,899	20,189	204,050	2,990,830
Total	**6,221,602**	**893,424**	**134,567**	**20,189**	**247,259**	**7,517,041**

"Payables to employees" refers to salaries for the month of December and to other deferred remuneration accruing at the reporting date.

The parent company's "Payables to Others" includes payables to treasury and pension funds for TFR entitlement accruing but not yet paid (Euro 234,576), CR balances with certain customers (Euro 580,836) and amounts due to third parties in settlement of the acquisition price of the investment in Saleri Aftermarket S.p.A..

Accrued expenses and deferred income

Accrued expenses and deferred income amount to Euro 1,743,192 against Euro 521,589 at 31 December 2020. They almost entirely refer to the parent company's deferred income for contributions from customers and for tax credits for assets functional to the 4.0 transformation processes.

Notes to the income statement

Value of production

As already mentioned in the Foreword, the results reported in the Income Statement were again affected by the Covid-19 emergency.

The consequences of the Lockdown imposed during 2020, of the subsequent temporary measures, the slow recovery in global economic activity and, last but not least, commodity shortages have caused customers to postpone orders. This makes it extremely difficult to compare the results for this reporting period with those of the previous one.

Reference should be made to the Directors' Report for further analysis of changes compared to prior year and for comments on the effects on Income Statement items.

Revenue from sales and services

This item amounts to Euro 155,117,928 against Euro 141,793,283 in 2020. It mainly refers to revenue generated by the Parent Company and subsidiary Saleri Shanghai and regards the production and sale of cooling pumps. It also includes a minor amount of sales of machinery and revenue for services rendered by subsidiary ABL Automazione S.r.l..
The total amount also includes revenue from the distribution of the aftermarket products of subsidiary from the date of its consolidation, a total of Euro 4,791,285.

Description	2020	Change	2021
Revenue from sales	141,793,283	13,324,645	155,117,928
Total	**141,793,283**	**13,324,645**	**155,117,928**

Revenue from the sale of goods is stated after returns, discounts and bonuses agreed and granted to customers and warranty chargebacks. Revenue from sales also includes chargebacks such as contributions debited to customers for the development of new products and the construction of related equipment, as well as a small amount of incidental selling expenses (shipping and packaging).

The increase in revenue from sales totalling Euro 13,324,645 (+9% approx.) mainly relates to subsidiaries Saleri Shanghai Co. Ltd., Saleri Aftermarket S.p.A. and ABL Automazione S.r.l..

Breakdown of revenue from sales and services by business category

Description	2021
Production and Sale of Water Pumps, Equipment and Prototypes	143,979,640
Contract work on Machinery and services and maintenance	6,347,003
Wholesale of Aftermarket products	4,791,285
Total	**155,117,928**

Breakdown of sales by geographical area

Geographical area	2020	Change	2021
Italy	11,401,449	7,347,438	18,748,887
Other countries	130,391,834	5,977,207	136,369,041
Total	**141,793,283**	**13,324,645**	**155,117,928**

Increase in non-current assets due to internal works

The amount of Euro 8,382,774 refers to development costs (Euro 4,036,532) and assets built in-house (Euro 4,346,242) Development costs capitalised in 2021 – mainly by the parent company – entirely refer to outsourcing costs and the cost of personnel directly employed in development projects relating to customer contracts for which, at 31 December 2021, (i) the development phase had been completed and the amortisation process had begun or (ii) the award had been confirmed but mass production had not yet commenced. See the earlier Notes on Development Costs and Intangible Assets in Progress for further information. Assets built in-house mainly refers to machinery produced by subsidiary ABL Automazione S.r.l. and sold to the parent company during the period.

Other revenue and income

Other revenue totals Euro 6,643,010 against Euro 2,605,181 in 2020. It mainly consists of other revenue of the parent company and includes:

- Euro 4,311,513 for sundry chargebacks to customers;
- Euro 203,493 of chargebacks to suppliers of costs incurred that are not attributable to the Group;
- Euro 149,366 of gains on fixed asset disposals;
- Euro 19,306 of unaccrued prior year income, mainly relating to amounts provided in error in prior years.

Reference should be made to the Directors' Report for a more detailed breakdown of Revenue from Sales and Value of Production, in general.

Cost of production

The following table contains details of cost of production for 2020 and 2021.

Description	2020	2021	Change	% Chg
Raw, ancillary and consumable materials and goods for resale	69,987,844	90,750,993	20,763,149	29.67%
Services	31,570,940	32,081,103	510,163	1.62%
Use of third party assets - Lease and rental costs	2,157,944	2,686,637	528,693	24.50%
Personnel:				
a) wages and salaries	20,295,735	22,147,952	1,852,217	9.13%
b) social contributions	5,439,820	6,724,799	1,284,979	23.62%
c) employee severance indemnity - TFR	1,203,243	1,292,649	89,406	7.43%
d) retirement benefits and similar obligations	-	-	-	0.00%
e) other personnel costs	116,179	48,039	(68,140)	-58.65%
Depreciation, amortisation and writedowns:				
a) intangible assets	2,479,695	2,959,794	480,099	19.36%
b) tangible assets	5,568,677	5,338,133	(230,544)	-4.14%
c) other writedowns of non-current assets	-	-	-	
d) writedowns of current receivabes	22,443	49,894	27,451	122.31%
Changes in inventory of raw, ancillary and consumable materials and goods	2,479,695	(5,299,975)	(8,148,566)	-286.06%
Provisions for risks	-	-	-	
Other provisions	3,269,548	1,210,112	(2,059,436)	-62.99%
Sundry operating expenses	2,510,635	1,113,580	(1,397,055)	-55.65%
Rounding			-	
Total	**147,471,294**	**161,103,710**	**13,632,416**	

The following paragraphs contain details of the main cost categories and the most significant changes compared to prior year.

Costs for raw, ancillary and consumable materials and goods

Costs for raw, ancillary and consumable materials and goods are reported in the Income Statement net of adjustments for returns, discounts, bonuses and allowances. They total Euro 90,750,993 for 2021 against Euro 69,987,844 in 2020.

Purchase costs mainly relate to raw materials (aluminium) and pump components (bearings and shafts, thermostats, pulleys, plates, covers, etc.), purchases of finished pumps (IAM) and consumable materials.

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri Aftermarket S.p.A.	Saleri Shanghai Co. Ltd	Consolidated
Raw, ancillary and consumable materials and goods for resale	64,439,283	5,028,542	3,840,858	17,442,310	90,750,993
Total	**64,439,283**	**5,028,542**	**3,840,858**	**17,442,310**	**90,750,993**

Reference should be made to the Directors' Report for further information on this cost category and on the change compared to prior year.

Costs for services

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Immobiliare Industriale S.r.l.	Saleri Aftermarket S.p.A.	Saleri Shanghai Co. Ltd	Consolidated
Costs for Services	29,090,961	1,043,152	88,845	636,300	1,221,845	32,081,103
Total	**29,090,961**	**1,043,152**	**88,845**	**636,300**	**1,221,845**	**32,081,103**

Costs for services amount to Euro 32,081,103 against Euro 31,570,940 in 2020. They mainly comprise the Parent Company's costs for services (around 91% of the total), as detailed in the table below:

Description	2020	2021	Change
Industrial services	18,451,835	18,439,116	(12,720)
Consulting	1,555,240	1,011,739	(543,501)
General expenses	5,165,793	5,858,486	692,693
Shipping/Freight	2,432,521	2,423,621	(8,900)
Other services	1,416,663	1,358,000	(58,663)
Total Costs for Services	**29,022,052**	**29,090,961**	**68,909**

Industrial services mainly refer to outsourced services including die-casting and other casting, machining, other processing and treatments regarding certain stages of the production process. The balance is in line with prior year.
Consulting costs include accounting, management and tax consulting but also sales and marketing advice and services in relation to patents, quality control and the environment. The overall decrease of Euro 543,501 mainly regards tax and management consulting (down by Euro 364,644) and technical consulting (down by Euro 48,083).

General Expenses include costs for Utilities, Maintenance and other general costs relating to the Company's activities. The overall increase of Euro 692,693 is mainly due to costs for maintenance and sundry administrative expenses (up by Euro 268,589).
Shipping/Freight costs are in line with prior year.
"Other services" is a catch-all caption.
The decrease compared to prior year is mainly due to a reduction in research and development costs.

Use of third party assets – lease and rental costs

This item amounts to Euro 2,686,637 against Euro 2,157,944 in 2020. It is analysed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri Aftermarket S.p.A.	Saleri Shanghai Co. Ltd	Consolidated
Use of 3rd party assets - Lease and rental costs	1,631,054	220,290	144,901	690,392	2,686,637
Total	**1,631,054**	**220,290**	**144,901**	**690,392**	**2,686,637**

The balance mainly includes hire and rental expenses and software user fees.

Personnel costs

This item comprises all employee related expenses including merit based increases, promotions, seniority increases, accrued holiday pay and provisions required by law and collective labour agreements.

Personnel costs amount to Euro 30,213,439 against Euro 27,054,977 in 2020 and are analysed below:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri Aftermarket S.p.A.	Saleri Shanghai Co. Ltd	Consolidated
Personnel costs					
a) wages and salaries	18,047,223	2,036,689	236,531	1,827,509	22,147,952
b) social contributions	5,454,266	634,980	75,811	559,742	6,724,799
c) employee severance indemnity - TFR	1,094,771	177,855	20,023	-	1,292,649
d) retirement benefits and similar obligations	-	-		-	-
e) other personnel costs	796	-		47,243	48,039
Total	**24,597,056**	**2,849,524**	**332,365**	**2,434,494**	**30,213,439**

This item comprises all employee related expenses including merit based increases, promotions, seniority increases, accrued holiday pay and provisions required by law and collective labour agreements. The total cost has increased by Euro 3,158,462 mainly because, in 2020, the Parent Company and subsidiary ABL Automazione S.r.l. made extensive use of the “cassa integrazione” furlough scheme. The increase also takes account of the change in the scope of consolidation brought about by the acquisition of Salari Aftermarket S.p.A. leading to additional personnel costs of Euro 332,365.

Amortisation of intangible assets

Amortisation of intangible assets (Euro 2,959,794 against Euro 2,479,695 in 2020) has already been commented upon in the Note on intangible assets.

Depreciation of tangible assets

Depreciation of tangible assets (Euro 5,338,133 against Euro 5,568,677 in 2020) has already been commented upon in the Note on tangible assets. We note, however, that it has been calculated based on the useful life of tangible assets and their use in the production process.

Other writedowns of non-current assets

As already described in the note on Non-Current Assets, in 2021, the Group did not make any further writedowns of non-current assets as it believed the amount provided in prior years was sufficient.

Writedowns of current receivables

During the year, writedowns of current receivables totalled Euro 49,894.

Other provisions

This item, amounting to Euro 1,210,112, almost entirely relates to provisions for the risk of enforcement of sureties given to third parties as guarantees for which the recovery prospects could not yet be estimated at the date of approval of the financial statements (Euro 1,021,244).

Sundry operating expenses

Sundry operating expenses amount to Euro 1,113,580 against Euro 2,510,635 in 2020 and are detailed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Immobiliare Industriale S.r.l.	Saleri Aftermarket S.p.A.	Saleri Shanghai Co. Ltd	Consolidated
Sundry operating expenses	861,186	37,857	909	25,254	188,374	1,113,580
Total	**861,186**	**37,857**	**909**	**25,254**	**188,374**	**1,113,580**

Financial income and expenses

Income from securities included in current assets that are not equity investments

The amount of Euro 98,687 refers to income on securities included in the current assets of subsidiary ABL Automazione S.r.l..

Sundry income

Sundry income of Euro 92,439 includes:

- Income from subsidiaries:
  Euro 43,840 relating entirely to interest on loan agreements;

- Income from others:
  Euro 48,599 mainly relating to sundry interest income recorded by subsidiary Saleri Shanghai.

Interest and other financial expenses

Interest and other financial expenses amount to Euro 2,145,615 against Euro 1,624,148 in 2020 and are analysed as follows:

Description	Amount
Bonds	211,534
Bank borrowing	1,520,743
Other	413,338
Total	**2,145,615**

The increase compared to prior year is almost entirely due to a number of significant factors:

- the Banks suspended interest charges in the first half of 2020 until the repayment moratorium was finalised;
- bond interest was only present in the second half of 2020 whereas it was present for the whole of the 2021 reporting period;
- a loan of Euro 24,000,000 was arranged at the end of 2020, as described in more detail in the Note on “Bank Borrowing” and led to significant interest expenses in 2021.

Exchange gains and losses

Net exchange losses of Euro 2212,168 against net exchange losses of Euro 20,005 in 2020 mainly refer to the exchange differences of subsidiaries Saleri Shanghai Co.Ltd and Saleri Aftermarket S.p.A..

Taxes on income – current, deferred and deferred tax income

Description	2020	Change	2021
Current taxes	736,859	640,726	1,377,585
Prior year taxes	6,168	(5,222)	946
Deferred Taxes and Utilisation of Deferred Tax Assets	1,097,947	123,568	1,221,515
Deferred Tax Income and Use of Deferred Tax Provisions	(2,817,170)	722,573	(2,094,597)
Income and expenses from tax consolidation	-	-	
Total	**(976,196)**	**1,481,645**	**505,449**

"Deferred Taxes and Utilisation of Deferred Tax Assets" and "Deferred Tax Income and Utilisation of Deferred Tax Liabilities" mainly refer to the parent company.

Other information

Off-balance sheet commitments, guarantees and contingent liabilities

Pursuant to Article 2427(9) of the Italian Civil Code, we disclose the following off-balance sheet commitments, guarantees and contingent liabilities:

Guarantees

Guarantees amount to Euro 3,591,519, including Euro 2,591,519 of secured guarantees. They refer to:

- around Euro 1,000,000 of guarantees given by the Parent Company on behalf of other entities (ex-subsidiary Italacciai S.r.l.) in favour lenders; the maximum amount of the guarantees given is around Euro 1,000,000; the guarantees have been enforced in 2022;
- Euro 2,591,519 of mortgages on assets owned by the Parent Company as security for loans and financing granted to it by banks and financial institutions. The amount is measured taking account of the outstanding debt at 31/12/2021.

As stated in the Note on "Payments on Account", in 2020, the Parent Company received significant advance payments totalling Euro 3,700,000 from several customers towards future sales (residual amount at 31 December 2021 – Euro 2,187,420). The amount of the advances is covered by guarantees for the same amount on machinery owned by the Parent Company.

Related party transactions

We note that the Group companies routinely enter into commercial and financial transactions with one another. As already highlighted in the "Consolidation Methods" paragraph, receivables and payables, revenue and expenses between companies in the scope of consolidation have been eliminated. All intercompany transactions have been entered into on an arm's length basis. The following table shows amounts relating to transactions with non-consolidated subsidiaries and other related parties.

Description	Parent companies	Non-consolidated subsidiaries	Other related parties
Revenue		1,350,301	
Costs		698,152	305,485
Financial income / expenses		1,000	
Financial receivables		101,000	
Trade receivables		627,817	-
Financial payables		-	
Trade payables		153,410	-

Fees

As required by law, the following table contains details of the total fees of the Directors, the members of the Board of Statutory Auditors and the External Auditor for performance of their duties.

Description	Consolidated
Directors' Fees	1,526,856
Board of Statutory Auditors' Fees	77,048
External auditor's fees - Annual audit	112,896
External auditor's fees - Other services	89,655
Total	**1,806,456**

Employment details

The following table shows the average number of employees – by employee category – of the companies consolidated line-by-line.

Description	2020	Change	2021
White collars - Managers	226	23	249
Blue collars - Intermediates	365	1	366
Total	**591**	**24**	**615**

The change compared to prior year mainly refers to the parent company and to subsidiary Saleri Shanghai Co. Ltd..
See the Directors' Report for further information on personnel.

Summary of public finance in terms of art. 1(125) to (129) of law no. 124/2017

Article 1 (125) to (129) of Law no 124 of 4 August 2017 (Annual law for the market and competition) introduced new disclosure requirements on public finance received and approved.

These amounts are reported on a "cash basis". During 2021, the Group received the following grants and contributions included in the definition governed by Law 124 of 4 August 2017:

Paying Body	Amount Received	Description
Simest	71,840,14	Measures rgearding the participation of Italian companies in public/private companies abroad - interest contribution
Ministry of Economy and Finance	10,321,00	Sanitisation Tax Credit
Banca del Mezzogiorno Mediocredito Centrale S.p.A.	46,850,10	Guarantee fund from special section in terms of Article 56 of Decree Law no 18 of 17 March 2020 - amount subject to support measure Euro 141,970
Banca del Mezzogiorno Mediocredito Centrale S.p.A.	31,233,51	Guarantee fund from special section in terms of Article 56 of Decree Law no 18 of 17 March 2020 - amount subject to support measure Euro 94,647
Banca del Mezzogiorno Mediocredito Centrale S.p.A.	37,866,06	Covid-19 SME Guarantee Fund, State Assistance SA. 56955 . Extension SA. 56966. Loan with nominal amount of Euro 1,535,000
Inps	24,871,02	Relief from INPS contributions on payroll costs

Significant events after the reporting period

Pursuant to Article 2427(22-iv) of the Italian Civil Code, we note that the ongoing adverse effects of the Covid 19 pandemic are largely due to global commodities shortages and to the significant increase in shipping/delivery times and costs also – but not only – caused by the various lockdown periods imposed by the Authorities in the Shanghai area. We also highlight the following:

- in execution of the reorganisation plan prepared for the relaunch of the Aftermarket segment, with effect from 1 January 2022, the Parent Company contributed the business unit regarding the sale and distribution of aftermarket products to subsidiary Saleri Aftermarket S.p.A.; this operation is in readiness for the relaunch plan as it has brought core business activities in the aftermarket segment (sale and distribution) into an organisation with its own dedicated logistics structure, a well-established market positioning and improving results in recent years;
- in March, the Parent Company appeared in court in the proceedings launched against it by third parties to claim damages related to the fire that occurred in 2018; taking account of insurance coverage ceilings and the evidence currently available, there is no need for now to make any further provision in the Balance Sheet;
- on 21 April 2022, the Parent Company Board of Directors approved the merger through incorporation of Immobiliare Industriale S.r.l. (Legal documents drawn up by notary Fabio Barca – Brescia); the merger is scheduled to take place by the end of June once the deadline for any objections by creditors has passed;
- in May, after former subsidiary Italacciai S.r.l. filed for bankruptcy, the banks holding said company's debt enforced the sureties issued by the Parent Company; details of the effects of this event have already been provided in these Notes. The Parent Company registered its claims as a creditor by the applicable deadline in an attempt to recover the amounts in question.

It should also be noted that, for now, the recent conflict in Ukraine has not had a significant impact on the Group's business. This is because the Group has no strategic assets in the territories affected and its business activities in those areas are limited. Taking account of this, given the findings of a careful analysis of the possible effects on the supply chain and despite the fact that circumstances could change, the Directors do not believe that there will be any significant effects for the Group's business and for its ability to generate income.

Lumezzane (BS), 15 June 2022

THE BOARD OF DIRECTORS

Signed by **Basilio Saleri (Chairman)**

Signed by **Matteo Cosmi**

Signed by **Sergio Bona**

Signed by **Giorgio Garimberti**

Signed by **Wilhelm Becker**

Signed by **Alessandro Potestà**

Signed by **Alberto Bartoli**

Signed by **Simona Heidempergher**

Signed by **Massimo Colli**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Industrie Saleri Italo S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Industrie Saleri Italo S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Industrie Saleri Italo S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance the Italian law governing financial statements and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Industrie Saleri Italo S.p.A. are responsible for the preparation of the report on operations of Industrie Saleri Italo Group as at December 31, 2021, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Industrie Saleri Italo Group as at December 31, 2021 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Industrie Saleri Italo Group as at December 31, 2021 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Marnati
Partner

Brescia, Italy
June 28, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Separate Financial Statements at 31 December 2021

General information about the Company

General details

Name	INDUSTRIE SALERI ITALO S.P.A.
Registered office	VIA RUCA 406 25065 LUMEZZANE BS
Share capital	23,922,413.12
Is share capital wholly paid?	yes
Chamber of Commerce Code	Brescia
VAT Number	01589150984
Tax Number	03066870175
Business database/REA Number	BS-317605
Legal form	Società per azioni (Joint stock company)
Main business segment (ATECO)	293209 Manufacture of other parts and accessories for cars and their engines
Is company in liquidation?	no
Does company have a single shareholder?	no
Is company subject to management and coordination by another entity?	no
Name of company or entity that provides management and coordination	
Does company belong to a group?	yes
Name of holding company	El.fra Holding S.r.l.
Country of holding company	Italy
Register of cooperatives number	

Balance Sheet

BALANCE SHEET - ASSETS	31/12/2021	31/12/2020
A) Due from shareholders for unpaid capital		
B) Non-current assets		
I) Intangible assets:		
1) Start-up and expansion cost		
2) Development costs	1,945,623	1,286,971
3) Patents and intellectual property rights	2,826,565	324,930
4) Concessions, licences, trademarks and similar rights	1,984,690	
5) Goodwil		
6) Assets under construction and payments on account	4,405,714	5,216,198
7) Other	1,047,437	1,685,801
Total Intangible Assets	**12,210,029**	**8,513,900**
II) Tangible assets:		
1) Land and buildings	18,850,156	19,308,268
2) Plant and machinery	22,629,239	21,750,354
3) Industrial and commercial equipment	4,215,962	4,142,335
4) Other tangible assets	576,560	820,160
5) Assets under construction and payments on account	3,608,373	752,925
Total Tangible Assets	**49,880,290**	**46,774,042**
III) Financial assets:		
1) Investments in:		
a) subsidiaries	36,426,116	32,420,678
b) associated companies		
c) parent companies		
d) entities subject to control of parent companies		
d-bis) Other entities	532	4,247
Total investments	**36,426,648**	**32,424,925**
2) Receivables:		
a) from subsidiaries		
b) from associated companies		
c) from parent companies		
d) from entities subject to control of parent companies		
d-bis) from others		
Total Receivables	**0**	**0**

BALANCE SHEET - ASSETS	31/12/2021	31/12/2020
3) Other Securities	6,340	6,340
4) Derivatives	1,080	
Total Financial Assets	**36,434,068**	**32,431,265**
Total non-current assets (B	**98,524,387**	**87,719,207**
C) Current assets		
I) Inventory:		
1) Raw, ancillary and consumable materials	9,695,921	8,473,611
2) Work in progress and semi-finished goods	5,557,029	2,371,122
3) Contract work in progress		
4) Finished goods	3,530,885	7,785,435
5) Payments on account	29,110	994,993
Total Inventory	**18,812,945**	**19,625,161**
II) Receivables		
1) Trade accounts	-	-
due within a year	4,888,661	4,672,984
due after more than a year	-	-
Total trade receivables	**4,888,661**	**4,672,984**
2) due from subsidiaries	-	-
due within a year	12,938,623	3,261,549
due after more than a year	-	-
Total receivables due from subsidiaries	**12,938,623**	**3,261,549**
3) due from associated companies	-	-
due within a year	-	-
due after more than a year	-	-
Total receivables due from associated companies	**-**	**-**
4) due from parent companies	-	-
due within a year	-	7,290
due after more than a year	-	-
Total receivables due from parent companies	**-**	**7,290**
5) due from entities controlled by parent companies	-	-
due within a year	-	-
due after more than a year	-	-
Total receivables due from entities controlled by parent companies	**-**	**-**

BALANCE SHEET - ASSETS	31/12/2021	31/12/2020
5-bis) Tax receivables	-	-
due within a year	1,839,069	1,389,411
due after more than a year	542,541	32,555
Total tax receivables	**2,381,610**	**1,421,966**
5-ter) Deferred tax assets	-	-
due within a year	-	-
due after more than a year	6,693,533	5,936,835
Total deferred tax assets	**6,693,533**	**5,936,835**
5-quater) Due from others	-	-
due within a year	2,597,953	1,985,802
due after more than a year	148,082	149,206
Total receivables due from others	**2,746,035**	**2,135,008**
Total Receivables	**29,648,462**	**17,435,632**
III) Current financial assets		
1) Investments in subsidiaries	-	-
2) Investments in associated companies	-	-
3) Investments in parent companies	-	-
3-bis) Investments in entities controlled by parent companies	-	-
4) Other investments	13,294	13,294
5) Derivatives	-	-
6) Other securities	-	-
Total current financial assets	**13,294**	**13,294**
IV) Cash and cash equivalents:		
1) Bank and post office accounts	14,222,005	36,258,427
2) Cheques	-	-
3) Cash and cash equivalents on hand	118	60
Total IV)	14,222,123	36,258,487
Total current assets	**62,696,824**	**73,332,574**
D) Prepaid expenses and accrued income	**3,778,125**	**4,053,990**
Total assets	**164,999,336**	**165,105,771**

BALANCE SHEET – LIABILITIES AND EQUITY	31/12/2021	31/12/2020
A) Shareholders' equity		
I) Share capital	**23,922,413**	**23,922,413**
II) Share premium reserve	**7,696,219**	**7,696,219**
III) Revaluation reserve	**27,061,472**	**27,061,472**
IV) Legal reserve	**1,179,976**	**1,179,976**
V) Statutory reserves	**-**	**-**
VI) Other reserves, disclosed separately	**1,221,447**	**1,221,447**
- Extraordinary reserve	857,395	857,395
- Additional paid-in capital		
- Payments to cover losses		
- Reserve for merger surplus		
- Sundry other reserves	364,052	364,052
VII) Cash flow hedge reserve	**(1,775)**	**(323,421)**
VIII) Retained earnings (Accumulated losses)	**(6,179,307)**	**(1,293,623)**
IX) Profit (Loss) for the year	**261,390**	**(4,885,685)**
X) Negative reserve for treasury shares held	**(285,014)**	**(285,014)**
Total shareholders' equity	**54,876,821**	**54,293,784**
B) Provisions for risks and charges		
1) Retirement benefits and similar obligations		
2) Taxation, including deferred tax	1,620,382	1,635,891
3) Derivatives	2,855	323,421
4) Other	3,601,463	3,146,412
Total provisions for risks and charges	**5,224,700**	**5,105,724**
C) Employee severance indemnity /tfr provision	**1,193,165**	**1,437,180**
D) Payables		
1) Bonds		
due within a year	3,931,162	105,479
due after more than a year		3,825,107
Total bonds	**3,931,162**	**3,930,586**
2) Convertible bonds		
due within a year		
due after more than a year		
Total convertible bonds		
3) Shareholder loans payable		
due within a year		
due after more than a year		
Total shareholder loans payable		
4) Bank borrowing		
due within a year	17,549,882	13,391,076
due after more than a year	28,963,215	38,359,797
Total bank borrowing	**46,513,097**	**51,750,873**
5) Payables to other lenders		
due within a year	2,468,810	922,798
due after more than a year		
Total payables to other lenders	**2,468,810**	**922,798**

BALANCE SHEET – LIABILITIES AND EQUITY	31/12/2021	31/12/2020
6) Payments on account		
due within a year	2,545,494	3,955,086
due after more than a year		
Total payments on account	**2,545,494**	**3,955,086**
7) Trade payables		
due within a year	27,527,141	32,410,272
due after more than a year		
Total trade payables	**27,527,141**	**32,410,272**
8) Credit instruments	-	-
due within a year	-	-
due after more than a year	-	-
Total credit instruments	**-**	**-**
9) Payables to subsidiaries		
due within a year	10,593,456	4,324,124
due after more than a year		
Total payables to subsidiaries	**10,593,456**	**4,324,124**
10) Payables to associated companies	-	-
due within a year	-	-
due after more than a year	-	-
Total payables to associated companies	**-**	**-**
11) Payables to parent companies	-	-
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Total payables to parent companies	**-**	**-**
11-bis) Payables to entities controlled by parent companies	-	-
due within a year	-	-
due after more than a year	-	-
Total payables to entities controlled by parent companies	**-**	**-**
12) Tax payables	-	-
due within a year	732,792	757,008
due after more than a year	-	-
Total tax payables	**732,792**	**757,008**
13) Payables to social security and pensions institutions	-	-
esigibili entro l'esercizio successivo	1,432,571	958,623
due after more than a year	-	-
Total payables to social security and pensions institutions	**1,432,571**	**958,623**
14) Other payables		
due within a year	5,321,602	4,742,412
due after more than a year	900,000	
Total other payables	6,221,602	4,742,412
Total payables	**101,966,125**	**103,751,782**
E) Accrued expenses and deferred income	**1,738,525**	**517,301**
Total liabilities and equity	**164,999,336**	**165,105,771**

Income Statement

INCOME STATEMENT	31/12/2021	31/12/2020
A) Value of production		
1) Revenue from sales and services	122,209,571	121,445,070
2) Change in inventories of WIP, semi-finished and finished goods	(1,068,643)	(3,372,548)
3) Change in contract work in progress	-	-
4) Increases in non-current assets due to capitalisation of internal works	3,864,400	1,281,089
5) Other revenue and income	-	-
Operating grant income	64,154	89,139
Other	8,652,982	3,429,334
Total other revenue and income	**8,717,136**	**3,518,473**
Total value of production	**133,722,464**	**122,872,084**
B) Cost of production		
6) Raw, ancillary and consumable materials and goods	69,114,158	59,215,224
7) Services	29,195,756	29,097,511
8) Use of third party assets – lease and rental costs	4,176,998	3,037,564
9) Personnel	-	-
a) Wages and salaries	18,047,223	17,194,325
b) Social contributions	5,454,266	4,574,807
c) Employee severance indemnity / TFR	1,094,771	1,058,756
d) Retirement benefits and similar obligations	-	-
e) Other personnel costs	796	89,625
Total personnel costs	**24,597,056**	**22,917,513**
10) Depreciation, amortisation and writedowns	-	-
a) amortisation of intangible assets	2,118,692	1,571,827
b) depreciation of tangible assets	4,054,984	4,078,038
c) other writedowns of non-current assets	-	-
d) writedowns of current receivables and cash and cash equivalents	218	8,700
Total depreciation, amortisation and writedowns	**6,173,894**	**5,658,565**
11) Changes in inventory of raw, ancillary and consumable materials and goods for resale	(1,222,310)	3,292,971
12) Provisions for risks	-	-
13) Other provisions	1,106,227	2,900,000
14) Sundry operating expenses	861,186	803,682
Total cost of production	**134,002,965**	**126,923,030**
Difference between value and cost of production (A - B)	**(280,501)**	**(4,050,946)**
C) Financial income and expenses		
15) Income from investments	-	-
- in subsidiaries	6,260,722	-
- in associated companies	-	-
- in parent companies	-	-
- in entities controlled by parent companies	-	-
Other	-	-
Total income from investments	6,260,722	-

INCOME STATEMENT	31/12/2021	31/12/2020
16) Other financial income	-	-
a) from receivables classed as non-current assets	-	-
- from subsidiaries	-	-
- from associated companies	-	-
- from parent companies	-	-
- from entities controlled by parent companies	-	-
- from other entities	-	-
a) from receivables classed as non-current assets	-	-
b) from securities classed as non-current assets other than equity investments	309	164
c) from securities classed as current assets other than equity investments	-	-
d) income other than the above	-	-
- from subsidiaries	44,249	22,044
- from associated companies	-	-
- from parent companies	-	-
- from entities controlled by parent companies	-	-
- from other entities	353	30,916
Total income other than the above	**44,602**	**52,960**
Total other financial income	**44,911**	**53,124**
17) Interest and other financial expenses	-	-
- to subsidiaries	69,030	2,825
- to associated companies	-	-
- to parent companies	-	-
- to entities controlled by parent companies	-	-
other	1,808,888	1,232,043
Total interest and other financial expenses	**1,877,918**	**1,234,868**
17-bis) Exchange gains and losses	(24,438)	(19,727)
Total financial income and expenses (15 + 16 - 17 + - 17 - bis)	**4,403,277**	**(1,201,471)**
D) Adjustments to value of financial assets and liabilities	**-**	**-**
18) Revaluations	-	-
a) of equity investment	-	-
b) of non-current financial assets other than equity investments	-	-
c) of securities classed as current assets other than equity investments	-	-
d) of derivatives	-	-
19) Writedowns	-	-
a) of equity investments	4,538,008	750,737
b) of non-current financial assets other than equity investments	-	-
c) of securities classed as current assets other than equity investments	-	-
d) of derivatives	-	13
Total writedown	**4,538,008**	**750,750**
Total adjustments to value of financial assets	**(4,538,008)**	**(750,750)**
Profit before taxation (A - B + - C + - D)	**(415,232)**	**(6,003,167)**
20) Taxes on income for the year – current, deferred and deferred tax income	-	-
a) current taxes	96,857	2,450
b) prior year taxes	-	5,250
c) deferred tax (income)	(772,209)	(1,125,182)
d) income (Expenses) from participation in tax consolidation	1,270	-
Total taxes on income for the year – current, deferred and deferred tax income	**(676,622)**	**(1,117,482)**
21) Profit (Loss) for the year	**261,390**	**(4,885,685)**

Statement of cash flows, indirect method

STATEMENT OF CASH FLOWS, INDIRECT METHOD	31/12/2021	31/12/2020
A. Cash flows from operating activities		
Profit (loss) for the year	**261,390**	**(4,885,685)**
Taxes on income	(676,622)	(1,117,482)
Interest expenses/(income)	(4,403,277)	1,201,471
(Dividends)	0	
(Gains)/Losses on asset disposals	100,565	(43,635)
1. Profit (Loss) for the year before taxes on income, interest, dividends and gains/losses on disposal	**(4,717,944)**	**(4,845,331)**
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	2,627,470	4,487,351
Depreciation/Amortisation of non-current assets	6,173,676	5,649,865
Impairment adjustments	0	750,737
Adjustments to value of financial assets and liabilities	4,538,008	13
Other adjustments for non-cash items	(1,077,647)	2,036,463
Total adjustments for non-cash items with no impact on net working capital	**12,261,507**	**12,924,429**
2. Cash flows before changes in NWC	**7,543,563**	**8,079,098**
Changes in net working capital	-	-
Decrease / (Increase) in Inventory	812,216	5,629,925
Decrease / (Increase) in Trade Receivables	(215,677)	1,473,973
(Decrease) / Increase in Trade Payables	4,883,131	991,523
Decrease / (Increase) in Prepaid Expenses and Accrued Income	275,865	(1,595,323)
(Decrease) / Increase in Accrued Expenses and Deferred Income	1,221,224	(232,863)
Δ in Financial Receivables	0	0
Δ in Tax Receivables	(1,035,636)	525,224
Δ in Sundry Receivables	(611,027)	2,479,080
Decrease / (Increase) in Sundry Receivables	(1,646,663)	3,004,304
Δ in Other Payables	(3,330,855)	2,815,689
Δ in Tax Payables	(39,725)	(206,222)
Δ in Payables to Social Security and Pensions Institutions	473,948	(584,718)
(Decrease) / Increase in Sundry Payables	(2,896,632)	2,024,749
Other decreases/(Other increases) in net working capital	(4,543,295)	5,029,053
Change in net working capital	**(7,332,798)**	**9,313,242**
3. Cash flows after changes in NWC	**210,765**	**17,392,340**
Interest received / (paid)	(1,857,445)	(1,201,471)
Taxes on income (paid)	(4,084)	(681,287)
Dividends received	6,260,722	-
(Use of Provisions for Risks and Charges)	-	-
(Use of employee severance indemnity /TFR provision)	(1,338,786)	(1,176,260)
(Use of provisions)	-	-
Other receipts/(payments)	-	-
Total other adjustments	**3,060,407**	**(3,059,018)**
4. Cash Flows after other adjustments	**3,271,172**	**14,333,322**
Cash flows from operating activities	**-**	**-**

STATEMENT OF CASH FLOWS, INDIRECT METHOD	31/12/2021	31/12/2020
B. Cash flows from investing activities		
Capex on non-current assets		
- Tangible assets		
(Additions)	(7,393,185)	(5,306,172)
Disposals	381,319	1,912,928
- Intangible assets		
(Additions)	(6,740,004)	(3,075,987)
Disposals	675,253	419,027
- Financial assets		
(Additions)	(8,543,446)	(2,362,567)
Disposals	3,715	0
- Current financial assets		
(Additions)		
Disposals		
(Acquisition of business units net of cash and cash equivalents)		
Sale of business units net of cash and cash equivalents		
Cash flows from investing activities	**(21,616,348)**	**(8,412,771)**
C. Cash flows from financing activities		
Debt		
- Increase (Decrease) in short-term bank borrowing	2,606,023	(771,634)
- Loans arranged		23,592,733
- (Loans repaid)	(6,297,211)	(5,541,693)
Equity		
- Paid share capital increas		6,000,000
- (Share capital refunds		
- Sale (Purchase) of treasury shares		
- (Dividends and advances on dividends paid)		
Cash flows from financing activities	**(3,691,188)**	**23,279,406**
increase (decrease) in cash and cash equivalents (A ± B ± C)	**(22,036,364)**	**29,199,957**
- Forex effect on cash and cash equivalents		
Cash and cash equivalents at start of period		
Bank and post office accounts	36,258,427	7,051,175
Cheques		
Cash and cash equivalents on hand	60	7,355
Total cash and cash equivalents at start of period	**36,258,487**	**7,058,530**
Of which not freely available		
Cash and cash equivalents at end of period		
Bank and post office accounts	14,222,005	36,258,427
Cheques		
Cash and cash equivalents on hand	118	60
Total cash and cash equivalents at end of period	**14,222,123**	**36,258,487**
Of which not freely available		

Notes to the Financial Statements, opening section

Dear Shareholders,
These financial statements, as submitted for your review and approval, report a net profit for the year of Euro 261,390.

As described in more detail in the “Structure and content of the financial statements” section, the financial statements provide a true and fair representation of the Company’s balance sheet and financial position and of its result for the year.

These Notes form an integral part of the Financial Statements at 31 December 2021. They have been prepared in accordance with Article 2427 of the Italian Civil Code and contain all of the information of use in providing an accurate interpretation of the Financial Statements.

Foreword

Like 2020, the reporting period ended 31 December 2021 was affected by the pandemic caused by the Coronavirus called "Covid-19", with consequential effects for the productivity, profitability, finances, employment and markets of companies both in Italy and internationally.

Despite having operated within the limits established by law, once more in 2021, Industrie Saleri Italo S.p.A. suffered from the impact that the pandemic emergency has had on the general economic environment.

We note that the recent conflict in Ukraine, which began in February 2022 and was followed by international sanctions adopted against Russia, is heightening tension on global commodity markets. Already during the 2021 reporting period, these markets were affected by significant price increases and procurement problems. Moreover, energy and petroleum product prices are rising.

Given the initiatives taken (i) to deal with the state of emergency caused by the pandemic and (ii) to mitigate the risks created by the recent military conflict, considering the analysis performed by the Directors, as derived from the Business Plan 2022-2025 approved by the Parent Company Board of Directors on 1 March 2022, we believe there is no significant uncertainty over the Company’s ability to continue to operate as a going concern.

Reference should also be made to the Directors’ Report for further information on the above.

Business activities

Industrie Saleri Italo S.p.A., a company founded in 1942, is active in the design, manufacture and sale of engine cooling systems for the automobile industry and operates in both the original equipment (OEM) and the aftermarket (IAM) segments.

The Company’s ability to provide a leading customer base with a wide range of technologically advanced solutions has enabled the business to grow strongly in recent years. Long-term production contracts have consistently been acquired, guaranteeing a healthy workload for the years ahead.

The Directors’ Report contains further information on the activities of the Company and its subsidiaries.

Structure and content of the Financial Statements

The financial statements for the year ended 31 December 2021 comprise the Balance Sheet, the Income Statement, the Statement of Cash Flows and these Notes. They reflect the contents of the properly maintained accounting records and have been prepared in accordance with the requirements of Articles 2423 and 2423 – bis of the Italian Civil Code, as well as with the accounting standards and accounting recommendations issued by the Italian Accounting Standards Board (“Organismo Italiano di Contabilità” - O.I.C.).

The structure and content of the financial statements are consistent with the requirements of Articles 2424 and 2425 of the Italian Civil Code and with the terms of Article 2423-ter. Meanwhile the Notes are consistent with the requirements of Articles 2427 and 2427-bis and all other relevant provisions.

The entire document has been prepared in order to present a true and fair view of the Company’s balance sheet and financial position and of its result for the year. Where necessary, additional information has been provided in order to provide a full understanding.

Exceptions

There have been no exceptional circumstances requiring the use of exceptions in terms of Article 2423 (5) of the Italian Civil Code.

Comparability of amounts reported

The amounts reported in these financial statements are all suitable for comparison in terms of Article 2423-ter of the Italian Civil Code.

Principles followed when preparing the Financial Statements

Pursuant to Article 2423-bis of the Italian Civil Code, the following principles were followed when preparing the financial statements:

- each amount was measured based on the prudence principle and on a going concern basis, while taking account of the substance of the transaction or the contract;
- only those gains or profits actually realised during the reporting period were included;
- income and expenses relating to the period were included, irrespective of their collection or payment date;
- risks and losses relating to the period were taken into account even if they came to light after the reporting date;
- different items included in the various financial statement captions were measured separately.

The Financial Statements, together with these Notes, have been prepared to the nearest Euro.

Financial Statements Format adopted by the Company

We note the following with regard to the format of the Financial Statements:

- the format of the Balance Sheet and Income Statement is as required, respectively by Article 2424 and 2425 of the Italian Civil Code. Line items indicated by Arab numerals and by small letters per Articles 2424 and 2425 of the Italian Civil Code but which are not reported had zero balances in both the current and the previous reporting period;
- the Statement of Cash Flows, as introduced by Article 2425-ter of the Italian Civil Code, has been prepared using the indirect method and its format is consistent with that recommended by Italian Accounting Standard OIC 10 (revised in 2016).

The Notes to the Financial Statements contain obligatory tables and/or those important in providing a proper understanding of the information in the Financial Statements, as envisaged by the Italian Civil Code or prepared in accordance with specific legal requirements. In accordance with Article 2423-ter, the prior year comparative amount is reported for each line item.
Reference should be made to the relevant section for information on the Company's economic and financial performance and on its related party transactions.

Audit

The Financial Statements at 31 December 2021, as submitted for your approval, have been audited by Deloitte & Touche S.p.A. on the basis of the engagement conferred upon them by the Shareholders' General Meeting of 23 November 2017 until approval of the Financial Statements at 31 December 2022.
Deloitte & Touche S.p.A.'s audit work regards the following:

- separate financial statements;
- consolidated financial statements;
- periodical checks to ensure accounting records are properly maintained;
- other certification activities.

The fees agreed for the audit of the Company's financial statements at 31 December 2021 amount to Euro 53,500, excluding VAT and any out of pocket expenses.

Correction of Errors – Effect of application of OIC 29

As in previous reporting periods, at 31 December 2021, Inventory includes the sub-category "Equipment for Resale" which includes the cost valuation of Euro 1,332,684 of Tools to Resell to our end customers. We note that the balance of this sub-category has been adjusted downwards due to the effect – totalling Euro 1,293,623 – of errors regarding the booking of movements of certain inventory items in prior years that were only identified during the current reporting period. In 2021, the Company implemented a new enterprise management/ERP system - SAP. The implementation was preceded by an overhaul of business processes including that relating to "Tools to Resell". The overhaul of the process and the launch of the new ERP system brought to light the error resulting from the erroneous (pre-SAP) procedure regarding movements on the aforementioned inventory category in previous periods.

The Directors believe that this error may be defined as "material" considering its nature and amount in relation to the aforementioned sub-category as reported in the income statements and balance sheets presented for previous reporting periods.

As the error was committed in previous periods and as it was not considered feasible to determine the effect relating to the 2020 reporting period, the opening balances of the captions Inventory and Shareholders' Equity were redetermined for the current reporting period. Therefore, pursuant to the guidelines contained in Italian Accounting Standard OIC 29, the amount of Euro 1,293,623 has been accounted for as an adjustment to the opening balance of Shareholders' Equity for 2020 under the caption "Retained earnings (Accumulated losses).

Correction of the errors involved the following adjustments:

Adjustments to financial statements at 31/12/2020 for comparative purposes	Amount per the financial statements at 31/12/2020	Amount per comparative information in financial statementsi	Adjustments
Inventory – Finished Products	9,079,058	7,785,435	1,293,623
Shareholders' Equity at 31/12/2020 with restatement	-55,587,407	-54,293,784	-1,293,623

Accounting policies and measurement criteria adopted

The accounting policies and measurement criteria required by Article 2426 of the Italian Civil Code were applied when preparing the Financial Statements.

The measurement criteria required by Article 2426 of the Italian Civil Code have been maintained unchanged compared to those adopted in prior year.

Intangible assets

Intangible assets are individually identifiable assets, controlled by the Company and generally consisting of legally protected rights or of assets capable of producing future economic benefits. These assets have been recorded at purchase or internal production cost, including direct related expenses.

The amounts are reported net of accumulated amortisation, calculated on a straight-line basis at the rates indicated below, while taking account of the remaining useful lives of the assets.

No dividends were distributed during the reporting period. Therefore, the Company complied with the requirements of Article 2426(5) of the Italian Civil Code (it is not possible to distribute dividends in excess of the amount of available reserves sufficient to cover the amount of unamortised costs).

If there are indicators of impairment, intangible assets undergo an impairment test as described below under "Impairment of assets"; any impairment writedowns – except those relating to start-up and expansion costs, development costs and goodwill - may be reversed subsequently if the reasons for the writedown cease to apply. During the reporting period, there were no circumstances requiring any impairment adjustments to be made to intangible assets while the reasons that had led to impairment adjustments to certain intangible assets now amortised in full ceased to apply.

Development costs: in cases where the useful life cannot be reliably estimated, these costs are amortised over a period of not more than five years. Development costs with a clear link to projects with an estimated useful life of 10 years are amortised over that period at a rate of 10% per annum. Until they have been fully amortised, it is only possible to distribute dividends if there are sufficient available reserves to cover the amount of the unamortised costs.

Patents and intellectual property rights: costs incurred to obtain legal protected rights are capitalised. This includes user licences which are amortised over their expected useful lives which cannot, in any case, exceed the period fixed by law or by the contract.

Concessions, Licences, Trademarks and similar rights: trademarks are amortised over a period of 18 years.

Assets in progress and payments on account: advances to suppliers towards the purchase of intangible assets are initially recognised on the date when the obligation to pay such amounts arises. Intangible assets in progress includes costs incurred to realise an asset; these costs continued to be classified as assets in progress until title to the right has been acquired or the project has been completed. At that point, the amounts are reclassified to the relevant intangible asset captions.

Other intangible assets: leasehold improvements are amortised over the shorter of the future useful life of the expenses incurred and the residual lease period, taking account of any renewal period if it depends on the lessee.

Tangible assets

Tangible assets are recognised at purchase cost, internal production cost or contribution value. Cost includes related expenses, as well as any direct expenses needed to make the asset available for use; it is stated net of any capital grant income.

Ordinary maintenance costs are expenses in full in the Income Statement in the period in which they are incurred.

Tangible assets are stated net of accumulated depreciation, as calculated on a straight-line basis at the rates indicated below which have been determined based on the remaining useful lives of the assets. The depreciation rates applied are as follows:

Asset category	Depreciation rate
Buildings	3%
Plant and machinery	5%
Industrial and commercial equipment	12.5%
Prototype equipment	50%
Other tangible assets:	
- Furniture and fittings	12%
- Electronic office equipment	20%
- Cars and motorcycles	25%
- Internal means of transport	20%

It should be recalled that, since 2019, the depreciation of new tangible assets has been calculated based on the effective number of days' use.

If there are indicators of impairment, tangible assets undergo an impairment test as described below under "Impairment of assets"; any impairment writedowns may be reversed subsequently if the reasons for the writedown cease to apply.

Cost may be revalued in application of revaluation laws; in any case, revalued amount shall not exceed market value. No discretionary or voluntary revaluations have been performed and the valuations performed do not exceed the value in use or market value of the tangible asset in question, as determined on an objective basis.

Tangible assets destined for sale are classified under a specific current assets caption as the conditions set out by Italian Accounting Standard OIC no.16 have been met.

Impairment of assets

Art. 2426 (1)(3) of the Italian Civil Code requires the adjustment of any non-current assets whose value has been impaired at the reporting date compared to its net carrying amount.

Italian Accounting Standard OIC 9 defines impairment as a reduction of value that renders the recoverable amount of an asset, as determined on a long-term basis, lower than its net carrying amount.

The recoverability of the amounts recorded is tested by comparing their net carrying amount with the greater of fair value less costs to sell and the value in use of the asset as OIC 9 defines recoverable amount as the greater of the fair value of an asset or a cash generating unit less costs to sell and its value in use.

Value in use is generally determined by discounting cash flows expected from use of the asset or the cash generating unit, taking account of the expected disposal value at the end of its useful life.

Cash generating units have been identified, in a manner consistent with the organisational and business structure, as assets that generate independent cash inflows due to continuing use.

Assets held under finance leases

Tangible assets held under finance leases are reported in accordance with Italian GAAP. This involves recording the lease instalments as period costs over the duration of the finance lease while recording a prepaid expense for advance instalments and recognising the asset at the amount of the final purchase option in the period when said option is exercised.

During the lease period, the final purchase option and the outstanding commitment for finance lease instalments are disclosed under Commitments. A later section of the Notes contains details of the effect of applying international accounting standards to account for finance leases in place at the reporting date and for those that have ended but which still produce an effect under the finance lease accounting method.

Non-current financial assets

Non-current financial assets consisting of investments in subsidiaries and associated companies are measured at cost, inclusive of related expenses. Their carrying amount is determined based on acquisition or subscription price or on the value attributed to contributed assets.

Cost determined as above is adjusted for any impairment. If the reasons for any impairment adjustment cease to apply, the value of the investment is restored up to not more than the acquisition cost.

The amount so determined is not greater than the amount that would have been determined applying the criteria required by Article 2426(4) of the Italian Civil Code.

Investments not determined to form part of the Company's long-term portfolio are classified under current financial assets.

Investments in other entities and/or associated companies have been recognised at acquisition cost, as adjusted for any impairment based on the losses reported by the investee companies; in such cases, they are reported at less than their acquisition cost.

Securities are reported using the amortised cost method, as required by Italian Accounting Standard OIC 20.

Any receivables classed as non-current financial assets are reported using the amortised cost method, taking account of the time factor and estimated realisable amount.

The amortised cost method is not applied when the effective interest rate is not significantly different to the market interest rate or when the effects of application of the method are insignificant compared to the method adopted.

Inventory, securities and current financial assets

Inventory, securities and current financial assets have been recorded at the lower of purchase cost – including direct related expenses – and estimated realisable value based on market trends.

The purchase cost of raw and ancillary materials is determined using the weighted average cost method.

For finished goods and WIP, production cost includes the purchase cost of raw materials and components – determined as above – and the portion of direct and indirect production costs ("general production costs") that is reasonably attributable, also taking account of the state of completion of the relevant production phase.

The purchase cost of certain items e.g. prototypes and tooling is determined based on the specific cost method.

Estimated realisable value, as based on market trends, is determined based on the current purchase prices and selling prices of the inventory at the reporting date.

If estimated realisable value is lower than purchase or production cost, the inventory is written down to that lower amount by means of a specific inventory provision.

The value of obsolete and slow moving items has been written down based on its prospects of future use or realisation by means of a specific inventory provision.

Receivables

Receivables due within a year are reported at estimated realisable amount by creating a specific provision for bad debts. Every year, an amount representing the risk of non-collection of the receivables reported in the Financial Statements is allocated to the provision, as determined based on general economic conditions, the business sector and the location of the debtor.

Receivables due after more than a year are recorded at the amortised cost method, taking account of the time factor. The amortised cost method is not applied when the effective interest rate is not significantly different to the market rate of interest or when the effects of application of the amortised cost method are insignificant compared to the method adopted.

Receivables include invoices issued and those yet to be issued for services relating to the reporting period.

Foreign currency receivables are initially recorded by applying the spot exchange rate at the transaction date. At the reporting date, foreign currency receivables are restated at the spot rate in force at that date. Realised exchange gains and losses are recorded in the Income Statement. Any unrealised net gain resulting from the translation of amounts denominated in foreign currency is allocated to a reserve not distributable until realisation.

Receivables are derecognised from the Balance Sheet when the right to receive cash flows is extinguished and substantially all of the risks and rewards of title to the asset have been transferred or if the receivable is definitively considered non-recoverable after all necessary recovery procedures have been completed.

Any receivables from customers involved in insolvency proceedings or in a state of proven economic distress which render enforcement measures pointless are written off in full or to the extent that information obtained or the procedures in progress lead to the conclusion that they will prove uncollectable.

Cash and cash equivalents

This caption contains all cash and cash equivalents held by the Company, whether on hand or in bank accounts. They are reported at nominal amount.

Prepaid expenses and accrued income, accrued expenses and deferred income

Prepaid expenses and accrued income include income relating to the period but collectible in future periods and costs incurred by the reporting date but relating to subsequent periods. Accrued expenses and deferred income include expenses relating to the period but payable to subsequent periods and income received by the reporting date but relating to subsequent periods.

They do not depend on the payment or collection date of the related expenses or income which are common to two or more reporting periods and are allocated based on time. The amount is determined by spreading the income or the expense (generally arising under contracts for a fixed period of time) in order to allocate the relevant portion to the reporting period and to defer or accrue the remaining portion.

Provisions for risks and charges

Provisions for risks and charges have been recorded to cover losses or liabilities of a determinate nature, which are certain or probably, but whose amount or due date could not be determined at the reporting date.

Provisions for risks and charges also include the provision for "taxation, including deferred tax" which includes amounts relating to probable tax liabilities whose amount or due date is uncertain and which originate from tax assessments not yet finalised or ongoing tax disputes or similar circumstances. The provision "for taxation, including deferred tax" includes deferred tax liabilities determined based on taxable temporary differences.

These provisions were calculated in accordance with the prudence and accrual principles. No general provisions for risks without any economic justification have been created.

Allocations to provisions for risks and charges are recorded under the appropriate Income Statement cost headings (B, C or D) if possible. Whenever it is not possible to make a connection between the amount provided and one of the captions under the aforementioned categories, allocations to provisions for risks and charges are recorded under Income Statement captions B12 and B13.

Employee Severance Indemnity / "TFR" provision

The employee severance indemnity provision represents the Company's effective liability towards each employee, as determined in accordance with current legislation in each country and for the Italian companies, in particular, in accordance with the terms of Article 2120 of the Italian Civil Code, national collective labour agreements and supplementary local agreements. Therefore, the "Employee severance indemnity provision" includes indemnities accruing in favour of employees at the reporting date, net of advances paid and after deducting partial advances maturing and paid. Following supplementary pension reform in 2006, amounts accruing from 1 January 2007 onwards may be maintained in the company or allocated to a supplementary pension fund, as the employee chooses.

This liability is subject to index-linked revaluation.

Advance payments are treated separately and deducted from the provision to show the net liability.
The portion of the provision relating to the reporting period is allocated to the Income Statement.

As required by rules on the *Trattamento di Fine Rapporto* contained in Law no 296 of 27 December 2006 and in subsequent Implementing Decrees issued in the first few months of 2007 (Pension Reform), the liability reported represents the actual amount payable to employees at 31 December 2006, as revalued based on indexes and updated for amounts accruing in the first half of 2007 and not paid into supplementary pension funds. The balance also includes the TFR entitlement of persons hired in the second half of 2021 who have not yet stated their choice as to the destination of the TFR accruing, given the fact that this choice may be made within six months of the date of employment.

Payables

Payables falling due within a year are stated at nominal amount and include, where applicable, interest accruing and due at the reporting date.

Payables falling due after more than a year are recorded using the amortised cost method, taking account of the time factor. The amortised cost method is not applied when the effective interest rate is not significantly different than the market interest rate or when the effects of application of the amortised cost method are immaterial compared to the method already adopted.

Foreign currency payables are initially recorded at the spot exchange rate in force on the transaction date.

Payables for employee holidays accruing and for deferred remuneration, including amounts due to social security and pensions institutions, are recorded based on the amount that would have been payable if the employment relationship had ended on the reporting date.

Payables are derecognised from the Balance Sheet when the specific contractual obligation is extinguished.

Derivative instruments

Derivative instruments are arranged solely in order to hedge underlying interest rate, exchange rate, price and credit risks. The instruments meet the requirements to be considered as simple hedges and are, therefore, measured using the simplified method. Derivatives are classified as hedging instruments only when, at the start of the hedge, there is a close, documented relationship between the characteristics of the item hedged and those of the hedging instrument and that hedging relationship is formally documented.

A derivative instrument used to hedge the cash flows or the fair value of an asset follows the classification of the hedged asset, in current assets or non-current assets; a derivative instrument used to hedge the cash flows or the fair value of a liability, a binding commitment or a highly probable planned transaction is classified in current assets, as is a non-hedging financial instrument. If they have a negative fair value, these instruments are recorded as liabilities under provisions for risks.

When derivatives hedge the risk of the future cash flows from the hedged instrument (cash flow hedges), the effective portion of the gains or losses on the derivative instrument is suspended in Equity. The ineffective portion of the gains and losses of a hedge are recorded in the Income Statement. When the related transaction is realised, accumulated gains and losses – until then recorded in equity – are recorded in the Income Statement (as adjustments to the Income Statement items affected by the hedged flows). The Company has decided to apply hedge accounting for the hedging of changes in cash flows of financial liabilities as a result of interest rate fluctuation.
Therefore, changes in the fair value of derivative hedging instruments are recorded:

- in the Income Statement in captions D18 or D19 in case of a hedge of the fair value of an asset or liability reported in the financial statements or of changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in fair value of the hedging instrument, the difference is recorded in the Income Statement caption affected by the hedged item);
- in a specific Equity reserve (caption AVII “Cash flow hedge reserve”) in case of a cash flow hedge in such a way as to counterbalance the hedged cash flows (the ineffective portion, as well as the change in the time value of options and forward contracts, is classified in captions D18 and D19).

Translation of amounts denominated in foreign currency

Receivables and payables originally expressed in foreign currency are translated into Euro at the historical rates on the date they arose. Exchange differences realised upon settlement of payables and collection of receivables in foreign currency are recorded in the Income Statement.

Foreign currency receivables outstanding at the reporting date have been translated into Euro at the reporting date exchange rate. Exchange gains and losses arising in this way have been recorded in the Income Statement under caption C.17-bis "Exchange gains/ losses", while allocating an amount equal to any net gain arising to a non-distributable equity reserve until the time of realisation.

Accounting for revenue, income, costs and expenses

Revenue and income are recorded net of returns, discounts and allowances, as well as any taxes directly related to the sale of products and the provision of services.

In more detail:
- revenue for services is recognised when the service has been provided and in accordance with the related contracts. Revenue relating to contract work in progress is recognised based on the percentage of completion of works;
- revenue from the sale of products is recognised upon change of ownership which normally coincides with shipment or delivery;
- costs are accounted for in accordance with the accrual principle;
- allocations to provisions for risks and charges are recorded based on their nature, where possible, in the relevant Income Statement categories;
- financial income and expenses are recorded in accordance with the accrual principle;
- extraordinary or non-recurring income and expenses are recorded under the Income Statement captions deemed appropriate based on the type of transaction. Any residual amounts are recorded under "Other revenues and income" and "Other operating expenses".

Dividends

Dividends are accounted for on an accrual basis when the right to collection emerges, in terms of Italian Accounting Standard OIC 21.

Taxes on income

Taxes on income are recorded based on an estimate of taxable income in compliance with tax laws and regulations in force at the reporting date, while taking account of applicable exemptions and tax credits due.

The Company has adhered, as consolidating entity, to the consolidated taxation arrangement in terms of Articles 117 to 129 of Presidential Decree 917/86. The Company determines a single tax base for the Group of companies participating in the tax consolidation. In this way, it benefits from the possibility of offsetting taxable income and tax losses in a single tax return. Each company participating in the tax consolidation transfers its taxable income or tax loss to the consolidating entity. The consolidating entity records a receivable from participating companies for IRES payable (the participating companies each record a liability towards the consolidating entity). In contrast, in the case of companies that contribute tax losses, the consolidating entity records a payable equal to the IRES on the portion of the loss actually offset at Group level (the participating company records a receivable from the consolidating entity).

Where necessary, deferred tax assets and liabilities are recorded on temporary differences between the statutory result for the period and taxable income. Pursuant to Article 2427(1)(14) of the Italian Civil Code, the Notes include a table containing a description of the temporary differences that led to the recognition of deferred tax assets and liabilities. Said table states the tax rate applied, changes compared to prior year, amounts credited or debited to the Income Statement or to Equity, items excluded from the computation and the reasons for their exclusion.

Notes to the Financial Statements, Assets

Notes to the balance sheet

Assets

Non-current assets

Intangible assets

Intangible assets represent expenses that produce long-term benefits. They amount to Euro 12,210,029 (Euro 8,513,900 at 31 December 2020) and are stated net of accumulated amortisation (Euro 6,978,487).

Details of intangible assets and movements thereon during the year are shown in the following table.

Asset category	Opening Amount	Increases	Decreases	Closing Amount
Start-up and expansion costs	-	0	0	-
Development costs	1,286,971	1,404,448	745,796	1,945,623
Patents and intellectual property rights	324,930	3,426,908	925,273	2,826,565
Concessions, licences, trademarks and similar rights	-	2,013,187	28,497	1,984,690
Goodwill	-	-	-	-
Assets in progress and payments on account	5,216,198	3,814,601	4,625,085	4,405,714
Other intangible assets	1,685,801	10,000	648,364	1,047,437
Rounding	-	-	-	-
Total	**8,513,900**	**10,669,144**	**6,973,015**	**12,210,029**

Movements on intangible assets

The following table shows movements on intangible assets (Article 2427(2) of the Italian Civil Code).

	Start-up and expansion costs	Development costs	Patents and intellectual property rights	Concession, licences, trademarks and similar rights	Goodwill	Assets in progress and payments on accounti	Other intangible assets	Total intangible assets
Opening amount								
Cost	-	2,871,709	863,851	-	-	5,216,198	4,510,027	13,461,785
Revaluations	-			-	-	-		0
Amortisation (Accumulated Amortisation)	-	1,584,738	538,921	-	-	-	2,824,226	4,947,885
Writedowns	-			-	-	-		0
Net carrying amount		**1,286,971**	**324,930**			**5,216,198**	**1,685,801**	**8,513,900**
Changes during the year								
Increases due to additions	-	356,419	545,797	2,013,187	-	3,814,601	10,000	6,740,004
Reclassifications (of net carrying amount)	-	1,048,029	2,881,111	-	-	(3,929,140)	-	0
Decreases due to disposals (of net carrying amount)	-	229,238	-	-	-	695,945	-	925,183
Revaluations performed during the year	-	-	-	-	-	-	-	0
Amortisation for the year	-	516,558	925,273	28,497	-	-	648,364	2,118,692
Writedowns performed during the year	-	-	-	-	-	-	-	0
Other changes	-	-	-	-	-	-	-	0
Total changes	**0**	**658,652**	**2,501,635**	**1,984,690**		**(810,484)**	**(638,364)**	**3,696,129**
Closing amount								
Cost	-	3,958,829	4,290,758	2,013,187	-	4,405,714	4,520,028	19,188,516
Revaluations	-	-	-	-	-	-	-	0
Amortisation (Accumulated Amortisatio)	-	2,013,206	1,464,193	28,497	-	-	3,472,591	6,978,487
Writedowns	-	-	-	-	-	-	-	0
Net carrying amount	**-**	**1,945,623**	**2,826,565**	**1,984,690**	**-**	**4,405,714**	**1,047,437**	**12,210,029**

Development costs

In 2021, the Company carried out research and development activities into technological innovation.
Further details are provided in the Directors' Report.

With regard to development activities alone, in 2021, the Company incurred personnel costs totalling Euro 4,954,332 and external development costs of Euro 367,058. Based on a careful analysis of available information on external development costs and on the number of hours spent on development projects already assigned (i.e. projects for which a final contract has been signed), the Directors concluded that they could capitalise the lower amount of Euro 3,856,873. In more detail:

- Euro 3,500,454 of costs relating to projects for which the development phase has not yet been completed; these costs are recorded under Intangible assets in progress;
- Euro 356,419 of costs relating to projects for which the development phase has been completed and which have been capitalised under Development costs.

During the reporting period, following completion of the development phase, certain projects with a value of Euro 1,048,029 were reclassified from "Intangible assets in progress and payments on account" and the amortisation process commenced.

The following table contains the disclosures required by Article 2427(3) in relation to development costs.

	Opening amount	Increases	Decreases	Closing amount
Development costs	1,286,971	1,404,448	745,796	1,945,623
Total	**1,286,971**	**1,404,448**	**745,796**	**1,945,623**

Costs capitalised up to 2019 whose useful life could not be reliably estimated are amortised over not more than five years; this period is normally shorter than the mass production period of the related items.

Development costs with a clear connection to projects with an estimated useful life of 10 years are amortised over that period at 10% per annum.

As previously stated, increases totalling Euro 1,404,448 (of which Euro 1,048,029 reclassified from "Assets in progress and payments on account") includes the amount of projects for which the development phase was completed during the year.

Decreases amounting to Euro 745,796 include amortisation for the year (Euro 516,558) and the amount relating to projects launched in previous years for which clients have confirmed cancellation of expected future volumes (Euro 229,238).

Patents and intellectual property rights

The net balance amounts to Euro 2,826,565 (Euro 324,930 at 31 December 2020) and refers entirely to Software.

Increases for the year of Euro 3,426,908 (of which Euro 2,881,111 reclassified from "Intangible assets in progress and payments on account") almost entirely refers to investment in new management software, including implementation costs necessary to update the management of various business processes.

Decreases amounting to Euro 925,273 refer entirely to amortisation for the period.

This category of intangible assets is amortised on a straight-line basis:
- over 5 years for management software;
- over 3 years for all other software.

Concessions, Licences, Trademarks and similar rights

The net balance amounts to Euro 1,984,690 (zero at 31 December 2020) and entirely refers to Trademarks purchased during the year, net of the amortisation charge for the period (Euro 28,497).

Intangible assets in progress and payments on account

This item amounts to Euro 4,405,714 (Euro 5,216,198 at 31 December 2020).

This caption refers almost entirely to of internal development costs incurred in relation to development projects in progress. The costs now recorded under this caption will be reclassified to the relevant asset category as described above – once their suitability for capitalisation has been confirmed – and they will be amortised from the date of completion of the development phase, considering the estimated residual useful life of the project to which they refer; the balance increased by Euro 3,814,601 during the year. Development costs with a clear connection to projects with an estimated useful life of 10 years are amortised over that period at a rate of 10% per annum.

During the period, the development phase was completed for several projects so the related costs totalling Euro 1,048,029 were reclassified and capitalised under "Development Costs". The additional amount of Euro 2,881,111, reported under reclassifications, refers to investment in new management Software completed during the year in respect of which payments on account were made in prior year.

The caption also includes an amount of Euro 195,177 representing payments on account towards leasehold improvements.

Other intangible assets

The net balance amounts to Euro 1,047,437 (Euro 1,685,801 at 31 December 2020) after accumulated amortisation of Euro 3,472,591 and entirely refers to leasehold improvements.

Additions of Euro 10,000 refer to leasehold improvements.

Tangible assets

Movements on tangible assets

Tangible assets include land, buildings, industrial and commercial equipment, tangible assets under construction and other tangible assets. They amount to Euro 49,880,290 (Euro 46,774,042 at 31 December 2020) after accumulated depreciation (Euro 63,132,060).

The following table contains details of the items included in the net carrying amount of Tangible Assets in the Financial Statements (Art. 2427(2) of the Italian Civil Code).

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction and payments on account	Total tangible asset
Opening amount						
Cost	20,070,234	44,376,326	32,274,179	4,996,863	752,925	102,470,527
Revaluations	6,502,686	-	-	-	-	6,502,686
Depreciation (Accumulated Depreciatio)	5,704,164	22,625,972	28,131,844	4,176,703	-	60,638,683
Writedowns	1,560,488	-	-	-	-	1,560,488
Net carrying amount	**19,308,268**	**21,750,354**	**4,142,335**	**820,160**	**752,925**	**46,774,042**
Changes during yea						
Increases due to additions	117,602	2,630,489	1,162,260	44,831	3,438,003	7,393,185
Reclassifications (of net carrying amount)	99,440	82,208	277,802	-	(459,450)	0
Decreases due to disposals (of net carrying amount)	-	16,317	91,839	692	123,105	231,953
Revaluations performed during the year	-	-	-	-	-	0
Depreciation for the year	675,154	1,817,495	1,274,596	287,739	-	4,054,984
Writedowns performed during the year	-	-	-	-	-	0
Other changes	-	-	-	-	-	0
Total changes	**(458,112)**	**878,885**	**73,627**	**(243,600)**	**2,855,448**	**3,106,248**
Closing amount						
Cost	26,789,962	46,831,679	32,394,970	4,947,854	3,608,373	114,572,838
Revaluations	-	-	-	-	-	0
Depreciation (Accumulated Depreciation)	6,379,318	24,202,440	28,179,008	4,371,294	-	63,132,060
Writedowns	1,560,488	-	-	-	-	1,560,488
Net carrying amount	**18,850,156**	**22,629,239**	**4,215,962**	**576,560**	**3,608,373**	**49,880,290**

In 2018, the Company identified potential indicators of impairment of certain tangible assets. Therefore, in accordance with Italian Accounting Standard OIC 9, it made further writedowns in terms of Articles 2426(1) and (3) of the Italian Civil Code and created an impairment provision totalling Euro 1,560,488.
These impairment adjustments have been maintained unchanged in 2021 as there are no new factors requiring changes to the conclusions reached at the time.

Land and buildings

This caption amounts to Euro 18,850,156 (Euro 19,308,268 at 31 December 2020) and is stated net of accumulated depreciation of Euro 6,379,318.

During the reporting period, the balance increased by Euro 217,042 (of which Euro 99,440 reclassified from “Assets under construction and payments on account”) for safety improvements on the building.

As stated above, the Company has not made any impairment provisions on top of the amount provided in 2018 as it believes the existing provision reflects the effective impairment of land and buildings.

Plant and machinery

The balance amounts to Euro 22,629,239 (Euro 21,750,354 at 31 December 2020) after accumulated depreciation of Euro 24,202,440.

Increases of Euro 2,712,697 were recorded during the reporting period, including Euro 82,208 reclassified from Assets under construction and payments on account and relating to payments previously made on account towards projects completed during the period

Additions mainly refer to maintenance capex incurred to ensure machinery is kept updated and fully efficient, as well as to new workstations needed to handle the contracts acquired by the Company.

Decreases during the period with a net carrying amount of Euro 16,317 (historical cost Euro 257,344) refer to disposals and retirements of plant and machinery no longer in use in the production cycle.

Industrial and commercial equipment

The balance amounts to Euro 4,215,962 (Euro 4,142,335 at 31 December 2020) after accumulated depreciation of Euro 28,179,008.

Additions for the period amount to Euro 1,440,062, including Euro 277,802 reclassified from “Assets under Construction and Payments on Account”.

As in the case of “Plant and Machinery”, additions to “Industrial and Commercial Equipment” mainly refer to purchases of new equipment needed to carry out the contracts acquired by the Company. The costs incurred have been sustained as part of the plan of capex necessary to install the additional production capacity needed to cope with the new, long-term production contracts acquired by the Original Equipment division.

Decreases during the period with a net carrying amount of Euro 91,839 (historical cost Euro 1,319,270) refer to disposals and retirements of equipment no longer in use in the production cycle.

Other tangible assets

The following table contains a detailed breakdown of “Other tangible assets”. It shows movements on each of the component asset categories.

	Furniture and fittings	Electronic office equipment	Cars and motorcycles	Motor vehicles	Sundry other assets
Historical cost	1,332,429	3,517,498	146,936	-	4,996,863
Prior year revaluations	-	-	-	-	0
Opening accumulated depreciation	933,111	3,106,024	137,568	-	4,176,703
Prior year writedowns	-	-	-	-	0
Net carrying amount	**399,318**	**411,474**	**9,368**		**820,160**
Increases – additions	7,573	36,258	1,000	-	44,831
Transfers to other captions	-	-	-	-	0
Transfers from other captions	-	-	-	-	0
Disposals/Decreases for year: historical cost	(620)	(71,420)	(21,800)	-	(93,840)
Disposals/Decreases for year: accumulated depreciation	(620)	(70,728)	(21,800)	-	(93,148)
Revaluations during year	-	-	-	-	0
Depreciation for year	99,509	183,378	4,852	-	287,739
Writedowns during year	-	-	-	-	0
Interest capitalised during year	-	-	-	-	0
Closing amount	**307,382**	**263,662**	**5,516**	**0**	**576,560**

The balance amounts to Euro 576,560 (Euro 820,160 at 31 December 2020) after accumulated depreciation of Euro 4,371,294 and refers to:

- furniture and fittings of Euro 307,382 (Euro 399,318 at 31 December 2020); additions for the period totalled Euro 7,573 almost entirely in respect of costs for new fittings in production areas; during the year, some items with a carrying amount of zero were disposed of (original historical cost Euro 620);
- electronic office equipment of Euro 263,662 (Euro 411,474 at 31 December 2020); additions for the period totalled Euro 36,258, mainly for purchases of laptop PCs to cope with the greater amount of work being done from home and to update and replace electronic devices currently in use; during the period, also as a result of the renewal process, certain electronic equipment with a carrying amount of close to zero was disposed of (original historical cost Euro 71,420);
- cars and vehicles of Euro 5,516 (Euro 9,368 at 31 December 2020); additions for the period totalled Euro 1,000 due to the purchase of a vehicle for use in the workshop; during the period, various vehicles with a carrying amount of zero were disposed of (original historical cost Euro 21,800).

Assets under construction and payments on account

The balance amounts to Euro 3,608,373 (Euro 752,925 at 31 December 2020) and refers to payments made on account during the period towards additions to tangible assets.

During the period, Euro 459,450 was reclassified to the relevant tangible asset categories following the completion of the related capex. Decreases for the period totalled Euro 123,105 and mainly referred to the reversal of payments on account received in prior years in relation to equipment to be resold.

Increases for the period totalling Euro 3,438,003 regard payments made on account in relation to new production lines and equipment to cope with the new long-term production contracts acquired by the Original Equipment Division.

Revalued tangible assets at the reporting date

As required by law, the following table contains details of the tangible assets reported in the Company's Financial Statements at 31 December 2021 which have been the subject of monetary revaluations and exceptions to statutory valuation criteria.

Description	Revaluation under Decree Law no. n. 185/2008	Total revaluations
Land and buildings	6,502,686	6,502,686
Total	**6,502,686**	**6,502,686**

The Company made use of the possibility offered by Decree Law no 185/2008 to revalue some of the tangible assets reported in its Financial Statements at 31/12/2008.
The revaluation was performed in 2008 and led, in the Financial Statements for that year, to an increase of Euro 6,502,696 in "Land and Buildings" and an increase in Shareholders' Equity of Euro 4,460,842, as recorded under the caption "Revaluation reserves ex Decree Law no 185/2008" net of deferred tax of Euro 2,041,844. The revaluation was performed for statutory reporting purposes only without payment of any substitute tax.

Finance leases

The following table contains the disclosures required by Article 2427(22) of the Italian Civil Code on finance leases whereby the majority of the risks and rewards relating to the leased assets are transferred to the Company.

	Amount
Total amount of assets held under finance leases at the reporting date	11,813,845
Notional depreciation charge for the year	1,034,575
Notional adjustments and reversals for the year	-
Present value of lease instalments not yet due at reporting date	6,271,387
Financial expenses for the year based on effective interest method	203,444

Financial assets

Movements on equity investments, other securities and derivatives

The investments classed as non-current financial assets represent long-term, strategic investments by the Company. At 31 December 2021, they amounted to Euro 36,426,648 (Euro 32,424,925 at 31 December 2020).

The following table contains a breakdown of the net carrying amount of financial assets as reported in the Financial Statements (Art. 2427(2) of the Italian Civil Code).

	Investments in subsidiaries	Investments in associated companies	Investments in parent companies	Investments in entities controlled by parent companies	Investments in other entities	Total Investments	Other securities	Derivatives
Opening amount								
Cost	10,719,065	-	-	-	4,247	10,723,312	19,960	-
Revaluations	22,452,350	-	-	-	-	22,452,350		-
Writedowns	750,737	-	-	-	-	750,737	13,620	-
Net carrying amount	**32,420,678**	**-**	**-**	**-**	**4,247**	**32,424,925**	**6,340**	**-**
Changes during the year								
Increases due to acquisitions	8,515,868	-	-	-	-	8,515,868	-	-
Reclassifications (of net carrying amount)	-	-	-	-	-	0	-	-
Decreases due to disposals (of net carrying amount)	-	-	-	-	3,715	3,715	-	-
Revaluations performed during year	-	-	-	-	-	0	-	-
Writedowns performed during year	4,538,008	-	-	-	-	4,538,008	-	-
Other changes	27,578	-	-	-	-	27,578	-	1,080
Total Changes	**4,005,438**				**(3,715)**	**4,001,723**	**0**	**1,080**
Closing amount								
Cost	19,262,511	-	-	-	532	19,263,043	19,960	1,080
Revaluations	22,452,350	-	-	-	-	22,452,350	-	-
Writedowns	5,288,745	-	-	-	-	5,288,745	13,620	-
Net carrying amount	**36,426,116**	**-**	**-**	**-**	**532**	**36,426,648**	**6,340**	**1,080**

"Investments in subsidiaries" totalling Euro 36,426,116 includes:

- subsidiary Saleri Shanghai Co. Ltd - Euro 24,515,600;
- subsidiary Immobiliare Industriale S.r.l. - Euro 4,182,563 (after impairment adjustment of Euro 4,538,008;
- subsidiary Saleri Aftermarket S.p.A: - Euro 2,720,379;
- subsidiary Saleri México SA de CV - Euro 2,112,322;
- subsidiary Saleri India Private Ltd - Euro 1,841,535;
- subsidiary ABL Automazione S.r.l. – Euro 1,018,717 (after impairment adjustment of Euro 750,737);
- subsidiary Saleri GmbH - Euro 25,000.

"Increases due to acquisitions", amounting to Euro 8,515,868, includes:
- Euro 1,841,535 for the acquisition of the investment in Saleri India Private Ltd, including acquisition-related expenses; the amount also includes capital increases of Euro 1,486,163 during the period;
- Euro 3,000,000 for the acquisition on 12 April 2021 of a further 37.5% interest in Immobiliare Industriale S.r.l.; as a result of this acquisition, the investment is now 100% held;
- Euro 953,954 of payments made during the period to ABL Automazione S.r.l. in order to reconstitute quota capital and after the adoption of measures pursuant to Article 2482-ter of the Italian Civil Code. It should be noted that, during the period, the minority quotaholder – which held a 30% interest – unconditionally and wholly waived its option rights following said capital increase; consequently, Industrie Saleri Italo S.p.A. has become the Sole Quotaholder;
- Euro 2,720,379 for the acquisition of the investment in Saleri Aftermarket S.p.A., including acquisition-related expenses. This amount includes the payment of Euro 18,800 made on 26/11/2021 to subscribe a capital increase by the company following its transformation into a joint stock company ("S.p.A.").

During the period, in order to bring the carrying amount of the investment in Immobiliare Industriale S.r.l. into line with the corresponding Equity, the investment was adjusted for impairment of Euro 4,538,008.

The amount of Euro 27,578 under the caption "Other Changes" entirely refers to ancillary expenses relating to the investments.

Immobiliare Industriale S.r.l.

The Company owns 100% of the subsidiary (67.5% at 31 December 2020).

The investment amounts to Euro 4,182,563. In 2016, pursuant to Article 1(556) to (563) of Law no 232 of 11 December 2016, the Company revalued the investment by Euro 4,899,578 in order to bring its carrying amount into line with the corresponding portion of the subsidiary's Equity as per an expert appraisal.

As already stated, during the reporting period, the Company acquired the remaining 37.5% interest in the subsidiary from third parties.

The reduction in the subsidiary's Equity as a result of the distribution of dividends in 2021 made it necessary to record an impairment adjustment of Euro 4,538,008.

Saleri Shanghai Co. Ltd.

The Company owns 95% of the subsidiary.

The investment amounts to Euro 24,515,600 and increased during the period solely in relation to ancillary expenses relating to the revaluation performed in 2020 (Art. 110 of Decree Law 104/2020, converted as amended by Law no. 126 of 2020) following an independent expert appraisal.

The expert appraisal determined that the value of the investment at the date of measurement was Euro 24,500,000.
The value of the investment was increased by Euro 22,452,350 with a contra-entry made to the relevant reserve in the Company's Shareholders' Equity.

The Company performed an impairment test in order to check the carrying amount of the investment. The impairment test was performed considering the forecast information contained in the Business Plan 2022-2025 prepared by Company Management and approved by the Company Board of Directors; it did not indicate the presence of any impairment.

In more detail, the Company performed the test on the carrying amount of net invested capital at 31 December 2021 and identified the Company as a whole as a cash generating unit. Recoverable value was determined as equal to value in use i.e. the sum of the discounted future cash flows and the terminal value that the Company will be able to generate based on the Directors' estimates. Discounting was performed using the post-tax WACC which takes account of specific business risks and reflects the current market value of the cost of money, as based on a weighting of the cost of debt and the cost of equity, determined based on the amounts for groups comparable to the Company and subject to impairment because they operate in the same business segment. The WACC determined in this way was 8.96%.

Terminal Value, which accounts for 84% of the Enterprise Value, was calculated using the perpetual return formula and determined as the ratio between the normalised profit flow (NOPAT) and the discount rate. When performing this last calculation, the EBITDA used in Terminal Value reflects the average percentage incidence for the period 2022-2025.

The nominal growth rate ("g") considered in the impairment test is 2%, equal to the growth rate per International Monetary Fund estimates for the last year of the explicit plan2025).

The sensitivity analysis performed in relation to the WACC, the nominal growth rate "g" and EBITDA did not identify any significant impairment indicators either.

In any case, it should be noted that assumptions regarding future trends and the forecast information obtained from the Business Plan 2022-2025 and used to perform the impairment test are, given their nature as forecasts, subject to inherent uncertainty. Therefore, we cannot exclude the possibility that actual future results may differ from those estimated and require the need for future changes to the Plan assumptions.

ABL Automazione S.r.l.

The Company owns 100% of the subsidiary (70% at 31 December 2020).

During the reporting period, as previously stated, in response to the action made necessary pursuant to Art. 2482-ter of the Italian Civil Code, the Company reconstituted the quota capital of the subsidiary by injecting capital of Euro 953,954 while taking its percentage investment to 100% at the same time.

At 31 December 2021, the investment amounted to Euro 1,018,717, after the impairment provision of Euro 750,737 recorded in 2020 to bring its carrying amount into line with the relevant portion of the subsidiary's equity.

Saleri GmBH

The Company holds 100.00% of the subsidiary.

The carrying amount of the investment is Euro 25,000. The investment in the company did not change during the period. In 2019, Saleri Gmbh started providing consulting services to assist the Parent Company in dealings with customers based in Germany.

Saleri México SA de CV

The Company owns 51% of the subsidiary (99% at 31 December 2020).

The value of the investment is Euro 2,122,322 and this includes additional capital paid in during the previous reporting period.

The Company has commenced mass production and, consequently, it only began to invoice its first revenues in the second half of 2021. Bearing this in mind, despite the negative difference between the carrying amount of the investment and the relevant portion of Equity, the Company does not believe there is any need for an impairment adjustment to be made to the carrying amount.

During the period, Simest S.p.A. signed an agreement with Industrie Saleri Italo S.p.A. to investment in the share capital of Saleri México SA de CV and acquired 48.86% of the company by subscribing the full amount of a specific share issue.

Saleri India Private Ltd

The Company owns 51% of the subsidiary.

The carrying amount of the investment is Euro 1,841,535. This includes capital payments made during the period and acquisition-related expenses.

At the reporting date, the subsidiary was still in its start-up phase. It commenced its operating activities in the last few months of 2021 when it hired its first employees. Mass production and billing of the first revenues will get underway in 2022. Bearing this in mind, despite the negative difference between the carrying amount of the investment and the relevant portion of Equity, the Company does not believe there is any need for an impairment adjustment to be made to the carrying amount.

During the reporting period, Simest S.p.A. signed an agreement with Industrie Saleri Italo S.p.A. to make an equity investment in Saleri India Private Ltd. It acquired a 49% investment by subscribing a share issue reserved for it.

Saleri Aftermarket S.p.A.

The Company owns 100% of the subsidiary.

The carrying amount of the investment is Euro 2,720,379. This includes the capital payments made during the period after the subsidiary was transformed into a joint stock company / S.p.A. (Euro 18,800) and expenses relating to the acquisition which took place on data 28/07/2021.

Details of non-current investments in subsidiaries

Investments in subsidiaries are recorded at purchase or subscription cost. If the carrying amount of an investment is greater than the corresponding portion of Equity held, an appropriate writedown is made.

Pursuant to Article 2427(5) of the Italian Civil Code, the following table contains details of the direct or indirect investments in subsidiaries, as included in Non-current financial assets.

Name	Location	Tax number (Italian companies)	Capital in Euro	Profit (Loss) for last reporting period in Euro	Equity in Euro	Investment held in Euro	% investment held	Carrying amount
Immobiliare Industriale S.r.l.	Lumezzane (BS)	03697930984	10,000,00 wholly paid	112,298	4,182,563	4,182,563	100%	4,182,563
Saleri Shanghai CO. LTD	China		2,059,991	4,328,169	10,762,362	10,224,244	95%	24,515,600
Saleri TMS Competence Center GmbH	Germany		25,000	11,053	37,139	37,139	100%	25,000
ABL Automazione S.R.L.	Gussago (BS)	03309390171	750,000,00 wholly paid	(32,002)	1,051,673	1,051,673	100%	1,018,717
Saleri Mexico S.A. de C.V.	Mexico		4,244,484	(1,361,736)	2,260,623	1,156,083	51%	2,122,322
Saleri Aftermarket S.P.A.	Lumezzane (BS)	01779170487	50,000,00 wholly paid	25,519	4,043,653	4,043,653	100%	2,720,379
Saleri India PVT LTD	India		3,631,757	(357,240)	3,274,518	1,670,004	51%	1,841,535
Total								**36,426,116**

The amounts shown in the table refer to the 2021 financial statements approved by the respective Boards of Directors of the companies.

Other Securities

The amount of Euro 6,340 did not change during the period.

Derivative instruments

The balance stands at Euro 1,080 (zero at 31 December 2020).

The caption includes the reporting date measurement of the positive fair value of the derivative instruments in place at that date. These derivatives have been arranged to hedge the interest rate risk in relation to medium/long-term loans at 31 December 2021.

Current assets

Inventory

In terms of Article 2427(4) of the Italian Civil Code, inventory is analysed as follows.

Item	Opening amount	Change during year	Closing amount
1) Raw, ancillary and consumable materials	8,473,611	1,222,310	9,695,921
2) WIP and semi-finished goods	2,371,122	3,185,907	5,557,029
3) Contract work in progress		0	
4) Finished goods	7,785,435	(4,254,550)	3,530,885
5) Payments on account	994,993	(965,883)	29,110
Total	**19,625,161**	**(812,216)**	**18,812,945**

This balance represents the value of the physical inventory held at Company and third party warehouses at 31 December 2021 and goods in transit.

As already stated, following the correction of errors regarding the booking certain inventory movements relating to prior years but only detected in the current reporting period, the opening balance of the caption “Finished Goods and Products” was adjusted retrospectively, decreasing it by Euro 1,293,623.

The significant decrease in “Finished Goods and Products” inventory at 31 December 2021 mainly refers to the transfer of “Independent Aftermarket” segment inventory to subsidiary Saleri Aftermarket S.p.A. in December 2021. This operation was necessary in order to provide the subsidiary with the inventory needed to commence activities following the business contribution that took place with effect from 1 January 2022, as described in more detail in the “Significant events after the reporting period” paragraph. The increase in “Raw, ancillary and consumable materials” and “WIP and semi-finished goods” is mainly due to the Company’s procurement policies designed to guarantee sufficient stock to meet production requirements also – but not only – in light of the significant increase in delivery periods that has occurred since the Covid-19 emergency.

The amount of Euro 18,812,945 (Euro 19,625,161 at 31 December 2020) is stated net of the obsolescence provision of Euro 868,065 created following an analysis of obsolete/slow moving inventory and inventory with below cost selling prices.

In 2021, the provision was increased by Euro 566,993 while Euro 680,396 was reversed from the provision.

The following table shows movements on the inventory provision:

Inventory provision	Opening amount	Increases	Decreases	Closing amount
1. Raw, ancillary and consumable materials	(540,138)	(266,201)	322,751	(483,588)
2. WIP and semi-finished goods	(135,055)	(127,598)	103,526	(159,127)
3. Contract work in progress	0			0
4. Finished goods	(306,275)	(173,194)	254,119	(225,350)
5. Payments on account	0			0
Total	**(981,468)**	**(566,993)**	**680,396**	**(868,065)**

Receivables classed as current assets

Changes in and maturity of receivables classed as current assets

The following table contains a breakdown of receivables classed as current assets, together with changes compared to prior year and the due date of the receivables (Art. 2427 (4) and (6) of the Italian Civil Code.

	Opening amount	Change during year	Closing amount	Amount due within a year	Amount due after more than a year	Of which due after more than 5 years
Trade receivables	4,672,984	215,677	4,888,661	4,888,661	-	-
Receivables from subsidiaries	3,261,549	9,677,074	12,938,623	12,938,623	-	-
Receivables from associated companies	-	-	-	-	-	-
Receivables from parent companies	7,290	(7,290)	-	-	-	-
Receivables from entities controlled by parent companies	-	-	-	-	-	-
Tax receivables	1,421,966	959,644	2,381,610	1,839,069	542,541	-
Deferred tax assets	5,936,835	756,698	6,693,533	-	-	-
Receivables from others	2,135,008	611,027	2,746,035	2,597,953	148,082	-
Total receivables classed as current assets	**17,435,632**	**12,212,830**	**29,648,462**	**22,264,306**	**690,623**	**0**

Breakdown of receivables classed as current assets by geographical area

Receivables classed as current assets may be broken down as follows in terms of the geographical business area of debtors (Art. 2427 (6) of the Italian Civil Code):

	Europe	Italy	Rest of World	Total
Trade receivables	1,583,045	2,734,985	570,631	4,888,661
Receivables from subsidiaries	106,587	5,252,107	7,579,929	12,938,623
Receivables from associated companies	-	-	-	-
Receivables from parent companies	-	0	-	-
Receivables from entities controlled by parent companies	-	-	-	-
Tax receivables	59,557	2,322,053	-	2,381,610
Deferred tax assets	-	6,693,533	-	6,693,533
Receivables from others	1,613,769	1,095,053	37,213	2,746,035
Total	**3,362,958**	**18,097,731**	**8,187,773**	**29,648,462**

Trade receivables

The amount of Euro 4,888,661 (Euro 4,672,984 at 31 December 2020) entirely consists of trade receivables. The balance is stated net of the provision for bad debts of Euro 102,816 and fairly represents the estimated realisable amount.

The overall increase of Euro 215,677 is mainly due to the higher level of sales revenue recorded in 2021.

Provision for bad debts

Trade receivables are stated net of a provision for bad debts created to take account of collection issues.

The provision amounts to Euro 102,816 and has not changed compared to prior year.

Description	Opening amount	Utilised	Allocated	Closing amount
Provision for bad debts	(102,816)	-	-	(102,816)

Receivables from subsidiaries

	31 December 2020	31 December 2021	Change
Immobiliare Industriale S.r.l.	65	13,770	13,705
Saleri Shanghai CO., LTD	1,591,928	2,538,391	946,463
Saleri GMBH	102,908	106,587	3,679
Saleri India PVT LTD	-	620,819	620,819
ABL Automazione S.R.L.	173,183	257,291	84,108
Saleri Mexico S.A. de C.V.	1,393,465	4,420,718	3,027,253
Saleri Aftermarket S.P.A.	-	4,981,046	4,981,046
Total	**3,261,549**	**12,938,623**	**9,677,074**

Receivables totalling Euro 13,770 from Immobiliare Industriale S.r.l. (Euro 65 at 31 December 2020) refer to:
- Euro 12,500 of receivables under service agreements;
- Euro 1,270 of receivables for income from participation in the consolidated taxation arrangement.

Receivables totalling Euro 2,538,391 from Saleri Shanghai Co. Ltd (Euro 1,591,928 at 31 December 2020) refer to:
- Euro 2,084,019 od trade receivables (including under the Service Agreement and under the Royalties Agreement);
- A receivable of Euro 447,000 relating to a legal dispute with a former Chinese customer. The court has given its final decision in favour of the Company and the amount in question has been collected by the subsidiary for purely bureaucratic reasons;
- Euro 7,372 due under contracts for the secondment of personnel.

Receivables totalling Euro 106,587 from Saleri Gmbh (Euro 102,908 at 31 December 2020) refer to:
- Euro 102,022 for the short-term loan granted to the subsidiary, including interest accruin;
- Euro 4,565 for sundry advances.

Receivables totalling Euro 620,819 from Saleri India PVT LTD refer to:
- Euro 595,691 of trade receivables (including under Service Agreements);
- Euro 25,128 for sundry advances.

Receivables totalling Euro 257,291 from ABL Automazione S.r.l. (Euro 173,183 at 31 December 2020) refer to:
- Euro 218,665 of trade receivables (including under Service Agreements);
- Euro 33,617 due under contracts for the secondment of personnel;
- Euro 5,009 for sundry advances.

Receivables totalling Euro 4,420,718 from Saleri México S.A. de C.V. (Euro 1,393,465 at 31 December 2020) refer to:
- Euro 2,074,226 of trade receivables (including under Service Agreements and Royalties Agreements);
- Euro 1,922,960 for the short-term loan granted to the subsidiary, including interest accruing;
- Euro 419,280 of financial receivables;
- Euro 4,252 of sundry advances.

Receivables totalling Euro 4,981,046 from Saleri Aftermarket S.p.A. refer to:
- Euro 217,245 of receivables due under service agreements;
- Euro 2,172 of sundry advances;
- Euro 4,761,629 of trade receivables.

Receivables from parent companies

At 31 December 2021, there were no receivables from parent companies (Euro 7,290 at 31 December 2020).

Tax receivables

	31 December 2020	31 December 2021	Change
Withholding taxes suffered	24	75	51
IRES receivables	117,644	134,608	16,964
IRAP receivables	161,927	65,070	(96,857)
VAT receivables	1,091,956	534,393	(557,563)
Other tax receivables	50,415	1,647,464	1,597,049
Total	**1,421,966**	**2,381,610**	**959,644**

“IRES receivables”, amounting to Euro 134,608 (Euro 117,644 at 31 December 2020), represent the IRES receivable for 2021.

“IRAP Receivables”, amounting to Euro 65,070 (Euro 161,927 at 31 December 2020), refer to the IRAP credit balance for 2021.

“VAT Receivables”, amounting to Euro 534,393 (Euro 1,090,956 at 31 December 2020), mainly refer to the VAT balance resulting from the December 2021 VAT return (Euro 474,836). The amount also includes foreign VAT receivables relating to EU countries where the Company has operated directly or for which a refund application has been made.

“Other tax receivables”, amounting to Euro 1,647,464 (Euro 50,415 at 31 December 2020), almost entirely relates to the tax credit for assets for use in the 4.0 transformation process (Euro 1,052,527), of which Euro 453,199 is due after more than a year.

Deferred tax assets

Deferred tax assets amount to Euro 6,693,533 (Euro 5,936,835 at 31 December 2020).
The Directors concluded that it was appropriate to recognise the deferred tax assets – as described in more detail on the Note on deferred taxes – also on the basis of the contents of the Business Plan 2022-2025 approved by the Board of Directors of the Company, as it is reasonably certain that, in the periods in which temporary differences reverse, there will be taxable income of not less than the amount of the differences reversing.

Other receivables

Other receivables amounts to Euro 2,746,035 and has increased by Euro 611,027 compared to 31 December 2020 when it stood at Euro 2,135,008.
The change is mainly due to an increase in advances to suppliers for goods and services.
The amount of Euro 2,597,953 due within a year includes:
- Euro 2,347,420 of advances to suppliers;
- Euro 106,902 of DR balances with certain suppliers of goods and services;
- Euro 143,631 of sundry receivables, after a provision for doubtful debts of Euro 83,925.

The amount of Euro 148,082 due after more than a year entirely consists of guarantee deposits paid, mainly in relation to lease and rental agreements.

Current financial asset

Investments in other entities

The balance of Euro 13,294 did not change during the period and refers to non-controlling interests in other entities.

Cash and cash equivalents

The balance detailed below represents cash and cash equivalents at the reporting date and changes during the reporting period (Art. 2427 (4) of the Italian Civil Code).

	Opening amount	Change during year	Closing amount
1) Bank and post office accounts	36,258,427	(22,036,422)	14,222,005
2) Cheques	-	0	-
3) Cash and cash equivalents on hand	60	58	118
Total	**36,258,487**	**(22,036,364)**	**14,222,123**

The change for the period is due to the cash flow management strategy adopted by Company management. It has been affected by the absorption of some of the cash available under loan with a SACE guarantee arranged by the Company towards the end of 2020.

Prepaid expenses and accrued income

The balance and changes compared to prior year are analysed as follows (Article 2427(7) of the Italian Civil Code):

	Opening amount	Change during year	Closing amount
Accrued income	-	0	-
Prepaid expenses	4,053,990	(275,865)	3,778,125
Total prepaid expenses and accrued income	**4,053,990**	**(275,865)**	**3,778,125**

	31 December 2020	31 December 2021	Change
Prepaid expenses:	4,053,990	3,778,125	(275,865)
- lease instalments	707,437	438,411	(269,026)
- contributions to customers	2,697,143	2,462,006	(235,137)
- insurance premiums	69,740	14,417	(55,323)
- other	579,670	863,291	283,621
Accrued income	0	0	0
Total	**4,053,990**	**3,778,125**	**(275,865)**

Prepaid lease instalments almost entirely refer to initial advance payments made at the outset of individual lease agreements and taken to the Income Statement in subsequent periods over the period of the lease. The balance also includes a small amount relating to instalments paid in advance in 2021.
Prepaid contributions to customers refers to contributions charged or for which a payment commitment has already been signed with the customer and which relate to future periods.

Other prepaid expenses mainly refer to maintenance contracts and subscription instalments.

Notes to the Financial Statements, Liabilities and Equity

Shareholders' Equity

Changes in Shareholders' Equity

At 31 December 2021, Shareholders' Equity amounted to Euro 54,876,821 and movements during the year then ended were as follows (Art. 2427(4) of the Italian Civil Code).

	Opening amount	Allocation of prior year net profit or loss		Other changes		Reclassifications (of carrying amount)	Result for year	Closing amount
		Allocation to dividends	Other allocations	Increases	Decreases			
Share capital	23,922,413	0	-	-	-	-	-	23,922,413
Share premium reserve	7,696,219	0	-	-	-	-	-	7,696,219
Revaluation reserves	27,061,472	0	-	-	-	-	-	27,061,472
Legal reserve	1,179,976	0	-	-	-	-	-	1,179,976
Statutory reserves	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-	-	-
Extraordinary reserve	857,395	0	-	-	-	-	-	857,395
Reserve for exceptions in terms of Art 2423 of the Italian Civil Code	-	-	-	-	-	-	-	-
Reserve for shares or quotas of parent company	-	-	-	-	-	-	-	-
Reserve for revaluation of investments	-	-	-	-	-	-	-	-
Payments for share capital increases	-	0	-	-	-	-	-	-
Payments for future capital increases	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-
Payments to cover losses	-	-	-	-	-	-	-	-
Reserve for reduction of share capital	-	-	-	-	-	-	-	-
Merger surplus reserve	-	-	-	-	-	-	-	-
Reserve for unrealised exchange gains	-	-	-	-	-	-	-	-
Reserve for earnings adjustments in progress	-	-	-	-	-	-	-	-
Sundry other reserves	364,052	0	-	-	-	-	-	364,052
Total other reserves	1,221,447	0	0	0	0	0	0	1,221,447
Cash flow hedge reserve	(323,421)	0	-	323,421	1,775	-	-	(1,775)
Retained earnings (Accumulated losses)	(1,293,623)	0	(4,885,685)	1	-	-	-	(6,179,307)
Profit (Loss) for the year	(4,885,685)	0	4,885,685	-	-	-	261,390	261,390
Loss rescheduled during year	-	-	-	-	-	-	-	
Negative Reserve for Treasury Shares	(285,014)	0	-	-	-	-	-	(285,014)
Total shareholders' equity	**54,293,784**	**0**	**0**	**323,422**	**1,775**	**0**	**261,390**	**54,876,821**

Availability and utilisation of Shareholders' Equity

The following table contains further details of the reserves that make up Shareholders' Equity. It shows their origin or nature, their possible utilisation and availability for distribution and their actual utilisation in prior years (Art. 2427(7) of the Italian Civil Code):

	Amount	Origin / nature	Possible utilisation	Amount available	Summary of utilisation in last three years	
					To cover losses	For other reasons
Share capital	23,922,413					
Share premium reserve	7,696,219	C	A,B,C	7,696,219		
Revaluation reserves	27,061,472	U	A,B,C	27,061,472		
Legal reserve	1,179,976	U	B	1,179,976		
Statutory reserves						
Other reserves						
Extraordinary reserve	857,395	U	A,B,C	857,395		
Reserve for exceptions in terms of Art 2423 of the Italian Civil Code						
Reserve for shares or quotas of parent company						
Reserve for revaluation of investments						
Payments for share capital increases						
Payments for future capital increases						
Additional paid-in capital						
Payments to cover losses						
Reserve for reduction of share capital						
Merger surplus reserve						
Reserve for unrealised exchange gains						
Reserve for earnings adjustments in progress						
Sundry other reserves	364,052	U	A,B	364,052		
Total other reserves	1,221,447	0	0	1,221,447	0	0
Cash flow hedge reserve	(1,775)					
Retained earning	(6,179,307)					
Negative reserve for treasury shares held	(285,014)					
Total	**54,615,431**	**0**	**0**	**37,159,114**	**0**	**0**
Amount not distributable				16,590,814		
Residual amount distributable				20,568,300		

Legend for "Origin / nature" column:
-C: Capital reserve;
-E: Earnings reserve.

Legend:
- A: for share capital increase
- B: to cover losses
- C: for distribution to shareholders
- D: for other statutory requirements
- E: other

Origin, possible use and availability for distribution of sundry other reserves

	Amount	Origin/nature	Possible utilisation
Reserves in terms of Art. 15 of Decree Law 429/1982	220,011	U	A,B
Other reserves	144,041	U	A,B
Total	**364,052**	**-**	**-**

Legend:
- A: for share capital increase
- B: to cover losses
- C: for distribution to shareholders
- D: for other statutory requirements
- E: other

Share capital

Share Capital, wholly subscribed and paid at 31 December 2021, amounts to Euro 23,922,413 (unchanged on 31 December 2020) and is represented by 3,127,003 shares.

Share premium reserve

This reserve was created in 2018 and amounts to Euro 7,696,219. The amount was paid in the form of a share premium by shareholder Quaestio Capital SGR S.p.A., as manager of and on behalf of the Quaestio Italian Growth Fund, following the share capital increase (“**Aucap B**”) approved by the Shareholders' General Meeting of 5 April 2018.

The reserve did not change during the reporting period.

Revaluation reserves

The balance of Euro 27,061,472 relates to revaluations carried out under the following revaluation laws:

- Law no. 413/91 - Euro 84,651;
- Decree Law no. 185/08 - Euro 212,842;
- Law no. 232/2016 - Euro 4,311,629;
- Law no. 126/2020 - Euro 22,452,350.

The reserves did not change during the reporting period.

Legal reserve

At 31 December 2021, this reserve amounted to Euro 1,179,976 and did not change during the period.

Taking account of the Share Capital increases carried out in 2018 and in 2020, the reserve has not yet reached the limit permitted by Article 2430 of the Italian Civil Code.

Extraordinary reserve

This reserve amounts to Euro 857,395 at 31 December 2021 and did not change during the period.

Sundry other reserves

This caption amounts to Euro 364,052 and did not change during the reporting period.

Cash flow hedge reserve

This reserve has a negative balance of Euro 1,775 at 31 December 2021 (Euro 323,421 negative at 31 December 2020) and refers entirely to the hedging contracts signed by the Company in relation to the loan with a SACE guarantee arranged in 2020 in the amount of Euro 24,000,000, as described in more detail in the Note on Bank Borrowing.

As described in the introduction, the Group decided to apply hedge accounting in relation to the hedging of changes in cash flows for financial liabilities as a result of interest rate fluctuation. Therefore, this caption includes changes in the Fair Value of the effective portion of cash flow hedging instruments.

Retained earnings (Accumulated losses)

This item stands at Euro 6,179,307 against Euro 1,293,623 at 31 December 2020.

As already stated, following the correction of accounting errors made in previous periods, the Company has, in accordance with Italian Accounting Standard OIC 29, redetermined the opening balance of Inventory for the current reporting period while accounting for the amount of Euro 1,293,623 under "Retained earnings (Accumulated losses)".

The additional increase of Euro 4,885,685 refers to the allocation of the net loss for the previous reporting period as per the General Meeting resolution of 27 May 2021.

Negative reserve for treasury shares held

At 31 December 2021, this caption had a negative balance of Euro 285,014. It was created following the purchase – authorised by the General Meeting of 24 June 2019 – of 15,799 treasury shares at a total cost of Euro 285,014. The price has been paid in full.

Provisions for risks and charges

The following table contains a breakdown of Provisions for risks and charges and details of movements thereon during the year (Art. 2427 (4) of the Italian Civil Code).

	Provision for retirement benefits and similar obligations	Provision for taxation, including deferred tax	Derivatives	Other provisions	Total provisions for risks and charges
Opening amount	**-**	**1,635,891**	**323,421**	**3,146,412**	**5,105,724**
Changes during year	-	-	-	-	-
Allocated during year	0	0	0	1,532,699	1,532,699
Utilised during year	-	15,509	320,566	1,077,648	1,413,723
Other changes	-	-	-	-	0
Total changes	**0**	**(15,509)**	**(320,566)**	**455,051**	**118,976**
Closing amount	**-**	**1,620,382**	**2,855**	**3,601,463**	**5,224,700**

The "Provision for taxation, including deferred tax", amounting to Euro 1,620,382, relates to the deferred taxes provided in relation to the revaluation of properties performed in 2008 in terms of Decree Law no 185/08 which was not deductible for tax purposes. During the reporting period, deferred taxes relating to depreciation of the revalued property but not deductible for tax purposes were reversed. The section of these Notes on deferred taxes provides further information on the deferred tax provision.

The provision "Liabilities for derivatives" includes the reporting date measurement of the negative fair value of derivative instruments in place at that date. These derivative instruments have been entered into as hedges of the interest rate risk regarding medium/long-term loan agreements and finance lease agreements in place at 31 December 2021. At 31 December 2021, there were derivative instruments with a negative fair value of Euro 2,855.

"Other provisions", amounting to Euro 3,601,463 (Euro 3,146,412 at 31 December 2020), refer to:

- Euro 153,746 of prudent provisions made for sundry litigation in progress or threatened which, at the date of approval of the financial statements, had not yet been settled;
- Euro 2,000,000 of product warranty provisions. During the period, utilisation of the provision totalled Euro 984,983 while increases totalled Euro 84,983; the provision is reasonable in relation to the estimated costs that the Company could be called upon to sustain to fulfil its contractual warranty commitments, taking account of historical costs and any complaints already received;
- Euro 1,021,244 of provisions for the risk of enforcement of sureties given to third parties in the form of guarantees for which the recovery prospects could not yet be estimated at the date of approval of the financial statements;
- Euro 426,473 of provisions for future employee-related expenses in relation to agreements signed during 2021.

Employee severance indemnity ("TFR") provision

The TFR provision has been calculated in accordance with Article 2120 of the Italian Civil Code, taking account of legislative requirements and the specific provisions of employment contracts and professional agreements. It includes annual accruals and revaluations performed based on ISTAT coefficients.

It represents the effective liability accruing in favour of employees in accordance with the law and applicable labour agreements, considering all forms of continuous remuneration.

The provision represents the total of the individual indemnities accruing in favour of employees at the reporting date. It is stated net of payments made on account and amounts paid to social security and pensions institutions and pension funds, in accordance with current legislation. It represents the Company's liability towards employees at the reporting date.

The following table provides details of the creation and utilisation of the provision (Art. 2427(4) of the Italian Civil Code).

	Employee severance indemnity ("TFR") provision
Opening amount	**1,437,180**
Changes during year	-
Allocated during year	1,094,771
Utilised during year	1,338,786
Other changes	0
Total changes	**(244,015)**
Closing amount	**1,193,165**

The amount utilised during the period (Euro 1,338,786) mainly refers to payments to treasury funds (Euro 1,056,720).

Payables

Changes in and maturity of payables

The following table contains a breakdown of payables, changes in each line item and information by maturity date (Art. 2427(4) of the Italian Civil Code).

	Opening amount	Change during year	Closing amount	Amount due within a year	Amount due after more than a year	Of which due after more than 5 years
Bonds	3,930,586	576	3,931,162	3,931,162	-	-
Convertible bonds	-	0	-	-	-	-
Shareholder loans payable	-	0	-	-	-	-
Bank borrowing	51,750,873	(5,237,776)	46,513,097	17,549,882	28,963,215	-
Payables to other lenders	922,798	1,546,012	2,468,810	2,468,810	-	-
Payments on account	3,955,086	(1,409,592)	2,545,494	2,545,494	-	-
Trade payables	32,410,272	(4,883,131)	27,527,141	27,527,141	-	-
Credit instruments	-	0	-	-	-	-
Payables to subsidiaries	4,324,124	6,269,332	10,593,456	10,593,456	-	-
Payables to associated companies	-	0	-	-	-	-
Payables to parent companies	-	0	-	-	-	-
Payables to entities controlled by parent companies	-	0	-	-	-	-
Tax payables	757,008	(24,216)	732,792	732,792	-	-
Payables to social security and pensions institutions	958,623	473,948	1,432,571	1,432,571	-	-
Other payables	4,742,412	1,479,190	6,221,602	5,321,602	900,000	-
	103,751,782	**(1,785,657)**	**101,966,125**	**72,102,910**	**29,863,215**	**0**

Bonds

On 1 July 2020, the Company issued a bond with a value of Euro 3,825,107, called the "Saleri Supplier Value Chain Bond 2020-2022", by converting trade payables into bonds. The bond, as subscribed by several of the Company's suppliers, has a lifespan from 1 July 2020 until 30 June 2022 and is subject to interest at a fixed rate of 5.50%. The Company looked into the effect of using the amortised cost method to measure this debt and, given the limited time period and the absence of any bond placement costs, it concluded that the effects of using the amortised cost method would be immaterial. The amount of Euro 3,931,162 reported under the caption includes interest accruing at 31 December 2021.

Bank borrowing

	31 December 2020	31 December 2021	Change
a) Bank borrowing due within a year	13,391,076	17,549,882	4,158,806
Lines of credit	0	0	(0)
Current account overdrafts	1,159,399	1,091,460	(67,939)
Loans	6,449,921	9,549,291	3,099,371
Advances on receivables	5,781,757	6,909,131	1,127,374
Other payables	-	-	-
b) Bank borrowing due after more than a year	38,359,797	28,963,215	(9,396,582)
Loans	38,359,797	28,963,215	(9,396,582)
Advances on receivables	-	-	0
Other payables	-	-	-
Total bank borrowing	**51,750,873**	**46,513,097**	**(5,237,776)**

Bank Borrowing amounts to Euro 46,513,097 and has decreased by Euro 5,237,776 compared to 31 December 2020. Bank borrowing due within a year amounts to Euro 17,549,882 and has increased by Euro 4,158,806 compared to 31 December 2020. Bank borrowing due after more than a year amounts to Euro 28,963,215 and has decreased by Euro 9,396,582 compared to 31 December 2020. In 2021, the payment moratorium agreed with the banks in prior year, as a result of the Covid-19 emergency and as provided by the Liquidity Decree, came to an end.

Loans payable at 31 December 2021 (both current and non-current) amount to Euro 38,512,507, against Euro 44,809,718 at 31 December 2020, and are analysed as follows (amounts at amortised cost):

- secured loan with an outstanding amount of Euro 625,086 and original principal of Euro 2,000,000. The loan is repayable in 84 monthly instalments in arrears between 31/12/2017 and 31/12/2024; interest is index linked to the Euribor 3 month rate;
- secured loan with an outstanding amount of Euro 1,127,428 and original principal of Euro 5,000,000. The loan is repayable in 84 monthly instalments in arrears between 31/12/2017 and 31/12/2024; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 199,202 and original principal of Euro 750,000. The loan is repayable over 60 months between 31/12/2017 and 31/12/2022; interest is index-linked to the Euribor 3 month rate;
- secured syndicated loan with an outstanding amount of Euro 692,722, original principal of Euro 2,000,000. The loan is repayable over 84 months between 31/12/2017 and 31/12/2024; interest is index-linked to the Euribor 3 month rate;
- unsecured syndicated loan with an outstanding amount of Euro 105,821, original principal of Euro 2,000,000. The loan is repayable in 9 six-monthly instalments in arrears between 31/12/2017 and 31/05/2022; interest is index-linked to the Euribor 6 month rate;

- unsecured loan with an outstanding amount of Euro 1,019,292 and original principal of Euro 5,000,000. The loan is repayable in 60 monthly instalments in arrears between 31/12/2017 and 31/12/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 143,219 and original principal of Euro 1,500,000. The loan is repayable in 60 monthly instalments in arrears between 31/12/2017 and 31/12/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 227,399 and original principal of Euro 1,000,000. The loan is repayable in 70 monthly instalments in arrears between 31/12/2017 and 10/01/2024; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 362,528 and original principal of Euro 1,000,000. The loan is repayable in 70 monthly instalments in arrears between 31/12/2017 and 10/01/2024; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 461,819 and original principal of Euro 2,000,000. The loan is repayable in 72 monthly instalments in arrears between 31/12/2017 and 01/01/2024; interest is index linked to the Euribor 1 month rate;
- unsecured loan with an outstanding amount of Euro 1,693,588 and original principal of Euro 4,000,000. The loan is repayable in 72 monthly instalments in arrears between 31/12/2017 and 01/01/2024; interest is index linked to the Euribor 1 month rate;
- unsecured loan with an outstanding amount of Euro 355,415 and original principal of Euro 2,000,000. The loan is repayable in 71 monthly instalments in arrears between 31/12/2017 and 31/12/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 1,936,414 and original principal of Euro 7,000,000. The loan is repayable in 71 monthly instalments in arrears between 31/12/2017 and 30/11/2023; interest is index linked to the Euribor 3 month rate. The loan requires compliance with covenants linked to the Company’s Financial Statement;
- unsecured loan with an outstanding amount of Euro 561,966 and original principal of Euro 1,500,000. The loan is repayable in 71 monthly instalments in arrears between 31/12/2017 and 30/11/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 419,424 and original principal of Euro 2,000,000. The loan is repayable in 71 monthly instalments in arrears between 31/12/2017 and 31/12/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 696,329 and original principal of Euro 4,000,000. The loan is repayable in 67 monthly instalments in arrears between 31/12/2017 and 31/07/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 522,385 and original principal of Euro 1,700,000. The loan is repayable in 59 monthly instalments in arrears between 31/12/2017 and 30/11/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 200,232 and original principal of Euro 459,510. The loan is repayable in 54 monthly instalments in arrears between 01/06/2018 and 30/11/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 791,594 and original principal of Euro 2,500,000. The loan is repayable in 60 monthly instalments in arrears between 31/12/2017 and 31/12/2022; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 977,114 and original principal of Euro 2,109,713. The loan is repayable in 65 monthly instalments in arrears between 19/06/2018 and 01/12/2023; interest is index linked to the Euribor 1 month rate;
- unsecured loan with an outstanding amount of Euro 1,335,477 and original principal of Euro 3,500,000. The loan is repayable in 66 monthly instalments in arrears between 31/12/2017 and 31/10/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 204,554 and original principal of Euro 500,000. The loan is repayable in 69 monthly instalments in arrears between 31/12/2017 and 31/12/2023; interest is index linked to the Euribor 3 month rate;
- unsecured loan with an outstanding amount of Euro 159,994 and original principal of Euro 400,000. The loan is repayable in 57 monthly instalments in arrears between 31/12/2017 and 30/11/2022; interest is index linked to the Euribor 3 month rate.
- Loan secured by a SACE guarantee with an outstanding amount of Euro 23,693,505 and original principal of Euro 24,000,000. The loan is repayable in 16 quarterly instalments in arrears between 31/12/2022 and 30/09/2026; interest is linked to the Euribor 3 month rate. The loan requires compliance with covenants based on the Group Consolidated Financial Statements from the year ended 31 December 2021 onwards.

With regard to the loan agreements listed above (with the sole exclusion of the SACE Loan, as described above) the banks require compliance with two covenants measured based on the Financial Statements as provided for by the Framework Agreement of May 2018.
It should be noted that, at 31 December 2021, the covenant regarding the ratio of the Company’s net financial position to its EBITDA was not respected. The Company duly reached an agreement with the lenders that they would waive the right to take account in response to the covenant breach. The covenant provided for only in the loan agreement for an original principal amount of Euro 7,000,000 was respected.
Reference should be made to the Directors’ Report for further, more detailed information about the availability of credit facilities to meet working capital funding requirements and any extraordinary liquidity requirements.

Payables to other lenders

This caption amounts to Euro 2,468,810 (Euro 922,798 at 31 December 2020) and mainly refers to payables towards leasing companies for overdue instalments and payables to factoring companies.

The significant increase compared to 31 December 2020 mainly relates to payables to Factoring companies because they have given the Company a mandate to collect on their behalf receivables factored without recourse.

Payments on account

This item amounts to Euro 2,545,494 (Euro 3,955,086 at 31 December 2020) and refers to:

- Euro 358,074 of payments on account from customers towards the supply of equipment (Tooling);
- Euro 2,187,420 of payments on account from customers which, in order to provide adequate support to their supply chain, have agreed to make significant advance payments towards future purchases. These payments on account are secured by guarantees on machinery owned by the Company.

Trade payables

Trade payables amount to Euro 27,527,141 (Euro 32,410,272 at 31 December 2020). They include liabilities at 31 December 2020 towards suppliers of goods and services, based on the agreed contractual terms and conditions.

Payables to subsidiaries

	31 December 2020	31 December 2021	Change
Saleri Shanghai CO., LTD	855,866	2,969,421	2,113,555
Immobiliare Industriale S.r.l.	3,071,635	3,511,055	439,420
Saleri GMBH	55,546	117,227	61,681
ABL Automazione S.R.L.	338,776	3,658,314	3,319,538
Saleri Mexico S.A. de C.V.	2,301	138,775	136,474
Saleri India PVT LTD	-	2,664	2,664
Saleri Aftermarket S.P.A.	-	196,000	196,000
Total payables to subsidiaries	**4,324,124**	**10,593,456**	**6,269,332**

Payables to Saleri Shanghai Co. Ltd, totalling Euro 2,969,421 (Euro 855,866 at 31 December 2020), entirely consist of trade payables. Payables to Immobiliare Industriale S.r.l. totalling Euro 3,511,055, entirely refer to the upstream loan agreed signed on 8 September 2021, inclusive of interest accruing.

Payables to Saleri Gmbh, totalling Euro 117,227 (Euro 55,546 at 31 December 2020), entirely refer to the service agreement in place. Payables to ABL Automazione S.r.l., totalling Euro 3,658,314 (Euro 338,776 at 31 December 2020), include trade payables of Euro 3,638,971 and Euro 19,343 of payables under the tax consolidation arrangement.

Payables to Saleri Mexico S.A. de C.V., totalling Euro 138,775 (Euro 2,301 at 31 December 2020), include trade payables of Euro 136,474 and Euro 2,301 due in payment of the corresponding portion of that company's capital as per the deed of incorporation of 4 October 2019.

Payables to Saleri India PVT LTD, totalling Euro 2,664, entirely consist of trade payables.
Payables to Saleri Aftermarket S.p.A., totalling Euro 196,000, entirely consist of trade payables.

Tax payables

	31 December 2020	31 December 2021	Change
IRAP payable			0
IRES payable			0
Tax withheld at source from employees	726,181	618,553	(107,628)
Tax withheld at source from freelance professionals/ collaborators	30,827	25,542	(5,285)
Substitute tax payable		2,997	2,997
VAT payable		85,700	85,700
Other taxes payable	0	0	0
Total	**757,008**	**732,792**	**(24,216)**

Payables for taxes withheld at source from employees and professionals/collaborators represent the deductions made at source by the Company which have been duly paid over to the authorities on their legal due dates.

VAT payable (Euro 85,700) refers to foreign VAT liabilities in the EU countries where the Company has identified itself directly for VAT purposes.

Payables to social security and pensions institutions

	31 December 2020	31 December 2021	Change
Payable to INPS	373,013	810,920	437,907
Payable to INAIL	-	-	0
Other payables to social security and pensions institutions	585,610	621,651	36,041
Total	**958,623**	**1,432,571**	**473,948**

Payables to social security and pensions institutions represent the contributions payable by the companies. They have been duly paid by the legal due date. The significant increase in this item compared to prior year is mainly due to relief on payroll contributions received and used in relation to the month of December in 2020.
Other payables include social security and pension contributions recorded in relation to accrued employee holiday pay.

Other payables

	2020	2021	Change
a) Other payables due within a year	4,742,412	5,321,602	579,190
Payables to employees	3,200,362	3,837,469	637,107
Payables to directors and statutory auditors	68,415	60,894	(7,521)
Other payables	1,473,635	1,423,239	(50,396)
b) Other payables due after more than a year	-	900,000	900,000
Total Other payables	**4,742,412**	**6,221,602**	**1,479,190**

Payables to employees refer to December salaries and other deferred remuneration accruing at the reporting date.

Other payables includes payables to treasury funds and supplementary pension funds for TFR entitlement accruing but not yet paid (Euro 234,576) and CR balances with several customers (Euro 580,836).

Other payables due after more than a year refers to amounts due to third parties in settlement of the acquisition price of the investment in Saleri Aftermarket S.p.A..

Breakdown of payables by geographical area

The following table contains a breakdown of payables by the geographical area of business of the creditors.

	Europe	Italy	Rest of World	Total
Bonds	-	3,931,162	-	3,931,162
Convertible bonds	-	-	-	
Shareholder loans payable	-	-	-	
Bank borrowing	-	46,513,097	-	46,513,097
Payables to other lenders	-	2,468,810	-	2,468,810
Payments on account	2,322,151	223,343	-	2,545,494
Trade payables	7,472,791	19,787,363	266,987	27,527,141
Credit instruments	-	-	-	
Payables to subsidiaries	117,227	7,365,369	3,110,860	10,593,456
Payables to associated companies	-	-	-	
Payables to parent companies	-	0	-	
Payables to entities controlled by parent companies	-	-	-	
Tax payables	85,700	647,092	-	732,792
Payables to social security and pensions institutions	-	1,432,571	-	1,432,571
Other payables	572,564	5,601,170	47,868	6,221,602
Total payables	**10,570,433**	**87,969,977**	**3,425,715**	**101,966,125**

Payables secured on company assets

The following table contains details of payables secured on company assets (Article 2427 (6) of the Italian Civil Code):

	Payables secured on company assets				Unsecured payables	Total
	Payables secured by mortgages	Payables secured by pledges	Payables secured by liens	Total secured payables		
Bonds	-	-	-	0	3,931,162	3,931,162
Convertible bonds	-	-	-	-	-	-
Shareholder loans payable	-	-	-	-	-	-
Bank borrowing	2,445,236	-	-	2,445,236	44,067,861	46,513,097
Payables to other lenders	-	-	-	0	2,468,810	2,468,810
Payments on account	-	-	2,187,420	2,187,420	358,074	2,545,494
Trade payables	-	-	-	0	27,527,141	27,527,141
Credit instruments	-	-	-	-	-	-
Payables to subsidiaries	-	-	-	0	10,593,456	10,593,456
Payables to associated companies	-	-	-	-	-	-
Payables to parent companies	-	-	-	0	0	-
Payables to entities controlled by parent companies	-	-	-	-	-	-
Tax payables	-	-	-	0	732,792	732,792
Payables to social security and pensions institutions	-	-	-	0	1,432,571	1,432,571
Other payables	-	-	-	0	6,221,602	6,221,602
Total payables	**2,445,236**	**0**	**2,187,420**	**4,632,656**	**97,333,469**	**101,966,125**

Reference should be made to the Note on Bank Borrowing for further information on payables secured by mortgages. We note the following with regard to the mortgage loans:

- the amount of the mortgages shown in the table refers to the amount of the guarantee equal to the outstanding liability at the reporting date;
- mortgages totalling Euro 2,445,236 apply to the Company's property.

Advances from customers of Euro 2,187,420 recorded under "Payments on account" are secured by guarantees/liens on machinery.

Accrued expenses and deferred incom

Details of this item and movements thereon during the year are provided below (Art. 2427(7) of the Italian Civil Code).

	Opening amount	Change	Closing amount
Accrued expenses	0	0	0
Deferred income	517,301	1,221,224	1,738,525
Total accrued expenses and deferred income	**517,301**	**1,221,224**	**1,738,525**

Deferred income refers to contributions from customers and to tax credits for assets functional to the 4.0 transformation processes.

Notes to the Financial Statements, Income Statement

As already mentioned, the results reported in the Income Statement were greatly affected by the Covid-19 emergency with the result that they are not entirely suitable for comparison with prior year figures.

Therefore, reference should be made to the Directors' Report for more detailed analysis of changes compared to prior year and for comments on the effect of Covid-19 on Income Statement balances.

Value of production

The following table contains a breakdown of value of production and details of changes in the various component items compared to prior year:

	2020	2021	Change	% Chg
Revenue from sales and services	121,445,070	122,209,571	764,501	1
Change in inventory of WIP, semi-finished and finished goods	(3,372,548)	(1,068,643)	2,303,905	(68)
Change in contract work in progress	-	-	0	0
Increase in non-current assets due to capitalisation of internal works	1,281,089	3,864,400	2,583,311	202
Other revenues and income	3,518,473	8,717,136	5,198,663	148
Total Value of Production	**122,872,084**	**133,722,464**	**10,850,380**	**-**

Revenue from the sale of goods is stated after returns, discounts and bonuses agreed and granted to customers and warranty chargebacks. "Other revenues and income" mainly refers to intercompany charges for service agreements and secondment of personnel, insurance pay-outs, contributions debited to customers for the development of new products and the construction of related equipment, as well as a project cancellation charges.

Breakdown of revenue from sales and services by business category

In accordance with Article 2427(10) of the Italian Civil Code, we provide a breakdown of revenue from sales and services by business category.

	2021
Manufacture and Sale of Water Pumps, Equipment and Prototypes	122,209,571
Total	**122,209,571**

Breakdown of revenue from sales and services by geographical area

In accordance with Article 2427(10) of the Italian Civil Code, we provide a breakdown of revenue from sales and services by geographical area.

	2021
Italy	15,632,520
Other countries	**106,577,051**
Total	**122,209,571**

The breakdown of revenue by geographical area shows that the Company makes the vast majority of its sales on other EU and non-EU markets.

The penchant for exports and the percentage of sales made in other countries, primarily to German car manufacturers, has decreased compared to prior year (87% vs 93%), also thanks to a more diversified customer portfolio. The predominance of export sales will remain very high in the years ahead in light of the long-term production contracts already acquired.

Increases in non-current assets due to capitalisation of internal works

During the period, the Company capitalised development costs of Euro 3,864,400. The costs capitalised entirely refer to outsourcing costs and the cost of personnel directly employed in development projects relating to customer contracts for which, at 31 December 2021, (i) the development phase had been completed and the amortisation process had begun or (ii) the award had been confirmed but mass production had not yet commenced. See the earlier Notes on Development Costs and Intangible Assets in Progress for further information.

Other revenue and income

"Other revenue and income", amounting to Euro 8,717,136 (against Euro 3,518,473 in 2020), includes:

- Euro 4,311,513 of various chargebacks to customers (sharing of purchase cost of equipment, project cancellation costs or volumes lower than contractually agreed);
- Euro 13,912,547 of royalties, intercompany services and chargebacks for seconded personnel;
- Euro 203,493 of chargebacks to suppliers of costs incurred that are not attributable to the Company;
- Euro 149,366 of gains on fixed asset disposals;
- Euro 19,306 of unaccrued prior year income, mainly relating to amounts provided in error in prior years.

The significant increase compared to prior year mainly regards the above mentioned chargebacks to customers and higher intercompany chargebacks as a result of the new acquisitions made.

Reference should be made to the Directors' Report for further details on the breakdown of Revenue from Sales and, more generally, on Value of Production.

Cost of production

The following table contains a breakdown of "Cost of production" and details of changes compared to prior year.

	2020	2021	Change	% Chg
Raw, ancillary and consumable materials and goods	59,215,224	69,114,158	9,898,934	17
Services	29,097,511	29,195,756	98,245	0
Use of third party assets – lease and rental costs	3,037,564	4,176,998	1,139,434	38
Personnel costs:				
a) wages and salaries	17,194,325	18,047,223	852,898	5
b) social contributions	4,574,807	5,454,266	879,459	19
c) employee severance indemnity / "TFR"	1,058,756	1,094,771	36,015	3
d) retirement benefits and similar obligations	-	-	0	0
e) other personnel costs	89,625	796	(88,829)	(99)
Depreciation, amortisation and writedowns:				
a) amortisation of intangible assets	1,571,827	2,118,692	546,865	35
b) depreciation of tangible assets	4,078,038	4,054,984	(23,054)	(1)
c) other writedowns of non-current assets			0	0
d) writedowns of current receivables	8,700	218	(8,482)	(97)
Changes in inventory of raw, ancillary and consumable materials and goods	3,292,971	(1,222,310)	(4,515,281)	(137)
Provisions for risks			0	0
Other provisions	2,900,000	1,106,227	(1,793,773)	(62)
Sundry operating expenses	803,682	861,186	57,504	7
Rounding				
Total	**126,923,030**	**134,002,965**	**7,079,935**	

See the Directors' Report for details of all cost categories and of changes compared to prior year.

Costs for raw, ancillary and consumable materials and goods for resale

These costs are reported in the Income Statement net of adjustments for returns, discounts, allowances and bonuses. They amount to Euro 69,114,158 for 2021 against Euro 59,215,224 in 2020.

Purchase costs mainly relate to raw materials (aluminium) and pump components (bearings and shafts, thermostats, pulleys, plates, covers, etc.), purchases of finished pumps (IAM) and consumable materials. The composition of the balance has not changed significantly compared to prior year.

Nonetheless, the following is highlighted:

- purchases of components increased due to higher procurement than in 2020 when many orders were postponed by customers because of the Lockdown;
- there was a general increase in the cost of raw materials and in shipping/freight costs.

Costs for services

This caption amounts to Euro 29,195,756 against Euro 29,097,511 in 2020 and refers to a series of costs for services incurred for various reasons.
The following table shows the main types of service:

	2020	2021	Change
Industrial services	18,451,835	18,471,209	19,374
Consulting	1,555,240	1,011,739	(543,501)
General Expenses	5,241,251	5,931,186	689,935
Shipping/Freight	2,432,521	2,423,621	(8,900)
Other services	1,416,664	1,358,001	(58,663)
Total costs for services	**29,097,511**	**29,195,756**	**98,245**

Industrial services mainly refer to outsourced services including die-casting and other casting, machining, other processing and treatments regarding certain stages of the production process. The balance has is in line with prior year.

Consulting costs include accounting, management and tax consulting but also sales and marketing advice and services in relation to patents, quality control and the environment. The overall decrease of Euro 543,501 mainly regards tax and management consulting (down by Euro 364,644) and technical consulting (down by Euro 48,083).

General Expenses include costs for Utilities, Maintenance and other general costs relating to the Company's activities. The overall increase of Euro 689,935 is mainly due to costs for maintenance (up by Euro 274,753) and sundry administrative expenses (up by Euro 268,598).

Shipping/Freight costs are in line with prior year.

"Other services" is a catch-all caption.
The decrease compared to prior year is mainly due to a reduction in research and development costs.

Use of third party assets – Lease and rental costs

This item mainly refers to finance lease costs and, to a minor, extent operating lease costs, hire charges and other rental costs. It amounts to Euro 4,176,998 against Euro 3,037,564 in 2020.

The increase totalling Euro 1,139,434 compared to prior year is mainly due to the increase in finance lease costs (up by Euro 810,874), as a result of the ending of the moratorium on repayments granted by the Leasing Companies in 2020. Another minor factor was the increase due to new software leases entered into with effect from 2021.

Property rental costs are broadly unchanged compared to prior year.

Personnel costs

This item, amounting to Euro 24,597,056 (against Euro 22,917,513 in 2020), comprises all employee related expenses including merit based increases, promotions, seniority increases, accrued holiday pay and provisions required by law and collective labour agreements. The total cost has increased by around Euro 1,679,543 mainly as a result of less use of the “cassa integrazione” furlough scheme than in prior year. See the later section of these Notes for details of the workforce in 2021.

Amortisation of intangible assets

Amortisation of intangible assets (Euro 2,118,692 against Euro 1,571,827 in 2020) has already been commented upon in the Note on intangible assets.

Depreciation of tangible assets

Depreciation of tangible assets (Euro 4,054,984 against Euro 4,078,038 in 2020) has already been commented upon in the Note on tangible assets. We note, however, that it has been calculated based on the useful life of tangible assets and their use in the production process. As described earlier, with effect from 2019, depreciation of new tangible assets is calculated based on the effective number of days' utilisation.

Other writedowns of non-current assets

As already described in the note on Non-Current Assets, in 2021, the Company did not make any further writedowns of non-current assets as it believed the amount provided in prior years was sufficient.

Writedowns of current receivables

During the year, writedowns of current receivables totalled Euro 218.

Other provisions

This item, amounting to Euro 1,106,227, almost entirely relates to provisions for the risk of enforcement of sureties given to third parties as guarantees for which the recovery prospects could not yet be estimated at the date of approval of the financial statements (Euro 1,021,244). In prior year, the total of Euro 2,900,000 consisted of entirely of amounts allocated to the product warranty provision.

Sundry operating expenses

Sundry operating expenses, amounting to Euro 861,186, mainly refers to unaccrued prior year expenses, membership fees and sundry taxes. The balance remains almost unchanged compared to prior year when it totalled Euro 803,682.

Income from investments in subsidiaries

The amount of Euro 6,260,722 refers to dividends received from subsidiaries, as follows:
- Euro 1,111,111 from subsidiary Saleri Shanghai Co. Ltd.;
- Euro 5,149,611 from subsidiary Immobiliare Industriale S.r.l.

Sundry income from subsidiaries

The amount of Euro 44,249 refers to interest income on loans to subsidiaries
- ABL Automazione S.r.l. - Euro 409;
- Saleri Gmbh - Euro 1,000;
- Saleri Mexico - Euro 42,840.

Breakdown of sundry incom

The following table provides a breakdown of line item "C.16.d) Income other than the above”.

	Subsidiaries	Associated companies	Parent companies	Entities controlled by parent companies	Other	Total
Bank and post office interest	-	-	-	-	297	297
Other income	-	-	-	-	56	56
Total	**-**	**-**	**-**	**-**	**353**	**353**

Breakdown of interest and other financial expenses by type of debt

In accordance with Article 2427 (12) of the Italian Civil Code, the following table contains details of interest and other financial expenses relating to bonds, bank borrowing and other debt.

The amount of Euro 203,170 includes Euro 69,030 of interest expenses on the loan from subsidiary Immobiliare Industriale S.r.l.. The remaining interest and financial expenses on other debt almost entirely consists of customer discounts.

	Interest and other financial expenses
Bonds	211,534
Bank borrowing	1,463,214
Other debt	203,170
Total	**1,877,918**

Adjustments to value of financial assets and liabilities

The following table contains details of “Adjustments to value of financial assets and liabilities” and of differences compared to prior year".

	2020	Change	2021
18) Revaluations			
d) of derivatives	-	0	-
19) Writedowns			
a) of equity investments	750,737	3,787,271	4,538,008
b) of non-current financial assets other than equity investments	-	0	-
c) of current securities other than equity investments	-	0	-
d) of derivatives	13	(13)	-
of financial assets from cash pooling	-	-	-
Total	**(750,750)**	**(3,787,258)**	**(4,538,008)**

The amount of Euro 4,538,008 refers to the writedown of the investment in subsidiary Immobiliare Industriale S.r.l..

Taxes on income – current, deferred and deferred tax income

Taxes on income for the year

The following table contains a breakdown of “Taxes on income for the year”:

	2020	Change	% Chg	2021
Current taxes	2,450	94,407	3,853	96,857
Prior year taxation	5,250	(5,250)	(100)	-
Deferred taxes and deferred tax income	(1,125,182)	352,973	(31)	(772,209)
Income (Expense) from participation in tax consolidation / fiscal transparency	-	1,270	0	1,270
Total	**(1,117,482)**	**440,860**	**-**	**(676,622)**

Deferred taxation
(Art. 2427(14) of the Italian Civil Code)

Deferred taxes have been calculated taking account of the amount of all temporary differences generated by applying tax laws and regulations and applying the tax rates in force when the differences emerged.

The following table contains details of the temporary differences that led to the recognition of deferred tax assets and liabilities. It shows the relevant amount, the tax rate applied, the tax effect, the amounts credited or debited to the income statement and the items excluded from the calculation; details are provided for current year and prior year. The table also shows the amount of deferred tax assets recognised in relation to tax losses for the year and for prior years.

“Prior Year” amounts refer to 31 December 2020.

			Prior year		Change		Current year
		IRES	IRAP	IRES	IRAP	IRES	IRAP
DEFERRED TAX ASSETS			**Amount of temporary differences**				
Interest expenses not deducted and GOI excess	-	3,464,188	-	969,120	0	4,433,308	-
Allocation to provisions for risks and charges	-	2,900,000	-	(900,000)	0	2,000,000	-
Allocation to inventory obsolescence provision	-	981,468	-	(113,403)	0	868,065	-
Writedown of non-current assets	-	1,560,488	-	0	0	1,560,488	-
Other changes in deferred tax assets	-	1,763,531	-	1,867,235	0	3,630,766	-
Total deductible temporary differences	-	10,669,675	0	1,822,952	0	12,492,627	0
Tax losses	-	14,067,132	-	1,329,963	0	15,397,095	-
IRES and IRAP rates	-	24.00%	3.90%	0.00%	-3.90%	24.00%	-
Deferred tax assets	-	5,936,835	-	756,698	0	6,693,533	-
DEFERRED TAXES			**Amount of temporary differences**				
Depreciation of assets revalued under Decree Law no. 185/2008	-	5,863,408	5,863,408	(55,590)	(55,590)	5,807,818	5,807,818
Total taxable temporary differences	-	5,863,408	5,863,408	(55,590)	(55,590)	5,807,818	5,807,818
IRES and IRAP rates	-	24.00%	3.90%	0.00%	0.00%	24.00%	3.90%
Deferred tax liabilities	-	1,407,218	228,673	(13,342)	(2,168)	1,393,876	226,505
Rounding	-	-	-	-	-	-	-
Deferred tax assets (liabilities) net for IRES and IRAP	-	4,529,617	(228,673)	770,040	2,168	5,299,657	(226,505)
Total deferred tax assets (liabilities) net	-	-	-	0	0	-	-
- allocated to Income Statement	-	-	-	772,208	-	-	-
- allocated to Equity	-	-	-	-	-	-	-

We highlight the recognition of deferred tax assets of Euro 3,695,303 in relation to tax losses. This includes Euro 371,150 relating to losses for the period and Euro 3,324,153 in relation to prior year tax losses.
The Directors concluded that it was appropriate to recognise the deferred tax assets, as described in more detail in the above table, also on the basis of the contents of the Business Plan 2022-2025, given the fact that it is reasonably certain that, in future periods, there will be taxable income of not less than the amount of the differences reversing.

Tax reconciliation - IRES

The following table contains a reconciliation between the tax expense reported in the Financial Statements and the theoretical tax expense, with the information required by Italian Accounting Standard OIC 25.

	Financial Statements	Taxes
Profit before taxation (A - B + - C + - D)	(415,232)	-
Theoretical tax expense %	-	-
Temporary differences taxable in later periods:		
- gains on asset disposals in instalments	-	-
- other	-	-
Total	0	0
Temporary differences deductible in later periods:		
- allocation to provision for bad debts	218	-
- allocation to provision for risks	84,983	-
- writedown of non-current assets	-	-
- writedown of inventory	566,993	-
- directors' emoluments not paid	-	-
- other allocations to provisions for risks	1,447,717	-
Total	2,099,911	0
Reversal of prior year temporary differences:		
- utilisation of provision for bad debts	-	-
- utilisation of provision for risks	984,983	-
- revaluation of non-current assets	-	-
- portion of gains in instalments	-	-
- directors' emoluments paid	-	-
- portion of entertainment expenses	100,448	-
- other items	985,694	-
Total	2,071,125	0
Differences that will not reverse in later periods / Permanent differences:		
- IMU – local property tax	70,664	-
- motor vehicle expenses	365,516	-
- unaccrued prior year expenses	495,344	-
- telephone expenses	12,105	-
- ines and penalties	2,844	-
- non-deductible costs	158,913	-
- non-deductible D&A	396,379	-
- writedown of investments	4,538,008	-
- donations	36,750	-
- other increases	237,236	-
- super-depreciation	(1,450,220)	-
- portion of interest expenses not deductible in prior year	-	-
- exempt gains	-	-
- other decreases	(6,023,551)	-
Total	(1,160,012)	0
Taxable income for IRES	(1,546,458)	0
Increase in IRES – Current taxes	-	-
Current IRES for the year	-	-

Tax reconciliation - IRAP

The following table contains a reconciliation between the tax expense reported in the Financial Statements and the theoretical tax expense, with the information required by Italian Accounting Standard OIC 25.

	Financial Statements	Taxes
Taxable base for IRAP	25,423,000	0
Costs not deductible for IRAP purposes:		
- interest element of lease instalments	203,444	-
- IMU – local property tax	70,664	-
- costs for freelance / occasional personnel	-	-
- directors' fees	951,567	-
- inventory writedown	-	-
- non-deductible costs and unaccrued prior year expenses	465,132	-
- other items	55,589	-
Revenue not considered for IRAP purposes:		
- utilisation of provisions	984,983	-
Total	26,184,413	0
Theoretical tax expense %	-	-
Deductions:	-	-
- INAIL	169,402	-
- social security /pension contributions	4,473,154	-
- expenses for apprentices, R&D personnel	2,832,975	-
- other personnel related deductions	16,225,369	-
Total	23,700,900	0
Temporary differences taxable in later periods:		
- other items	-	-
Total	0	0
- Non-deductible amortisation of trademarks and goodwill	-	-
- other items	-	-
Total	0	0
Reversal of prior year temporary differences:		
- gains on disposal in instalments	-	-
- entertainment expenses	-	-
- other items	-	-
Total	0	0
Additional deduction	-	-
Taxable income for IRAP	2,483,514	-
Current IRAP for the year	-	96857,0

Notes to the Financial Statements, other information

Employment details

In accordance with Article 2427 (15) of the Italian Civil Code, the following table contains details of the Company's employees at 31/12/2021.

	Average Number in 2020	Average Number in 2021
Senior managers	-	9
Managers	13	9
White collars	164	167
Blue collars	280	259
Other employees	-	
Total Employees	**457**	**444**

Fees, advances and loans granted to directors and statutory auditors and commitments made on their behalf

The following table contains details of the fees, advances and loans granted to the Directors and to members of the Board of Statutory Auditors, as well as details of commitments made on their behalf in the year ended 31 December 2021, as required by Article 2427(16) of the Italian Civil Code.

	Directors	Statutory Auditors
Fees	945,955	36,400
Advances	-	-
Loans	478	-
Commitments made on their behalf as a result of guarantees given	-	-

Fees of the external auditor or audit firm

Pursuant to Article 2427(16 bis) of the Italian Civil Code, the following table contains details of fees for services rendered.
Fees for compulsory audit services are shown separately from fees for other services.

	Amount
Audit of the annual financial statements	53,500
Other audit services	87,455
Tax advisory services	-
Other non-audit services	-
Total fees of the external auditor or audit firm	**140,955**

Categories of shares issued by the Company

As required by Article 2427(17) of the Italian Civil Code, the following table contains details of the shares that make up share capital. It shows the number and nominal amount of the shares subscribed during the year.

	Opening number of shares	Opening nominal amount of shares	Number of shares subscribed during the year	Nominal amount of shares subscribed during the year	Closing number of shares	losing nominal amount of shares
Category A	2,279,550	13,065,263	-	-	2,279,550	13,065,263
Category B	831,648	4,766,598	-	-	831,648	4,766,598
Category C	6	6,000,000	-	-	6	6,000,000
Ordinary Shares	15,799	90,552	-	-	15,799	90,552
Total	**3,127,003**	**23,922,413**	**0**	**0**	**3,127,003**	**23,922,413**

Off-balance sheet commitments, guarantees and contingent liabilities

Pursuant to Article 2427(9) of the Italian Civil Code, the following table shows the total amount of off-Balance Sheet commitments, guarantees and contingent liabilities. It shows the nature of the secured guarantees given, commitments regarding retirement benefits and similar obligations and commitments made towards subsidiaries, associated companies and entities controlled by parent companies.

	Amount
Commitments	6,271,387
retirement benefits and similar obligations	
towards subsidiaries	
towards associated companies	
towards parent companies	
towards entities controlled by parent companies	
Guarantees	3,591,519
of which secured	2,591,519
Contingent liabilities	

The commitments shown in the table refer to finance lease agreements and represent the outstanding liability at the reporting date. At 31 December 2021, guarantees referred to the following:

- around Euro 1,000,000 of guarantees issued by the Company on behalf of other entities (former subsidiary Italacciai S.r.l.) in favour of some of their lenders. The maximum amount of the guarantees issued is around Euro 1,000,000 for this category;
- around Euro 2,591,519 of mortgages attaching to assets owned by the Company as security for loans granted to it by banks and financial institutions. The amount has been measured based on outstanding debt at 31/12/2021.

As disclosed in the Note on “Payments on Account”, the Company has received Euro 2,187,420 of payments on account from several customers against future purchases by them. These payments on account are secured by guarantees on machinery owned by the Company.

Related party transactions

Pursuant to Article 2427(22-bis) of the Italian Civil Code, we note that the following related party transactions took place during the year; all of them were conducted on an arm's length basis:

	Arent companies	Subsidiaries	Associated companies	Other related parties
Revenue	-	11,745,439	-	-
Costs	-	5,010,300	-	-
Financial income / expense	-	23,511	-	-
Financial receivables	-	2,891,510	-	-
Trade receivables	-	10,047,113	-	-
Financial payables	-	3,505,526	-	-
Trade payables	-	7,087,931	-	-

Significant events after the reporting period

Pursuant to Article 2427(22-iv) of the Italian Civil Code, we note that the ongoing adverse effects of the Covid 19 pandemic are largely due to global commodities shortages and to the significant increase in shipping/delivery times and costs also – but not only – caused by the various lockdown periods imposed by the Authorities in the Shanghai area.

We also highlight the following:

- in execution of the reorganisation plan prepared for the relaunch of the Aftermarket segment, with effect from 1 January 2022, Industrie Saleri Italo S.p.A. contributed the business unit regarding the sale and distribution of aftermarket products to subsidiary Saleri Aftermarket S.p.A.; this operation is in readiness for the relaunch plan as it has brought core business activities in the aftermarket segment (sale and distribution) into an organisation with its own dedicated logistics structure, a well-established market positioning and improving results in recent years;
- in March, the Company appeared in court in the proceedings launched against it by third parties to claim damages related to the fire that occurred in 2018; taking account of insurance coverage ceilings and the evidence currently available, there is no need for now to make any further provision in the Balance Sheet;
- on 21 April 2022, the Board of Directors approved the merger through incorporation of Immobiliare Industriale S.r.l. (Legal documents drawn up by notary Fabio Barca – Brescia); the merger is scheduled to take place by the end of June once the deadline for any objections by creditors has passed;
- in May, after former subsidiary Italacciai S.r.l. filed for bankruptcy, the banks holding said company's debt enforced the sureties issued by the Industrie Saleri Italo S.p.A.; details of the effects of this event have already been provided in these Notes. The Company registered its claims as a creditor by the applicable deadline in an attempt to recover the amounts in question.

It should also be noted that, for now, the recent conflict in Ukraine has not had a significant impact on the Company's business. This is because the Company has no strategic assets in the territories affected and its business activities in those areas are limited. Taking account of this, given the findings of a careful analysis of the possible effects on the supply chain and despite the fact that circumstances could change, the Directors do not believe that there will be any significant effects for the Company's business and for its ability to generate income.

Summary of public finance in terms of art. 1(125) to (129) of Law no. 124/2017

Article 1 (125) to (129) of Law no 124 of 4 August 2017 (Annual law for the market and competition) introduced new disclosure requirements on public finance received and approved.

These amounts are reported on a “cash basis”. During 2021, the Company received the following grants and contributions included in the definition governed by Law 124 of 4 August 2017:

Paying Body	Benefit Received	Description
Simest	71,840.14	Measures regarding investment by Italian entities in foreign public/private enterprises – interest grant
Ministry of Economy and Finance	1,871.00	Sanitisation Tax Credit

Disclosures regarding derivative instruments in terms of Article 2427-bis of the Italian Civil Code

The following table presents the detailed information required by Article 2427-bis(1)(1) of the Italian Civil Code.

	Fair value 31/12/2021	Fair value 31/12/2020	Change through Income Statement	Change through equity	Nature	Amount
Interest rate swap	(1,775)	(343,421)	-	341,646	Hedge	24,000,000
Options	-	-	-	-	-	-

Significant effects of exchange rate fluctuation

In accordance with Article 2427(6-bis) of the Italian Civil Code, we note that there have been no significant exchange rate fluctuations between the reporting date and the date on which these Financial Statements were issued.

Equity investments involving unlimited liability

Pursuant to Article 2361(2) of the Italian Civil Code, we note that the Company does not hold any equity investments that involve unlimited liability.

Proposed allocation of profits or coverage of losses

Allocation of profit for the year

Dear Shareholders,

All matters not specifically commented upon in these Notes are clearly and accurately set out in the Financial Statements presented for your review. The Financial Statements have been prepared with as much detail as possible.

We assure you that the amounts reported in the Financial Statements presented for your review and approval were obtained from the properly maintained accounting records and invite you to approve the Financial Statements – comprising the Balance Sheet, Income Statement, Statement of Cash Flows and Notes – as well as the proposed allocation of the profit for the year, as follows:

	Amount
Profit (Loss) for the year	
Legal reserve	13,070
Retained earnings (Accumulated losses)	248,320
Total	**261,390**

Lumezzane (BS), 15 June 2022

The Board of Directors

Signed by **Basilio Saleri (Chairman)**

Signed by **Matteo Cosmi**

Signed by **Sergio Bona**

Signed by **Giorgio Garimberti**

Signed by **Wilhelm Becker**

Signed by **Alessandro Potestà**

Signed by **Alberto Bartoli**

Signed by **Simona Heidempergher**

Signed by **Massimo Colli**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Industrie Saleri Italo S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Industrie Saleri Italo S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2021, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10

The Directors of Industrie Saleri Italo S.p.A. are responsible for the preparation of the report on operations of Industrie Saleri Italo S.p.A. as at December 31, 2021, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Industrie Saleri Italo S.p.A. as at December 31, 2021 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Industrie Saleri Italo S.p.A. as at December 31, 2021 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Marnati
Partner

Brescia, Italy
June 28, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' GENERAL MEETING CONVENED TO APPROVE

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021,

PREPARED IN TERMS OF ART. 2429 (2) OF THE ITALIAN CIVIL CODE

* * *

To the Shareholders of Industrie Saleri Italo S.p.A.

During the year ended 31 December 2021, we performed our work in accordance with legal requirements and the guidelines for Boards of Statutory Auditors of unlisted companies, issued by the Italian Accounting Profession ("*il Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*"), published in December 2020 and applicable from 1 January 2021.

This results contains details of the work done and the results obtained.

The statutory financial statements of Industrie Saleri Italo S.p.A. at 31.12.2021, prepared in accordance with Italian statutory reporting requirements and reporting a net profit for the year of Euro 261,390, have been presented for your review and approval. The financial statements were approved by the Board of Directors on 15 June 2022 and made available to the Board of Statutory Auditors. The Board of Statutory Auditors has received letters from all of the Shareholders waiving the need for compliance with the deadline under Article 2429 of the Italian Civil Code for filing of the financial statements and the reports of the Board of Statutory Auditors and the External Auditors at the registered office, as well as waiving the right to make any complaints against parties obliged to respect that deadline i.e. the Board of Statutory Auditors and the External Auditors; said parties are warranted against all liability or consequences arising from failure to respect the said deadline.

External auditors Deloitte & Touche have given us their audit report dated 28 June 2022 and containing a clean opinion.

The external auditors' report states that the financial statements at 31.12.2021 provide a true and fair view of the balance sheet and financial situation of the Company and of its result and cash flows. The external auditors' report also states that the financial statements have been prepared in accordance with Italian statutory reporting requirements.

As we were not appointed to perform the compulsory audit, the Board of Statutory Auditors' work on the financial statements involved the supervisory activities required by Rule 3.8 of the "Rule of conduct for statutory auditors of unlisted companies, consisting of an overall check to ensure that the financial statements have been properly prepared. Responsibility for testing that the financial statements reflect the accounting records lies with the entity appointed to perform the compulsory audit which is responsible for issuing a professional opinion on the separate and consolidated financial statements, in terms of Article 14 of Legislative Decree no 39 of 27 January 2010.

Supervisory activities in terms of Articles 2403 et seq. of the Italian Civil Code

We supervised compliance with the law and the articles of association, respect for principles of good business management and, in particular, the adequacy of the organisational structure and the administrative accounting system and their proper functioning.

We attended Shareholders' General Meetings and Board of Directors' Meetings. Based on the information available, we have no issues to report. We obtained in good time from the Board of Directors – sometimes during the meetings held -information about the general operating performance and the outlook for the future. We also acquired information on the most significant transactions – in terms of size or nature – carried out by the company and, based on the information acquired, we have no particular comments to make.

We met with the Supervisory Board and did not identify any issues regarding the proper implementation of the organisational model that should be highlighted in this report.

We also gathered information on and supervised the adequacy of the organisational structure and on the administrative and accounting system and on their proper functioning, also by obtaining information from departmental managers. We have no comments to make in this regard.

Within the scope of our responsibility, we assessed and supervised the appropriateness of the administrative and operation of the administrative and accounting system, as well as its reliability in accurately reporting operations. This involved gathering information from the managers in charge of the various departments and reviewing Company documents. We have no particular comments to make in this regard.

We have received no complaints from the shareholders in terms of Article 2408 of the Italian Civil Code.

During the year, the Board of Statutory Auditors did not issue any opinions or observations provided for by law.

During our supervisory activities, as described above, no further significant matters in need of mention in this Report came to light.

Observations regarding the financial statements

As stated in the external auditors' report "*the financial statements provide a true and fair view of the Company's balance sheet and financial situation as at 31 December 2021 and of its result and cash flows for the year then ended; they have been prepared in accordance with Italian statutory reporting requirements*".

As far as we are aware, when preparing the financial statements, the Directors did not deviate from statutory requirements in terms of Article 2423(5) of the Italian Civil Code.

Pursuant to Article 2426(5) of the Italian Civil Code, the Board of Statutory Auditors has expressed its consent to the capitalisation of additional development costs of Euro 1,404,448, bringing the total of such costs capitalised to a net amount of Euro 1,945,623.

Observations and proposals regarding approval of the financial statements

Considering the results of our work and the opinion expressed in the external auditors' report, we call upon the Shareholders to approve the financial statements for the year ended 31 December 2021, as prepared by the Directors.

The Board of Statutory Auditors agrees with the proposal for allocation of the result for the year made by the Directors in the Notes to the Financial Statements.

Milan, 28 June 2022

The Board of Statutory Auditors

Francesco Facchini

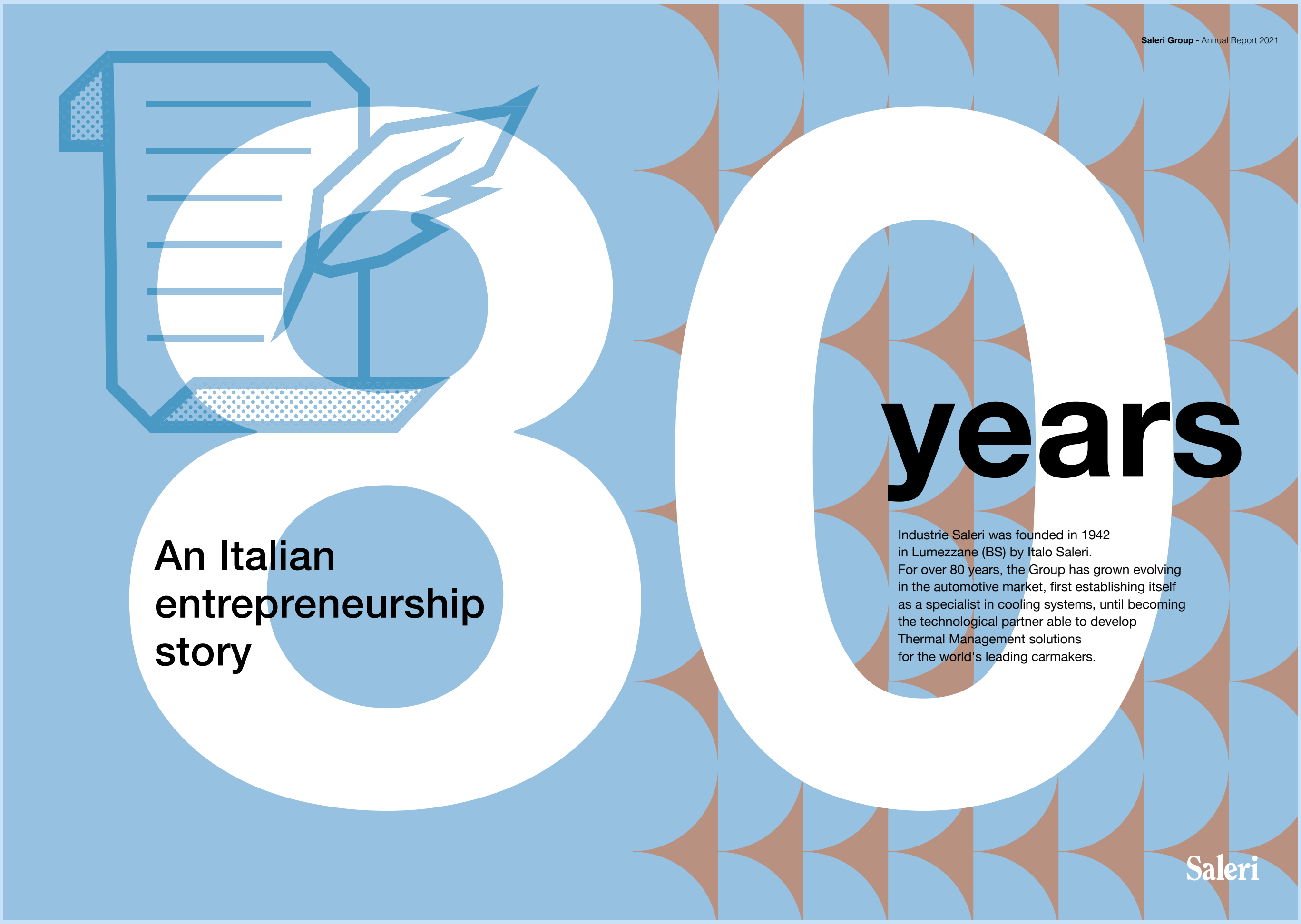
Roberta Lecchi

Andrea Gabola

Creative concept

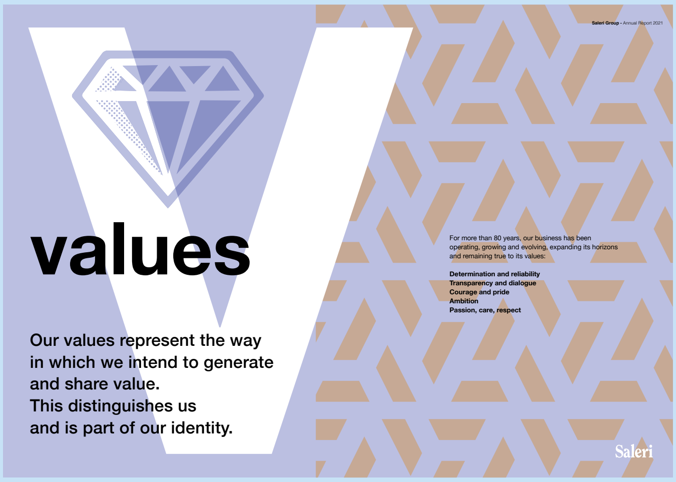
The graphic concept of the **Saleri 2021 Annual Report** is a tribute to post-World War II Graphic Design. Those years saw an explosion of creativity in the graphic arts, conveyed by a wave of optimism and by the new concepts, far from traditional solutions linked to the war period, that the designers proposed.

The public also was more open and passionate about modern art, as publishers and advertisers that appreciated and encouraged this disruptive, dynamic and patterned graphic style, with flat color backgrounds and the use of very colorful geometric patterns.



The 5 graphic covers enhance 5 terms significant for the company, making the layout very fresh and pleasant, communicating concepts in an original and persuasive way: first of all, **the celebration of the company's 80th anniversary**, an important milestone as well as important is the sustainability target that animates the corporate **purpose**: a target reachable through a vocation that is increasingly oriented towards **electrification**. A central theme such as **values**, like determination to reliability and to **transparency**, which Saleri is committed to sharing with stakeholders and collaborators.

ALL CREATIVE



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