Annual Report

2022

FUTURE

Saleri

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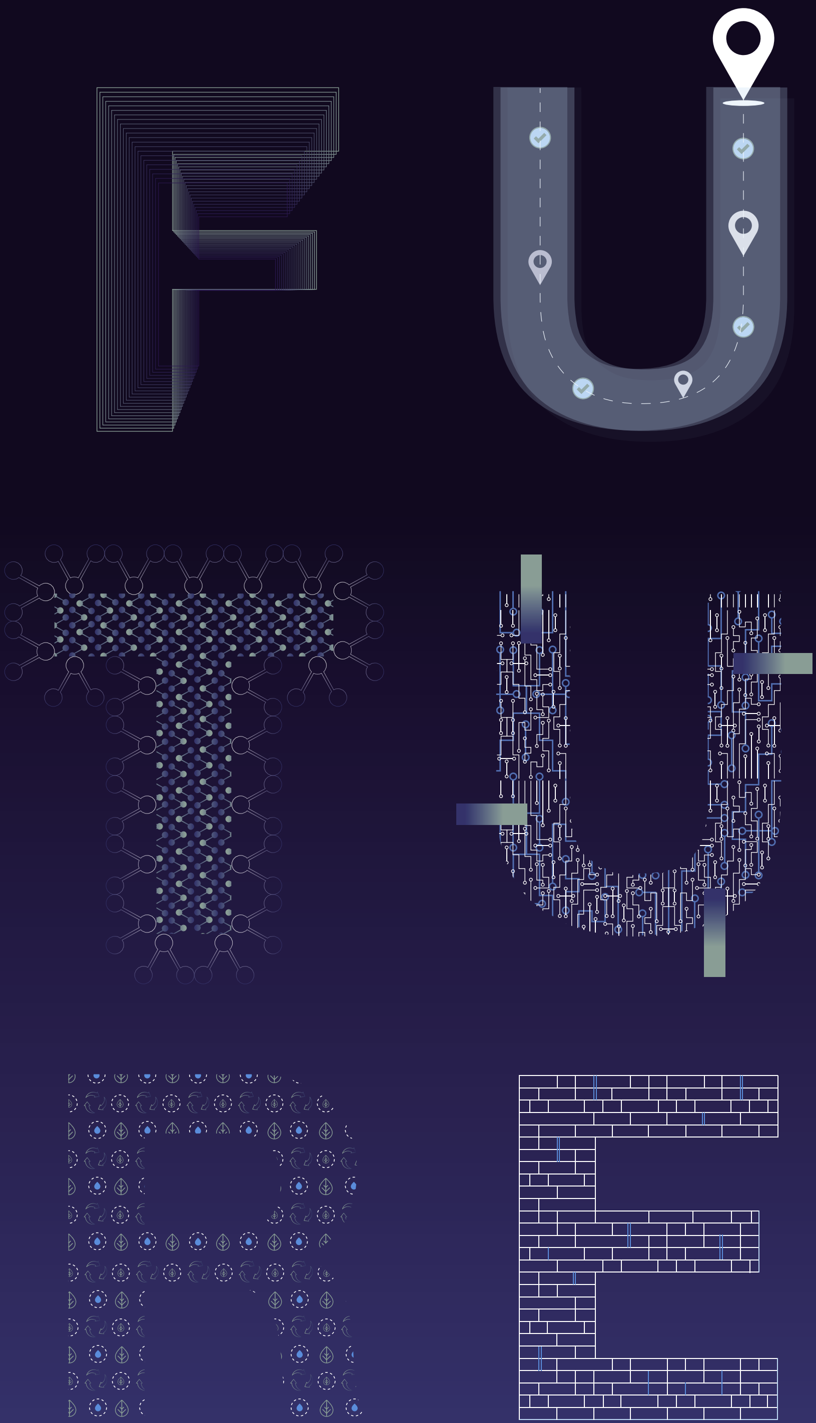
Concept

"The only way you can predict the future is to build it."

Alan Kay

Through these years filled with uncertainty, the Saleri Group decided to play an active role in **shaping the future of mobility**.

We evolve to be at the forefront of creativity through research and innovation, accompanying the automotive industry transformation.



Saleri

Letter from the Chairman

Dear Stakeholders,

It is an honor for me to introduce, for the first time, Saleri's annual report as President of this Group. I assumed this role on February 21, 2023, with great excitement and sense of responsibility. Though it was anticipated, it confirms the path that had long been envisioned for the succession to lead the company by the IV Generation of my family, from its founding in 1942 by my great-grandfather Italo, the first generation of the Saleri family at the head of the Company.

In 2022, challenges were not lacking, and we faced, confronted, and triumphed over them, though unaware that the greatest challenge would unexpectedly present itself at the beginning of 2023, on February 10th, the day my father Basilio passed away. He was my predecessor at the helm of the Saleri Group, the one who allowed this company to take the next level, becoming a strategic, reliable player for European vehicle manufacturers. We were all deeply attached to him, and personally, I owe everything to him.

In line with his teachings, I want to make his words my own:

"The strength of a group is measured by believing that, even in adversity, courage and commitment to achieving a goal make us stronger than before."

To this, with great emotion, I would add:
"The strength of a group is also its ability to remain united and determined, maintaining its identity on the face of challenges, in tough times and tense moments, striving to ensure that each component feels constantly supported and emerges from difficulties with improved experience and greater awareness."

With a team of young and dynamic individuals in whom I have trust, we will continue with the utmost dedication, unity, and awareness. Personally, I have embraced the responsibility entrusted to me by all the shareholders, confident that with tenacity and courage, we will face the new challenges and opportunities presented by the "transformation" of the automotive industry.

2022 represented a year of dual speeds, with the demands of new mobility and the significant success achieved with new and meaningful business nominations counterbalancing the volatility of orders for our traditional range. The latter was influenced by new European regulations and the challenging geopolitical situation. The Russia-Ukraine conflict and the resulting rise in energy and fuel prices, on the one hand, brought energy transition to the forefront of political attention and public opinion. On the other hand, it caused uncertainty in the short-term context. This instability impacted the entire supply chain, and we endeavored to support it wherever possible, even by anticipating compensation that we were not yet certain of obtaining.

2022 was also the year in which the company celebrated its 80th anniversary, a turning point marked by the introduction of a complete range of electric pumps and an innovative compact system for advanced vehicle cooling management, which we fondly refer to as "Thermal Management" for electrified vehicles (BEV - Battery Electric Vehicle).

Despite the challenges posed by the economic and geopolitical climate, 2022 stands as the year that validated our strategic choices, shared by my predecessor, the shareholders, and the entire management team. These choices have led us to become today's technological partner and reference for the development, sustainability, and transition of the industry, remaining true to our business mission: "accompanying the transformation of the automotive industry."

We are where we need to be, and we will continue to focus our technological offerings on the needs of Thermal Management for the vehicles of the new generations and the sustainability of the Group.

Yours faithfully,

Francesco Italo Saleri
President of Saleri Group

Letter from the CEO

Dear Shareholders, Dear Stakeholders,

for the third consecutive year, we find ourselves discussing the results of a challenging year marked by several significant events: the outbreak of the Russo-Ukrainian conflict, the ongoing Covid-19 pandemic, semiconductor shortages, early signs of a global economic slowdown compared to post-pandemic recovery expectations, substantial increases in the cost of raw materials, energy, and transportation, along with an unexpected surge in inflation and the subsequent activation of restrictive monetary policies.

All of these events have had an impact on the economic, financial, and asset results of the Group, which we present for the approval of the Shareholders' Assembly. Uncertainty was the defining element of the past year. In 2022, Europe experienced renewed warfare and then saw a sudden rise in the costs of raw materials, energy, and components, reaching unprecedented levels in the history of its modern economy. This increase subsequently spilled over into consumer prices.

Production and sales volumes of new cars saw a contraction due to both the ongoing semiconductor shortage and the strategic choices made by major car manufacturers, which directed production towards higher-margin vehicles while increasing selling prices.
In this context, Europe witnessed a 6.2% decrease in sales of new cars, from 13.8 million units in 2021 to 13 million in 2022.
Other markets, on the other hand, experienced opposing trends. China, the world's largest car market, reported stable sales despite the early-year slowdown due to pandemic-related lockdowns (zero-covid policy), with a 0.9% increase in 2022 compared to the previous year (24.1 million in 2022 versus 23.9 million in 2021).
Sales in the United States decreased by approximately 8% compared to the previous year, from 15 million in 2021 to 13.8 million in 2022. The Latin American market recorded either increasing or stable sales (Mexico +7.6%, Brazil -1.1%).
India saw a 23.7% increase in sales (from 3.5 million in 2021 to 4.3 million in 2022), followed by other Southeast Asian countries (+21.1%, from 2.7 million in 2021 to 3.3 million in 2022).
Overall, global sales decreased by 2%, dropping from 80.3 million in 2021 to 78.9 million in 2022.

The differing trends from country to country and continent to continent regarding sales of new internal combustion engine or electrified vehicles unequivocally demonstrate that the Group's recent geographical positioning represents a strategic asset to be developed with determination.

In 2022, the Saleri Group recorded consolidated revenues of €183 million, a 16.6% increase compared to the previous year. Geographically, the consolidated presence in Europe still accounts for 82.5% of total revenues, Asia 12.9%, and the Americas 3.5%. Looking ahead, we anticipate that within five years, the share of European revenues will decrease to 63%, while revenues attributable to the Americas will increase to 14%, Asia to 13%, and India to 8%.

In 2022, due to the high incidence of "European" turnover and, consequently, the significant increase in the cost of raw materials and energy, the gross operating margin (EBITDA) decreased from 10.7% in 2021 to 7.4%. The net operating margin (EBIT) decreased from 4.6% in 2021 to 2.1% in 2022. The Group's net profit for the year dropped from €1.2 million to €0.7 million.

On one hand, the strong market response to Saleri Group's new range of electric products: between late 2022 and early 2023, Saleri secured new contracts worth over €400 million.
On the other hand, the results achieved in addressing the uncertainties in various markets, diversification resulting from acquisitions and the establishment of Saleri Aftermarket, and the application of the "Saleri method" in coping with production batch volatility confirm that the initial phases of construction and structuring, along with the increased credibility of the market following the Group's dimensional shift in the last three years, have allowed us to achieve acceptable results and nurture prospects for new orders while partially absorbing the impact of market or product-specific volatility.

What the context of 2022 and the current year seem to indicate is a need for further growth of the Group, a growth that the Group is more than ready to undertake today more than ever.

The outlook for the coming years is one of even greater uncertainty. The transformation that the automotive industry is undergoing is characterized by fluid scenarios that evolve, change, and interact on different fronts, including the geopolitical front, where choices affecting industrial policies and legislative scenarios still appear fluid, with marked differences in each respective geographical market; the technological front, with rapid shifts in the adoption of new technologies, their scalability, and the existing system's ability to embrace and scale them; the market front, which includes major carmakers, along with the entry of new entities whose potential cannot be estimated. Add to these variables the reshaping of value chains ranging from a global scale to a national one, and, above all, the consumer's choice and the weight that inflation carries on it.

In response to increasing uncertainty, Saleri Group's answer is growth. Growth in terms of size and organization, growth through technological development partnerships with other entities, organic and inorganic growth in new geographical and product markets.

Only through this growth will we be able to address the continuing uncertainty, gaining more and more dimensional and operational credibility while maintaining what the market recognizes as our distinctive feature: flexibility in adapting and providing responses to sudden changes, whether they be technological, macroeconomic, or solutions-based.

The ability to adapt to challenges and changes in the environment is fundamental to our company. We have repeatedly demonstrated our resilience in facing multiple global uncertainties, ensuring the continuity of our operations and the provision of high-quality products to our customers. Our ability to adapt and find innovative solutions is one of our distinctive strengths.

Technological innovation is an integral part of our corporate DNA. In 2022, we continued to invest in research and innovation to develop cutting-edge solutions that meet the evolving needs of the automotive industry. Our dedication to innovation has allowed us to achieve significant milestones, as demonstrated by our new product range and the strategic partnerships we are developing to tackle future challenges.

Innovation is at the core of our strategy, and at the same time, we recognize our role in promoting sustainable solutions. Throughout 2022, we continued to invest in research and development to create state-of-the-art products that meet our customers' needs and reduce environmental impact.

We are committed to working responsibly, addressing the challenges and opportunities presented by the transformation of the automotive industry.

We understand the importance of environmental issues and are committed to reducing our direct and indirect carbon footprint. In 2022, we continued to implement measures to reduce the environmental impact of our operations.
We implemented targeted initiatives to improve energy efficiency in our production processes and reduce greenhouse gas emissions. Furthermore, we are exploring innovative solutions to promote the adoption of cleaner technologies in the automotive industry.

We have strengthened our efforts to engage meaningfully with our stakeholders, listening to their opinions and considering their interests in our business decisions. We believe that open and constructive dialogue with stakeholders is essential to guide our strategy and ensure that our actions align with societal expectations and needs.

Among these, I would like to address our suppliers, who have been essential partners in facing such a challenging year through constant dialogue with us. Given the challenges we will continue to face, we will constantly explore new operational methods and seek greater efficiencies in our processes. Collaboration is crucial to ensuring the continuity of our operations and the delivery of high-quality products to our customers.

In conclusion, I would like to express my deepest gratitude to all the exceptional people who work tirelessly for our Group.
Your commitment, dedication, and resilience have been crucial in overcoming the challenges we have faced. We are a cohesive team, ready to passionately tackle obstacles and embrace the opportunities that lie ahead in the future.

Yours faithfully,

Matteo Cosmi
CEO of Saleri Group

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 50 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.

50s and 60s

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

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.

2016

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.

2018

Capital increase
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.

2019

The birth of the Industrial Automation business unit
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
Saleri Mexico S.A. de C.V. was founded in Monterrey, Nuevo Leòn, in October 2019, in order to serve the American automotive market.

2021

Foundation of Saleri India
In early 2021, Saleri India Private Ltd. was established in Pune, Maharashtra, a manufacturing plant that will operate to support the Indian automotive market.

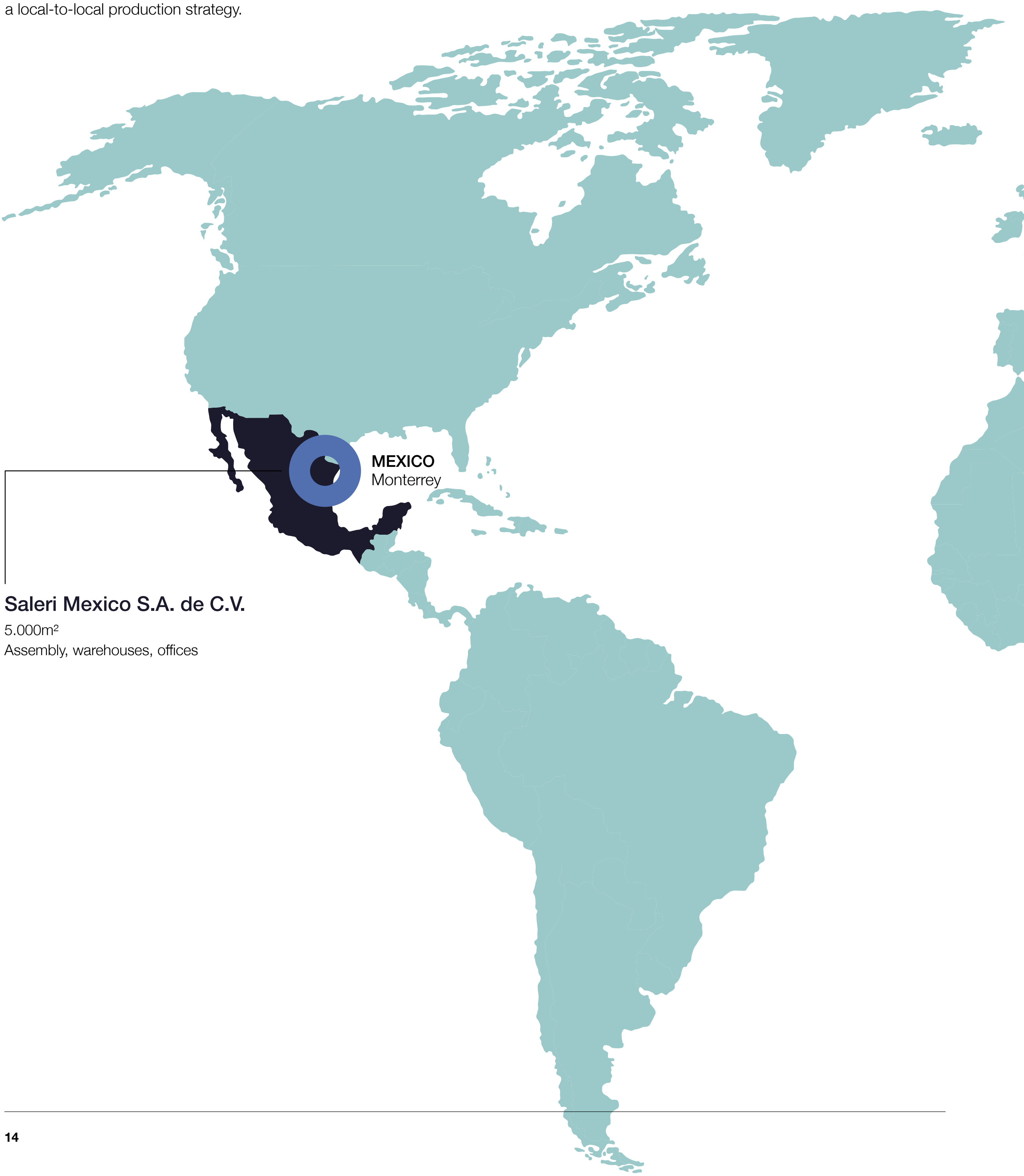
The birth of Saleri Aftermarket S.p.A.
In August 2021, Saleri announced and completed the acquisition of the Ruville brand and the acquisition of C.D.C. S.r.l., a Florentine Company that sells and distributes spare parts for the Aftermarket segment.
The two deals represent the ideal starting point for 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.

2022

Saleri Thermal Management Competence Center establishment
During 2022, a Saleri Innovation hub was born in Munich, dedicated to design and define system architectures for integrated coordination and management of the thermal dynamics of the vehicle (Thermal Management System).

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 Mexico S.A. de C.V.

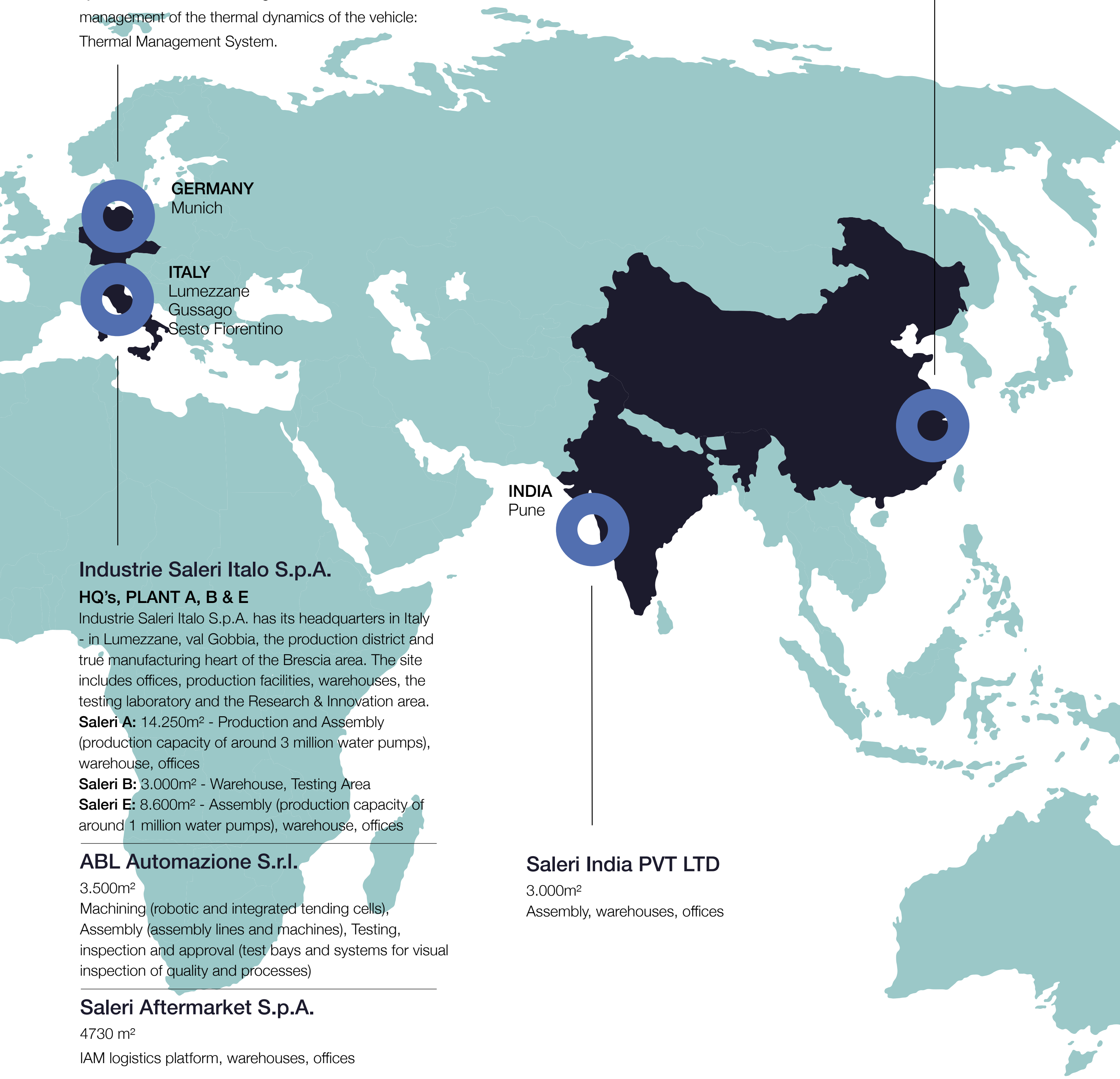
5.000m²
Assembly, warehouses, offices

Saleri Thermal Management Competence Center

Innovation hub dedicated to design and define system architectures for integrated coordination and management of the thermal dynamics of the vehicle: Thermal Management System.

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

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.

4730 m²
IAM logistics platform, warehouses, offices

Saleri India PVT LTD

3.000m²
Assembly, warehouses, offices

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.

E-Pumps range

A new range of electric pumps for 12 V / 24 V applications on Light Vehicles to cover a range between 30 and 600 W, 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.

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.

Electromechanical pumps

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

Products for the Independent Aftermarket

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.

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.

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.

Timing Chain Kit

The timing chain kit is the set of several components used to transmit the movement of the crankshaft to the camshaft, keeping the opening and closing of the engine valves constant and synchronized.

Poly-V Belt Kits

The poly-V belt kit is the system that transmits the motion produced by the engine, via the poly-V belt to all the secondary organs such as the air conditioner, power steering, alternator and, in some cases, even the water pump.

Tensioners

The tensioner, can be fixed or movable and is a critical component in the distribution.
It is intended to maintain tension on timing and auxiliary belts.
Saleri Aftermarket tensioners ensure fit, form and function for your application.

Wheel Bearing Kits

Wheel bearings are a critically important part for ensuring safe driving, which is the reason why they must always be kept in perfect condition. Saleri Aftermarket wheel bearing kits come with all the nuts, bolts, pins, retainers, snap rings, and oil seals needed for quick and safe installation.

Overruning Pulleys

The overrunning pulley is a critical component of the service belt drive. Its proper functioning ensures the integrity and durability of the other components of the system, as well as the alternator itself. Failure to replace it at the intervals specified by the vehicle manufacturer (or while replacing the other components), could result in damage or failure of the other parts or the entire system.

Crankshaft Pulleys

The crankshaft pulley is a mechanical component whose job is to dampen all vibrations from other organs in the engine. The pulley is mounted directly to the crankshaft and transmits motion via the poly-V belt to all secondary organs such as the air conditioner, power steering, alternator and, in some cases, even the water pump.

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.).

Our expertise: automated production and attention to detail

Saleri has established itself as a key supplier for the automotive industry thanks to long term partnerships in the design and development of colling systems and more recently Thermal Management systems with the most prestigious brands in the of the European automotive industry, specifically of the premium segment, such as BMW, MERCEDES-BENZ, AUDI, VOLKSWAGEN, PORSCHE, LAMBORGHINI, FERRARI, STELLANTIS.

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 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.

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)

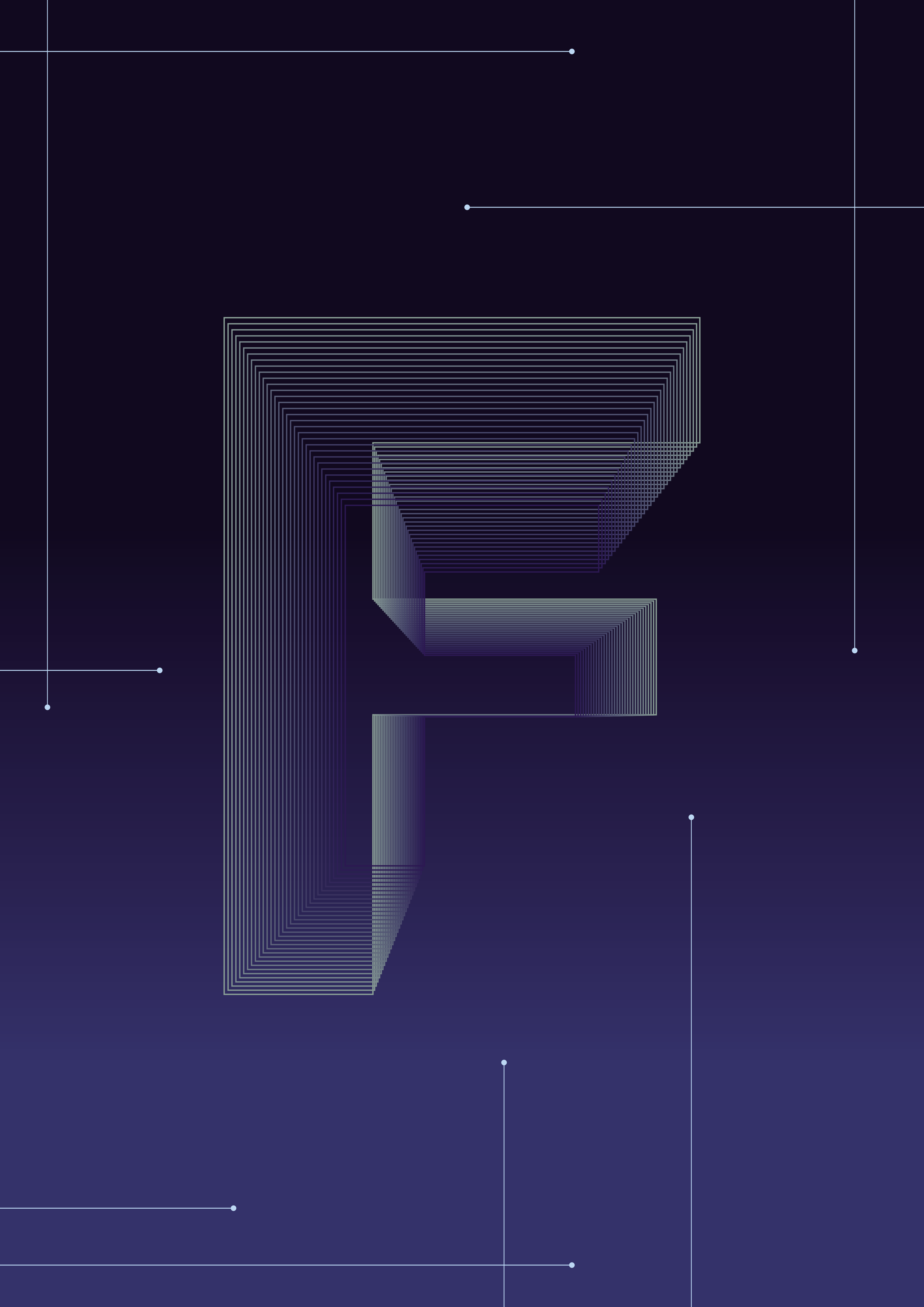
2022 - Quality Management System Certification ISO 9001 (Mexico)

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

2023 - Occupational health and safety management system certification ISO 45001 (China)

Our Future

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 **leading changes** and **innovations** that will have an **impact on future generations**.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Sustainability report 2022

Consolidated non-financial statement

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

Our approach: 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.

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 “GRI Content Index”. 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.
The Non-Financial Statement was approved by the Industrie Saleri Italo S.p.A. Board of Directors on 3 August 2023.

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-1 (verifiability, 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 2022[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 India Private Ltd. has 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 2022.
Where possible, the information presented in the NFS has been accompanied with comparative information for 2021.
Any further limitations regarding the reporting perimeter have been duly disclose 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 2022. 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 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 group 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 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.

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

Materiality analysis

The materiality analysis 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.

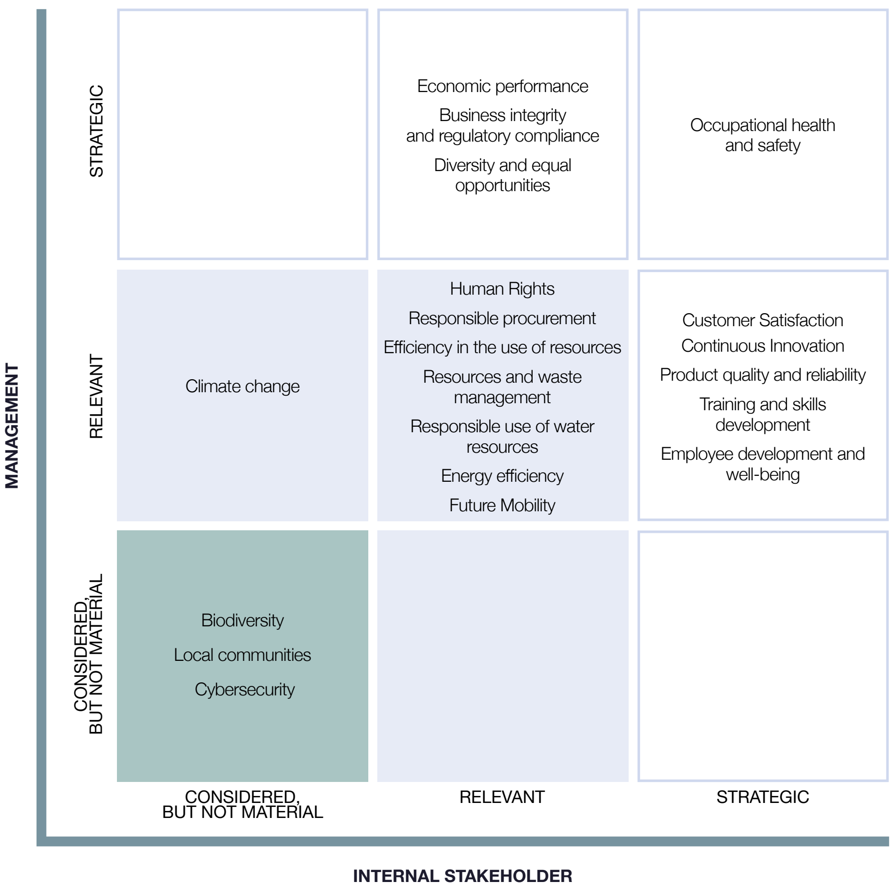
For the Saleri Group, economic, social and environmental matters that help generate shared value and that could impact that value are considered relevant for the business and its stakeholders[2].

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. During 2022, in the context of the meetings of the Sustainability Steering Committee - consisting of top management representing all key Group functions, the topics previously identified as material were integrated and validated with elements emerging from feedbacks from customers and investors through the ratings to which the group undergoes.

The Company has updates its analysis to identify the corporate sustainability issues deemed most significant in terms of impacts on the economy, the environment and society, also including the cross-impacts on human rights.
To this end, Saleri carried out an analysis of the context, of the sectors and geographical areas in which the group companies operate, also taking into account its main stakeholders and an assessment of the main aspects on which Saleri can generate an impact.
This list was drawn up and submitted to internal stakeholders through a survey. Potential impacts for each material topic were also considered.

The results of this process substantially confirmed the topics that the group identified in previous years and included new more specific ones with respect to the Group's core business.

The main material topics are set out below:



[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 2022, the economic value generated by the Group amounted to Euro 194.2 million.

The economic value distributed in 2022 amounted to Euro 183.8 million, 21% higher than in 2021. 95% of the economic value generated was distributed to stakeholders while the remaining 5% was retained within the Group.

€ million	FY 2022	FY 2021
Generated economic value[3]	**194.2**	**164.4**
Distributed economic value	**183.8**	**151.6**
Economic value distributed to suppliers/vendors	145.7	117.8
Economic value distributed to collaborators/employees	34.8	31.2
Economic value distributed to Investors and Lenders	2.9	2.0
Economic value distributed to the Public Administration	0.2	0.5
Economic value distributed to the Community	0.1	0.1
Retained economic value	**10.4**	**12.9**

For further information, see the 2022 Annual Financial Report.

[3] 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	%	N° of Shares
El.Fra Holding S.r.l.	**55.99%**	**1,750,809**
Eredi 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 three executive directors and six non-executive directors.

The following table contains details of the membership of the Board of Directors at 20/02/2023.

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

Membership of the Board of Directors at 20/02/2023

Name and Surname	Role	Age	Gender
Francesco Italo Saleri	President	35	M
Giorgio Garimberti	Vicepresident	73	M
Matteo Cosmi	CEO	45	M
Sergio Bona	Director	67	M
Wilhelm Becker	Director	75	M
Alberto Bartoli	Director	62	M
Alessandro Potestà	Director	54	M
Massimo Colli	Director	73	M
Simona Heidempergher	Director	54	W

88.9% of the members of the Board of Directors are male, the average age is 60 years.

The Board of Directos, as appointed by the Ordinary General Meeting of Industrie Saleri Italo S.p.A. on February the 20th 2023, is in office until the General Meeting convened to approved 2025 financial Statement.

Board of Directors

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 31/12/2022

Name and Surname	Role
Francesco Facchini	**President**
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 31/12/2022

Name and Surname	Role
Nicla Picchi	**President**
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 has completed 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, in 2021 and in 2022 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 2022.

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 CEO 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.

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.

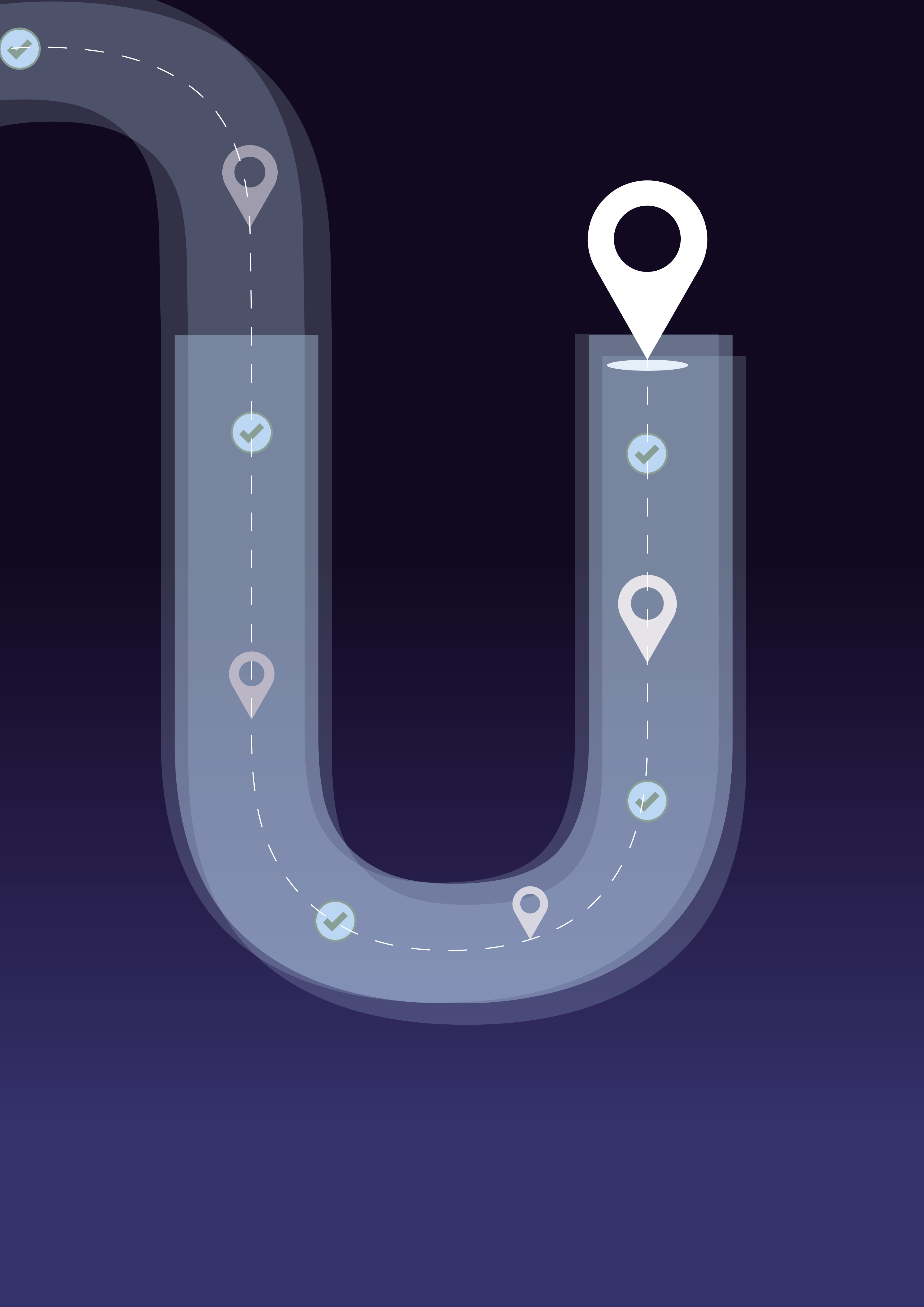
Therefore, the plan was drafted, and submitted to the Sustainability Steering Committee for scrutiny and formally approved by the Board of Directors.

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.

Upcoming

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.
Saleri has designed and produced 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.



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 antipollution 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.

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 differs fundamentally from that of a vehicle with an internal combustion engine as excess heat represents the vehicle's main thermal source of energy.
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 research projects

The Saleri Group's product concept division is composed of a multi-disciplinary scientific and technical team responsible for the research, designing and prototyping of new product concepts with the goal of predicting customer needs and anticipating development issues. Below are the main research activities:

High voltage Pump (HV Pump)

Study of an electric cooling pump with high power density and high voltage. The objective of the research is to realize an electric motor actuated by rotating magnetic field with alternative materials than those currently used. The research will evolve toward the study and realization of the related power management and control organ, able to control the actuator and communicate with vehicle ECUs.

Axial Flux Immersible Electric Motor (Wet Motor)

Research and development of an innovative design for electric cooling pump based on axial magnetic flow layout and modular component reduction to enable immersed operation in working fluid.

Integrated multiway modular pumping valve (n-Way Pump)

The architectures of Original Equipment thermal management systems require a high degree of integration, i.e., the combination of different fluid management organs capable of transporting and distributing heat.

This research focuses on the realization of a multiple-effect hydraulic pump with integrated distribution valve system and control logic. The goal is to realize a modular product capable of being integrated into systems of different manufacture and power, and capable of interfacing with the numerous thermal organs and tanks typically found on board the vehicle.

Hybrid Battery Thermal Management System (Hybrid BTMS)

Battery packs in new generation vehicles are controlled by special charge and temperature management systems that balance their operation. Current (active) systems involve recirculating fluids to evacuate thermal energy from the battery cells to radiators or other heat exchangers. The objective of this activity is to research a solution that integrates active systems with solutions that are passively (i.e., without energy expenditure) able to store thermal energy and release it gradually when needed.

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 2022, the Saleri Group had 622[4-5] employees. This represented a 2% increase compared to 610 employees at 31 December 2021. At 31 December 2022, Industrie Saleri Italo S.p.A. had 400 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 99.8% if only parent Company Industrie Saleri Italo S.p.A. is considered.

Moreover, around 89% of Group employees work full-time.

GRI 2-7	2022				2021			
Contract type	**M**	**W**	**Tot.**	**%**	**M**	**W**	**Tot.**	**%**
Workers with permanent contracts	352	214	566	**91**	337	219	556	**91**
Workers with fixed-term contracts	24	32	56	**9**	27	27	54	**9**
Total	**376**	**246**	**622**	**100**	**364**	**246**	**610**	**100**

GRI 2-7	2022						2021					
Contract type by geographical area	**IT**	**CN**	**MX**	**IN**	**DE**	**Tot.**	**IT**	**CN**	**MX**	**IN**	**DE**	**Tot.**
Workers with permanent contracts	474	54	19	16	3	**566**	481	52	15	6	2	**556**
Workers with fixed-term contracts	6	48	1	1	-	**56**	2	48	4	-	-	**54**
Total	**480**	**102**	**20**	**17**	**3**	**622**	**483**	**100**	**19**	**6**	**2**	**610**

GRI 2-7	2022				2021			
Type of employment	**M**	**W**	**Tot.**	**%**	**M**	**W**	**Tot.**	**%**
Full-time	375	212	587	**94**	361	220	581	**95**
Part-time	1	34	35	**6**	2	27	29	**5**
Total	**376**	**246**	**622**	**100**	**363**	**247**	**610**	**100**

[4] The figure includes all Group companies at 31/12/2022, including Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2022 Consolidated Financial Statements.
[5] The percentage of Group employees covered by collective bargaining agreements is 100% (GRI-2-30).

The 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 2022, the Saleri Group hired 118 new employees - including 30 by Industrie Saleri Italo S.p.A..

The percentages of employee hires and departures 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[6].

GRI 401-1	2022				2021			
Hires by age group (n°)	< 30	30-50	> 50	Tot.	< 30	30-50	> 50	Tot.
Men	23	42	3	**68**	12	39	7	**58**
Women	6	41	3	**50**	8	37	3	**48**
Total	**29**	**83**	**6**	**118**	**20**	**76**	**10**	**106**

GRI 401-1	2022				2021			
Hires by age group (%)	< 30	30-50	> 50	Tot.	< 30	30-50	> 50	Tot.
Men	19%	36%	3%	**58%**	11%	37%	7%	**55%**
Women	5%	35%	3%	**42%**	8%	35%	3%	**45%**
Total	**25%**	**70%**	**5%**	**100%**	**19%**	**72%**	**9%**	**100%**

GRI 401-1	2022						2021					
Hires by geographical area (no)	IT	CN	MX	IN	DE	Tot.	IT	CN	MX	IN	DE	Tot.
Men	40	6	4	16	2	**68**	35	12	5	5	1	**58**
Women	16	17	17	-	-	**50**	8	16	23	1	-	**48**
Total	**56**	**23**	**21**	**16**	**2**	**118**	**43**	**28**	**28**	**6**	**1**	**106**

GRI 401-1	2022						2021					
Hires by geographical area (%)	IT	CN	MX	IN	DE	Tot.	IT	CN	MX	IN	DE	Tot.
Men	34%	5%	3%	14%	2%	**58%**	33%	11%	5%	5%	1%	**55%**
Women	14%	14%	14%	0%	0%	**42%**	8%	15%	22%	1%	0%	**45%**
Total	**47%**	**19%**	**18%**	**14%**	**2%**	**100%**	**41%**	**26%**	**26%**	**6%**	**1%**	**100%**

[6] Regarding the number of new employees hires and leavers, the new hire turnover rate and employees turnover rate, defined as the percentage incidence on the total number of employees as of December 31, 2022, correspond to 19% for incoming turnover and 17% for outgoing turnover. However, they include transfers within the group; consequently, the adjusted turnover rates for incoming and outgoing employees, considering the number of intra-group transfers, are **18% for adjusted incoming turnover and 16% for adjusted outgoing turnover.**

GRI 401-1	2022				2021			
Departures by age group (n°)	**< 30**	**30-50**	**> 50**	**Tot.**	**< 30**	**30-50**	**> 50**	**Tot.**
Men	11	33	10	**54**	15	24	15	**54**
Women	10	40	2	**52**	6	29	9	**44**
Total	**21**	**73**	**12**	**106**	**21**	**53**	**24**	**98**

GRI 401-1	2022				2021			
Departures by age group (%)	**< 30**	**30-50**	**> 50**	**Tot.**	**< 30**	**30-50**	**> 50**	**Tot.**
Men	10%	31%	9%	**51%**	15%	24%	15%	**55%**
Women	9%	38%	2%	**49%**	6%	30%	9%	**45%**
Total	**20%**	**69%**	**11%**	**100%**	**21%**	**54%**	**24%**	**100%**

GRI 401-1	2022						2021					
Departures by geographical area (n°)	**IT**	**CN**	**MX**	**IN**	**DE**	**Tot.**	**IT**	**CN**	**MX**	**IN**	**DE**	**Tot.**
Men	41	4	3	5	1	**54**	48	6	-	-	-	**54**
Women	18	17	17	-	-	**52**	16	10	18	-	-	**44**
Total	**59**	**21**	**20**	**5**	**1**	**106**	**64**	**16**	**18**	**-**	**-**	**98**

GRI 401-1	2022						2021					
Departures by geographical area (%)	**IT**	**CN**	**MX**	**IN**	**DE**	**Tot.**	**IT**	**CN**	**MX**	**IN**	**DE**	**Tot.**
Men	39%	4%	3%	5%	1%	**51%**	49%	6%	0%	-	-	**55%**
Women	17%	16%	16%	0%	0%	**49%**	16%	10%	18%	-	-	**45%**
Total	**56%**	**20%**	**19%**	**5%**	**1%**	**100%**	**65%**	**16%**	**18%**	**-**	**-**	**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.

At 31 December 2022, there were 15 senior managers, including 5 women while, at the same date, 3 out of the 9 members of the Top Management team were women.

GRI 405-1	2022					2021				
Workforce by employee category and gender	**Senior Mngrs**	**Mgrs**	**White Collar**	**Blue Collar**	**Total**	**Senior Mngrs**	**Mgrs**	**White Collar**	**Blue Collar**	**Tot.**
Men	2.1%	4.8%	28.3%	25.2%	**60.5%**	1.6%	3.0%	29.2%	25.9%	**59.7%**
Women	0.8%	0.3%	11.3%	27.2%	**39.5%**	0.8%	0.0%	10.3%	29.2%	**40.3%**
Total	**2.9%**	**5.1%**	**39.5%**	**52.4%**	**100%**	**2.5%**	**3%**	**39.5%**	**55.1%**	**100%**

GRI 405-1	2022					2021				
Workforce by employee category and age	**Senior Mngrs**	**Mgrs**	**White Collar**	**Blue Collar**	**Total**	**Senior Mngrs**	**Mgrs**	**White Collar**	**Blue Collar**	**Tot.**
< 30	0.0%	0.6%	5.5%	13.0%	**19.1%**	0.0%	0.0%	7.0%	15.7%	**22.8%**
30-50	2.3%	3.9%	28.8%	32.2%	**67.0%**	1.8%	2.0%	27.4%	32.3%	**63.4%**
> 50	0.6%	1.3%	4.7%	7.2%	**13.8%**	0.7%	1.0%	5.1%	7.0%	**13.8%**
Total	**3%**	**6%**	**39%**	**52%**	**100%**	**2%**	**3%**	**40%**	**55%**	**100%**

In accordance with the law, Industrie Saleri Italo S.p.A. and ABL Automazione S.r.l. employs disabled personnel and personnel belonging to protected categories. It has a total of 11 such employees, 7 men and 4 women, at 31 December 2022.

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 2022, a total of 3,726 hours of training was provided to Industrie Saleri personnel while, at Group level, a total of 8,556 hours were dedicated to training.

Training 31/12/2022

GRI 404-1					
Employees by category and gender	Senior Managers	Managers	White Collars	Blue Collars	Tot.
Men	151	323	3,869	1,148	**5,490**
Women	101	15	1,231	1,721	**3,067**
Total	**252**	**337**	**5,099**	**2,869**	**8,556**

Training 31/12/2022

GRI 404-1					
Employees by category and gender	Senior Managers	Managers	White Collars	Blue Collars	Tot.
Men	11.6	10.8	22	7.3	**14.6**
Women	20.1	7.3	17.6	10.2	**12.5**
Total	**14**	**10.5**	**20.7**	**8.8**	**13.8**

Training 31/12/2021

GRI 404-1					
Employees by category and gender	Senior Managers	Managers	White Collars	Blue Collars	Tot.
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 31/12/2021

GRI 404-1					
Employees by category and gender	Senior Managers	Managers	White Collars	Blue Collars	Tot.
Men	7.0	9.3	21	6.7	**13.8**
Women	16.0	-	12.5	9.0	**10**
Total	**10.0**	**9.3**	**18.8**	**7.9**	**12.3**

Benefit and welfare

Industrie Saleri Italo S.p.A. offers corporate benefits 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 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 107 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 40 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 and comprehend all employees.

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).

In Industrie Saleri Italo S.p.A., the Health and Safety system has been certified during 2022 by Intertek, in compliance with the ISO45001. The system has been implemented and certified 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.com 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 into account not only 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 health and safety management system according to ISO 45001 has been certified during 2021 by the independent organization Intertek, thus confirming the compliance of Industrie Saleri Italo S.p.A.'s system with the international standard.

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.

Saleri Shanghai Co. LTD. operates in full compliance with applicable laws and regulations; in September 2022, the Company successfully passed the government Health & Safety system audit based on local GB/T33000-2016 Standard.

Occupational health and safety regulations in China require the appointment of an EHS Specialist when the number of employees exceeds 100, in 2022 EHS Specialist was appointed, as at 31.12.2023 Saleri Shanghai Co. LTD. headcount reached 102 people.

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.
Saleri Mexico S.A. de C.V., has been recognized by the Government of the State of Nuevo Leon as one of the 33 companies that passed the evaluation of the Secretary of Labor to obtain the Distintivo de Trabajo Responsable - TRe, within the culture of Responsible Labor in the state of Nuevo Leon, Mexico. The Distintivo de Trabajo Responsable - TRe recognizes organizations’ commitment in daily management of the 3 workplace pillars: Labor, Human Resources, Occupational Health and Safety; implementing systems, practices, processes and procedures that promote Responsible Labor, complying with legal frameworks and adopting best practices based on the generation of a culture of prevention and risk mitigation.

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 81/08, 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 35 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, monthly or 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, interns, 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 check-ups 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 2022 while there were four cases of workplace injury on a Group[7]-wide level.
The workplace injuries recorded were not very serious with a prognosis of not more than 30 days absence from work.
The total number of workplace injuries does not include injuries suffered while travelling to and from work, although such injuries are recorded; in 2022, there was just two cases of an injury to employees travelling to and from work.

Furthermore, we note that the injury figures do 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[8].

[7] The figure includes all Group companies at 31/12/2022, including Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2022 Consolidated Financial Statements.

[8] 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 983,527 hours worked (excluding overtime hours) were recorded in 2022, of which 620.690 hours by male employees and 362.837 hours by female employees. In 2021, the corresponding figures were 957.719 hours worked (excluding overtime hours), of which 573.061 hours by male employees and 384.658 hours by female employees.

GRI 403-9	2022			2021		
	M	W	Tot.	M	W	Tot.
Frequency rate	6.44	0.00	**4.07**	1.75	7.80	**4.18**
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	2022			2021		
	M	W	Tot.	M	W	Tot.
Workplace injuries	4	0	**4**	1	3	**4**
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 2022, 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 2022, 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.

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.

During the course of the year, Shanghai Co. Ltd. faced successive waves of the Covid-19 pandemic, which led to the implementation of extraordinary measures. These measures included access control through digital thermometers, daily administration of antigen tests, procurement of protective and medical devices, emergency drills, and regular disinfection of buildings.
The exemplary execution of these pandemic measures by Shanghai Co. Ltd. was acknowledged and recognized by the government authorities. As a result, the company received an official recognition for its efforts in combating the pandemic.

Saleri and the environment

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.

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.

Energy consumption within the organization (GJ)[9]

GRI 302-1

Total energy consumption 2022 — Consolidated		GJ
METHANE GAS m³	175,310	6,971
ELECTRICITY kwh	1,479,451	5,326
ELECTRCITY FROM RENEWABLE SOURCES kwh	6,952,757	25,030
PETROL FOR COMPANY VEHICLE FLEET litre	19,942	683
DIESEL FOR COMPANY VEHICLE FLEET litre	79,475	3,036
TOTAL	-	41,046

Total energy consumption 2021 — Consolidated		GJ
METHANE GAS m³	221,908	8,791
ELECTRICITY kwh	7,935,473	28,568
ELECTRCITY FROM RENEWABLE SOURCES kwh	-	-
PETROL FOR COMPANY VEHICLE FLEET litre	19,860	682
DIESEL FOR COMPANY VEHICLE FLEET litre	59,657	2,278
TOTAL	-	40,319

[9] The figure includes all Group companies at 31/12/2022, including Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2022 Consolidated Financial Statements.

Emissions[10]

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.

Since December 2021, Industrie Saleri Italo S.p.A. exclusively purchases electricity from renewable sources. This aligns with the company's set objectives and has significantly reduced the Scope 2 market base emissions. The emission factor attributed to renewable energy for Scope 2 market base is indeed zero, meaning that there are no direct emissions associated with the electricity purchased from renewable sources.

GRI 305-1 e 305-2

Emissions 2022

Consolidated	Unit of measurement	Amount
SCOPE 1		
METHANE GAS m^3	tCO_2e	353
PETROL FOR COMPANY VEHICLE FLEET litre	tCO_2e	43
DIESEL FOR COMPANY VEHICLE FLEET litre	tCO_2e	203
TOTAL SCOPE 1	tCO_2e	600
SCOPE 2		
ELECTRICITY LOCATION BASED	tCO_2	2,958
ELECTRICITY MARKET BASED	tCO_2e	826

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

[10] The figure includes all Group companies at 31/12/2022, including Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2022 Consolidated Financial Statements.

Scope 1: emission factors DEFRA 2022 (https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022)
Scope 2 (location-based method): emission factors relating to the generation of national energy for the different operating countries expressed in CO_2 (source: Terna -international comparisons, 2019).

Scope 2 (market-based method): emission factors expressed in CO_2 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)	**2022**		**2021**	
	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	**14.2**	**14.2**	**28.4**	**28.4**
Fresh water (≤1.000 mg/l of total dissolved solids)	14.2	14.2	28.4	28.4
of which surface water	-	-	-	-
of which underground water	14.2	14.2	28.4	28.4
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	**14.2**	**14.2**	**28.4**	**28.4**

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.

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[11]

GRI 306-2	2022			2021		
	Hazardous	**Non-hazardous**	**Tot.**	**Hazardous**	**Non-hazardous**	**Tot.**
Recycling	5.98	579.36	585.34	6.87	583.24	590.12
Disposal	289.50	37.26	326.76	314.65	52.38	367.02
Total	**295.48**	**616.62**	**912.10**	**321.52**	**635.62**	**957.14**

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”.

During 2022 no anomalous or emergency situations are arisen.

[11]The figure excludes Saleri India Private Ltd. - the company was not included in the consolidation scope of the Consolidated Financial Statements for the year 2022. Additionally,Saleri TMS Competence Center GmbH is also excluded given its immateriality for both non-financial reporting and the specific data.

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 16949 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 2022 (€ thousand)	
Sponsorship	71
Charity	32
Donations	13
Total	**116**

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 con GRI Standards	Boundary of impact	Type of impact
Economic performance	Economic performance	Saleri Group	Caused by the Saleri Group
Continuous innovation and future mobility	-	Saleri Group	Caused by the Saleri Group
Human Rights	-	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 opportunities	Diversity and equal opportunities 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 Customers Suppliers	Caused by the Saleri Group
Product quality and reliability	-	Saleri Group Clients	Caused by the Saleri Group
Efficiency in the use of resources (raw material)	Emissions	Saleri Group Customers Suppliers	Caused by and contributed to by the Saleri Group
Energy efficiency, resources, and waste management, responsible use of water resources	Energy Water resources Waste	Saleri Group	Caused by and contributed to by the Saleri Group
Employee development and well-being	-	Saleri Group employees	Caused by the Saleri Group
Customer satisfaction	-	Saleri Group Clients	Caused by the Saleri Group

GRI content index

Statement of use

Saleri Group has reported the information cited in this GRI content index for the period 01/01/2022 to 31/12/2022 with reference to the GRI Standards (GRI referenced).

GRI 1 used

GRI 1: Foundation 2021

GRI Standard	Disclosure	Page Number
GRI 2: General Disclosures 2021		
2-1	Organizational details	Saleri Group Company Profile
2-2	Entities included in the organization's sustainability reporting	Director's Report
2-3	Reporting period, frequency and contact point	29
2-4	Restatements of information	29
2-5	External assurance	69-71
2-6	Activities, value chain and other business relationships	Saleri Group Company Profile; Director's Report
2-7	Employees	45-50
2-9	Governance structure and composition	35-38
2-10	Nomination and selection of the highest governance body	35
2-12	Role of the highest governance body in overseeing the management of impacts	39
2-13	Delegation of responsibility formanaging impacts	39
2-14	Role of the highest governance body in sustainability reporting	29
2-22	Statement on sustainable development strategy	Letter from the Chairman; Letter from the CEO; 27; 30
2-23	Policy commitments	27; 32
2-27	Compliance with laws and regulations	37-38
2-28	Membership associations	27; 32; 63
2-29	Approach to stakeholder engagement	33
2-30	Collective bargaining agreements	45
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	33
3-2	List of material topics	33

TOPIC SPECIFIC STANDARDS	Disclosure	Page Number
MATERIAL TOPIC: Economic Performance		
GRI 201: Economic performance (2016)		
3-3	Management of material topics	Director's Report
201-1	Direct economic value generated and distributed	34
MATERIAL TOPIC: Business Integrity and Regulatory Compliance		
GRI 205: Anti-corruption (2016)		
3-3	Management of material topics	37-38
205-3	Confirmed incidents of corruption and actions taken	38
Anticompetitive Behavior 2016		
3-3	Management of material topics	37-38
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	38
MATERIAL TOPIC: Energy Efficiency		
GRI 302: Energy (2016)		
3-3	Management of material topics	55-56
302-1	Energy consumption within the organisation	55-56
MATERIAL TOPIC: Responsible use of water resources		
GRI 303: Water and effluents (2018)		
3-3	Management of material topics	58-59
303-1	Interactions with water as a shared resource	58-59
303-2	Management of water-discharge related impacts	58-59
303-3	Water withdrawal	58-59
MATERIAL TOPIC: Efficiency in the use of resources		
GRI 305: Emissions (2016)		
3-3	Management of material topics	57-58
305-1	Direct greenhouse gas emissions (Scope 1)	57
305-2	Indirect greenhouse gas emissions due to energy consumption (Scope 2)	57

TOPIC SPECIFIC STANDARDS	Disclosure	Page Number
MATERIAL TOPIC: Resources and waste management		
GRI 306: Waste (2020)		
3-3	Management of material topics	59-60
306-1	Waste generation and significant waste-related impacts	59-60
306-2	Management of significant waste-related impacts	59-60
306-3	Waste generated	59-60
MATERIAL TOPIC: Diversity and equal opportunity		
GRI 401: Employment (2016)		
3-3	Management of material topics	45-47
401-1	New employee hires and employee turnover	45-47
GRI 406: Non-discrimination (2016)		
3-3	Management of material topics	48
406-1	Incidents of discrimination and corrective actions taken	48
GRI 405: Diversity and Equal Opportunity (2016)		
3-3	Management of material topics	48
405-1	Diversity of governance bodies and employees	48
MATERIAL TOPIC: Occupational health and safety		
GRI 403: Occupational Health and Safety (2018)		
3-3	Management of material topics	51-54
403-1	Occupational health and safety management system	51-54
403-2	Hazard identification, risk assessment, and incident investigation	51-54
403-3	Occupational health services	51-54
403-4	Worker participation, consultation, and communication on occupational health and safety	51-54
403-5	Worker training on occupational health and safety	51-54
403-6	Promotion of worker health	51-54
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	51-54
403-9	Work-related injuries	53-54

TOPIC SPECIFIC STANDARDS	Disclosure	Page Number
MATERIAL TOPIC: Training and skills development		
GRI 404: Training and Education (2016)		
3-3	Management of material topics	49
404-1	Average hours of training per year per employee	49
MATERIAL TOPIC: Human Rights		
GRI: N/A		
3-3	Management of material topics	32
MATERIAL TOPIC: Continuous Innovation		
GRI: N/A		
3-3	Management of material topics	42-44
MATERIAL TOPIC: Product quality and reliability		
GRI: N/A		
3-3	Management of material topics	Saleri Group Company Profile
MATERIAL TOPIC: Future Mobility		
GRI: N/A		
3-3	Management of material topics	Letter from the Chairman; Letter from the CEO; Director's Report; 42-44
MATERIAL TOPIC: Responsible procurement		
GRI: N/A		
3-3	Management of material topics	61
MATERIAL TOPIC: Customer Satisfaction		
GRI: N/A		
3-3	Management of material topics	Letter from the Chairman; Letter from the CEO; Saleri Group Company Profile; Director's Report
MATERIAL TOPIC: Employee development and well-being		
GRI: N/A		
3-3	Management of material topics	45-50

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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, 2022 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 August 3, 2023 (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.

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.

Deloitte.

3

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.

   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 Saleri Mexico S.A. de C.V 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:

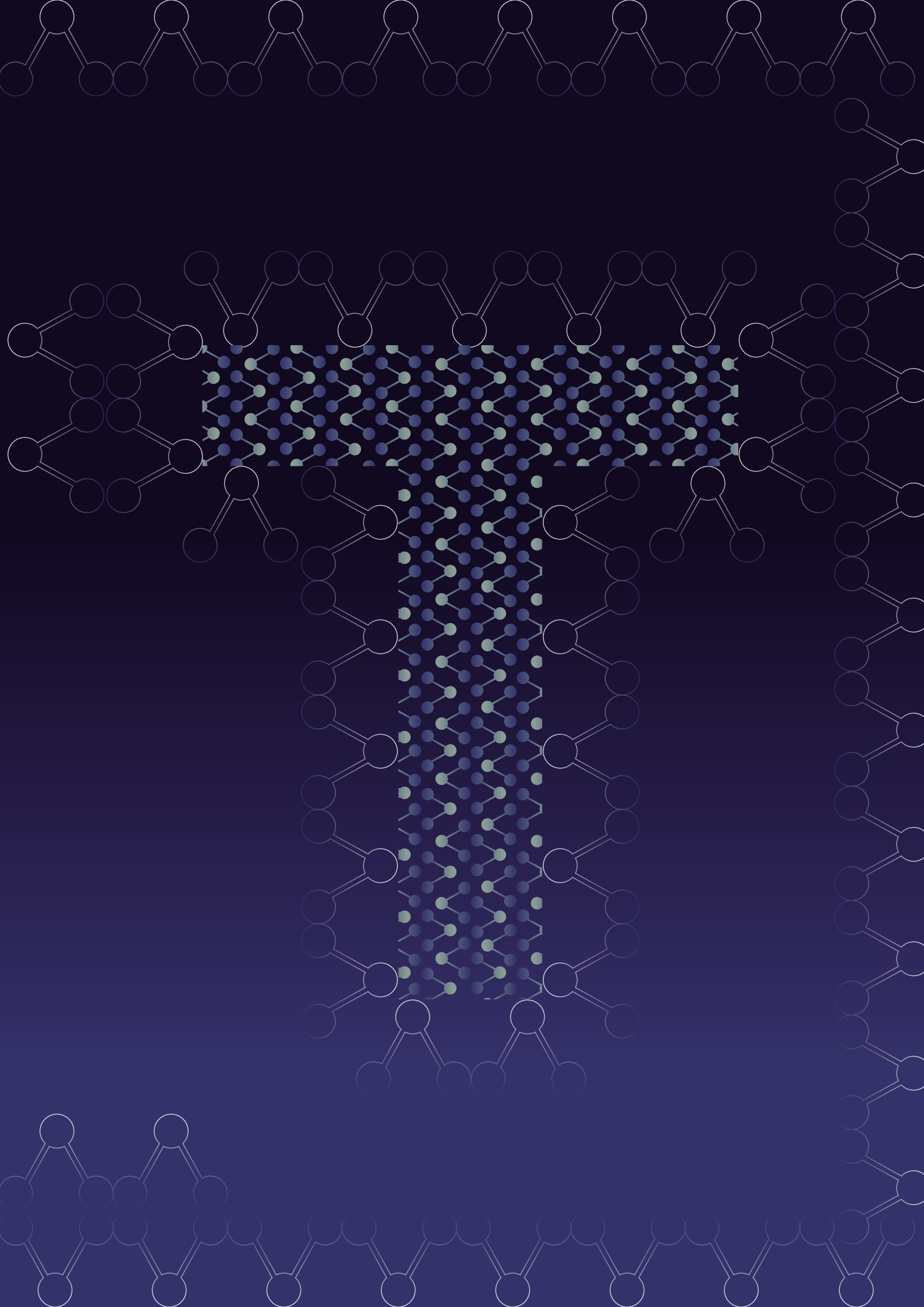
   - at the parent company's and subsidiaries' level:

     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 Saleri Mexico S.A. de C.V, 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.

Together

We created a **strong community**: Saleri people are daily committed in generating an open dialogue to cooperate in synergy, always looking for new opportunities of progress and cooperation.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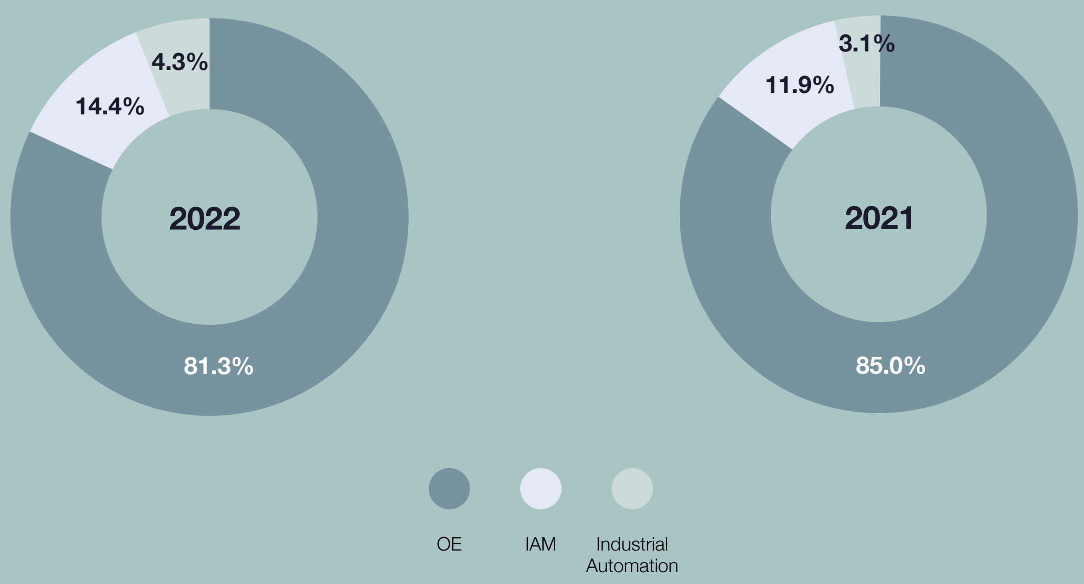
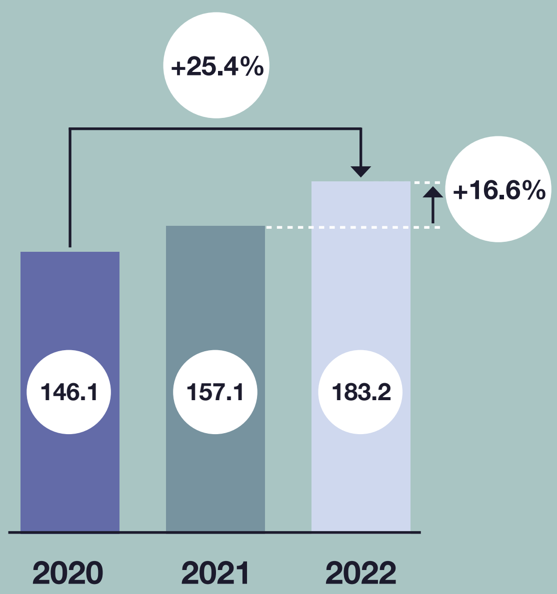
Annual financial report 2022

The Group's Financial Highlights

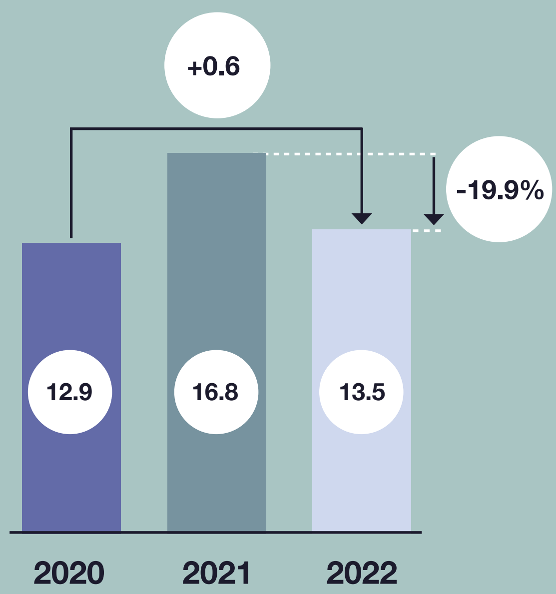
Revenue by BU



Revenue



EBITDA



Directors' Report 2022

Consolidated Financial Statements and Separate Financial Statements at 31 December 2022

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 2022 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 2022 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.

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;
- trade Working Capital, Fixed Assets 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 ITA GAAP 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

Francesco Italo Saleri
Chairman

Giorgio Garimberti
Deputy Chairman

Matteo Cosmi
CEO

Alberto Bartoli
Director

Wilhelm Becker
Director

Sergio Bona
Director

Massimo Colli
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

Industrie Saleri Italo S.p.A.
Via Ruca, 406
25065 Lumezzane (BS)
Italy
Tel. +39 030 8250411
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

Fancesco Italo Saleri

Appointed Chairman of the Board of Directors of Industrie Saleri Italo S.p.A. in February 2023, he represents the fourth generation of the Saleri family to head the industrial group of the same name. Immediately after his studies, he started training in the business. From 2007 to 2012, he was in China to set up and then manage subsidiary Saleri Shanghai. On his return to Italy, he took on the role of Sales and Marketing Director for the OE and IAM market, where he stayed until 2017. In 2017, he took charge of Business & Subsidiaries Development, contributing towards the establishment of Saleri Mexico in 2019 and Saleri India in 2021. In 2021, he became Group Chief Procurement Officer and remained in that role until his appointment as Chairman.

DEPUTY CHAIRMAN

Giorgio Garimberti

Appointed Deputy Chairman of the Board of Directors of Industrie Saleri Italo S.p.A. in February 2023. Giorgio 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.

CEO

Matteo Cosmi

Appointed Managing Director of Industrie Saleri Italo S.p.A. in February 2023. Matteo was 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 began his career with leading investment banks and was later founder and director of a corporate finance firm specialising in Debt Advisory, M&A and performance improvement services.

DIRECTOR

Alberto Bartoli

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. He then became Managing Director of Gefran S.p.A. from May 2017 until December 2019. Since April 2020, he has been Managing Director of the Finservice Group of Mantua. Alberto is also a Director of numerous manufacturing and service companies.

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

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

Massimo Colli

A qualified accountant and registered auditor with a degree in Business and Economics from Luigi Bocconi 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.

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 which holds a 26.6% stake in Industrie Saleri Italo S.p.A..

Group structure

The Group Organisation Chart at 31 December 2022 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 TMS Competence Center GmbH**

Munich, Germany Thermal Management Competence Center

95% **Saleri Shanghai Co.Ltd**

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

Companies engaged in production for the OE and AM segments

IAM business unit

100% **Saleri Aftermarket S.p.A.**

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

* 49% SIMEST S.p.A.

Scope of consolidation

At 31 December 2022, 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

Name	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

Name	Registered office	Interest held	Currency	Share capital
ABL Automazione S.r.l.	Via Mandolossa, 102/B - Gussago (BS)	100%	EURO	750,000
Saleri Aftermarket S.p.A.	Via Ruca, 406 - Lumezzane (BS)	100%	EURO	100,000
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
Saleri TMS Competence Center GmbH	Schleißheimer Straße 373, 80935 D-80935 Münich - Germany	100%	EURO	25,000

Compared to 2021, the scope of consolidation for the 2022 Consolidated Financial Statements:

- includes Saleri TMS Competence Center GmbH which has been included in the scope of consolidation with effect from 31 December 2022;
- does not include Immobiliare Industriale S.r.l. as that company was merged through incorporation into the Parent Company with effect from 4 August 2022.

Companies directly controlled at 31 December 2022 but excluded from the scope of consolidation

Subsidiaries excluded from the scope of consolidation are listed below:

Name	Sede legale	Quota posseduta	Valuta	Capitale sociale
C.D.C. Taiwan Inc.	1F, No. 63, LN. 118,St.Dongjid RD., Guishan Dist., Taoyuan City 33353, Taiwan (R.O.C.)	51%	TWD	32,000,000
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), Munich (Germany) and Pune (India).

Significant events occurring in 2022

MAY 2022
Start of operations for Saleri India

The company incorporated in 2021 in Pune, India commences mass production in the first half of 2022.

JUNE 2022
Celebrations for the 80th anniversary of the Saleri Group

Saleri celebrates 80 years since its foundation in 1942.

AUGUST 2022
Merger through incorporation of Immobiliare Industriale S.r.l.

In July 2022, the Saleri Group completes the merger through incorporation of Immobiliare Industriale S.r.l..

AUGUST 2022
Partnership in USA with Cooper Standard

The Saleri Group signs an agreement with US multinational Cooper Standard for the joint development of innovative technology for the management of fluid dynamics in electric vehicles.

SEPTEMBER 2022
Saleri Aftermarket introduces itself at Automechanika Frankfurt

The newly created Saleri Aftermarket S.p.A. presents itself to the market by participating at Automechanika Frankfurt 2022, the key event for the European Aftermarket market.

NOVEMBER 2022
First Sustainability rating

Saleri receives its first sustainability rating from Cerved Rating Agency:
ESG risk management capability – High; Rating BBB with a score of 65.2.

DECEMBER 2022
Saleri gets the Ecovadis gold medal

Industrie Saleri Italo S.p.a. was awarded the Ecovadis Gold Medal with a scope of 69/100, placing it in the top 2% of companies assessed by Ecovadis in the sector.

DECEMBER 2022
First award for e-mobility EU & NAR R

Saleri's first important engagement which sees the Parent Company and Saleri Mexico involved in production of electric pumps for BEV applications for premium US OEMs through a global Tier-1.

Overview of the macroeconomic environment

The beginning of 2022 seemed to herald a year of growth in pursuit of a return to pre-pandemic levels in various sectors. The highly promising start to the year was abruptly interrupted by the outbreak of the Russian-Ukrainian conflict and by the resurgence in waves of the pandemic which led to lockdowns in various parts of China. Unexpected price increases due to the sudden increase in fuel, energy and commodity costs, supply issues and increased logistics problems meant that 2022 was marked with uncertainty and volatility.

The International Monetary Fund's Word Economic Outlook forecasts that global growth settled at 3.4% in 2022 (year-on-year real GDP growth) and is expected to decrease to 2.9% in 2023; both figures are lower than the historical average of 3.8% for the period 2000-2019.

The continuing war between Russia and Ukraine, inflation and restrictive monetary policies have weighed heavy and continue to weigh on economic activity. Inflation reached a global average rate of 8.8% in 2022 and, although it is expected to fall in 2023, it will remain well above the 2017-2019 pre-pandemic average.

The rapid spread of COVID-19 in China dampened growth in 2022 but the recent reopening in the country has paved the way for a faster than expected recovery.

The outlook for 2023 remains uncertain due to high inflation, the ongoing Russian-Ukrainian conflict, fear of an escalation and potential financial instability of sovereign debt, the geopolitical situation between China and the USA with particular reference to Taiwan and the microchip war. Forecasts suggest that the global economy will slow down further with growth decreasing from 3.4% in 2022 to 2.8% in 2023 while inflation is expected to return to normal levels by 2025.

The automotive industry

Light Vehicles – Sales volumes 2022[1]

				% of total	
Region	**2021**	**2022**	**Δ %**	**2021**	**2021**
ASEAN	2.8	3.3	20.0%	3.4%	4.2%
Central Europe	1.4	1.3	-5.5%	1.7%	1.7%
East Europe	2.9	1.9	-35.0%	3.6%	2.4%
Greater China	24.4	24.6	1.0%	30.4%	31.3%
Indian Subcontinent	3.8	4.6	20.5%	4.7%	5.8%
Japan/Korea	6.1	5.8	-4.4%	7.6%	7.4%
Middle East/Africa	3.8	4.0	5.4%	4.8%	5.1%
North America	17.7	16.5	-7.2%	22.1%	20.9%
Oceania	1.2	1.2	2.6%	1.5%	1.6%
South America	3.8	3.8	0.6%	4.7%	4.8%
West Europe	12.5	11.7	-6.3%	15.5%	14.8%
Total	**80.3**	**78.7**	**-2.0%**	**100.0**	**100.0%**

Globally, in 2022, new car sales totalled 78.7 million vehicles, 2% short of the 2021 total of 80.3 million; this was thanks to the easing of supply constraints, a general improvement in logistics and an acceleration in sales in the final quarter of 2022. However, global sales volumes remain more than 10 million vehicles down on pre-pandemic levels (compared to 89.9 million units in 2019).

In **Europe**, sales fell by 11.2% in 2022 with sales in Western and Central Europe totalling 13.0 million vehicles, down by 6.2% on prior year. The main factors that influenced this trend were a shortage of semi-conductors and a downturn on Eastern European markets, especially those directly involved in the conflict: Ukraine (-63.5% compared to prior year in 2022) and Russia (-60.9% compared to prior year in 2022).

In **North America**, despite a slight recovery in the final quarter of 2022, sales volumes for the year fell by 7.2% compared to 2021 to stand at 16.5 million units. The same trend was seen in the United States where car sales decreased by 7.9% in 2022 because of a slowdown of the supply chain and logistics problems.

In **South America**, sales volumes were stable in 2022 – they increased by 0.6% on prior year with 3.8 million vehicles sold.

New car sales in **Japan** decreased by 5.2% compared to 2021 while a 2.2% decrease on 2021 was recorded in **South Korea**.

Demand in **China** remains stable with a +1% year-on-year increase to 24.6 million vehicles sold, reflecting the government stimulus introduced in the form of incentives for the renewal of the car fleet.

In **India**, new car sales grew by 20.5% in 2022 to reach 4.6 million vehicles. This reflects a general increase in spending power combined with low interest rates.

[1] Figures per S&P Global, February 2023.

Light Vehicles – Engine production volumes[2]

Region	Mln Units			% of total	
Vehicle engines	**2021**	**2022**	**Δ % vs '20**	**2021**	**2022**
Europe	16.6	16.5	-0.4	21.5%	20.2%
Greater China	24.9	25.9	4.0%	32.3%	31.6%
Japan/Korea	12.8	13.3	4.1%	16.6%	16.2%
Middle East/Africa	1.0	1.1	3.5%	1.4%	1.3%
North America	12.2	13.8	13.1%	15.9%	16.9%
South America	2.0	2.3	13.3%	2.6%	2.8%
South Asia	7.6	9.0	19.3%	9.8%	11.0%
Total	**77.2**	**82.0**	**6.2%**	**100.0%**	**100.0%**

More than 82 million cars were produced globally in 2022, a 6.2% increase on prior year. However, this remains considerably below pre-crisis production levels e.g. 89 million in 2019.

In **Europe**, production volumes were stable in 2022.
The slight 0.4% decrease compared to 2021 to stand at 16.5 million units was the net effect of contrasting trends.

Despite persistent logistics challenges and supply chain issues, automobile production in **North America** increased by 13.1% compared to prior year in 2022 to reach a total of 13.8 million units. This growth was mainly driven by strong demand for new vehicles in the United States which led to a 16.1% increase in production in that country to reach a total of 9.5 million units.

In **South America**, production volumes maintained a positive trend during the second half of 2022. The annual performance was satisfactory with more than 2.3 million cars produced in 2022, a 13.3% increase on 2021.

Reflecting this trend, production in Brazil increased by 13.4% to almost 2.2 million vehicles.

Thanks to a sharp acceleration in production in the third quarter of 2022, Japanese production was in line with 2021 levels with a total of 8.7 million vehicles produced. South Korean automobile production grew by 9.6% to 4.5 million vehicles, driven by both exports and domestic demand.

In **China**, thanks to the easing of the pandemic and demand greatly stimulated by government incentives and despite logistical and supply chain pressures, vehicle production rapidly recovered to record a 4% increase compared to prior year; the total of 25.9 million vehicles produced represents 32% of global production.

Driven by robust domestic demand and by increased consumer confidence, Indian car production reached 5.3 million vehicles in 2022, a 25% increase on prior year.

The aftermarket market

According to ANFIA estimates, the Italian market grew by 7.8% in 2022 with a better performance in the first half of the year (+18.5%) and growth moderated by the impact of inflation in the second half (+8.6%). The strongest performance was by engine components which recorded +11.6% growth on prior year.
These figures confirm the anti-cyclical nature of the aftermarket compared to the trend of new vehicle registrations.
This is combined with the positive effect of the ageing of the car fleet in circulation which leads to greater need for maintenance. The average age of vehicles in circulation in Italy at the end of 2021 was 11 years and 10 months with 58.8% of cars more than 10 years old.

On a European level, the average age of vehicles in circulation was 12 years at the end of 2021. The oldest car fleets were to be found in Greece and Estonia (17 years) while the youngest fleet was in Luxembourg (7.6 years). Compared to 2020, the average age of the car fleet in circulation increased by 0.2 years from 11.8 years at the end of 2020.

The European car fleet in circulation is broken down as follows: 51.1% petrol, 41.9% diesel, 0.8% battery electric, 0,7% plug-in hybrid, 2.3% hybrid and 3.2% other fuel (Gas, LPG and others).

[2] Figures per S&P Global, February 2023.

The electrification race

During 2022, in line with its growth and transformation strategy, the market provided Saleri with new confirmations in the form of new relationships and new engagements that indicate a sudden acceleration in the transformation of the industry as a whole towards electrification. This is due to the stepping up of measures to mitigate climate change, legislation, commitments by businesses and consumer behaviour.

Even more quickly than expected, the electrification race is creating opportunities for the Group which launched its new range of electric products on the market in 2022.

EV sales increased in 2022 after the Covid-19 outbreak delayed their penetration of the market.

Even considering the slowdown due to the pandemic, EV sales grew by 90% between 2020 and 2022 in the United States and by 300% in China (Moreover, 2023 will be the first effective year of the strategy of Chinese manufacturers for the export of BEVs to the rest of the world). It is estimated that, by 2035, BEVs could account for 65% of new vehicle sales worldwide.

Simultaneously, the sector is faced with supply chain shortages, especially of key materials, slow deployment of charging infrastructures and rising raw material costs.

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 2022, the orderbook – providing a clear picture from 2023 to 2028 – amounted to more than Euro 1.4 billion, an average figure of Euro 228 million a year[3].

The incidence of Hybrid and BEV vehicles on orders per year increases from 55% in 2023 to 78% in 2025 and to 90% from 2028 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.

[3] Management estimate

The Group's Operating Performance

Consolidated results

Saleri Group Income Statement	December 2022		December 2021		Δ 2022 - 2021	
	€ million	% of Revenues	€ million	% of Revenues	€ million	Δ %
Revenues	183.2	100.0%	157.1	100.0%	+26.1	+16.6%
Incr. in Non Curr Assets (Capitalisation of. Development Costs)	7.6	4.1%	8.4	5.3%	-0.8	-9.8%
Consumption of direct materials	(114.3)	-62.4%	(98.6)	-62.8%	-15.7	+15.9%
Contribution margin	**76.5**	**41.7%**	**66.8**	**42.5%**	**+9.6**	**+14.4%**
Operating costs	(30.7)	-16.8%	(20.5)	-13.0%	-10.2	+49.8%
Labour costs	(32.3)	-17.6%	(29.5)	-18.8%	-2.8	+9.4%
EBITDA	**13.5**	**7.4%**	**16.8**	**10.7%**	**-3.3**	**-19.8%**
Depreciation, amortisation & provisions	(9.7)	-5.3%	(9.7)	-6.1%	-0.0	+0.1%
Net Operating Profit / EBIT	**3.8**	**2.1%**	**7.2**	**4.6%**	**-3.4**	**-46.6%**
Financial income (expenses)	(2.8)	-1.5%	(2.2)	-1.4%	-0.7	+30.5%
Extraordinary income (expenses)	(0.3)	-0.2%	(1.6)	-1.0%	+1.4	-83.1%
Profit before taxation	**0.7**	**0.4%**	**3.4**	**2.2%**	**-2.7**	**-78.4%**
Taxation	(0.2)	-0.1%	(0.5)	-0.3%	+0.3	-59.4%
Net profit before non-controlling interests	**0.5**	**0.3%**	**2.9**	**1.8%**	**-2.4**	**-81.7%**
Profit pertaining to non-controlling interests	0.2	0.1%	(0.2)	-0.1%	+0.4	N.S.
Net profit	**0.7**	**0.4%**	**2.7**	**1.7%**	**-2.0**	**-74.0%**

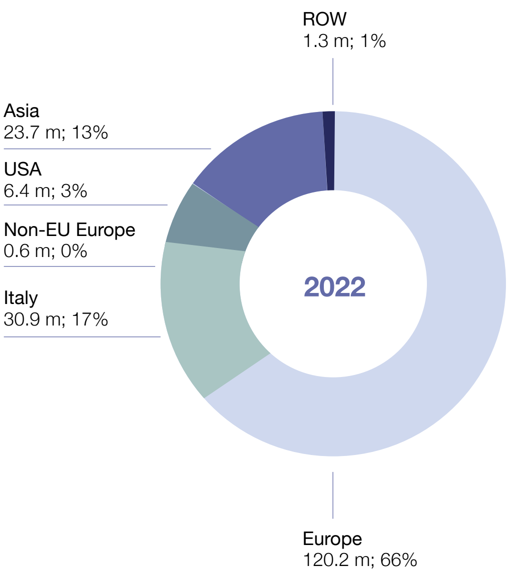
The Group's consolidated income statement for 2022 shows revenues of Euro 183.2 million compared to Euro 157.1 million in 2021, an increase of 16.6%. In order to provide a better interpretation of the results, it should also be noted that the 2022 revenue figure includes Euro 9.4 million relating to the change of the scope of consolidation in terms of the period of inclusion of Saleri Aftermarket (acquired in July 2021), as well as Euro 6.7 million relating to Saleri Mexico S.A. de C.V. Without these amounts revenues would have been up by 6.4% on 2021.
The revenue figure also includes the effect of certain price increases negotiated with customers in order to pass on some of the cost increases that the Group has had to deal with given the current economic environment and high level of inflation.

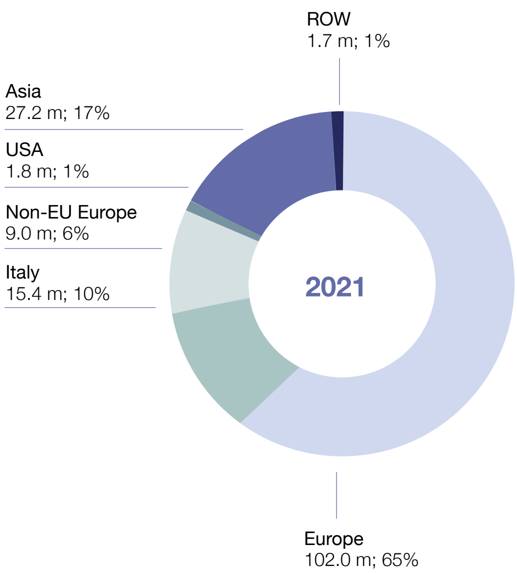
The Original Equipment sector, which accounts for 81.3% of the Group's revenues, ended 2022 with a 16.7% increase compared to 2021. This result is further confirmation of the positive impact of the strategy of geographical expansion adopted by the Group, as well as of the recovery in demand from the slowdown triggered by the shortage of semi-conductors.

As already reported, the Aftermarket sector recorded revenue growth of Euro 8.7% (+45.6%) compared to 2010 thanks to the contribution of Saleri Aftermarket. The Automation sector also enjoyed growth (+63.5% compared to 2021) thanks to a sales mix more oriented towards orders from third party customers rather than towards Group requirements.

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 2022	%	FY 2021	%
Europe	120.2 m	65.6%	102.0 m	65.0%
Italy	30.9 m	16.9%	15.4 m	9.8%
Non-EU Europe	0.6 m	0.3%	9.0 m	5.7%
USA	6.4 m	3.5%	1.8 m	1.1%
Asia	23.7 m	12.9%	27.2 m	17.3%
ROW	1.3 m	0.7%	1.7 m	1.1%
Total	**183.2 m**	**100.0%**	**157.1 m**	**100.0%**





"Increases in Non-Current Assets" amounts to Euro 7.6 million (Euro 8.4 million in 2021) and includes:

- Euro 1.3 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 4.4 million in 2021). In 2022, the machinery acquired by the subsidiary mainly referred to the final stage of implementations performed the previous year. Meanwhile, during the reporting period, the investment and implementation plan of new production lines for projects under development was at the conceptual stage;
- Euro 6.3 million of capitalised research and development costs (Euro 4.0 million in 2021); 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 2022, raw material costs increased in absolute terms due to the higher volume of sales but remained in line with 2021 as a percentage of revenues - they represented 62.4% of revenues (62.8% in 2021). 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. In the Original Equipment sector, inflationary pressure on raw materials and the impact of the increase in the energy component in the processing of metals used were offset by price increases negotiated with customers. Meanwhile, the Aftermarket sector was hit by the major weakening of the Euro against certain currencies in which purchases are made (USD and EMB) and by ongoing pandemic-related problems in Asian countries which made it necessary to use alternative procurement sources situated in Europe, at a greater cost.

Operating costs amount to Euro 30.7 million - against Euro 20.5 million in 2021 - and include Euro 5.6 million relating to Saleri Aftermarket (of which Euro 4.6 million relates to the different period of consolidation – whole year in 2022, five months in 2021) and Euro 1.4 million relating to Saleri Mexico S.A. de C.V..

It is also worth mentioning that the amount for 2022 includes Euro 3.2 million that was capitalised.

Considering the effect of these changes to the scope of consolidation, operating costs would represent 10.3% of revenues (for the same scope of consolidation i.e. like for like) i.e. higher in absolute terms than in 2021 but down as a percentage of sales. The increase in absolute terms is due to a Euro 1.5 million increase in costs for energy consumption – mainly in relation to the parent company – and to higher governance costs.

Labour costs amount to Euro 32.3 million – including Euro 1.5 million relating to Saleri Aftermarket and Euro 0.8 million relating to Saleri Mexico S.A. de C.V. – and have increased compared to Euro 29.5 million in 2021.

It is also worth mentioning that labour costs for 2022 include Euro 3.6 million that was capitalised.

Excluding the effect of these changes to the scope of consolidation, labour costs for 2022 are slightly higher than for 2021.

Consolidated EBITDA for the year ended 31 December 2022 amounts to Euro 13.5 million (7.4% of revenues), a 19.8% decrease compared to 2021 (Euro 16.8 million and 10.7% of revenues).

"Depreciation, Amortisation and Provisions" amounts to Euro 9.7 million and is equal to the 2021 figure. 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.
The total reflects a decrease in depreciation and amortisation and an increase in provisions in order to bring the Product Warranty Provision into line with expected future requirements.

"Financial expenses" for 2022 amount to Euro 2.8 million compared to Euro 2.2 million in 2021. The higher expense reflects the increase in medium/long-term loans due to loans arranged in 2022 and the effect of higher interest rates.

"Extraordinary income (expenses)" shows net expenses of Euro 0.3 million for 2022, against net expenses of Euro 1.6 million in 2021; the 2021 figure mainly included losses on disposals and restructuring costs.

A net profit (before non-controlling interests) of Euro 0.5 million is reported (0.3% of revenues), representing a decrease of Euro 2.4 million compared to the 2021 figure. This is due to the net effect of higher revenues and higher savings on production costs, as countered by higher costs incurred as a result of the exceptional economic environment, level of inflation and forex situation.

Consolidated balance sheet

The Saleri Group's reclassified consolidated balance sheet at 31 December 2022 may be analysed as follows:

Saleri Group Balance Sheet	**December 2022**	**December 2021**	**Δ 2022 - 2021**
	€ million	€ million	€ million
Tangible Assets	64.6	65.0	(0.5)
Intangible Assets	20.0	16.8	3.2
Other Assets	12.1	10.3	1.8
Non-Current Assets	**96.7**	**92.1**	**4.5**
Trade Receivables	24.6	16.5	8.1
Trade Payables	(39.1)	(35.2)	(3.9)
Inventory	35.3	32.6	2.6
Trade Working Capital	**20.8**	**13.9**	**6.9**
Other Current Assets / Liabilities	(1.4)	(4.3)	2.9
Deferred Tax Provision	(3.6)	(3.0)	(0.6)
Employee Severance Indemnity /TFR Provision	(2.4)	(2.2)	(0.1)
Other Provisions	(2.7)	(3.9)	1.2
Net Invested Capital	**107.4**	**92.5**	**14.9**
Non-Current Financial Liabilities	56.6	49.1	7.5
Current Financial Liabilities	13.1	10.8	2.2
Cash and Cash Equivalents	(11.0)	(18.1)	7.2
Saleri Bond Liabilities	-	3.9	(3.9)
Net Financial Position	**58.7**	**45.7**	**13.0**
Shareholders' Equity – Group	**46.8**	**44.6**	**2.2**
Shareholders' Equity – Non-controlling Interests	1.9	2.2	(0.3)
Consolidated Shareholders' Equity	**48.7**	**46.8**	**1.9**
Sources of Finance	**107.4**	**92.5**	**14.9**

Tangible Assets amount to Euro 64.6 million and have recorded a net decrease of Euro 0.5 million compared to 31 December 2021, due to the following:

- capex/additions of Euro 5.6 million which includes Euro 1.3 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 5.2 million;
- decreases due to disposals of Euro 0.8 million, net of accumulated depreciation.

Intangible assets totalled Euro 20.0 million at 31 December 2022 compared to Euro 16.8 million at 31 December 2021.
The overall increase of Euro 3.2 million includes additions of Euro 7.1 million which include the capitalisation of research and development costs. Decreases due to amortisation and impairment adjustments total Euro 2.7 while decreases due to disposals total Euro 1.2 million.

Other Non-Current Assets total Euro 12.1 million at 31 December 2022 (Euro 10.3 million at 31 December 2021).
The increase of Euro 1.8 million includes Euro 1.5 million representing the value of derivatives for interest rate risk hedging purposes.

At 31 December 2022, Trade Working Capital amounts to Euro 20.8 million and has increased by Euro 6.9 million compared to 31 December 2021.

Trade receivables amount to Euro 24.6 million and have increased by Euro 8.1 million.

At 31 December 2022, trade payables amount to Euro 39.1 million and shows an overall increase of Euro 3.9 million compared to 31 December 2021.
The increase mainly regards the Parent Company whose reporting date trade payables have increased also as a result of the higher volume of business and revenues.

Inventory amounts to Euro 35.3 million at 31 December 2022 compared to Euro 32.6 million at 31 December 2021 and has increased by Euro 2.6 million.
The net increase in inventory is mainly due to problems encountered in the Aftermarket segment where the lockdowns imposed early in the year in China and procurement issues during the remainder of the year made it necessary to amend purchasing policies. Higher costs and higher than intended volumes also led to temporary over-stocking.

"Other Current Assets and Liabilities" shows net liabilities of Euro 1.4 million, a Euro 2.9 million decrease compared to 31 December 2021. The balance mainly includes tax payables and receivables as well as payables to employees and to social security and pensions institutions.

"Other Provisions" have decreased by Euro 1.2 million following payment of costs relating to enforcement of a bank guarantee and because of a reduction to the provision for future variable employee remuneration.

At 31 December 2022, Net Invested Capital amounts to Euro 107.4 million compared to Euro 92.5 million at 31 December 2021 and has increased by Euro 14.9 million.

At 31 December 2022, net financial indebtedness stands at Euro 58.7 million (Euro 45.7 million at 31 December 2021).
It comprises net current financial liabilities of Euro 2.1 million and non-current financial liabilities of Euro 56.6 million.
The Euro 13.0 million increase in net financial indebtedness is mainly due to the following:

- absorption of net working capital of Euro 6.9 million, as partially worsened by a Euro 3.4 million increase in in other current items;
- absorption of cash of Euro 10.7 million due to net investment activities.

At 31 December 2022, 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 non-current debt in the Balance Sheet.

At 31 December 2022, Consolidated Shareholders' Equity amounts to Euro 48.7 million (of which Euro 1.9 million pertaining to Non-Controlling Interests). The increase of Euro 1.9 million compared to 31 December 2021 is due to the Group's results for the year but also includes Euro 1.5 million due to remeasurement of the derivative instruments arranged to hedge the interest rate risk in relation to Medium/Long-term loans.

No dividends were paid during the year.

As a result of the above, the Net Financial Position / Consolidated Equity ratio has increased from 1.0x in 2021 to 1.2x in 2022.

Consolidated statement of cash flows

	December 2022	December 2021
EBITDA	**13.5**	**16.8**
Change in Trade Receivables	(8.1)	(4.6)
Change in Trade Payables	3.9	(2.7)
Change in Inventory	(2.6)	(6.9)
Change in Trade Working Capital	**(6.9)**	**(14.3)**
Change in Other Assets and Liabilities	**(5.8)**	**(3.0)**
Taxes paid	(0.2)	(0.5)
Cash flows from operating activities (A)	**0.6**	**(0.9)**
Net Investment in Tangible and Intangible Assets	(10.7)	(16.6)
Disposal of Investments	-	-
Net Financial Investments	0.0	0.6
Cash flows from investing activities (B)	**(10.7)**	**(16.1)**
Other changed due to non-recurring events	(0.3)	(1.6)
Free Cash Flow	**(10.4)**	**(18.6)**
Net Change in Equity	(0.0)	(0.2)
Net Change in Third Party Sources of Finance	6.0	(5.5)
Net financial expenses paid	(2.8)	(2.2)
Cash flows from financing activities (C)	**3.2**	**(7.9)**
Net Cash Flow (A+B+C)	**(7.2)**	**(26.5)**
Cash and cash equivalents at start of period	18.2	44.7
Cash and cash equivalents at end of period	**11.0**	**18.2**

At the start of the period, cash and cash equivalents – the positive current account balances of the Saleri Group companies – amounted to Euro 18.2 million.

The cash absorption for the year 2022 amounted to Euro 7.2 million, primarily generated by Euro 16.2 million for the repayment of existing loans, leasing installments, and the maturity of a bond loan, and Euro 10.7 million for investments in intangible and tangible assets. The Parent Company secured new medium to long-term financing of Euro 20.0 million.

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.

Industrie Saleri Italo S.p.A. Income Statement	December 2022		December 2021		Δ 2022 - 2021	
	€ million	% of Revenues	€ million	% of Revenues	€ million	Δ %
Revenues	125.6	100.0%	123.1	100.0%	+2.5	+2.0%
Incr. in Non Curr Assets (Capitalisation of. Development Costs)	6.2	5.0%	3.9	3.1%	+2.4	+61.4%
Consumption of direct materials	(79.1)	-63.0%	(76.3)	-61.9%	-2.9	+3.8%
Contribution margin	**52.7**	**42.0%**	**50.7**	**41.2%**	**+2.0**	**+3.9%**
Operating costs	(16.0)	-12.8%	(15.7)	-12.7%	-0.3	+2.2%
Labour costs	(23.7)	-18.9%	(23.9)	-19.4%	+0.2	-0.9%
EBITDA	**13.0**	**10.3%**	**11.1**	**9.0%**	**+1.8**	**+16.5%**
Depreciation, amortisation & provisions	(8.4)	-6.7%	(8.3)	-6.8%	-0.1	+0.8%
Net Operating Profit / EBIT	**4.6**	**3.6%**	**2.8**	**2.3%**	**+1.8**	**+62.8%**
Financial income (expenses)	0.4	0.3%	(0.3)	-0.3%	+0.7	n.s.
Extraordinary income (expenses)	(0.2)	-0.2%	(1.6)	-1.3%	+1.4	-85.4%
Profit before taxation	**4.8**	**3.8%**	**0.9**	**0.7%**	**+3.9**	**n.s.**
Taxation	(0.3)	-0.2%	0.3	0.3%	-0.6	n.s.
Net Profit	**4.5**	**3.6%**	**1.2**	**1.0%**	**+3.3**	**n.s.**
Effect of finance lease method	1.5	1.2%	0.9	0.8%	+0.5	+55.1%
Net Profit - ITA GAAP	**3.0**	**2.4%**	**0.3**	**0.2%**	**+2.8**	**n.s.**

The year 2022 ended with net revenues of Euro 125.6 million, a 2.0% increase compared to Euro 123.1 million in 2021. Consequently, consumption of direct materials increased by Euro 2.9 million from Euro 76.3 million in 2021 to Euro 79.1 million in 2022; these costs rose as a percentage of revenues (61.9% in 2021 and 63.0% in 2022) because of inflationary increases and contributions paid to suppliers to help cope with energy cost increases – these events were partially countered by the sale of the IAM business to subsidiary Saleri Aftermarket on 1 January and by careful monitoring of direct purchase costs. Labour costs decreased by Euro 0.2 million compared to 2021 while operating costs of Euro 16.0 million remained in line with 2021 (there was a slight increase of Euro 0.3 million compared to Euro 15.7 million in 2021). This was the trend despite higher capitalised operating costs (Euro 3.2 million) and a Euro 1.5 million increase in costs for energy consumption (due to the extraordinary inflationary component) which were offset by the cessation of certain logistics costs relating to operation of the IAM business following the aforementioned sale of that business.

Setting aside the extraordinary factors described above, 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 2022 amounts to Euro 13.0 million (10.3% of revenues) compared to Euro 11.1 million (9.0% of revenues) in 2021: the improvement in Contribution Margin more than offset the increase in other operating costs.

Depreciation, amortisation and impairment adjustments to tangible and intangible assets amount to Euro 8.4 million compared to Euro 8.3 million in 2021; the change mainly regards the updating of the Product Warranty provision to reflect future requirements.

Net financial income amounts to Euro 0.4 million compared to net financial expenses of Euro 0.3 million in 2021. It includes:

- financial expenses of Euro 3.0 million for the year ended 31 December 2022 (Euro 2.1 million in 2021); the increase reflects both the arrangement of new medium/long-term loans during 2022 and higher interest rates;
- income from investments which amount to Euro 3.4 million in 2022 against Euro 1.7 million in 2021.

Extraordinary expenses amount to Euro 0.2 million and have decreased by Euro 1.4 million compared to Euro 1.6 million in 2021. These non-recurring expenses include staff restructuring expenses as well as losses on asset disposals and out-of-period expenses.

Taxes for 2022 amount to Euro 0.3 million compared to net tax income of Euro 0.3 million in 2021. They include deferred tax income of Euro 0.4 million (in line with 2021) and the current tax expense of Euro 0.7 million (Euro 0.1 million in 2021).

The Company reports a net profit of Euro 3.0 million for 2022 compared to a net profit of Euro 0.3 million for 2021.

Industrie Saleri Italo S.p.A. Balance Sheet	December 2022	December 2021	Δ 2022 - 2021
	€ million	€ million	€ million
Tangible Assets	61.2	61.7	(0.5)
Intangible Assets	16.1	12.2	3.9
Other Assets	44.0	43.1	0.9
Non-Current Assets	**121.3**	**117.0**	**4.4**
Trade Receivables	18.0	11.5	6.6
Trade Payables	(34.4)	(34.2)	(0.2)
Inventory	16.8	19.4	(2.6)
Trade Working Capital	**0.4**	**(3.4)**	**3.8**
Other Current Assets / Liabilities	3.7	(2.4)	6.1
Deferred Tax Provision	(3.6)	(3.0)	(0.6)
Employee Severance Indemnity /TFR Provision	(1.2)	(1.2)	(0.0)
Other Provisions	(2.3)	(3.6)	1.3
Net Invested Capital	**118.3**	**103.4**	**14.9**
Non-Current Financial Liabilities	52.5	44.8	7.6
Current Financial Liabilities	9.5	10.3	(0.8)
Cash and Cash Equivalents	(8.2)	(14.2)	6.0
Saleri Bond Liabilities	-	3.9	(3.9)
Net Financial Position	**53.8**	**44.8**	**8.9**
Shareholders' Equity - ITA GAAP	**59.3**	**54.9**	**4.5**
Effect of finance lease method	5.1	3.7	1.5
Shareholders' Equity	**64.5**	**58.6**	**5.9**
Sources of Finance	**118.3**	**103.4**	**14.9**

At 31 December 2022, Non-Current Assets amount to Euro 121.3 million and have increased by Euro 4.4 million compared to 31 December 2021. They include:

- tangible assets of Euro 61.2 million; during the year, there were additions of Euro 5.1 million, as offset by depreciation for the year (Euro 4.8 million) and by decreases due to disposals (Euro 0.8 million);
- intangible assets of Euro 16.1 million which includes additions of Euro 7.5 million (of which Euro 6.2 million due to capitalisation of internal costs), amortisation of Euro 2.1 million and decreases due to disposals of Euro 1.5 million for the transfer of projects to other Group companies;
- "other non-current assets" includes investments in subsidiaries which total Euro 36.5 million. Compared to 31 December 2021, there has been a decrease of Euro 4.2 million due to the merger through incorporation of Immobiliare S.r.l.; see the specific Note for further details. The caption also includes non-current financial receivables from Group companies, the amount reported for derivative instruments (assets) and Deferred Tax Assets.

Trade working capital, equal to Euro 0.4 million, has increased by Euro 3.8 million mainly in relation to trade receivables which show an overall increase of Euro 6.6 million.
This caption includes receivables from customers with a strong credit rating and trade receivables from associated companies; the credit risk is very low.
The increase compared to 2021 reflects the different mix of collections in the two reporting periods.

"Other Current Assets / Liabilities" has increased by Euro 6.1 million due to changes in sundry receivable and payables with associated companies and because of a decrease in advances from customers.
At 31 December 2022, net financial indebtedness stands at Euro 53.8 million.
It includes cash and cash equivalents of Euro 8.2 million, short-term debt of Euro 9.5 million and medium/long-term debt of Euro 52.5 million.

At 31 December 2022, 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 non-current debt in the Balance Sheet.

At 31 December 2022, Shareholders' Equity amounts to Euro 64.5 million compared to Euro 58.6 million at 31 December 2021.
The increase of Euro 5.9 million is mainly due to the result for the year but also includes Euro 1.5 million due to remeasurement of the derivative instruments.

Industrie Saleri Italo S.p.A. Statement of Cash Flows	December 2022	December 2021
EBITDA	**13.0**	**11.1**
Change in Trade Receivables	(6.6)	(6.0)
Change in Trade Payables	0.2	0.6
Change in Inventory	2.6	0.3
Change in Trade Working Capital	**(3.8)**	**(5.1)**
Change in Other Assets and Liabilities	**(9.0)**	**(3.9)**
Taxes paid	(0.3)	0.3
Cash flows from operating activities (A)	(0.1)	2.4
Net Investment in Tangible and Intangible Assets	(10.4)	(13.0)
Disposal of Investments	-	-
Net Financial Investments	3.4	(2.3)
Cash flows from investing activities (B)	**(6.9)**	**(15.3)**
Other changes due to non-recurring events	(0.2)	(1.6)
Free Cash Flow	**(7.2)**	**(14.5)**
Net Change in Equity	1.5	0.3
Net Change in Third Party Sources of Finance	2.8	(5.8)
Net financial expenses paid	(3.0)	(2.1)
Cash flows from financing activities (C)	**1.2**	**(7.6)**
Net cash flow (A+B+C)	**(6.2)**	**(22.0)**
Cash and cash equivalents at start of period	14.4	36.3
Cash and cash equivalents at end of period	**8.2**	**14.2**

At the start of the period, cash and cash equivalents – the Company's positive current account balances – amounted to Euro 14.2.

Cash of Euro 6.0 million was absorbed in 2022. The cash generated by EBITDA was mainly absorbed as follows: Euro 9.9 million to for medium/long-term loan repayments, Euro 3.9 million to repay the Saleri Bond which matured in June 2022 and Euro 2.9 million for lease instalments due.
Moreover, investing activities absorbed Euro 10.4 million for capex on tangible and intangible assets.

Treasury shares

There were no movements on treasury shares in 2022.

Saleri Shanghai Co. LTD (Cina)

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 2022, net revenues amounted to Euro 28.8 million (-7.5% compared to Euro 31.2 million in 2021) while a net profit of Euro 3.2 million (10.9% of revenues) was reported. In 2021, a net profit of Euro 4.1 million was reported. The decrease in revenues and net profit for the subsidiary is mainly due to the lockdowns imposed by the local government authorities at the start of the year in an attempt to contain the spread of the Covid-19 virus. In Balance Sheet terms, net invested capital mainly consists of production lines (Euro 3.2 million) and net working capital (Euro 8.2 million), as partially offset by other current liabilities of Euro 1.3 million. The sources of finance include equity (Euro 10.1 million) and the net financial position, comprising net cash of Euro 0.3 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 2022, the company recorded net revenues of Euro 6.7 million and a net loss of Euro 0.8 million (12.6% of revenues).
In Balance Sheet terms, net invested capital mainly consists of production lines and improvements to the factory (Euro 2.2 million) plus tax receivables (Euro 0.7 million), as partially offset by financial liabilities towards the Parent Company (Euro 2.1 million).
The sources of finance include equity (Euro 1.7 million) and the net financial position, comprising net cash of Euro 0.8 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 (75% of revenue), 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.

In 2022, the company recorded net revenues of Euro 10.1 million compared to Euro 9.8 million in 2021 and reported a net loss of Euro 0.65 million compared to a net loss of Euro 32 thousand in 2021.

In balance sheet terms, net invested capital mainly comprises goodwill (Euro 1.5 million), industrial property, production assets and software (Euro 0.7 million) and net working capital (Euro 6.8 million), mainly represented by contract work in progress and trade receivables. Invested capital also includes other current liabilities of Euro 5.1 million and provisions of Euro 1.0 million.

The Company's sources of finance include loans of Euro 1.7 million, short-term borrowing of Euro 0.2 million and cash and cash equivalents of Euro 0.9 million Equity amounts to Euro 0.4 million and consists of the quota capital and retained earnings.

Immobiliare Industriale

On 29 July 2022 – but with effect for tax and accounting purposes from 1 January 2022 - Immobiliare Industriale S.r.l. was merged through incorporation into Parent Company Industrie Saleri Italo S.p.A..

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.

With effect from 1 January 2022, the Parent Company sold its Aftermarket business to Saleri Aftermarket thus bringing all business activities in the Aftermarket sector under the same company.

The Company is based in Sesto Fiorentino in the province of Florence. In 2022, the company reported net revenues of Euro 27.0 million (+125.0% compared to Euro 12.0 million in 2021) and a net loss of Euro 1.6 million (6.0% of revenues). In 2021, it reported a net loss of Euro 26 thousand. The reported loss is mainly due to supply chain issues which exposed the company to deteriorating procurement terms and conditions; other factors include significant foreign exchange losses and increases in freight costs on both purchases and sales.

In Balance Sheet terms, net invested capital mainly consists of net working capital (Euro 5.6 million) and non-current assets of Euro 0.7 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 of Euro 0.2 million and provisions of Euro 0.4 million.

Sources of finance include equity (Euro 2.5 million) and the net financial position which includes Loans (Euro 1.2 million) and short-term borrowing (Euro 2.1 million).

Research and development

Main ongoing research projects

The Saleri Group's product concept division consists of a multi-disciplinary technical-scientific team responsible for research, design and prototyping of new product technologies with the aim of anticipating customer requirements and related development issues.
The main research projects are described below:

High voltage electric pump
Study into a high voltage, high power intensity electric cooling pump. The aim of the research is to create and electric motor actuated by a rotating magnetic field using alternative materials to those currently used. The research will evolve towards the study and implementation of a power control and management body capable of controlling the actuator and communicating with the vehicle control units.

Axial Flow Submersible Motor
Research and development of an innovative design for an electric cooling pump based on an axial magnetic flux layout and modular reduction of components, in order to enable operation when immersed in working fluid.

Integrated Multi-Way Pump and Valve
The architecture of Original Equipment Thermal Management Systems requires a high level of integration i.e. the combination of different fluid management organs for heat transportation and distribution.

This research focuses on the development of a multi-effect hydraulic pump, with an integrated distribution valve and control logic system. The goal is to create a modular product that can be integrated into systems of different design and power, which can also interface with the numerous thermal elements typically present on board the car.

Hybrid thermal management system for Batteries
The battery packs of new generation vehicles are controlled by special charge and temperature management systems that balance their operation. Current systems (active) provide for the recycling of fluids for the evacuation of thermal energy from the battery cells to radiators or other exchangers. The aim of this research project is to find a solution that integrates active systems with solutions that can passively (i.e. without using any energy) store thermal energy and release it gradually as required.

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 2022, 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	2022	2021
Number of employees	622	610
Breakdown by gender		
Men	376	364
% of total	60%	60%
Women	246	246
% of total	40%	40%
Breakdown by type of contract		
Permanent	566	556
% of total	91%	91%
Fixed term	56	54
% of total	9%	9%
Breakdown by type of employment		
Workers with part-time contracts	35	29
% of total	6%	5%
Workers with full-time contracts	587	581
% of total	94%	95%

At the end of 2022, the Saleri Group had 622 employees (headcount at 31/12/2022), an increase of 12 compared to 610 employees at 31 December 2021.

In terms of the types of contract used, 566 employees are hired under permanent contracts (91%) while 56 have fixed-term contracts (9%). Part-time employees (35 in total) represent 6% of the total number of employees in 2022.

Relations with subsidiaries and associated companies

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

In 2022, 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.	12,748.8	2,998.9	(49.9)
Saleri Shanghai Co. Ltd	4,551.4	3,196.5	0.0
Saleri Mexico SA de CV	9.0	3,697.3	47.8
Saleri India Pvt Ltd	0.0	553.9	1.1
Saleri Aftermarket S.p.A.	41.1	9,159.6	0.0
Saleri TMS Competence Center GmbH	213.8	0.0	1.0
ABL Automazione S.r.l.	2,204.5	162.4	0.0
Total	**19,768.6**	**19,768.6**	**0.0**

Intra-Group Financial Relations

Company	Receivables	Payables	Of which Current Receivables	Of which Current Payables
Industrie Saleri Italo S.p.A.	17,719.6	3,294.1	1,702.9	7.8
El.Fra Holding S.r.l.	0.0	0.0	0.0	0.0
Saleri Shanghai Co. Ltd	4,647.9	5,075.1	0.0	0.0
ABL Automazione S.r.l.	422.8	767.2	1.0	0.0
Saleri Mexico CV de S.A.	11.3	5,531.2	0.0	0.0
Saleri Aftermarket S.p.A.	40.6	8,185.4	150.8	77.1
Saleri India Pvt Ltd	0.0	0.0	7.8	1,854.6
CDC Taiwan Inc.	0.0	0.0	77.1	0.0
Saleri TMS Competence Center GmbH	120.3	109.4	0.0	0.0
Total	**22,962.4**	**22,962.4**	**1,939.5**	**1.939.5**

Main risks and uncertainties

Risks regarding the performance of the automotive industry

During 2022, the automotive industry continued to suffer the effects of the global shortage of microchips which forced OEMs to slow down production, altering and diluting the Saleri Group's planning. 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 and use local procurement as much as possible.
This strategic initiative is consistent with the decision to service customers locally with on-site production plants.

Risks regarding the conflict in Ukraine

The year 2022 was characterised by the ongoing conflict between Russia and Ukraine. The geopolitical crisis continues to see increasing international involvement in the effort to provide war supplies. This situation has led to higher inflation – the reflection of higher commodity and energy costs – and the world's major central banks have responded by raising interest rates in an attempt to cool the loss of purchasing power.

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 only exception to date regards contracts for products for diesel engines which have temporarily decreased as a result of a reduction in production by car manufacturers: in these cases, discussions take place with the customers with the largest variances with a view to incorporating into the selling price an amount to make up for production volumes not taken up by them. We also highlight the higher orders taken from customers of marginal importance until now, in order to keep on reducing the concentration of revenue on a handful of customers.

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. In any case, 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.
This decision provided particularly far-sighted given the way that interest rates have been raised by the European Central Bank and the announcement of future increases to deal with inflation.

At 31 December 2022, 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 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 began to operate towards the end of 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.

During 2022, the exchange rate risk materialised in relation to purchases of aftermarket products which had to be made in various currencies from third party suppliers because of the absence of a portion of the internal production of the Chinese subsidiary following the lockdowns imposed early in the year.

In the year ended 31 December 2022, 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 23% 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. For 2023, given the current geopolitical situation, the Group plans to enter into an exchange rate hedging agreement for the USD, CNY and TWD in order to limit any exchange losses.

Risk of volatile market 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 monitoring:

- 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).
Meanwhile, the software installed on products is developed in accordance with the TISAX framework.

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.

Internal control system and organisational model

During the year, in compliance with Legislative Decree no 83 of 17 June 2022, the Company again continued to implement its organisational, administrative and accounting structures with a view to creating a business management model that makes it possible to assess in advance the income statement, equity and cash effects of management decisions in order to safeguard the company assets.

Business outlook

The ongoing Russia-Ukraine conflict continues to make it difficult to foresee how the automotive market will perform in 2023. Tension regarding raw material and energy prices remains high.

S&P Global (HIS) forecasts that global automobile production will grow by 3.6% in 2023 compared to 2022 with +7.1% growth for Europe, +5.4% for NAFTA, +4.9% for South America and +1.1% for China.

Against this macroeconomic backdrop, the Saleri Group Board of Directors examined and approved the 2023 budget during the meeting held on 24 February 2023.

The forecast for 2023 is based on the following evidence and assumptions:

- the Group's actual automotive revenue to date (week 26) shows sales growth (more than +10% on 2022) and is in line with the 2023 Budget;
- after an extremely difficult 2022, purchase price inflation for raw materials, energy and shopping costs is showing significant signs of improvement. This is especially so for shipping costs and, after a first quarter when inflation levels remained the same as in prior year, also for energy;
- Group management continues to maintain tight control over costs given the critical issues regarding the geopolitical situation and inflationary pressure.

Although the Group does not operate in the territories affected by the conflict, the above forecasts are based on the assumption that the geopolitical crisis that resulted in the Russia-Ukraine conflict will have no further repercussions for the macroeconomic environment, especially in Europe.

In light of the above, the Group believes that it can generate higher revenues in 2023 than in 2022 with profits slightly higher thanks to increased volumes.

Unique

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

Consolidated Financial Statements at 31 december 2022

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
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	31/12/2022	31/12/2021
A) Due from shareholders for unpaid capital	0	0
B) Non-current assets		
I - Intangible assets:		
1) Start-up and expansion costs	285,137	286,317
2) Research, development and advertising costs	2,688,013	1,998,146
3) Patents and intellectual property rights	2,360,352	2,924,358
4) Concessions, licences, trademarks and similar rights	2,016,638	1,994,867
5) Goodwill	0	0
5-bis) Consolidation difference	2,772,878	3,186,796
6) Assets in progress and payments on account	8,744,049	4,675,067
7) Other	1,133,340	1,526,329
Total	**20,000,407**	**16,591,880**
II - Tangible assets:		
1) Land and buildings	18,177,305	18,850,156
2) Plant and machinery	37,901,619	36,313,671
3) Industrial and commercial equipment	7,035,724	5,260,138
4) Other tangible assets	866,301	1,049,918
5) Assets under construction and payments on account	571,907	3,506,958
Total	**64,552,856**	**64,980,841**
III - Financial assets:		
1) Investments in:	2,083,002	2,116,161
a) Non-consolidated subsidiaries	2,082,470	2,115,629
b) Associated companies	0	0
c) Parent companies	0	0
d) Entities controlled by parent companies		
d-bis) Other entities	532	532
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	31/12/2022	31/12/2021
e) Due from others	0	0
due within a year	0	0
due after more than a year	0	0
3) Other securities	6,341	6,340
4) Derivative instruments	1,451,176	1,080
Total	**3,540,519**	**2,123,581**
Total non-current assets (B)	**88,093,782**	**83,696,302**
C) Current assets		
I - Inventory:		
1) Raw, ancillary and consumable materials	12,230,905	13,602,674
2) Work in progress and semi-finished goods	5,613,215	5,684,880
3) Contract work in progress	4,248,246	833,529
4) Finished goods	12,884,648	11,858,348
5) Payments on account	299,758	109,458
Total	**35,276,772**	**32,088,889**
II - Receivables:		
1) Trade accounts	24,462,541	16,435,229
due within a year	24,462,541	16,435,229
due after more than a year	0	0
2) Due from non-consolidated subsidiaries	1,854,623	728,817
due within a year	1,854,623	728,817
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	0
due within a year	0	0
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	4,247,434	4,597,113
due within a year	4,228,722	4,054,572
due after more than a year	18,712	542,541
5-ter) Deferred tax assets	8,680,438	8,158,987
5-quater) Due from others	2,394,848	3,933,289
due within a year	1,624,859	3,251,200
due after more than a year	769,989	682,089
Total	**41,639,884**	**33,853,435**

ASSETS	**31/12/2022**	**31/12/2021**
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	13,606
5) Derivatives	0	0
6) Other securities	0	643
Total	**13,606**	**14,249**
IV - Cash and cash equivalents:		
1) Bank and post office accounts	11,020,700	18,225,981
2) Cheques	0	0
3) Cash and cash equivalents on hand	2,148	15,412
Total	**11,022,848**	**18,241,393**
Total current assets (C)	**87,953,110**	**84,197,966**
D) Prepaid expenses and accrued income	**5,987,315**	**4,026,446**
Total assets	**182,034,207**	**171,920,714**

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2022	31/12/2021
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	4,353,789
IV - Legal reserve	1,193,045	1,179,976
V - Statutory reserves	0	0
VI - Other reserves:	5,729,360	5,886,139
- Consolidation reserve	4,074,979	4,058,746
- Extraordinary reserve	857,395	857,395
- Merger surplus	0	0
- Merger deficit	0	0
- Reserve for translation of financial statements in foreign currency	432,934	605,946
- Other reserves	364,052	364,052
VII - Cash flow hedge reserve	1,451,176	(1,775)
VIII - Retained earnings (Accumulated losses)	2,076,930	(842,351)
IX - Profit (Loss) for the year	693,011	2,675,944
X - Negative reserve for treasury shares held	(285,014)	(285,014)
Total shareholders' equity - Group	**46,830,929**	**44,585,340**
Capital and reserves pertaining to non-controlling interests	2,048,514	2,002,674
Profit (Loss) for year pertaining to non-controlling interests	(167,038)	213,262
Total shareholders' equity - non-controlling interests	**1,881,476**	**2,215,936**
Total consolidated shareholders' equity	**48,712,405**	**46,801,276**
B) Provisions for risks and charges		
1) Retirement benefits and similar obligations	0	0
2) Taxation, including deferred tax	3,621,374	3,046,237
2-bis) Consolidation provision for future risks and charges	0	0
3) Derivatives	0	2,855
4) Other	2,651,528	3,865,754
Total	**6,272,902**	**6,914,846**
C) Employee severance indemnity ("tfr") provision	**2,397,213**	**2,247,688**
D) Payables		
1) Bonds	0	3,931,162
due within a year	0	3,931,162
due after more than a year	0	0
2) Convertible bonds	0	0
due within a year	0	0
due after more than a year	0	0

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2022	31/12/2021
3) Shareholder loans payable	0	0
due within a year	0	0
due after more than a year	0	0
4) Bank borrowing	63,630,121	50,789,124
due within a year	24,073,848	18,933,204
due after more than a year	39,556,273	31,855,920
5) Payables to other lenders	6,052,997	8,961,102
due within a year	4,964,802	5,550,212
due after more than a year	1,088,195	3,410,890
6) Payments on account	4,909,798	4,604,670
due within a year	4,909,798	4,604,670
due after more than a year	0	0
7) Trade payables	39,027,291	35,136,330
due within a year	39,027,291	35,136,330
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	84,904	153,410
due within a year	84,904	153,410
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	1,471,578	1,441,511
due within a year	1,471,578	1,441,511
due after more than a year	0	0
13) Payables to social security and pensions institutions	1,771,284	1,679,362
due within a year	1,771,284	1,679,362
due after more than a year	0	0
14) Other payables	5,879,730	7,517,041
due within a year	5,171,226	6,304,292
due after more than a year	708,504	1,212,749
Total	**122,827,703**	**114,213,712**
E) Accrued expenses and deferred income	**1,823,984**	**1,743,192**
Total liabilities and shareholders' equity	**182,034,207**	**171,920,714**

INCOME STATEMENT	31/12/2022	31/12/2021
A) Value of production		
1) Revenue from sales and services	179,090,974	155,117,928
2) Change in inventory of work in progress, semi-finished and finished goods	(1,648,645)	(1,877,941)
3) Change in contract work in progress	3,414,717	(1,595,315)
4) Increase in non-current assets due to internal works	7,562,865	8,382,774
5) Other revenue and income	2,392,055	6,643,010
operating grant income	533,074	253,231
other	1,858,981	6,389,779
Total	**190,811,966**	**166,670,456**
B) Cost of production		
6) Raw, ancillary and consumable materials and goods for resale	102,911,804	90,750,993
7) Services	38,887,726	32,081,103
8) Use of third party assets - lease and rental costs	3,821,294	2,686,637
9) Personnel:	31,650,532	30,213,439
a) wages and salaries	23,207,919	22,147,952
b) social contributions	6,916,444	6,724,799
c) employee severance indemnity ("TFR")	1,452,220	1,292,649
d) retirement benefits and similar obligations	0	0
e) other personnel costs	73,949	48,039
10) Depreciation, amortisation and writedowns:	8,135,375	8,347,821
a) amortisation of intangible assets	2,718,310	2,959,794
b) depreciation of tangible assets	5,246,201	5,338,133
c) other writedowns of non-current assets	0	0
d) writedowns of current receivables and cash and cash equivalents	170,864	49,894
11) Change in inventory of raw, ancillary and consumable materials and goods for resale	(1,051,696)	(5,299,975)
12) Provisions for risks	0	0
13) Other provisions	1,585,717	1,210,112
14) Sundry operating expenses	1,324,531	1,113,580
Total	**187,265,283**	**161,103,710**
Difference between value and cost of production (A-B)	**3,546,683**	**5,566,746**
C) Financial income and expenses		
15) Income from investments	690	309
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	690	309
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	0
c) From securities classed as current assets other than equity investments	0	98,687

INCOME STATEMENT	**31/12/2022**	**31/12/2021**
C) Financial income and expenses		
d) Income other than the above	141,283	92,439
from non-consolidated subsidiaries	1,064	43,840
from associated companies	0	0
from parent companies	0	0
from entities controlled by parent companies	0	0
other	140,219	48,599
Total	**141,283**	**191,126**
17) Interest and other financial expenses	3,259,608	2,145,615
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	3,259,608	2,145,615
17-bis) Exchange gains and losses	337,722	(212,168)
exchange gains	1,899,953	0
exchange losses	1,562,231	212,168
TOTAL (15 + 16 - 17 + - 17 bis)	**(2,779,913)**	**(2,166,348)**
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:	35,474	5,743
a) of investments	35,474	5,743
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
Total adjustments (18 - 19)	**(35,474)**	**(5,743)**
Profit before taxation (A - B + - C + - D)	**731,296**	**3,394,655**
20) Taxes on income for the year	(205,323)	(505,449)
a) current tax	(724,231)	(1,377,585)
b) prior year taxes	(9,281)	(946)
c) (i) deferred tax and utilisation of deferred tax assets	(1,722,166)	(1,221,515)
c) (ii) deferred tax income and use of deferred tax provisions	2,250,355	2,094,597
d) income and expenses from tax consolidation	0	0
21) Profit (loss) for the year	**525,973**	**2,889,206**
Profit (loss) for year - non-controlling interests	**(167,038)**	**213,262**
Profit (loss) for year - group	**693,011**	**2,675,944**

Statement of cash flows, indirect method

	31/12/2022	31/12/2021
A) Cash flows from operating activities		
profit (loss) for the year	**525,973**	**2,889,206**
Taxes on Income	(205,323)	505,449
Interest expenses/(income)	2,779,913	2,166,348
(Dividends)	0	0
(Gains)/Losses on asset disposals	52,547	100,565
1. Profit (Loss) for the year before taxes on income, dividends and gains/losses on disposals	**3,563,756**	**5,661,568**
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	4,163,182	2,812,907
Depreciation/Amortisation of non-current assets	7,964,511	8,297,927
Impairment writedowns	35,474	0
Adjustments to Value of Fin Assets and Liabilities	0	0
Other adjustments for non-cash items	(380,889)	(78,111)
Total adjustments for non-cash items with no impact on net working capital	**11,782,278**	**11,032,723**
2. Cash Flows before changes in NWC	**15,346,034**	**16,694,291**
Changes in net working capital		
Decrease / (Increase) in Inventory	(3,343,613)	(6,389,396)
Decrease / (Increase) in Trade Receivables	(8,122,790)	(4,553,987)
(Decrease) / Increase in Trade Payables	3,890,961	(2,804,766)
Decrease / (Increase) in Prepaid Exp & Acc Income	(1,960,869)	(345,418)
(Decrease) / Increase in Acc Exp & Def Inc	80,792	1,221,603
Other decreases/(Other increases) in net working capital	(668,023)	(1,993,106)
Change in net working capital	**(10,123,542)**	**(14,865,070)**
3. Cash Flows after changes in NWC	**5,222,492**	**1,829,221**
Interest received / (paid)	(2,201,463)	(1,804,809)
Taxes on income (paid)	0	(1,007,460)
Dividends received		
(Use of provisions)	(4,976,675)	(3,248,860)
Other receipts/(payments)		
Total other adjustments	**(7,178,138)**	**(6,061,129)**
4. Cash Flows after other adjustments	**(1,955,646)**	**(4,231,908)**
Cash flows from operating activities		
B) Cash flows from investing activities		
Capex on non-current assets		
- Tangible assets		
(Additions)	(5,587,989)	(7,676,660)
Disposals	451,436	152,498
- Intangible assets		
(Additions)	(6,837,089)	(7,385,900)
(Additions)	1,487,874	925,184
- Financial assets		
(Additions)	(27,315)	

	31/12/2022	31/12/2021
Disposals	0	29,845
- Current financial assets		
(Additions)	0	569,570
Disposals	643	0
(Acquisition of business units net of cash and cash equivalents)	0	(3,000,000)
Sale of business units net of cash and cash equivalents		
Cash flows from investing activities	**(10,512,440)**	**(16,385,463)**
C) Cash flows from financing activities		
Debt		
- Increase (Decrease) in ST bank borrowing	(3,900,688)	25,935
- Loans arranged	20,000,000	
- (Loans repaid)	(10,676,032)	(5,963,928)
Equity		
- Paid share capital increase	0	0
- (Share capital refunds)		
- Sale (Purchase) of treasury shares	0	0
- (Dividends and advances on dividends paid)	(173,739)	57,076
Cash flows from financing activities	**5,249,541**	**(5,880,917)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**(7,218,545)**	**(26,498,288)**
Forex effect on cash and cash equivalents		
Cash and cash equivalents at start of period		
Bank and post office accounts	18,225,981	44,734,919
Cheques		
Cash and cash equivalents on hand	15,412	4,762
Total cash and cash equivalents at start of period	**18,241,393**	**44,739,681**
Of which not freely available		
Cash and cash equivalents at end of period		
Bank and post office accounts	11,020,700	18,225,981
Cheques		
Cash and cash equivalents on hand	2,148	15,412
Total cash and cash equivalents at end of period	**11,022,848**	**18,241,393**
Of which not freely available		

INDUSTRIE SALERI ITALO S.p.A.
Via Ruca n. 406 – Lumezzane (BS)
Share capital Euro 23,922,413 – wholly paid
Tax number and Brescia Register of Companies no. 03066870175
VAT number 01589150984

Notes to the Consolidated Financial Statements at 31 december 2022

General information

The Consolidated Financial Statements at 31 December 2022, 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.
The Balance Sheet, Income Statement and Statement of Cash Flows amounts at 31/12/2021 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 the two previous reporting periods, the year ended 31 December 2022 was again impacted by the effects of the "Covid-19" Coronavirus pandemic, specifically in terms of productivity, profitability, finances, employment and the Italian and international market. Despite having operated within the limits established by law, once more in 2022, the Group suffered from the impact that the pandemic emergency has had on the general economic environment. In fact, it should be noted that the various lockdowns imposed by the Chinese Government – as well as directly affecting subsidiary Saleri Shanghai Co. Ltd and significantly limiting its productivity – led to a slowdown of operations at Chinese ports with consequences for the global market in terms of delays and shipping costs. Moreover, the conflict in Ukraine, which began in February 2022, with the resulting international sanctions against Russia, has further heightened tension on the global commodities market.
Already in the second half of 2021, commodity prices showed sizeable increases and there were supply issues.
Other factors include the rising cost of energy and petroleum products, as well as tension on financial markets with consequences for exchange rates and interest rates.
We also highlight how the impact on rising prices, along with a shortage of components, have depressed the European Automotive market, in particular, resulting in a significant fall in volumes.

The Group has taken all necessary initiatives to counteract the effects caused by market tensions and reductions in customer volumes, including those resulting from the recent Russo-Ukrainian conflict. These actions, combined with (i) the portfolio of contracts awarded to the company by customers for the next 5 years (over €1.1 billion) and (ii) the ongoing and active support demonstrated by various Group suppliers (banking system, service providers, components, and raw materials), are the foundation of the 2023-2027 industrial plan approved by the Board of Directors.
Considering the above-mentioned factors, the Directors believe that there is no significant uncertainty over the Group's ability to continue to operate as a going concern.

The contribution of the Parent Company's aftermarket business to subsidiary Saleri Aftermarket S.p.A. (deed of Notary Barca, Brescia Rep. 14378 Racc. 8464) was effective from 1 January 2022. The operation is part of the plan to relaunch the AM segment. This has involved bringing the core business activities (sales and distribution) together as part of an organisation with its own, dedicated logistics structure, a consolidated market positioning and improving results in recent years.

The merger through incorporation of subsidiary Immobiliare Industrial S.r.l. into Industrie Saleri Italo S.p.A. took place during the year. The deed of merger (deed of Notary Barca, Brescia Rep. 14608 Racc. 8632) was signed on 29 July 2022 and registered with Brescia Register of Companies on 4 August 2022. The operation was effective for legal purposes from that date and for accounting and tax purposes from 1 January 2022. Where significant, the effects of the merger on balance sheet and income statement items are shown in these Notes.

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 2022, 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 2022.

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 2022 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) il 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 "consolidation reserve" or, where unfavourable results ar forecast, under a caption called "consolidation provision for risk 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 captio "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, Shareholders' Equity items and current assets:
  - the reporting date exchange rate of the Renmimbi against the Euro of 7.3582 (i.e. the number of Renmimbi required to purchase one Euro);
  - the reporting date exchange rate of the Pesos against the Euro of 20.8560 (i.e. the number of Pesos required to purchase one Euro);
- for income statement items:
  - the average exchange rate of the Renmimbi against the Euro of 7.0788;
  - the average exchange rate of the Pesos against the Euro of 21.1869.

Scope of consolidation

The scope of consolidation at 31 December 2022 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.

Compared to 31 December 2021, subsidiary Saleri TMS Competence Center GmbH is now included in the scope of consolidation whereas subsidiary Immobliare Industrial S.r.l., which was merged through incorporation into the Parent Company in 2022, is now longer shown separately.

The liquidation of Immobiliare Industriale Deutschland GmbH has now been completed and the company has been cancelled.

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%
Saleri Aftermarket S.p.A.	Via Ruca, 406 – Lumezzane (BS)	Euro 100,000	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%
Saleri TMS Competence Center GmbH	Schleißheimer Straße 373, 80935 München - Germania	Euro 25,000	100%

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%
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;
- **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 2022 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 2022 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	Aliquota
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 2022.
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 2022 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 2022, the consolidated taxation arrangement elected for by Industrie Saleri Italo S.p.A. together with subsidiaries ABL Automazione S.r.l. and Saleri Aftermarket S.p.A. 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.

Comparability of account balances

Certain account balances were presented on a different basis when preparing the Consolidated Financial Statements at 31 December 2022. Accordingly, the corresponding prior year account balances have also been restated in order to make the financial information for the two reporting periods suitable for comparison in terms of Article 2423-ter of the Italian Civil Code:

- contributions to customers: reclassified from caption BI2 (Development Costs) to caption D (Prepaid expenses) in the amount of Euro 275,662;
- leasehold improvements: reclassified from caption BII5 (Assets under construction) to caption BI6 (Intangible assets in progress) in the amount of Euro 24,120.

All other amounts are 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	404,578	4,012,713	4,510,095	2,046,745	4,139,181	4,675,067	6,373,859	**26,162,238**
Previous revaluations	0	0	0	0	0	0	0	**0**
Accumulated amortisation	(118,261)	(2,014,567)	(1,585,737)	(51,878)	(952,385)	0	(4,847,530)	**(9,570,358)**
Previous writedowns	0	0	0	0	0	0	0	**0**
Opening amount	**286,317**	**1,998,146**	**2,924,358**	**1,994,867**	**3,186,796**	**4,675,067**	**1,526,329**	**16,591,880**
Additions during the year	0	300,490	142,615	138,011	0	6,349,951	206,512	**7,137,579**
Change in scope of consolidation (cost)	0	0	0	0	0	0	0	**0**
Change in scope of consolidation	0	0	0	0	0	0	0	**0**
Reclassifications	0	1,054,806	115,443	0	0	(1,205,231)	34,982	**0**
Movements to other caption during period	0	0	0	0	0	0	0	**0**
Disposals (historical cost)	0	0	0	0	0	(1,487,874)	0	**(1,487,874)**
Disposals (Accum. Amortization)	0	0	0	0	0	0	0	**0**
Revaluations during year	0	0	0	0	0	0	0	**0**
Amortisation for the year	(32,078)	(693,004)	(821,959)	(116,240)	(413,918)	0	(641,111)	**(2,718,310)**
Writedowns for the year	0	0	0	0	0	0	0	**0**
Other changes - cost	32,213	0	(168)	0	0	412,136	(25,079)	**419,102**
Other changes -	(1,315)	27,575	63	0	0	0	31,707	**58,030**
Total changes	**(1,180)**	**689,867**	**(564,006)**	**21,771**	**(413,918)**	**4,068,982**	**(392,989)**	**3,408,527**
Historical cost	436,791	5,368,009	4,767,985	2,184,756	4,139,181	8,744,049	6,590,274	**32,231,045**
Previous revaluations	0	0	0	0	0	0	0	**0**
Accumulated amortisation	(151,654)	(2,679,996)	(2,407,633)	(168,118)	(1,366,303)	0	(5,456,934)	**(12,230,638)**
Previous writedowns	0	0	0	0	0	0	0	**0**
Closing amount	**285,137**	**2,688,013**	**2,360,352**	**2,016,638**	**2,772,878**	**8,744,049**	**1,133,340**	**20,000,407**

Intangible assets represent expenses that produce long-term benefits. They amount to Euro 20,000,407 (Euro 16,591,880 at 31 December 2021) and are stated net of accumulated amortisation (Euro 12,230,638).

The amounts are after consolidation adjustments for intercompany transactions.

The items "Other changes to cost" and "Other changes to accumulated amortisation" – except for the captions "Development costs" and "Intangible assets in progress" for which reference should be made to the specific paragraph – include the forex difference relating to changes for Saleri Shanghai and Saleri México in 2022 compared to prior year, as measured at the corresponding balance sheet exchange rate.

Start-up and expansion costs

The amount of Euro 285,137 (Euro 286,317 at 31 December 2021) is net of accumulated amortisation of Euro 151,654 and refers to expansion costs of subsidiary Saleri México S.A. de C.V..

Development Costs

The amount of Euro 2,688,013 (Euro 1,998,146 at 31 December 2021), net of accumulated amortisation of Euro 2,679,996, relates to development costs incurred by the parent company and by ABL Automazione S.r.l..

Once again in 2022, 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	Other changes	Closing amount
Development costs	1,998,146	0	1,355,296	693,004	27,575	2,688,013
Total	**1,998,146**	**0**	**1,355,296**	**693,004**	**27,575**	**2,688,013**

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.
Amortisation for the year amounts to Euro 693,004.

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

<u>Industrie Saleri Italo S.p.A.</u>

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 4,562,965 and external development costs of Euro 2,489,432.
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 6,588,137. In more detail:

- Euro 6,349,951 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 238,186 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 935,558 were reclassified from "Intangible assets in progress and payments on account" and the amortisation process commenced.

As previously described, increases of Euro 1,174,744 (of which Euro 936,558 reclassified from "Intangible assets in progress and payments on account") include the amount of projects whose development phase was completed during the year.
Decreases for the year of Euro 660,211 entirely refer to the amortisation charge for the period.

"Other changes" of Euro 27,575 wholly refer to changes to accumulated amortisation.

ABL Automazione S.r.l.

This balance amounts to Euro 200,282 (Euro 52,523 at 31 December 2021) after Accumulated Amortisation of Euro 34,154. With regard to development activities alone, in 2022, the Company incurred personnel costs totalling Euro 62,304. 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 as it regarded costs relating to projects whose development phase had already been completed.
During the reporting periods, upon completion of the development phase, several projects with a total amount of Euro 118,248 were reclassified from "Intangible assets in progress and payments on account" and the amortisation process commenced.

Patents and intellectual property rights

The net balance amounts to Euro 2,360,352 (Euro 2,924,358 at 31 December 2021), net of accumulated amortisation of Euro 2,407,633, and refers almost entirely to Software.
Increases for the year of Euro 258,058 (of which Euro 115,443 reclassified from "Intangible assets in progress and payments on account") mainly entirely refers to the implementation of management/ERP software to handle the various business processes of the Parent Company and subsidiary Saleri Aftermarket S.p.A..

Concessions, licences, trademarks and similar rights

The net balance amounts to Euro 2,016,638 (Euro 1,994,867 at 31 December 2021) after accumulated amortisation of Euro 168,118 and almost entirely refers to trademarks purchased by the Parent Company. The increase for the year of Euro 138,011 refers to incidental expenses relating to the trademarks.

Goodwill

The amount of Euro 2,772,878 (Euro 3,186,796 at 31 December 2021) is net of amortisation of Euro 1,366,303 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 annual amortisation charge of Euro 413,918. For the purposes of approval of the 2022 Financial Statements, Goodwill was tested for impairment. The test was performed in relation to the cash generating unit ("CGU") to which the Goodwill has been allocated i.e. the Company as a whole.
The test involved comparing the carrying amount of the Goodwill with the value in use of the CGU i.e. its Enterprise Value, equal to the sum of discounted operating cash flows.
Specifically, Enterprise Value was determined using the unlevered discounted cash flow method, as applied to cash flows per the Five-Year Plan 2023-2027 - as prepared by management of the company and approved by the Board of Directors – projected over the explicit period covered by the plan using the perpetual return method ("Terminal Value") and using a growth rate ("g rate") equal to the rate of inflation expected over the plan period.
The cash flows used were the operating cash flows forecast in the plan, net of related taxes; they include investments in fixed assets and cash movements on working capital while they do not include cash flows relating to financing activities, extraordinary events or the payment of dividends.
The underlying macroeconomic assumptions for the plan are determined based on external sources of information where available while the profit and growth estimates assumed in the plan are determined by management based on past experience and expectations for future developments on the markets where the Company operates.
Cash flows determined as above were discounted using a discount rate (WACC) of 11.85%, as determined applying the Capital Asset Pricing Model.
The WACC (Weighted Average Cost of Capital) represents an average of the interest rate on equity and debt, as weighed for the relative proportions of debt and equity.
The following elements were considered when determining the WACC:

- risk-free rate, determined using the six-month average of gross yields on 10-year government bonds;
- market premium, determined using information from external providers;
- industry beta;
- cost of borrowing;
- debt/equity ratio, assumed equal to the industry average.

The test performed did not detect any impairment but, rather, it showed headroom.
The sensitivity analysis performed in relation to WACC, the nominal rate of growth "g" and EBITDA did not identify any substantial indicators of impairment.
In any case, it should be noted that, given their nature as forecasts, the assumptions regarding future performance and the resulting data taken from the Business Plan 2023-2027 and used to perform the impairment test are subject to an inherent degree of uncertainty. Therefore, we cannot exclude the possibility that actual future results may differ from the estimates and that this may require future adjustments to the plan assumptions.

Intangible assets in progress and payments on account

This balance amounts to Euro 8,744,049 (Euro 4,675,067 at 31 December 2021) and consists of payments on account wholly relating to the Parent Company. In more detail, the balance includes:

- Euro 8,202,300 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 6,349,951 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 541,749 of payments on account towards leasehold improvements.

During the period, the development phase was completed for several projects so the related costs totalling Euro 936,558 were reclassified and capitalised under "Development Costs". The additional reclassifications to payments on account towards capex on business software that was completed during the reporting period. Decreases during the reporting period of Euro 1,487,874 mainly refer to chargebacks of development costs to subsidiaries and customers.

The amount of Euro 412,136 reported under "Other Changes" refers to payments on account that were classified under "Assets under construction" in the previous reporting period.

Other intangible assets

This caption amounts to Euro 1,133,340 (Euro 1,526,329 at 31 December 2021) after accumulated amortisation of Euro 5,456,934; total increases for the period amount to Euro 241,493 (including Euro 34,982 reclassified from "Intangible assets in progress").

The caption includes consolidation adjustments with a negative total of Euro 94,064.

The balance and changes thereon are detailed below:

Industrie Saleri Italo S.p.A.

This item, amounting to Euro 714,821 (Euro 1,047,437 at 31 December 2021), entirely refers to leasehold improvements. Increases for the period total Euro 238,175 and regard leasehold improvements. There have been no decreases other than the amortisation charge for the year.

ABL Automazione S.r.l.

This item, amounting to Euro 289,441 (Euro 291,550 at 31 December 2021), consists entirely of leasehold improvements. Increases for the period total Euro 19,600 (including Euro 10,862 of reclassifications from "Leasehold improvements").

There have been no decreases other than the amortisation charge for the year.

Saleri Aftermarket S.p.A.

This item, amounting to Euro 41,372, wholly refers to additions for the period as a result of leasehold improvements to a new warehouse.

Saleri México S.A. de C.V.

This item, amounting to Euro 103,153 (Euro 70,798 at 31 December 2021), consists entirely of leasehold improvements. Increases for the period total Euro 32,704 (including Euro 24,120 of reclassifications from "Leasehold improvements").

There have been no decreases other than the amortisation charge for the year.

Saleri Shanghai Co. Ltd.

This item, amounting to Euro 78,617 (Euro 118,248 at 31 December 2021), refers to:
- Euro 55,308 of leasehold improvements;
- Euro 23,309 of deferred expenses, including additions of Euro 3,921.

There have been no decreases other than the amortisation charge for the year.

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	20,329,765	85,190,330	34,913,065	6,565,500	3,506,958	150,505,618
Previous revaluations	6,502,686	0	0	0	0	6,502,686
Accumulated depreciation	(6,421,807)	(48,876,659)	(29,652,927)	(5,515,582)	0	(90,466,975)
Previous writedowns	(1,560,488)	0	0	0	0	(1,560,488)
Opening amount	**18,850,156**	**36,313,671**	**5,260,138**	**1,049,918**	**3,506,958**	**64,980,841**
Additions during the year	3,377	1,762,835	2,902,786	275,648	635,385	5,580,031
Change in scope of consolidation (cost)	0	0	0	13,865	0	13,865
Change in scope of consolidation (Accum. Depre'n)	0	0	0	(5,907)	0	(5,907)
Reclassifications	0	2,765,189	167,654	0	(2,932,843)	0
Movements to other caption during period	0	0	0	0	0	0
Disposals (historical cost)	0	(1,669,022)	(7,110,422)	(343,142)	(224,397)	(9,346,983)
Disposals (Accum. Depr'n)	0	1,500,368	7,105,818	236,814	0	8,843,000
Revaluations during year	0	0	0	0	0	0
Amortisation for the year	(676,228)	(2,918,049)	(1,285,891)	(366,033)	0	(5,246,201)
Writedowns for the year	0	0	0	0	0	0
Other changes -cost	0	120,515	(48,383)	1,859	(413,195)	(339,204)
Other changes - accumulated dep'n	0	26,112	44,024	3,279	(1)	73,414
Total changes	**(672,851)**	**1,587,948**	**1,775,586**	**(183,617)**	**(2,935,051)**	**(427,985)**
Historical cost	20,333,142	88,169,847	30,824,700	6,513,730	571,908	146,413,327
Previous revaluations	6,502,686	0	0	0	0	6,502,686
Accumulated depreciation	(7,098,035)	(50,268,228)	(23,788,976)	(5,647,429)	(1)	(86,802,669)
Previous writedowns	(1,560,488)	0	0	0	0	(1,560,488)
Closing amount	**18,177,305**	**37,901,619**	**7,035,724**	**866,301**	**571,907**	**64,552,856**

Tangible assets include land, buildings, plant and machinery, industrial and commercial equipment, tangible assets under construction and other tangible assets. They amount to Euro 64,552,856 (Euro 64,980,841 at 31 December 2021) after accumulated depreciation (Euro 86,802,669).

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 subsidiary Saleri TMS Competence Center GmbH at the date of consolidation. Except in relation to the caption “Assets under construction and payments on account” for which reference should be made to the specific paragraph, 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 2022 compared to the prior reporting date balance translated at the corresponding balance sheet exchange rate.
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 2022 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 18,177,305 (Euro 18,850,156 at 31 December 2021) and is stated net of accumulated depreciation of Euro 7,098,036 (Euro 6,421,807 at 31 December 2021).
The Balance refers entirely to the Parent Company.
During the reporting period, the balance increased by Euro 3,377 (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 37,901,619 (Euro 36,313,671 at 31 December 2021), is stated net of accumulated depreciation of Euro 50,268,228 (Euro 48,876,659 at 31 December 2021).
It includes plant and machinery of Euro 10,713,660 (Euro 11,669,390 at 31 December 2021) held under finance leases and reported in accordance with International Accounting Standards and negative consolidation adjustments of Euro 1,338,749 (Euro 1,121,493 at 31 December 2021).

The balance and the main changes thereon are detailed below:

Industrie Saleri Italo S.p.A.

The balance amounts to Euro 25,571,673 (Euro 22,629,239 at 31 December 2021) after accumulated depreciation of Euro 24.626.583.

The amount increased during the period by Euro 5,003,305 (of which Euro 2,998,601 are due to reclassifications from the "Assets under constructions" item for advances previously paid for projects completed in the current financial year).

The increases mainly pertain to the expenses incurred for investments aimed at maintaining a machinery park that is constantly updated and fully efficient, as well as new work centers necessary to meet the orders acquired by the Company.

ABL Automazione S.r.l.

Plant and machinery amounts to Euro 47,005 (Euro 41,975 at 31 December 2021) net of accumulated depreciation of Euro 258,874 (Euro 252,973 at 31 December 2021).

Increases for the period totalled Euro 10,931 in relation to purchases of new plant for use in production.

Saleri Aftermarket S.p.A.

The balance amounts to Euro 20,490 (Euro 20,081 at 31 December 2021) net of accumulated depreciation of Euro 310,292 (Euro 304,201 at 31 December 2021).

Increases for the period totalled Euro 6,500 due to purchases of machinery.

Saleri México S.A. de C.V.

Plant and machinery amounts to Euro 1,570,321 (Euro 1,579,946 at 31 December 2021) net of accumulated depreciation of Euro 259.052 (Euro 68,591 at 31 December 2021).

There were no changes during the period, except for the annual depreciation charge.

Saleri Shanghai Co.Ltd

The balance amounts to Euro 1,317,219 (Euro 1,494,533 at 31 December 2021) after accumulated depreciation of Euro 1,430,571 (Euro 1,219,797 at 31 December 2021).

Increases during the reporting period totalled Euro 93,773 for purchases of machinery.

Industrial and Commercial Equipment

This caption amounts to Euro 7,055,724 (Euro 5,260,138 at 31 December 2021) and is stated net of accumulated depreciation of Euro 23,788,976 (Euro 29,652,927 at 31 December 2021).
The balance includes consolidation adjustments of Euro 250,445 (Euro 186,254 at 31 December 2021).

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 5,590,766 (Euro 4,215,962 at 31 December 2021) after accumulated depreciation of Euro 22,115,745 (Euro 28,179,008 at 31 December 2021).
Additions for the period amounted to Euro 2,397,065, including Euro 11,200 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 required to cope with the new, long-term production contracts acquired by the Original Equipment division.

Decreases for the period regard assets with a net carrying amount of Euro 4,604 (historical cost of Euro 7,085,524) and refer to the disposal of equipment no longer used in the production cycle.

ABL Automazione S.r.l.

The balance amounts to Euro 10,787 (Euro 11,866 at 31 December 2021) after accumulated depreciation of Euro 41,819 (Euro 37,442 at 31 December 2021).

Additions for the period totalled Euro 3,297 in relation to purchases of new equipment for use in production.

Saleri Aftermarket S.p.A.

The balance amounts to Euro 26,332 (Euro 4,430 at 31 December 2021) after accumulated depreciation of Euro 103,235 (Euro 126,186 at 31 December 2021).

Additions for the period totalled Euro 23,848 in relation to purchases of new equipment.

Saleri México S.A. de C.V.

The balance amounts to Euro 11,049 (Euro 16,722 at 31 December 2021) after accumulated depreciation of Euro 18,979 (Euro 10,338 at 31 December 2021).

There were no changes during the period other than the depreciation charge.

Saleri Shanghai Co.Ltd

The balance amounts to Euro 1,146,345 (Euro 824,904 at 31 December 2021) after accumulated depreciation of Euro 1,763,594 (Euro 1,486,207 at 31 December 2021).

Increases for the period totalled Euro 650,181 (of which Euro 156,454 of reclassifications from “Assets under construction and payments on account”).

Other tangible assets

This caption amounts to Euro 886,301 (Euro 1,049,918 at 31 December 2021) and is stated net of accumulated depreciation of Euro 5,647,429 (Euro 5,515,582 at 31 December 2021).
It includes cars held under finance leases of Euro 13,244 (Euro 144,455 at 31 December 2021) as a result of application of IFRS 16 and consolidation adjustments of Euro 15,051.

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 494,2075 (Euro 575,560 at 31 December 2021) after accumulated depreciation of Euro 4,554,589 and refers to:

- furniture and fittings of Euro 213,870 (Euro 307,382 at 31 December 2021); there were no additions during the year;
- electronic office equipment of Euro 278,508 (Euro 263,663 at 31 December 2021); additions for the period totalled Euro 146,900, mainly for purchases of hardware 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 46,957);
- cars and vehicles of Euro 1,829 (Euro 5,515 at 31 December 2021); there were no additions during the year.

ABL Automazione S.r.l.

The balance amounts to Euro 104,256 (Euro 59,052 at 31 December 2021) after accumulated depreciation of Euro 286,421 (Euro 297,106 at 31 December 2021).
Increases for the period totalled Euro 75,472 mainly in respect of purchases of furniture, fittings, cars and electronic equipment. Decreases for the period regarded the sale to third party of assets with a net carrying amount of Euro 6,310 (historical cost of Euro 19,866).

Saleri Aftermarket S.p.A.

The balance amounts to Euro 43,118 (Euro 77,322 at 31 December 2021) after accumulated depreciation of Euro 245,631 (Euro 266,235 at 31 December 2021) and refers to:

- furniture and fittings of Euro 8,130 (Euro 9,799 at 31 December 2021); there were no changes in the balance other than the annual depreciation charge;
- electronic office equipment of Euro 34,988 (Euro 38,823 at 31 December 2021); additions for the year of Euro 15,853 regarded purchases of warehouse/inventory terminals as part of the process to replace and update the devices currently in use.

Saleri México S.A. de C.V.

The balance amounts to Euro 88,559 (Euro 66,629 at 31 December 2021) after accumulated depreciation of Euro 41,535 (Euro 14,856 at 31 December 2021).

Additions for the period of Euro 39,670 related to purchases of furniture and electronic equipment.

Saleri Shanghai Co.Ltd

The balance amounts to Euro 99,908 (Euro 125,900 at 31 December 2021) after accumulated depreciation of Euro 214,239 (Euro 192,722 at 31 December 2021).

During the period, there were increases of Euro 2,605 for purchases of electronic equipment.

Saleri TMS Competence Center GmbH

The balance amounts to Euro 7,958 after accumulated depreciation of Euro 5.907.

Assets under construction and payments on account

Assets under construction and payments on account total Euro 571,907 (Euro 3,506,958 at 31 December 2021).
The balance includes negative consolidation adjustments of Euro 197,720 (Euro 233,412 at 31 December 2021).

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 669,807 (Euro 3,608,373 at 31 December 2021) and refers to payments made on account during the period towards additions to tangible asset.
During the period, Euro 3,009,801 was reclassified to the relevant tangible asset categories following the completion of the related capex. Decreases for the period totalled Euro 184,051 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 667,423 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.
“Other Changes” includes the amount of Euro 412,137 which relates to payments on account that were reclassified to “Intangible assets in progress” during the year.

Saleri Aftermarket S.p.A.

The balance amounts to Euro 25,000 and refers to payments made on account during the year for capex on tangible assets.

Saleri México S.A. de C.V.

The balance amounts to Euro 90,993 (Euro 81,998 at 31 December 2021) 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 675,751 (Euro 452,472 at 31 December 2021).
Increases during the period totalled Euro 430,132 due to additional payments on account for purchases of machinery and moulds.
During the period, Euro 156,454 was reclassified to the relevant tangible asset categories.

Financial assets

Total financial assets	**Euro**
Historical cost	2,137,202
Previous revaluations	0
Previous writedowns	(13,621)
Opening amount	**2,123,581**
Acquisitions during the period	0
Increases due to change in scope of consolidation	0
Decreases due to change in scope of consolidation	(25,000)
Reclassifications from another caption	0
Reclassifications to another caption	0
Disposals	0
Revaluations during the period	0
Writedowns during the period	(35,474)
Other changes	1,477,412
Closing amount	**3,540,519**

Investments

Investments in	**Subsidiaries**	**Associated companies**	**Parent companies**	**Other entities**	**Total**
Historical cost	2,115,629	0	0	532	2,116,161
Previous revaluations	0	0	0	0	0
Previous writedowns	0	0	0	0	0
Opening amount	**2,115,629**	**0**	**0**	**532**	**2,116,161**
Acquisitions during the period	0	0	0	0	0
Increases due to change in scope of consolidation	0	0	0	0	0
Decreases due to change in scope of consolidation	(25,000)	0	0	0	(25,000)
Reclassifications from another caption	0	0	0	0	0
Reclassifications to another caption	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations during the period	0	0	0	0	0
Writedowns during the period	(35,474)	0	0	0	(35,474)
Other changes	27,315	0	0	0	27,315
Closing amount	**2,082,470**	**0**	**0**	**532**	**2,083,002**

Decreases due to changes in the scope of consolidation refer to Saleri TMS Competence Center GmbH which has been consolidated line-by-line with effect from 31 December 2022.

Impairment adjustments of Euro 35,474 refer to C.D.C. Taiwan Inc, a company 51% owned by subsidiary Saleri Aftermarket S.p.A..

Other changes refer to the investment in Saleri India Private Ltd, as described in more detail in the comment in the next paragraph.

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.)	976,792
Saleri India Private Ltd	Chakan Industrial Area, Village Khalumbre, Tal-Khed, District Pune 410501, Maharashtra	3,469,395

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%	418,863	(48,786)	213,620	213,620	0
Saleri India Private Ltd	51.00%	2,745,265	(700,331)	1,400,085	1,868,850	(468,765)
			Total	**1,613,705**	**2,082,470**	**(468,765)**

For subsidiary Saleri India Private Ltd, we note that:

- the financial information shown refers to the financial statements at 31 December 2022;
- 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.

The amount of these ancillary costs increased by Euro 27,315 during the year.

For C.D.C. Taiwan Inc., the financial information shown refers to the financial statements at 31 December 2022 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	1
Valore alla fine dell'esercizio	**6,341**

The amount of Euro 6,341 has not changed compared to prior year.

Derivative instruments

Derivative instruments	Total
Historical cost	1,080
Previous revaluations	0
previous writedowns	0
Opening amount	**1,080**
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	1,450,096
Closing amount	**1,451,176**

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 2022.

Current assets

Inventory

Description	Opening amount	Change in scope of consolidation	Change during period	Closing amount
Raw, ancillary and cons. materials	13,602,674	-	(1,371,769)	12,230,905
WIP	5,684,880	-	(71,665)	5,613,215
Contract WIP	833,529	-	3,414,717	4,248,246
Finished goods and products	11,858,348	-	1,026,300	12,884,648
Payments on account	109,458	-	190,300	299,758
Total	**32,088,889**	**-**	**3,187,882**	**35,276,771**

At 31 December 2022, inventory totalled Euro 35,276,772 (Euro 32,088,889 at 31 December 2021) and referred to parent company Industrie Saleri Italo S.p.A. (48%), to subsidiary Saleri Aftermarket S.p.A. (28%), to subsidiary ABL Automazione S.r.l. (14), to subsidiary Saleri Shanghai Co. Ltd (7%) and to subsidiary Saleri México S.A. de C.V. (3%). 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 increase in “Finished goods” mainly refers to the inventory of subsidiary Saleri Aftermarker S.p.A..

The decreases in “Raw, ancillary and consumable materials” and “Finished goods” is mainly due to the Group’s procurement policies, as designed to guarantee sufficient stock to meet production requirements, while taking account of the improvement in lead times which were significantly impacted by the Covid-19 emergency in prior years.

The inventory balance reported above is stated net of the Inventory provision totalling Euro 1,282,970 recorded to take account of obsolete and slow moving items and to report carrying amount at the lower of cost and realisable amount.
During 2022, the provision was increased by Euro 725,465 while there as a decrease of Euro 569,735 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	(643,588)	-	(202,814)	221,888	(624,515)
2) WIP and semi-finished goods	(159,127)	-	(155,566)	56,381	(258,312)
3) Contract WIP	-	-	-	-	-
4) Finished goods and products	324,525	-	(367,084)	291,465	(400,144)
5) Payments on account	-	-	-	-	-
Total	**(1,127,240)**	**-**	**(725,465)**	**569,735**	**(1,282,970)**

Receivables

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

Description	Opening amount	Change during period	Closing amount
Trade receivables	16,435,229	8,027,312	24,462,541
Receivables from non-consolidated subsidiaries	728,817	1,125,806	1,854,623
Receivables from associated companies	-	-	-
Receivables from parent companies	-	0	0
Receivables from entities controlled by parent companies	-	0	0
Tax receivables	4,597,113	(349,679)	4,247,434
Deferred tax assets	8,158,987	521,451	8,680,438
Receivables from others	3,933,289	(1,538,441)	2,394,848
Total	**33,853,435**	**7,786,449**	**41,639,884**

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

Breakdown by residual duration

Description	Closing amount	Due within a year	Due after more than a year
Trade receivables	24,462,541	24,462,541	-
Receivables from non-consolidated subsidiaries	1,854,623	1,854,623	-
Receivables from associated companies	-	-	-
Receivables from parent companies	0	0	-
Receivables from entities controlled by parent companies	0	0	-
Tax receivables	4,247,434	4,228,722	18,712
Deferred tax assets	8,680,438	-	-
Receivables from others	2,394,848	1,624,859	769,989
Total	**41,639,884**	**32,170,745**	**788,701**

Trade receivables

At 31 December 2022, trade receivables amounted to Euro 24.462.541 (against Euro 16.435.229 at 31 December 2021) and referred to parent company Industrie Saleri Italo S.p.A. (36% of the total), to subsidiary Saleri Shanghai Co. Ltd (28% of the total), to subsidiary Saleri Aftermarket S.p.A. (14% of the total), subsidiary ABL Automazione S.r.l. (14% of the total) and to subsidiary Saleri México S.A. a C.V. (remaining 4% of the total).
The increase of Euro 8,027,312 compared to 31 December 2021 mainly relates to the Parent Company and to subsidiaries ABL Automazione S.r.l. and Saleri Aftermarket. It is largely the result of an increase in sales invoiced to customers but not yet collected at the reporting date and to lesser use of non-recourse factoring facilities. Trade receivables are stated net of a provision for bad debts of Euro 357,201 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	Utilised	Closing amount
Provision for bad debts	(261,723)	(169,858)	74,380	(357,201)

Receivables from non-consolidated subsidiaries

Receivables from non-consolidated subsidiaries amount to Euro 1,854,623 against 728,817 at 31 December 2021.

They entirely consist of trade receivables from Saleri India Private Ltd.

Receivables from parent companies

As at 31 December 2022, there were no receivables from the Parent Company.

Tax receivables

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Consolidated
W/holding taxes suffered	595	2		-	597
IRES receivables	16,798		17,480	-	34,278
IRAP receivables	7,897	23,552	48,623	-	80,072
VAT receivables	1,180,456	45,088	1,148,408	989,992	3,363,944
Other tax receivables	768,532		-	11	768,543
Total	**1,974,278**	**68,642**	**1,214,511**	**990,003**	**4,247,434**

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 16,798 (Euro 134,608 at 31 December 2021), include the IRES credit for the year.
"IRAP Receivables", amounting to Euro 7,987, refer to the IRAP credit for the year.
"VAT Receivables", amounting to Euro 1,180,456 (Euro 746,042 at 31 December 2021), mainly refer to the VAT balance resulting from the December 2022 VAT return (Euro 1,028,872).
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.
"Other tax receivables", amounting to Euro 768,532 (Euro 1,647,464 at 31 December 2021), almost entirely refers to the tax credit for Assets functional to 4.0 transformation processes.

ABL Automazione S.r.l.

"IRAP receivables", amount to Euro 23,552 (Euro 24,508 at 31 December 2021), refers to the IRAP credit for the year.
"VAT Receivables", amounting to Euro 45,088, refer to the VAT balance per the December 2022 VAT return.

Saleri Aftermarket S.p.A.

"IRES Receivables", amounting to Euro 17,480 (Euro 21,226 at 31 December 2021), refer to the IRES credit relating to prior years.
"IRAP Receivables", amounting to Euro 48,623 (Euro 20,184 at 31 December 2021), refer to the IRAP credit for the year.
"VAT Receivables", amounting to Euro 1,148,408 (Euro 835,590 at 31 December 2021), refer to the VAT balance per the December 2022 VAT return.

Saleri México S.A. de C.V.

"VAT Receivables" of Euro 989,992 (Euro 851,657 at 31 December 2021) the net VAT receivables arising from the June VAT return.

Deferred tax assets

Deferred tax assets amount to Euro 8,680,438 (Euro 8,158,987 at 31 December 2021) 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 695,200) of deferred tax assets were recognised in relation to consolidation adjustments.
We highlight the recognition of deferred tax assets relating to losses of Euro 4,987,145; the losses in question regard the parent company (Euro 4,706,929), subsidiary ABL Automazione S.r.l. (Euro 280,216).
The Directors concluded that it was reasonable to recognise these deductible temporary differences, also on the basis of the companies' Business Plans 2023-2027, 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 2,394,848 at 31 December 2022 (Euro 3,933,289 at 31 December 2021) regards all of the Group companies and mainly comprises:

Receivables due within a year:
- Euro 1,281,928 of Advances to Suppliers;
- Euro 169,765 of sundry receivables, after a bad debt provision of Euro 84,932;
- Euro 173,266 of DR balances with certain suppliers of goods and services.

Receivables due after more than a year:
- Euro 769,989 almost entirely relating to guarantee deposits paid mainly in respect of lease and rental agreements of the parent company and the subsidiary Saleri Mexico S.A. de C.V..

Current financial assets

Investments in other entities
The amount of Euro 13,606 almost entirely relates to the parent company and did not change during the year. It regards minority investments in other entities.

Other securities

The securities totalling Euro 643 held by subsidiary Saleri México S.A. de C.V. at 31 December 2022 were sold in their entirety during 2022.

Cash and cash equivalents

This balance includes cash on hand of Euro 2,148, plus bank current account balances of Euro 11,020,700.

Description	Opening amount	Change during period	Closing amount
Bank and post office accounts	18,225,981	(7,205,281)	11,020,700
Cash and cash equivalents on hand	15,412	(13,264)	2,148
Total	**18,241,393**	**(7,218,545)**	**11,022,848**

This balance may be detailed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Saleri Shanghai Co. Ltd	Saleri TMS Competence Center GmbH	Consolidato
Bank and post office accounts	8,173,884	22,089	443,807	813,350	1,547,118	20,453	11,020,700
Cash and cash equivalents on hand	118	-		479	1,550		2,148
Total	**8,174,002**	**22,089**	**443,807**	**813,829**	**1,548,668**	**20,453**	**11,022,848**

The amount of Euro 118 relating to the Parent Company consists entirely of tax stamps. It should be noted that the Group's Italian companies do not hold any cash and that all payments are made electronically. 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 during period	Closing amount
Prepaid expenses:			
Contributions to customers	2,737,668	2,382,661	5,120,329
Insurance policies	32,586	2,504	35,090
Other costs	1,256,192	(424,296)	831,896
Total	**4,026,446**	**1,960,869**	**5,987,315**

This item, amounting to Euro 5,987,315 at 31 December 2022 (Euro 4,026,446 at 31 December 2021) mainly refers to the prepaid expenses of parent company Industrie Saleri Italo S.p.A. and the subsidiary Saleri Shanghai Co. Ltd..

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	4,353,789	-	-		-	-		4,353,789
Legal reserve	1,179,976	-	13,069		-	-		1,193,045
Statutory reserves	-	-	-	-	-	-		-
Other reserves								
Consolidation reserve	4,058,746	-	-	16,233	-	-		4,074,979
Extraordinary reserve	857,395	-	-	-		-		857,395
Reserve for translation of foreign currency financial statements	605,946	-	-	-	(173,012)	-		432,934
Sundry other reserves	364,052	-	-	-	-	-		364,052
Total other reserves	5,886,139	-	-	16,233	(173,012)	-		5,729,360
Cash flow hedge reserve	(1,775)	-	-	1,452,951	-	-		1,451,176
Retained earnings (Accumulated losses)	(842,351)	-	2,662,875	256,406	-	-		2,076,930
Profit (Loss) for the year	2,675,944	-	(2,675,944)	-	-	-	693,011	693,011
Negative reserve for treasury shares held	(285,014)	-			-	-	-	(285,014)
Total shareholders' equity - Group	**44,585,340**	**-**	**-**	**1,725,590**	**(173,012)**	**-**	**693,011**	**46,830,929**
Capital and reserves of non-controlling interests	2,002,674		213,262	(167,422)	-	-	-	2,048,514
Profit (Loss) for year pertaining to non-controlling interests	213,262		(213,262)	-	-	-	(167,038)	(167,038)
Total shareholders' equity - non-controlling interests	**2,215,936**	**-**	**-**	**(167,422)**	**-**	**-**	**(167,038)**	**1,881,476**
Total consolidated shareholders' equity	**46,801,276**	**-**	**-**	**1,558,168**	**(173,012)**	**-**	**525,973**	**48,712,405**

Share capital

Share Capital, wholly subscribed and paid at 31 December 2022, amounts to Euro 23,922,413.23 and is represented by 3,127,003 shares.The balance has not changed compared to 31 December 2021.

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.

Legal reserve

At 31 December 2022, this reserve amounted to Euro 1,193,045 (Euro 1,179,976 at 31 December 2021).
The increase during the period of Euro 13,069 referes to the allocation of Net Profit, approved by the Shareholders' general meeting of 28 June 2022.
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 4,074,979 at 31 December 2022. It has increased by Euro 16,233 compared to 31 December 2021 mainly as a result of the change to the scope of consolidation resulting from the inclusion of Saleri TMS Competence Center GmbH.

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 2022 against the corresponding portions of Equity of those subsidiaries has been recognised under the asset caption “Goodwill”.

Extraordinary reserve

This reserve amounts to Euro 857,395 at 31 December 2022 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 432,934 at 31 December 2022 in relation to the translation of the foreign currency financial statements of subsidiaries Saleri Shanghai Co.Ltd and Saleri México S.A. a C.V..

Sundry other reserves

This item, amounting to Euro 364,052, did not change during the period.

Cash flow hedge reserve

This reserve has a balance of Euro 1,451,176 at 31 December 2022 (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 1,452,951 increase in the Reserve.

Retained earnings (accumulated losses)

This caption showed retained earnings of Euro 2,076,930 at 31 December 2022 against accumulated losses of Euro 842,351 at 31 December 2021. Movements during the reporting period were as follows:

- an increase of Euro 2,662,875 due to allocation of the Group’s net profit for 2021;
- an increase of Euro 256,406 due to consolidation adjustments and alignment to Group accounting policies.

Negative reserve for treasury shares held

At 31 December 2022, 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

	2022		2021	
Amounts in thousands of Euro	**Equity**	**of which Profit for year**	**Equity**	**of which Profit for year**
Equity and result for the year of the Parent Company	59,348,869	3,019,098	54,876,821	261,390
Elimination of carrying amount of investments against pro-quota amount of equity	(19,337,057)	(3,293,895)	(19,993,534)	(1,535,883)
Pro-quota results of investee companies	274,784	274,784	3,857,629	3,857,629
Gains on disposals after depreciation allocated to non-current assets and to consolidation difference at the date of acquisition of the investee companies	2,772,878	(413,918)	3,186,796	(413,918)
Cancellation of treasury shares	0	0	0	0
Elimination of effects of transactions between consolidated companies	(2,068,168)	(629,669)	(1,444,232)	(618,923)
Alignment of accounting policies	5,839,623	1,736,611	4,101,860	1,125,648
Restatement of investments at equity	0	0	0	0
Equity and result for the year - **Group**	**46,830,929**	**693,010**	**44,585,339**	**2,675,943**
Equity and result for the year - **non-controlling interests**	1,881,476	(167,038)	2,215,936	213,262
Equity and result for the year - **consolidated**	**48,712,405**	**525,973**	**46,801,275**	**2,889,205**

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	**3,046,237**	**2,855**	**3,865,754**	**6,914,846**
Changes during the year				
Change in scope of consolidation	8,188	-	32,236	40,424
Allocated	582,458	-	1,783,404	2,365,862
Utilised	(15,509)	(2,855)	(3,029,866)	(3,048,230)
Other changes	-	-	-	-
Total changes	575,137	(2,855)	(1,214,226)	(641,944)
Closing amount	**3,621,374**	**-**	**2,651,528**	**6,272,902**

The "Provision for taxation, including deferred tax", amounting to Euro 3,621,374 (Euro 3,046,237 at 31 December 2021), 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 2022, there were no derivative instruments with a negative fair value.

"Other provisions", amounting to Euro 2,651,528, 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 1,475,694 while increases totalled 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 194,400 of provisions for future expenses for variable remuneration under agreements signed;
- Euro 113,310 of provisions made by subsidiary ABL Automazione S.r.l. for completion costs in relation to contracts invoiced during the period;
- Euro 32,236 of prudent provisions made by subsidiary Saleri TMS Competence Center GmbH for sundry expenses.

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	**2,247,688**
Changes during the year	
Change in scope of consolidation	-
Allocated	1,452,220
Utilised	(1,302,695)
Other changes	-
Total changes	149,525
Closing amount	**2,397,213**

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 during period	Closing amount
Bonds	3,931,162	(3,931,162)	-
Convertible bonds	-	-	-
Shareholder loans payable	-	-	-
Bank borrowing	50,789,124	12,840,997	63,630,121
Payables to other lenders	8,961,102	(2,908,105)	6,052,997
Payments on account	4,604,670	305,128	4,909,798
Trade payables	35,136,330	3,890,961	39,027,291
Payables in form of credit instruments	-	-	-
Payables to non-consolidated subsidiaries	153,410	(68,506)	84,904
Payables to associated companies	-	-	-
Payables to parent companies	-	(0)	(0)
Payables to companies controlled by parent companies	-	(0)	(0)
Tax payables	1,441,511	30,067	1,471,578
Payables to social security and pensions institutions	1,679,362	91,922	1,771,284
Other payables	7,517,041	(1,637,311)	5,879,730
Total	**114,213,712**	**8,613,991**	**122,827,703**

Breakdown by residual duration

Description	Closing amount	Due within a year	Due after more than a year	Of which due after more than five years
Bonds	-	-	-	-
Convertible bonds	-	-	-	-
Shareholder loans payable	-	-	-	-
Bank borrowing	63,630,121	24,073,848	39,556,273	3,285,714
Payables to other lenders	6,052,997	4,964,802	1,088,195	-
Payments on account	4,909,798	4,909,798	0	-
Trade payables	39,027,291	39,027,291	-	-
Payables in form of credit instruments	-	-	-	-
Payables to non-consolidated subsidiaries	84,904	84,904	-	-
Payables to associated companies	-	-	-	-
Payables to parent companies	(0)	(0)	-	-
Payables to companies controlled by parent companies	(0)	(0)	-	-
Tax payables	1,471,578	1,471,578	-	-
Payables to social security and pensions institutions	1,771,284	1,771,284	-	-
Other payables	5,879,730	5,171,226	708,504	-
Total	**122,827,703**	**81,474,731**	**41,352,972**	**3,285,714**

Bonds

On 30 June 2022, the Parent Company repaid in full the bond called the "Saleri Supplier Value Chain Bond 2020-2022" issued on 1 July 2020 in the amount of Euro 3,825,107 (Euro 3,931,162 at 31 December 2021 including interest accruing).

Bank borrowing

Description	Amount at 31/12/2021	Amount at 31/12/2022	Change
a) Bank borrowing due within a year	18,933,204	24,073,848	5,140,644
Lines of credit	-	0	0
Current account overdrafts	1,651,248	2,473,777	822,529
Loans	10,372,825	11,996,440	1,623,615
Advances on receivables	6,909,131	9,603,631	2,694,500
Other payables	-	-	-
b) Bank borrowing due after more than a year	31,855,920	39,556,273	7,700,353
Loans	31,855,920	39,556,273	7,700,353
Advances on receivables	-	-	-
Other payables	-	-	-
Total bank borrowing	**50,789,124**	**63,630,121**	**12,840,997**

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	145,329	365,500	-	510,829	Industrie Saleri Italo S.p.A.
MPM Loan	262,121	659,232	-	921,353	Industrie Saleri Italo S.p.A.
ICCREA Loan	137,470	454,907	-	592,377	Industrie Saleri Italo S.p.A.
Total	**544,920**	**1,479,639**	**0**	**2,024,559**	

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 63,630,121 against Euro 50,789,124 at 31 December 2021 is detailed as follows:

Industrie Saleri Italo S.p.A.

Description	31/12/2021	31/12/2022	Change
a) Bank borrowing due within a year	17,549,882	19,442,970	1,893,088
Lines of credit	0	0	0
Current account overdrafts	1,091,460	1,065,879	(25,581)
Loans	9,549,291	10,977,950	1,428,659
Advances on receivables	6,909,131	7,399,141	490,010
Other payables			-
b) Bank borrowing due after more than a year	28,963,215	37,682,057	8,718,842
Loans	28,963,215	37,682,057	8,718,842
Advances on receivables			
Other payables			
Total bank borrowing	**46,513,097**	**57,125,027**	**10,611,930**

Bank Borrowing amounts to Euro 57,125,027 and has increased by Euro 10,611,930 compared to 31 December 2021. Bank borrowing due within a year amounts to Euro 19,442,970 and has increased by Euro 1,893,088 compared to 31 December 2021.

Bank borrowing due after more than a year amounts to Euro 37,682,057 and has increased by Euro 8,718,842 compared to 31 December 2021. An agreement for a loan of Euro 19,999,999 secured by a SACE guarantee was signed on 24/06/2022.

Loans payable at 31 December 2022 (both current and non-current) amount to Euro 48,660,007 against Euro 38,512,507 at 31 December 2021 and are analysed as follows (amounts at amortised cost):

N.	Type	Start of repayment plan	Installments	Frequency	Maturity	Interest index	Principal	Outstanding amount within a year	Outstanding amount due after a year	Total
1	Secured Loan	31/12/2017	84	Monthly	31/12/2024	Euribor 3-months	2,000,000	145,329	365,500	**510,829**
2	Secured Loan	31/12/2017	84	Monthly	31/12/2024	Euribor 3-months	5,000,000	262,121	659,232	**921,353**
3	Secured Loan	31/12/2017	84	Monthly	31/12/2024	Euribor 3-months	2,000,000	137,470	454,907	**592,377**
4	Unsecured Loan	31/12/2017	70	Monthly	10/01/2024	Euribor 3-months	1,000,000	111,858	9,306	**121,164**
5	Unsecured Loan	31/12/2017	70	Monthly	10/01/2024	Euribor 3-months	1,000,000	178,125	14,800	**192,925**
6	Unsecured Loan	31/12/2017	72	Monthly	01/01/2024	Euribor 1-month	2,000,000	227,272	18,846	**246,118**
7	Unsecured Loan	31/12/2017	72	Monthly	01/01/2024	Euribor 1-month	4,000,000	833,455	69,112	**902,567**
8	Unsecured Loan	31/12/2017	71	Monthly	31/12/2023	Euribor 3-months	2,000,000	174,577	0	**174,577**
9	Unsecured Loan	31/12/2017	71	Monthly	30/11/2023	Euribor 3-months	7,000,000	948,791	0	**948,791**
10	Unsecured Loan	31/12/2017	71	Monthly	30/11/2023	Euribor 3-months	1,500,000	275,688	0	**275,688**
11	Unsecured Loan	31/12/2017	71	Monthly	31/12/2022	Euribor 3-months	2,000,000	205,760	0	**205,760**
12	Unsecured Loan	31/12/2017	67	Monthly	31/07/2023	Euribor 3-months	4,000,000	305,966	0	**305,966**
13	Unsecured Loan	31/12/2017	69	Monthly	31/12/2023	Euribor 3-months	3,500,000	614,863	0	**614,863**
14	Unsecured Loan	31/12/2017	69	Monthly	31/12/2023	Euribor 3-months	500,000	103,876	0	**103,876**
15	Unsecured Loan	31/12/2017	57	Monthly	30/11/2022	Euribor 3-months	400,000	72,745	17,840	**90,585**
16	Unsecured Loan	01/06/2018	54	Monthly	30/11/2023	Euribor 3-months	459,510	98,243	0	**98,243**
17	Unsecured Loan	19/06/2018	65	Monthly	01/12/2023	Euribor 1-month	2,109,713	500,275	0	**500,275**
18	Loan secured by SACE	31/12/2022	16	Quarterly	30/09/2026	Euribor 3-months	24,000,000	5,910,698	16,387,154	**22,297,852**
19	Loan secured by SACE	31/12/2024	14	Quarterly	31/03/2028	Euribor 3-months	18,000,000	-127,274	17,700,513	**17,573,240**
20	Loan secured by SACE	31/03/2028	1	Single payment	31/03/2028	Euribor 3-months	2,000,000	-1,888	1,984,847	**1,982,959**
							Total	**10,977,950**	**37,682,057**	**48,660,007**

The contracts numbered 1 to 17 above are subject to covenants measured based on the annual separate financial statements of Industrie Saleri Italo SpA while the contracts numbered 18 to 20 are subject to covenants measured based on the annual Consolidated Financial Statements.

ABL Automazione S.r.l.

Description	31/12/2021	31/12/2022	Change
a) Bank borrowing due within a year	605,631	1,696,530	1,090,899
Lines of credit	0	0	0
Current account overdrafts	98,470	905,922	807,452
Loans	507,161	592,398	85,237
Advances on receivables	0	198,210	198,210
Other payables			
b) Bank borrowing due after more than a year	1,709,078	1,116,680	(592,398)
Loans	1,709,078	1,116,680	(592,398)
Advances on receivables			
Other payables			
Total bank borrowing	**2,314,709**	**2,813,210**	**498,501**

Bank borrowing totals Euro 2,813,320 and has increased by Euro 498,501 compared to 31 December 2021. Bank borrowing due within a year amounts to Euro 1,696,530 and has increased by Euro 1,090,899 compared to 31 December 2021. Bank borrowing due after more than a year amounts to Euro 1,116,680 and has decreased by Euro 592,398 compared to 31 December 2021.

Loans payable at 31 December 2022 (both current and non-current) amount to Euro 1,709,078, against Euro 2,216,239 at 31 December 2021, and are analysed as follows (amounts at amortised cost):

N.	Type	Start of repayment plan	Installments	Frequency	Maturity	Interest index	Principal	Outstanding amount within a year	Outstanding amount due after a year	Total
1	Loan	05/06/2020	60	Quarterly	05/06/2025	Euribor 3-months	500,000	124,982	191,022	**316,004**
2	Loan	30/09/2022	61	Monthly	31/12/2024	Euribor 3-months	1,535,000	431,151	961,923	**1,393,074**
							Total	**556,133**	**1,152,945**	**1,709,078**

Saleri Aftermarket S.p.A.

Description	31/12/2021	31/12/2022	Change
a) Bank borrowing due within a year	777,691	2,934,348	2,156,657
Lines of credit	0	0	0
Current account overdrafts	461,318	501,976	40,658
Loans	316,373	426,091	109,718
Advances on receivables	0	2,006,280	2,006,280
Other payables			
b) Bank borrowing due after more than a year	1,183,627	757,536	(426,091)
Loans	1,183,627	757,536	(426,091)
Advances on receivables			
Other payables			
Total bank borrowing	**1,961,318**	**3,691,884**	**1,730,566**

Bank borrowing totals Euro 3,691,884 and has increased by Euro 1,730,566 compared to the total of Euro 1,961,318 at 31 December 2021. Bank borrowing due within a year amounts to Euro 2,934,348 and has increased by Euro 2,156,657 compared to 31 December 2021.

Bank borrowing due after more than a year amounts to Euro 757,536 and has decreased by Euro 426.091 compared to 31 December 2021. Loans payable (both current and non-current) amounting to Euro 1,183,627, have decreased by Euro 316,373 compared to 31 December 2021 and may be analysed as follows:

N.	Type	Start of repayment plan	Installments	Frequency	Maturity	Interest index	Principal	Outstanding amount within a year	Outstanding amount due after a year	Total
1	Unsecured Loan	05/07/2020	21	Quarterly	05/06/2025	Euribor 3-months	1.500.000	426.091	757.536	**1.183.627**
							Total	**426.091**	**757.536**	**1.183.627**

Reference should be made to the Directors' Report for further, more detailed information about the availability of credit facilities to meet the Group's working capital funding requirements and any extraordinary liquidity requirements.

Payables to other lenders

This caption amounts to Euro 6,052,997 (Euro 8,961,102 at 31 December 2021) and consists almost entirely of payables towards leasing companies and factoring companies.
The significant decrease compared to 31 December 2021 is mainly due to a reduction in payables towards factoring companies because of lower utilisation of recourse factoring facilities.

Payments on account

This item amounts to Euro 4,909,798 (Euro 4,604,670 at 31 December 2021) and refers mainly to the parent company and to subsidiary ABL Automazione S.r.l. as follows:

- Euro 115,962 of payments on account from customers towards the supply of equipment (Tooling);
- Euro 3,558,860 of payments on account from customers of ABL Automazione S.r.l. for the supply of machinery;
- Euro 1,095,243 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 amounting to Euro 39,027,291, compared to Euro 35,136,330 at 31 December 2021, pertain to existing liabilities for the supply of goods and services under standard contractual conditions.
The amount is primarily related to the parent company (80% of the total) and the subsidiaries Saleri Shanghai Co. Ltd. and Saleri Aftermarket S.p.A. (9% and 6% of the total, respectively).

The increase in this item includes increments resulting from energy price hikes and price list adjustments.

Payables to non-consolidated subsidiaries

The amount of Euro 84,904 (against Euro 153,410 at 31 December 2021) solely consists of trade payables to subsidiaries C.D.C. Taiwan Inc. (Euro 77,093) and Saleri India Private Ltd (Euro 7,811).

Tax payables

Tax payables amount to Euro 1,471,578 against Euro 1,441,511 at 31 December 2021. They are detailed as follows:

Description	Opening amount	Change during period	Closing amount
IRAP payable	-	-	-
IRES payable	-	-	-
Taxes withheld at source from employees	724,467	293,343	1,017,810
Taxes withheld at source from freelance professionals	29,515	8,380	37,895
Substitute taxes	8,592	8,844	17,436
VAT payable	416,059	(141,750)	274,309
Other tax payables	262,878	(138,750)	124,128
Total	**1,441,511**	**30,067**	**1,471,578**

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 1,771,284 against Euro 1.679.362 at 31 December 2021. They are detailed as follows:

Description	Opening amount	Change during period	Closing amount
Payables to INPS	1,036,860	54,180	1,091,040
Payables to INAIL	-	6,523	6,523
Payables to other social security and pensions institutions	642,502	31,219	673,721
Total	**1,679,362**	**91,922**	**1,771,284**

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 5,879,726 against Euro 7,517,041 at 31 December 2021. They are detailed as follows:

Description	Opening amount	Change during period	Closing amount
Payables to employees	4,394,491	(717,068)	3,677,423
Payables to directors and statutory auditors	131,720	(2,266)	129,454
Other	2,990,830	(917,977)	2,072,853
Total	**7,517,041**	**(1,637,311)**	**5,879,730**

"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 and CR balances with certain customers.

Accrued expenses and deferred income

Accrued expenses and deferred income amount to Euro 1,823,984 against Euro 1,743,192 at 31 December 2021. 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

As already mentioned in the Foreword, as in the previous two years, the results reported in the Income Statement were again affected by the Covid-19 emergency.

The consequences of the Lockdown imposed in the Shanghai area, the slow recovery in global economic activity and, last but not least, the recent conflict in Ukraine make it extremely difficult to compare the results for this reporting period with those of the previous one.
The climate of global uncertainty triggered by the geopolitical crisis between Russia and Ukraine, which led to the ongoing conflict, also caused a rise in inflation as a result of higher commodity costs (especially energy costs with Russia one of the world leader in the extraction and export of oil and gas).

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.

Value of production

Revenue from sales and services

Revenue from sales amounts to Euro 179,090,974 against Euro 155,117,928 in 2021. It mainly refers to revenue generated by the Parent Company and subsidiaries Saleri Shanghai and Saleri Aftermarket S.p.A. in respect of the production, sale and distribution 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..

Description	2021	Change	2022
Revenue from sales	155,117,928	23,973,046	179,090,974
Total	**155,117,928**	**23,973,046**	**179,090,974**

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 mainly relates to the Parent Company and to subsidiary Saleri Aftermarket S.p.A.. For better understanding and analysis of the Income Statement information, it should be noted that, in prior year, subsidiaries Saleri Aftermarket S.p.A. and Saleri México S.A. de C.V. were included in the scope of consolidation from their date of acquisition (28 July 2021) and date of consolidation (31 December 2021), respectively. In order to analyse the change in revenue on a like-for-like basis i.e. with the same scope of consolidation, we set out below revenue for 2022 with the exclusion of:

- the revenue of Saleri México S.A. de C.V;
- the revenue of Saleri Aftermarket S.p.A. up to 28 July 2022 (exclusion of the former CDC Centro Distribuzione Cuscinetti S.r.l. only).

		31 december 2022			
Description	**2021**	**2022**	**Revenues outside scope of consolidation**	**Revenues 2022 on like-for-like basis**	**Change**
Revenues form sales	155,117,928	179,090,974	14,916,131	164,174,843	9,056,915
Total	**155,117,928**	**179,090,974**	**14,916,131**	**164,174,843**	**9,056,915**

Breakdown of revenue from sales and services by business category

Description	2022
Production and Sale of Water Pumps, Equipment and Prototypes	147,337,084
Contract work on Machinery and services and maintenance	4,375,702
Wholesale of Aftermarket products	27,378,188
Total	**179,090,974**

Breakdown of sales by geographical area

Geographical area	2021	Change	2022
Italy	18,748,887	9,986,412	28,735,299
Other countries	136,369,041	13,986,634	150,355,675
Total	**155,117,928**	**23,973,046**	**179,090,974**

Increase in non-current assets due to internal works

The amount of Euro 7,562,865 refers to development costs (Euro 6,300,007) and assets built in-house (Euro 1,262,858) and has decreased compared to prior year when it amounted to Euro 8,382,774.
Development costs capitalised – 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 2022, (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.
The decrease (- Euro 819,909) is mainly due to the decrease in assets built in-house as partially offset by an increase in development activities required for the start-up of new projects acquired by the Parent Company.

Other revenue and income

Other revenue totals Euro 2,392,055 against Euro 6,643,010 in 2021. It wholly consists of other revenue of the parent company and includes:

- Euro 657,573 for sundry chargebacks to customers;
- Euro 584,963 for royalties and intercompany services to non-consolidated companies;
- Euro 531,731 for tax credits and grants awarded to the Company;
- Euro 287,442 of chargebacks to suppliers of costs incurred that are not attributable to the Company;
- Euro 203,261 of unaccrued prior year income, mainly regarding adjustments to estimates made in prior years;
- Euro 12,122 of gains on fixed asset disposals.

The large decrease compared to prior year is mainly due to lower chargebacks to customers as partially countered by intercompany chargebacks.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 2021 and 2022.

Description	2021	2022	Change
Raw, ancillary and consumable materials and goods for resale	90,750,993	102,911,804	12,160,811
Services	32,081,103	38,887,726	6,806,623
Use of third party assets - Lease and rental costs	2,686,637	3,821,294	1,134,657
Personnel:			
a) wages and salaries	22,147,952	23,207,919	1,059,967
b) social contributions	6,724,799	6,916,444	191,645
c) employee severance indemnity - TFR	1,292,649	1,452,220	159,571
d) retirement benefits and similar obligations	-	-	-
e) other personnel costs	48,039	73,949	25,910
Depreciation, amortisation and writedowns:			
a) intangible assets	2,959,794	2,718,310	(241,484)
b) tangible assets	5,338,133	5,246,201	(91,932)
c) other writedowns of non-current assets	-	-	-
d) writedowns of current receivabes	49,894	170,864	120,970
Changes in inventory of raw, ancillary and consumable materials and goods	(5,299,975)	(1,051,696)	4,248,279
Provisions for risks	-	-	-
Other provisions	1,210,112	1,585,717	375,605
Sundry operating expenses	1,113,580	1,324,531	210,951
Rounding			-
Total	**161,103,710**	**187,265,283**	**26,161,573**

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 102,911,804 for 2022 against Euro 90,750,993 in 2021.

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 México S.A. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
Raw, ancillary and consumable materials and goods for resale	63,700,138	5,607,154	16,502,819	779,707	16,321,986	102,911,804
Total	**63,700,138**	**5,607,154**	**16,502,819**	**779,707**	**16,321,986**	**102,911,804**

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.	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
Costs for Services	31,631,371	975,112	3,828,555	1,420,173	1,032,514	38,887,726
Total	**31,631,371**	**975,112**	**3,828,555**	**1,420,173**	**1,032,514**	**38,887,726**

Costs for services amount to Euro 38,887,726 against Euro 32,081,103 in 2021. They mainly comprise the Parent Company's costs for services (around 81% of the total), as detailed in the table below:

Description	2021	2022	Change
Industrial services	18,439,116	16,258,190	(2,180,926)
Consulting	1,011,739	2,017,821	1,006,082
General expenses	5,858,485	8,376,406	2,517,922
Shipping/Freight	2,423,621	1,749,221	(674,400)
Other services	1,358,001	3,229,733	1,871,732
Total Costs for Services	**29,090,961**	**31,631,371**	**2,540,410**

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.

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.

General Expenses include costs for Utilities, Maintenance and other general costs relating to the Company's activities.
The overall increase of Euro 2,517,922 is mainly due to higher utilities costs and to higher directors' fees.

Shipping/Freight costs have decreased compared to prior year mainly because of a reduction in external logistics costs as such activities have been managed by subsidiary Saleri Aftermarket Sp.A. since 1 January 2022. "Other services" includes sundry services. The increase compared to prior year is mainly due to an increase in research and development costs.

Use of third party assets – lease and rental costs

This item amounts to Euro 3,821,294 against Euro 2,686,637 in 2021. It is analysed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
Use of 3rd party assets - Lease and rental costs	1,950,003	313,312	410,831	392,126	755,021	3,821,294
Total	**1,950,003**	**313,312**	**410,831**	**392,126**	**755,021**	**3,821,294**

The balance mainly includes hire and rental expenses.

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 31,650,532 against Euro 30,213,439 in 2021 and are analysed below:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
Personnel costs						
a) wages and salaries	17,002,215	2,344,786	1,078,529	437,265	2,345,124	23,207,919
b) social contributions	5,262,806	709,836	332,456	83,521	527,825	6,916,444
c) employee severance indemnity - TFR	1,113,504	242,987	95,729	-	-	1,452,220
d) retirement benefits and similar obligations	-	-		-	-	-
e) other personnel costs	42	-		-	73,907	73,949
Total	**23,378,567**	**3,297,609**	**1,506,714**	**520,786**	**2,946,856**	**31,650,532**

Amortisation of intangible assets

Amortisation of intangible assets (Euro 2,718,310 against Euro 2,959,794 in 2021) has already been commented upon in the Note on intangible assets.

Depreciation of tangible assets

Depreciation of tangible assets (Euro 5,246,201 against Euro 5,338,133 in 2021) 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 2022, 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 170,864

Other provisions

This item, amounting to Euro 1,585,717, entirely relates to product warranty provisions.

Sundry operating expenses

Sundry operating expenses amount to Euro 1,324,531 against Euro 1,113,580 in 2021 and 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. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
Sundry operating expenses	897,886	106,039	38,593	30,671	251,342	1,324,531
Total	**897,886**	**106,039**	**38,593**	**30,671**	**251,342**	**1,324,531**

Financial income and expenses

Sundry income

Sundry income of Euro 141,283 includes:

- <u>Income from subsidiaries:</u>
  Euro 1,064 relating entirely to interest on loan agreements;
- <u>Income from others:</u>
  Euro 140,219 relating to sundry interest from others.

Interest and other financial expenses

Interest and other financial expenses amount to Euro 3,259,608 against Euro 2,145,615 in 2022 and are analysed as follows:

Description	Amount
Bonds	103,749
Bank borrowing	2,816,086
Other	339,773
Total	**3,259,608**

Exchange gains and losses

Net exchange gains of Euro 377,722 were realised during the reporting period against net exchange losses of Euro 212,168 in 2021.
They mainly refer to the exchange differences of the Parent Company and subsidiaries Saleri Shanghai Co.Ltd, Saleri Aftermarket S.p.A. and Saleri México S.A.. Exchange differences also refer to a minor extent to consolidation adjustments.

Taxes on income – current, deferred and deferred tax income

Description	2021	Change	2022
Current taxes	1,377,585	(653,354)	724,231
Prior year taxes	946	8,335	9,281
Deferred Taxes and Utilisation of Deferred Tax Assets	1,221,515	500,651	1,722,166
Deferred Tax Income and Use of Deferred Tax Provisions	(2,094,597)	(155,758)	(2,250,355)
Income and expenses from tax consolidation		-	
Total	**505,449**	**(300,126)**	**205,323**

"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 2,489,565 and refer to:

- Euro 2,024,559 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 31/12/2022;
- Euro 465,006 of guarantees given by the Parent Company on behalf of subsidiary Saleri India Private Co. Ltd in favour of a lender to that company; the maximum amount of the guarantees given is equal to the subsidiary's exposure towards the beneficiary of the guarantee.

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 2022 – Euro 1,095,243). The amount of the advances is covered by guarantees for the same amount on machinery owned by the Parent Company. With regard to relations with subsidiaries, the Parent Company provided technical/administrative, commercial and management services, as well as royalties, totalling Euro 1,121,172 to the Group's operating subsidiaries (non-consolidated), as regulated by specific agreements.

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		1,283,020	
Costs		1,065,216	461,972
Financial income / expenses		1,064	
Financial receivables		-	-
Trade receivables		1,854,623	2,286
Financial payables		-	
Trade payables		84,904	55,851

Regarding the related party transactions, the Parent Company has provided technical, administrative, commercial, and management services, as well as royalties, to the operational controlled companies of the Group (not consolidated). The total amount for these services and royalties was Euro 1,121,172 and was governed by specific contracts.

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	2,278,289
Board of Statutory Auditors' Fees	95,833
External auditor's fees - Annual audit	123,601
External auditor's fees - Other services	78,772
Total	**2,576,494**

Employment details

The following table shows the average number of employees – by employee category – of the companies consolidated line-by-line.

Description	2021	Change	2022
White collars - Managers	249	45	294
Blue collars - Intermediates	366	(48)	318
Total	**615**	**(3)**	**612**

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	Description	Amount Received
Inps	Exemption from payment of contributions for new hires	12,458,03
Inps	Relief from Inps cibtributions on payroll costs	12,345,51
Inps	Exemption from payment of contributions for new hires	1,725,68

Disclosures on derivative instruments required by Article 2427-bis of the Italian Civil Code

The following table contains the disclosures required by Article 2427-bis(1)(1) of the Italian Civil Code.

Description	Fair value 31/12/2022	Fair value 31/12/2021	Change in income statement	Change in Equity	Nature	Amount
Interest rate swap	1,451,176	(1,775)	-	1,452,951	Hedge	22,500,000

Significant events after the reporting period

Pursuant to Article 2427(22-iv) of the Italian Civil Code, we note that the first few months of 2023 have been impacted by ongoing negative effects mainly regarding higher commodity and energy costs, partly triggered by the military conflict in Ukraine, as well as tension on financial markets with consequences for exchange rates and interest rates. As already stated in the Foreword, once more in 2023, rising prices as well as component shortages have badly hit the European Automotive market, leading to a significant fall in volumes.

It should be noted that the Group does not own any strategic assets in the areas currently affected by the conflict in Ukraine and that its business activities in those regions are limited. Therefore, although 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.

It should also be noted that, at the date of approval of these Notes, the balance sheet and income statement of subsidiary ABL Automazione S.r.l. revealed additional losses on top of those already realised at 31 December 2022; this made it necessary to take action pursuant to Article 2482-ter of the Italian Civil Code. By means of Article 3(9) of Decree Law 198 of 29 December 2022, acting under Article 60(7-bis) of Decree Law 104/2020 (converted by Law 126/2020), the Legislator extended to financial statements for reporting periods ending 31 December 2022, the same rules that neutralised the effects of the reporting of losses in the 2020 and 2021 financial statements and postponed until the fifth subsequent reporting period the need for any decisions on recapitalisation.

However, in order to provide the subsidiary with the necessary financial and capital resources and considering the contents of the Business Plan for the period 2023-2027, the Parent Company has already paid additional capital of Euro 1,050,000 into subsidiary ABL Automazione S.r.l. The payments made cover both the losses arising as at 31 December 2022 and those arising at the date of approval of the Financial Statements.

Lumezzane (BS), 3 August 2023

THE BOARD OF DIRECTORS

Signed by **Francesco Italo 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, 2022, 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, 2022, 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.

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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.

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.

Deloitte.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at 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, 2022, 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, 2022 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, 2022 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.

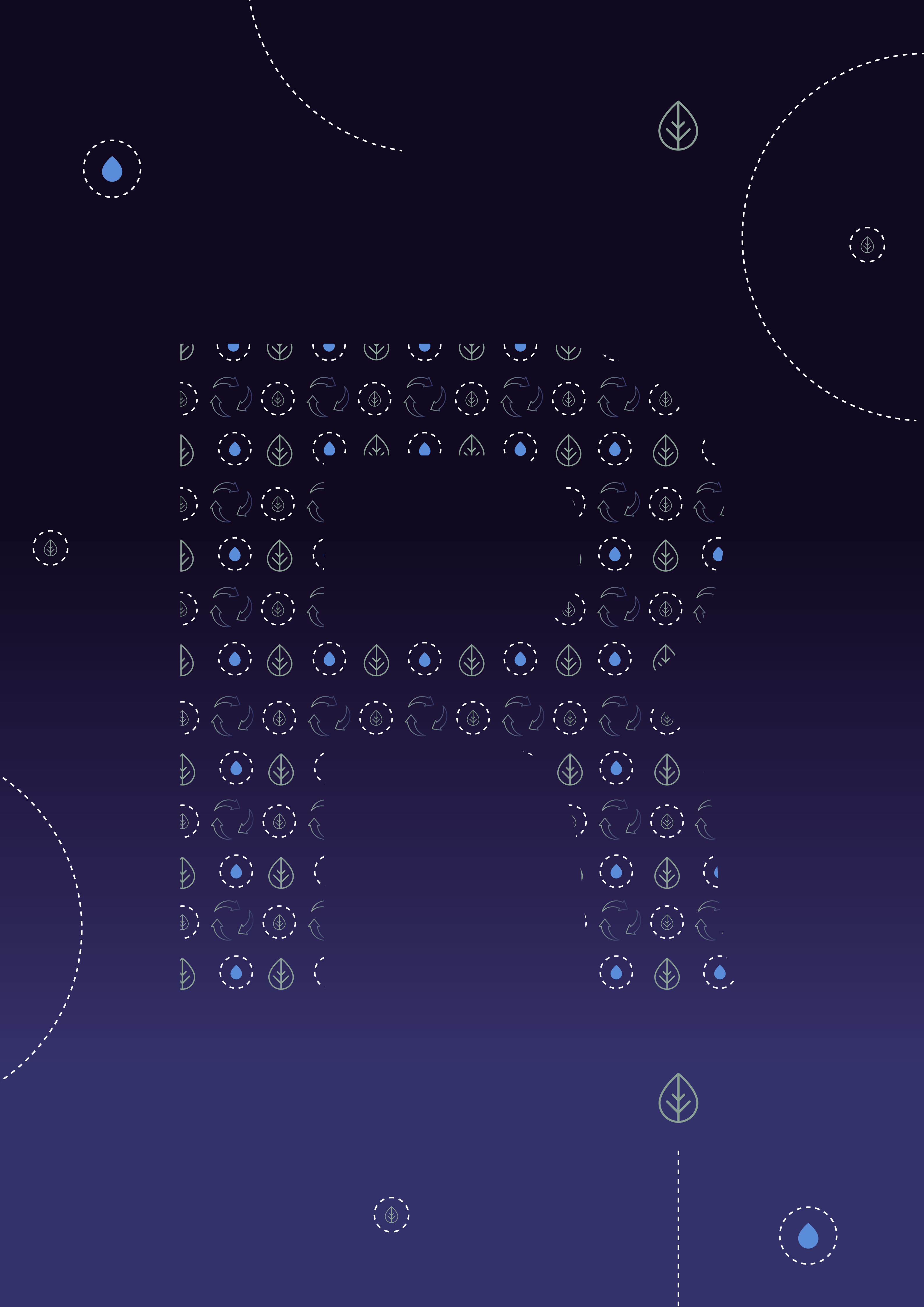
Signed by
Giampaolo Carrara
Director

Brescia, Italy
August 7, 2023

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.

Responsibility towards the future

We are the **main performers** of each **of our actions and** of all of their **consequences**. We know what we create has outcomes on the entire ecosystem around us. Saleri can actively play its part in shifting to a more sustainable economy that works for both people and the planet.



Separate Financial Statements at 31 December 2022

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
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	31/12/2022	31/12/2021
A) Due from shareholders for unpaid capital		
B) Non-current assets		
I) Intangible assets:		
1) Start-up and expansion cost		
2) Development costs	2,487,731	1,945,623
3) Patents and intellectual property rights	2,167,660	2,826,565
4) Concessions, licences, trademarks and similar rights	2,007,813	1,984,690
5) Goodwil		
6) Assets under construction and payments on account	8,744,049	4,405,714
7) Other	714,821	1,047,437
Total Intangible Assets	**16,122,074**	**12,210,029**
II) Tangible assets:		
1) Land and buildings	18,177,305	18,850,156
2) Plant and machinery	25,571,673	22,629,239
3) Industrial and commercial equipment	5,590,766	4,215,962
4) Other tangible assets	494,207	576,560
5) Assets under construction and payments on account	669,807	3,608,373
Total Tangible Assets	**50,503,758**	**49,880,290**
III) Financial assets:		
1) Investments in:		
a) subsidiaries	32,417,509	36,426,116
b) associated companies		
c) parent companies		
d) entities subject to control of parent companies		
d-bis) other entities	532	532
Total investments	**32,418,041**	**36,426,648**
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	31/12/2022	31/12/2021
3) Other Securities	6,340	6,340
4) Derivatives	1,451,176	1,080
Total Financial Assets	**33,875,557**	**36,434,068**
Total non-current assets (B)	**100,501,389**	**98,524,387**
C) Current assets		
I) Inventory:		
1) Raw, ancillary and consumable materials	8,974,620	9,695,921
2) Work in progress and semi-finished goods	5,543,932	5,557,029
3) Contract work in progress		
4) Finished goods	2,048,583	3,530,885
5) Payments on account	203,966	29,110
Total Inventory	**16,771,101**	**18,812,945**
II) Receivables:		
1) Trade accounts	-	-
due within a year	8,736,360	4,888,661
due after more than a year	-	-
Total trade receivables	**8,736,360**	**4,888,661**
2) Due from subsidiaries	-	-
due within a year	19,068,084	12,938,623
due after more than a year	-	-
Total receivables due from subsidiaries	**19,068,084**	**12,938,623**
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	-	-
due after more than a year	-	-
Total receivables due from parent companies	**-**	**-**
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	31/12/2022	31/12/2021
5-bis) Tax receivables	-	-
due within a year	1,955,566	1,839,069
due after more than a year	18,712	542,541
Total tax receivables	**1,974,278**	**2,381,610**
5-ter) Deferred tax assets	-	-
due within a year	-	-
due after more than a year	7,440,898	6,693,533
Total receivables due from others	**7,440,898**	**6,693,533**
5-quater) Due from others	-	-
due within a year	1,223,749	2,597,953
due after more than a year	217,970	148,082
Total receivables due from others	**1,441,719**	**2,746,035**
Total Receivables	**38,661,339**	**29,648,462**
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	8,173,883	14,222,005
2) Cheques	-	-
3) Cash and cash equivalents on hand	118	118
Total IV)	8,174,001	14,222,123
Total current assets	**63,619,735**	**62,696,824**
D) Prepaid expenses and accrued income	**3,704,487**	**3,778,125**
Total assets	**167,825,611**	**164,999,336**

BALANCE SHEET – LIABILITIES AND EQUITY	31/12/2022	31/12/2021
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	**1,193,045**	**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	**1,451,176**	**(1,775)**
VIII) Retained earnings (Accumulated losses)	**(5,930,987)**	**(6,179,307)**
IX) Profit (Loss) for the year	**3,019,098**	**261,390**
X) Negative reserve for treasury shares held	**(285,014)**	**(285,014)**
Total shareholders' equity	**59,348,869**	**54,876,821**
B) Provisions for risks and charges		
1) Retirement benefits and similar obligations		
2) Taxation, including deferred tax	1,604,873	1,620,382
3) Derivatives		2,855
4) Other	2,348,146	3,601,463
Total provisions for risks and charges	**3,953,019**	**5,224,700**
C) Employee severance indemnity /tfr provision	**1,237,585**	**1,193,165**
D) Payables		
1) Bonds		
due within a year		3,931,162
due after more than a year		
Total bonds		**3,931,162**
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	19,442,970	17,549,882
due after more than a year	37,682,057	28,963,215
Total bank borrowing	**57,125,027**	**46,513,097**
5) Payables to other lenders		
due within a year	1,422,062	2,468,810
due after more than a year		
Total payables to other lenders	**1,422,062**	**2,468,810**

BALANCE SHEET – LIABILITIES AND EQUITY	31/12/2022	31/12/2021
6) Payments on account		
due within a year	1,322,206	2,545,494
due after more than a year		
Total payments on account	**1,322,206**	**2,545,494**
7) Trade payables		
due within a year	31,272,369	27,527,141
due after more than a year		
Total trade payables	**31,272,369**	**27,527,141**
8) Credit instruments	-	-
due within a year	-	-
due after more than a year	-	-
Total credit instruments	**-**	**-**
9) Payables to subsidiaries		
due within a year	3,301,929	10,593,456
due after more than a year		
Total payables to subsidiaries	**3,301,929**	**10,593,456**
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	-	-
due within a year	-	-
due after more than a year	-	-
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	882,762	732,792
due after more than a year	-	-
Total tax payables	**882,762**	**732,792**
13) Payables to social security and pensions institutions	-	-
due within a year	1,458,724	1,432,571
due after more than a year	-	-
Total payables to social security and pensions institutions	**1,458,724**	**1,432,571**
14) Other payables		
due within a year	4,177,074	5,321,602
due after more than a year	500,000	900,000
Total other payables	4,677,074	6,221,602
Total payables	**101,462,153**	**101,966,125**
E) Accrued expenses and deferred income	**1,823,985**	**1,738,525**
Total liabilities and equity	**167,825,611**	**164,999,336**

Income Statement

INCOME STATEMENT	31/12/2022	31/12/2021
A) Value of production		
1) Revenue from sales and services	124,746,846	122,209,571
2) Change in inventories of WIP, semi-finished and finished goods	(1,495,398)	(1,068,643)
3) Change in contract work in progress	-	-
4) Increases in non-current assets due to capitalisation of internal works	6,237,703	3,864,400
5) Other revenue and income	-	-
Operating grant income	531,741	64,154
Other	5,601,563	8,652,982
Total other revenue and income	**6,133,304**	**8,717,136**
Total value of production	**135,622,455**	**133,722,464**
B) Cost of production		
6) Raw, ancillary and consumable materials and goods	64,096,323	69,114,158
7) Services	31,809,886	29,195,756
8) Use of third party assets – lease and rental costs	5,057,722	4,176,998
9) Personnel	-	-
a) wages and salaries	17,002,215	18,047,223
b) social contributions	5,262,806	5,454,266
c) employee severance indemnity / TFR	1,113,504	1,094,771
d) retirement benefits and similar obligations	-	-
e) other personnel costs	42	796
Total personnel costs	**23,378,567**	**24,597,056**
10) Depreciation, amortisation and writedowns	-	-
a) amortisation of intangible assets	2,097,445	2,118,692
b) depreciation of tangible assets	3,841,052	4,054,984
c) other writedowns of non-current assets	-	-
d) writedowns of current receivables and cash and cash equivalents	47,849	218
Total depreciation, amortisation and writedowns	**5,986,346**	**6,173,894**
11) Changes in inventory of raw, ancillary and consumable materials and goods for resale	721,301	(1,222,310)
12) Provisions for risks	-	-
13) Other provisions	1,475,694	1,106,227
14) Sundry operating expenses	897,886	861,186
Total cost of production	**133,423,725**	**134,002,965**
Difference between value and cost of production (A - B)	**2,198,730**	**(280,501)**
C) Financial income and expenses		
15) Income from investments	-	-
- in subsidiaries	3,430,990	6,260,722
- in associated companies	-	-
- in parent companies	-	-
- in entities controlled by parent companies	-	-
Other	-	-
Total income from investments	3,430,990	6,260,722

INCOME STATEMENT	31/12/2022	31/12/2021
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	-	-
b) from receivables classed as non-current assets	-	-
c) from securities classed as non-current assets other than equity investments	690	309
d) from securities classed as current assets other than equity investments	-	-
e) income other than the above	-	-
- from subsidiaries	48,879	44,249
- from associated companies	-	-
- from parent companies	-	-
- from entities controlled by parent companies	-	-
- from other entities	83,841	353
Total income other than the above	**132,720**	**44,602**
Total other financial income	**133,410**	**44,911**
17) Interest and other financial expenses	-	-
- to subsidiaries	-	69,030
- to associated companies	-	-
- to parent companies	-	-
- to entities controlled by parent companies	-	-
Other	2,858,483	1,808,888
Total interest and other financial expenses	**2,858,483**	**1,877,918**
17-bis) Exchange gains and losses	(163,191)	(24,438)
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	**542,726**	**4,403,277**
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
b) of non-current financial assets other than equity investments		-
c) of securities classed as current assets other than equity investments		-
d) of derivatives		-
Total writedown		**4,538,008**
Total adjustments to value of financial assets		**(4,538,008)**
Profit before taxation (A - B + - C + - D)	**2,741,456**	**(415,232)**
20) Taxes on income for the year – current, deferred and deferred tax income	-	-
a) current taxes	97,865	96,857
b) prior year taxes	-	-
c) deferred tax (income)	(375,507)	(772,209)
d) income (Expenses) from participation in tax consolidation		1,270
Total taxes on income for the year – current, deferred and deferred tax income	**(277,642)**	**(676,622)**
21) Profit (Loss) for the year	**3,019,098**	**261,390**

Statement of cash flows, indirect method

STATEMENT OF CASH FLOWS, INDIRECT METHOD	31/12/2022	31/12/2021
A. Cash flows from operating activities		
Profit (loss) for the year	**3,019,098**	**261,390**
Taxes on income	(277,642)	(676,622)
Interest expenses/(income)	(542,726)	(4,403,277)
(Dividends)	0	0
(Gains)/Losses on asset disposals	72,758	100,565
1. Profit (Loss) for the year before taxes on income, interest, dividends and gains/losses on disposal	**2,271,488**	**(4,717,944)**
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	3,232,259	2,627,470
Depreciation/Amortisation of non-current assets	5,938,497	6,173,676
Impairment adjustments	0	0
Adjustments to value of financial assets and liabilities		4,538,008
Other adjustments for non-cash items	(29,341)	(1,077,647)
Total adjustments for non-cash items with no impact on net working capital	**9,141,415**	**12,261,507**
2. Cash flows before changes in NWC	**11,412,903**	**7,543,563**
Changes in net working capital	-	-
Decrease / (Increase) in Inventory	2,055,998	812,216
Decrease / (Increase) in Trade Receivables	(3,839,951)	(215,677)
(Decrease) / Increase in Trade Payables	3,745,227	(4,883,131)
Decrease / (Increase) in Prepaid Expenses and Accrued Income	73,638	275,865
(Decrease) / Increase in Accrued Expenses and Deferred Income	85,459	1,221,224
Δ in Financial Receivables	0	0
Δ in Tax Receivables	1,677,633	(1,035,636)
Δ in Sundry Receivables	1,304,316	(611,027)
Decrease / (Increase) in Sundry Receivables	2,981,949	(1,646,663)
Δ in Other Payables	(12,697,761)	(3,330,855)
Δ in Tax Payables	133,936	(39,725)
Δ in Payables to Social Security and Pensions Institutions	26.153	473,948
(Decrease) / Increase in Sundry Payables	(12,537,672)	(2,896,632)
Other decreases/(Other increases) in net working capital	(9,555,723)	(4,543,295)
Change in net working capital	**(7,435,352)**	**(7,332,798)**
3. Cash flows after changes in NWC	**3,977,551**	**210,765**
Interest received / (paid)	(2,888,264)	(1,857,445)
Taxes on income (paid)		(4,084)
Dividends received	3,430,990	6,260,722
(Use of Provisions for Risks and Charges)	(3,396,826)	-
(Use of employee severance indemnity /TFR provision)	(1,069,084)	(1,338,786)
(Use of provisions)	-	-
Other receipts/(payments)	-	-
Total other adjustments	**(3.923.184)**	**3.060.407**
4. Cash Flows after other adjustments	**54.367**	**3.271.172**
Cash flows from operating activities	**-**	**-**

STATEMENT OF CASH FLOWS, INDIRECT METHOD	31/12/2022	31/12/2021
B. Cash flows from investing activities		
Capex on non-current assets		
-Tangible assets		
(Additions)	(5,208,269)	(7,393,185)
Disposals	258,854	381,319
-Intangible assets		
(Additions)	(6,818,789)	(6,740,004)
Disposals	0	675,253
-Financial assets		
(Additions)	(173,956)	(8,543,446)
Disposals		3,715
-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	**(11,942,160)**	**(21,616,348)**
C. Cash flows from financing activities		
Debt		
- Increase (Decrease) in short-term bank borrowing	(4,513,481)	2,606,023
- Loans arranged	20,000,000	
- (Loans repaid)	(9,852,499)	(6,297,211)
Equity		
- Paid share capital increas		
- (Share capital refunds)		
- Sale (Purchase) of treasury shares		
- (Dividends and advances on dividends paid)		
Cash flows from financing activities	**5,634,020**	**(3,691,188)**
increase (decrease) in cash and cash equivalents (A ± B ± C)	**(6,253,774)**	**(22,036,364)**
- Forex effect on cash and cash equivalents		
Cash and cash equivalents at start of period		
Bank and post office accounts Cheques	14,427,657	36,258,427
Cheques		
Cash and cash equivalents on hand	118	60
Total cash and cash equivalents at start of period	**14,427,775**	**36,258,487**
Of which not freely available		
Cash and cash equivalents at end of period		
Bank and post office accounts	8,173,883	14,222,005
Cheques		
Cash and cash equivalents on hand	118	118
Total cash and cash equivalents at end of period	**8,174,001**	**14,222,123**
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 3,019,098.

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 2022. 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

The financial year ended on December 31, 2022, was once again affected, like the two previous years, by the ongoing effects of the Coronavirus "Covid-19" pandemic, particularly in terms of productivity, profitability, finance, employment, and the domestic and international markets.

Industrie Saleri Italo S.p.A., despite maintaining its operational activities within the legally prescribed limits, experienced the impact of the epidemiological emergency on the overall economic landscape, even in the year 2022. It should be noted that the various lockdown measures imposed by the Chinese government resulted in a slowdown of port operations in China in 2022, with consequences for the global market in terms of delays and transportation costs.

Furthermore, the conflict in Ukraine, which began in February 2022 and the subsequent international sanctions imposed against Russia, further intensified the tension in the global commodities market. This was already evident in the second half of the 2021 financial year, with significant price increases and supply difficulties. Additionally, there were energy and petroleum product price hikes, as well as market volatility with consequences for exchange rates and interest rates. It is also worth noting that the price increases, coupled with component shortages, particularly affected the European automotive market, resulting in significant volume reductions.

Industrie Saleri Italo S.p.A. has taken all necessary initiatives to counteract the effects caused by market tensions and reductions in customer volumes, including those resulting from the recent Russo-Ukrainian conflict. These actions, combined with (i) the portfolio of contracts awarded to the company by customers for the next 5 years (over €1.1 billion) and (ii) the ongoing and active support demonstrated by company’s suppliers (banking system, service providers, components, and raw materials), are the foundation of the 2023-2027 industrial plan approved by the Board of Directors. Considering the above-mentioned factors, the Directors believe that there is no significant uncertainty over the company’s ability to continue to operate as a going concern.

It should be noted that on January 1, 2022, the transfer of the aftermarket branch of business to the subsidiary Saleri Aftermarket S.p.A. became effective (deed executed by Notary Barca in Brescia Reg. 14378 File 8464). This operation is part of the revitalization plan for the aftermarket segment, which involved separating the core business activities (sales and distribution) within an organization with its own dedicated logistics structure, a consolidated market position, and growing results in recent years.

During the financial year, the merger by incorporation of the subsidiary Immobiliare Industriale S.r.l. became effective. The merger deed (executed by Notary Barca in Brescia Reg. 14608 File 8632) was executed on July 29, 2022, and registered with the Companies Register of Brescia on August 4, 2022. The legal effects of the operation date from that day, while the accounting and tax effects have been accounted for since January 1, 2022. It should be noted that the operation did not give rise to any deficit. If significant, the effects of this merger on the equity and financial statements are disclosed in this explanatory note.

During the year, in compliance with Legislative Decree no 83 of 17 June 2022, the Company again continued to implement its organisational, administrative and accounting structures with a view to creating a business management model that makes it possible to assess in advance the income statement, equity and cash effects of management decisions in order to safeguard the company assets.

For further details, reference is made to the management report.

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 the original equipment (OEM) segment.

With regard to aftermarket division, following the aforementioned branch of business transfer, the Company maintained only the manufacturing activity for the fiscal year 2022. 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 2022 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 captionswere 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 2022, 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 2022 amount to Euro 53,500, excluding VAT and any out of pocket expenses.

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 vehicles	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 longterm 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 tha 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 2022 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 16,122,074 (Euro 12,210,029 at 31 December 2021) and are stated net of accumulated amortisation (Euro 9,048,357).

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	1,945,623	1,202,319	660,211	2,487,731
Patents and intellectual property rights	2,826,565	92,651	751,556	2,167,660
Concessions, licences, trademarks and similar rights	1,984,690	138,011	114,888	2,007,813
Goodwill	-	0	0	-
Assets in progress and payments on account	4,405,714	6,762,087	2,423,752	8,744,049
Other intangible assets	1,047,437	238,175	570,791	714,821
Rounding	-	-	-	-
Total	**12,210,029**	**8,433,243**	**4,521,198**	**16,122,074**

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	-	3,958,829	4,290,758	2,013,187	-	4,405,714	4,520,028	19,188,516
Revaluations	-	-	-	-	-	-	-	0
Amortisation (Accumulated Amortisation)	-	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**
Changes during the year								
Increases due to additions	-	238,186	92,652	138,011	-	6,349,951	238,175	7,056,975
Reclassifications (of net carrying amount)	-	936,558	-	-	-	(936,558)	-	0
Decreases due to disposals (of net carrying amount)	-	-	-	-	-	1,487,194	-	1,487,194
Revaluations performed during the year	-	-	-	-	-	-	-	0
Amortisation for the year	-	660,211	751,556	114,888	-	-	570,791	2,097,446
Writedowns performed during the year	-	-	-	-	-	-	-	0
Other changes	-	27,575	(1)	-	-	412,136	-	439,710
Total changes	**0**	**542,108**	**(658,905)**	**23,123**	**0**	**4,338,335**	**(332,616)**	**3,912,045**
Closing Amount								
Cost	-	5,133,573	4,383,409	2,151,198	-	8,744,049	4,758,202	25,170,431
Revaluations	-	-	-	-	-	-	-	0
Amortisation (Accumulated Amortisation)	-	2,645,842	2,215,749	143,385	-	-	4,043,381	9,048,357
Writedowns	-	-	-	-	-	-	-	0
Net carrying amount	**-**	**2,487,731**	**2,167,660**	**2,007,813**	**-**	**8,744,049**	**714,821**	**16,122,074**

Development costs

In 2022, 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 2022, the Company incurred personnel costs totalling Euro 4,562,965 and external development costs of Euro 2,489,832. 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 6,588,137. In more detail:

- Euro 6,349,951 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 238,186 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 936,558, 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	1,945,623	1,202,319	660,211	2,487,731
Total	**1,945,623**	**1,202,319**	**660,211**	**2,487,731**

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 1,174,744 (of which Euro 936,558 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 660,221 entirely refer to amortization for the year.

The item "Other changes" amounting to Euro 27,575 refers solely to variations in accumulated amortisation.

Research & Deveolpment Tax Credit for 2021 recognized in the 2022 financial year

We note the following for the purposes of the tax credit in terms of Art.3 of Decree Law 145/2013, subsequently Art.1 (35) of Decree Law 190/2014 and later renewed by Article 1(15) and (16) of Law no 232 of 11 December 2016 (2017 Budget Law), as subsequently amended by Law 145/2018 (2019 Budget Law), by Art.1 of Law 160/2019 (2020 Budget Law) and, finally, by Art.1(1064) of Law 178/2020 (2021 Budget Law), and subsequent amendments introduced by Article 1, paragraph 45 of Law 234/2021 (referred to as the 2022 Budget Law), the following clarifications are provided:

Activities
In 2021, the Company carried out research, development and technological innovation activities with a view to the realisation of new electronic, electro-mechanical, mechanical and hydraulic solutions for application in future production.
The objective is to be able to offer the market products with unique characteristics in terms of innovation in the industry.
Such innovations would represent substantial technological progress compared to the existing stare of the art.

The activities have been carried out by the Company's Technical Team with assistance from Universities and third party Technology Partners.

Some of the results, which represent substantial technological advancement compared to the state of the art in the industry as a whole, have already moved on to the trial phase while others will do in the next reporting period.

All research and development activities have been organised based on a systematic approach, providing for the following stages:
- Industrial Research, involving focused research and critical investigations to develop understanding in order to research, design and improve technical/functional specifications, as well as performance. This stage has included performance of feasibility studies – Research and Design;
- Experimental Development, which has led to the creation of initial prototypes and intensive experimentation thereof;
- Testing, designed to valid the products and process technologies.

Certain macro-activities have been performed on a consequential basis, others on a contextual basis. The activities also included apparent overlaps due to the need to commence independent activities and/or to generate technological loops.

Costs

The costs incurred and expensed in the 2021 Income Statement amount to Euro 263,578. In accordance with Article 1 of Law 160/2019 and the subsequent amendments introduced by Article 1, paragraphs 185, 186, and 1064 of Law 178/2020, and Article 1, paragraph 45 of Law 234/2021, include the following:
- costs for employees – also with fixed-term contracts – working on research, development and technological innovation activities - Euro 184,832. These costs are included under personnel costs in Income Statement caption B9 - in more detail B9a (wages and salaries), B9b (social contributions) and B9c (employee severance indemnity) – as determined based on the hours worked by Company personnel;
- costs of Euro 31,245 for the purchase of specialist third party services for use in carrying out research and development and for activities regarding technological innovation.
  These costs are included in Income Statement caption B7;
- costs of Euro 47,500 for materials used in prototyping and in intensive experimentation of samples. This cost is included in Income Statement caption B6 costs for raw, ancillary and consumable materials.

The tax credit

Considering the costs incurred and the different approach to the computation of relevant expenditure under Law 160/2019, and subsequently amended by Article 1, paragraphs 185, 186, and 1064 of Law 178/2020, and Article 1, paragraph 45 of Law 234/2021, the amount of the tax credit resulting from research, development and technological innovation and design activities in 2021 is Euro 31,054:
- the amount is included in the 2022 Income Statement under caption A5 Other revenue and income;
- the amount is included in the Balance Sheet at 31 December 2022 under caption C5 Bis Tax Receivables.

Impact

For the Company, an extraordinary and constant commitment to research, development and technological innovation is an important lever for growth on a global market.

In accordance with the confidentiality of the contents and the innovative characteristics of the activities carried out and, on the basis of the above, the Company keeps relevant supporting documentation for the activities performed at its headquarters.

Patents and intellectual property rights

The net balance amounts to Euro 2,167,660 (Euro 2,826,565 at 31 December 2020) and refers entirely to Software.

Increases for the year of Euro 92,651 refers to costs for new user licences and Management Software implementation necessary to update the management of various business processes.

Decreases amounting to Euro 751,556 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 2,007,813 (Euro 1,984,690 at 31 December 2021) and entirely refers to Trademarks purchased during the year, for which additional ancillary expenses of Euro 138,011 were incurred during the year.

The decrease in the current year of Euro 114,888 solely pertains to amortization for the year.

Intangible assets in progress and payments on account

This item amounts to Euro 8,744,049 (Euro 4,405,714 at 31 December 2021).

This caption refers almost entirely to of internal and external development costs incurred in relation to development projects in progress (Euro 8,202,300). 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 6,349,951 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 936,558 were reclassified and capitalised under “Development Costs”.

The decrease in the current year of Euro 1,487,194 pertains to recharges of development costs to subsidiary companies and customers.

The item includes advances for investments in third-party assets, amounting to Euro 541,749 as a residual amount.

The amount of Euro 412,136 recorded under the category "Other Changes" refers to advances that were previously classified under the category "Assets under construction" in the previous fiscal year.

Other intangible assets

The net balance amounts to Euro 714,821 (Euro 1,047,437 at 31 December 2021), after accumulated amortisation of Euro 4,043,381 and entirely refers to leasehold improvements.

The increases in the item amounting to Euro 238,175 are related to investments in leased assets.

The decrease in the current year of Euro 570,791 solely pertains to amortization for the year.

Tangible assets

Movements on tangible assets

Tangible assets include land, buildings, plant and machinery, industrial and commercial equipment, tangible assets under construction and other tangible assets.
They amount to Euro 50,503,758 (Euro 49,880,290 at 31 December 2021) after accumulated depreciation (Euro 58,351,734).

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	20,287,276	46,831,679	32,394,970	4,947,854	3,608,373	108,070,152
Revaluations	6,502,686	-	-	-	-	6,502,686
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**
Changes during yea						
Increases due to additions	3,377	2,004,704	2,385,865	146,900	667,423	5,208,269
Reclassifications (of net carrying amount)	-	2,998,601	11,200	-	(3,009,801)	0
Decreases due to disposals (of net carrying amount)	-	138,890	4,604	4,067	184,051	331,612
Revaluations performed during the year	-	-	-	-	-	0
Depreciation for the year	676,228	1,921,981	1,017,657	225,186	-	3,841,052
Writedowns performed during the year	-	-	-	-	-	0
Other changes	-	-	-	-	(412,137)	(412,137)
Total changes	**(672,851)**	**2,942,434**	**1,374,804**	**(82,353)**	**(2,938,566)**	**623,468**
Closing Amount						
Cost	20,290,654	50,198,526	27,706,511	5,047,796	669,807	103,913,294
Revaluations	6,502,686	-	-	-	-	6,502,686
Depreciation (Accumulated Depreciation)	7,055,547	24,626,853	22,115,745	4,553,589	-	58,351,734
Writedowns	1,560,488	-	-	-	-	1,560,488
Net carrying amount	**18,177,305**	**25,571,673**	**5,590,766**	**494,207**	**669,807**	**50,503,758**

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 2022 as there are no new factors requiring changes to the conclusions reached at the time.

Land and buildings

This caption amounts to Euro 18,177,305 (Euro 18,850,156 at 31 December 2021) and is stated net of accumulated depreciation of Euro 7,055,547.

During the reporting period, the balance increased by Euro 3,377 due to the acquisition of a parcel of land.

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 25,571,673 (Euro 22,629,239 at 31 December 2021) after accumulated depreciation of Euro 24,626,853.

Increases of Euro 5,003,305 were recorded during the reporting period, including Euro 2,998,601 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 138,890 (historical cost Euro 1,636,458) 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 5,590,766 (Euro 4,215,962 at 31 December 2021) after accumulated depreciation of Euro 22,115,745.

Additions for the period amount to Euro 2.397.065, including Euro 11,200 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 4,604 (historical cost Euro 7,085,524) 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 vehicles	Motor vehicles	Sundry other assets
Historical cost	1,339,382	3,482,337	126,135	-	4,947,854
Prior year revaluations	-	-	-	-	0
Opening accumulated depreciation	1,032,000	3,218,674	120,620	-	4,371,294
Prior year writedowns	-	-	-	-	0
Net carrying amount	**307,382**	**263,663**	**5,515**	**-**	**576,560**
Increases – additions	-	146,900	-	-	146,900
Transfers to other captions	-	-	-	-	0
Transfers from other captions	-	-	-	-	0
Disposals/Decreases for year: historical cost	-	(46,957)	-	-	(46,957)
Disposals/Decreases for year: accumulated depreciation	-	(42,890)	-	-	(42,890)
Revaluations during year	-	-	-	-	0
Depreciation for year	93,512	127,988	3,686	-	225,186
Writedowns during year	-	-	-	-	0
Interest capitalised during year	-	-	-	-	0
Closing Amount	**213,870**	**278,508**	**1,829**	**0**	**494,207**

The balance amounts to Euro 494,207 (Euro 576,560 at 31 December 2021) after accumulated depreciation of Euro 4,553,589 and refers to:

- furniture and fittings amount to Euro 213,870 (Euro 307,382 at the end of the previous fiscal year). The item did not experience any increases during the fiscal year;
- office electronic equipment amounts to Euro 278,508 (Euro 263,663 at the end of the previous fiscal year). The item increased by Euro 146,900 during the year, mainly due to the purchase of hardware and the renewal of the existing device fleet. As a result of this renewal, some electronic machines with a residual value close to zero were disposed of (original historical cost of Euro 46,957);
- cars and vehicles amount to Euro 1,829 (Euro 5,515 at the end of the previous fiscal year). The item did not experience any increases during the fiscal year.

Assets under construction and payments on account

The balance amounts to Euro 669,807 (Euro 3,608,373 at 31 December 2021) and refers to payments made on account during the period towards additions to tangible assets.

During the period, Euro 3,009,801 was reclassified to the relevant tangible asset categories following the completion of the related capex. Decreases for the period totalled Euro 184,051 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 667,423 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.

The amount of Euro 412,137 recorded under the category "Other Changes" refers to advances that were previously classified under the category "Assets under construction" in the previous fiscal year.

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 2022 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 offer ed 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	10,713,660
Notional depreciation charge for the year	975,934
Notional adjustments and reversals for the year	-
Present value of lease instalments not yet due at reporting date	3,396,437
Financial expenses for the year based on effective interest method	131,623

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 2022, they amounted to Euro 32,418,041 (Euro 36,426,648 at 31 December 2021).

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	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**
Changes during the year								
Increases due to acquisitions	-	-	-	-	-	0	-	-
Reclassifications (of net carrying amount)	-	-	-	-	-	0	-	-
Decreases due to disposals (of net carrying amount)	-	-	-	-	-	0	-	-
Revaluations performed during year	-	-	-	-	-	0	-	1,450,096
Writedowns performed during year	-	-	-	-	-	0	-	-
Other changes	(4,008,607)	-	-	-	-	(4,008,607)	-	-
Total Changes	**(4,008,607)**	**-**	**-**	**-**	**0**	**(4,008,607)**	**0**	**1,450,096**
Closing Amount								
Cost	10,715,896	-	-	-	532	10,716,428	19,960	1,451,176
Revaluations	22,452,350	-	-	-	-	22,452,350	-	-
Writedowns	750,737	-	-	-	-	750,737	13,620	-
Net carrying amount	**32,417,509**	**-**	**-**	**-**	**532**	**32,418,041**	**6,340**	**1,451,176**

“Investments in subsidiaries” totalling Euro 32,417,509 includes:

- subsidiary Saleri Shanghai Co. Ltd - Euro 24,515,600;
- subsidiary Saleri Aftermarket S.p.A: - Euro 2,849,540;
- subsidiary Saleri México SA de CV - Euro 2,112,322;
- subsidiary Saleri India Private Ltd - Euro1,868,850;
- subsidiary ABL Automazione S.r.l. – Euro 1,018,717 (after impairment adjustment of Euro 750,737);
- subsidiary Saleri TMS Competence Center GmbH - Euro 42,480.

The amount of Euro (4,008,607) relating to “Other Changes” refers to:
• Euro 44,794 of ancillary expenses incurred in relation to the investments in Saleri TMS Competence Center GmbH and Saleri India Private Ltd to start the development of these companies;
• Euro 129,161 regarding the aforementioned contribution of the business unit to subsidiary Saleri Aftermarket S.p.A.;
the amount includes:
• Euro 79,425 for the share capital increase subscribed (Euro 50,000) and the related share premium (Euro 29,425);
• Euro 49,736 of expenses relating to the aforementioned contribution operation;
• Euro (4,182,562) representing the carrying amount at 31 December 2021 of the investment in Immobiliare Industriale S.r.l., as offset against the corresponding portion of Equity of that company following the aforementioned merger through incorporation.

Saleri Shanghai Co. Ltd.

The Company owns 95% of the subsidiary.
The investment amounts to Euro 24,515,600 and did not change during the year.
In 2020, based on an independent expert appraisal which determined that the value of the investment at the date of measurement was Euro 24,500,000, the Company increased value of the investment in the subsidiary (Art. 110 of Decree Law 104/2020, converted as amended by Law no 126 of 2020) by Euro 22,452,350 with a contra-entry made to the relevant reserve in the Company’s Shareholders’ Equity.
For the purposes of approval of the 2022 Financial Statements, the above carrying amount of the investment was tested for impairment. The test was performed in relation to the cash generating unit (“CGU”) consisting of the subsidiary as a whole.
The test was performed by comparing the carrying amount of the investment with the value in use of the CGU, i.e. its Equity Value, equal to the sum of discounted operating cash flows minus the net financial position of the subsidiary at the date of measurement of 31 December 2022.
Specifically, Enterprise Value was determined using the unlevered discounted cash flow method, as applied to cash flows per the Five-Year Plan 2023-2027 - as prepared by management of the subsidiary – projected over the explicit period covered by the plan using the perpetual return method (“Terminal Value") and using a growth rate (“g rate”) equal to the rate of inflation expected over the plan period.
The cash flows used were the operating cash flows forecast in the plan, net of related taxes; they include investments in fixed assets and cash movements on working capital while they do not include cash flows relating to financing activities, extraordinary events or the payment of dividends.
Cash flows determined as above were discounted using a discount rate (WACC) of 9.80%, as determined applying the Capital Asset Pricing Model.
The WACC (Weighted Average Cost of Capital) represents an average of the interest rate on equity and debt, as weighed for the relative proportions of debt and equity.
The following elements were considered when determining the WACC:
• risk-free rate, determined using the six-month average return on risk-free financial assets;
• market premium, determined using information from external providers;
• industry beta;
• cost of borrowing;
• debt/equity ratio, assumed equal to industry average.
The test performed did not detect any impairment but, rather, it showed headroom.

In any case, it should be noted that, given their nature as forecasts, the assumptions regarding future performance and the resulting data taken from the Business Plan 2023-2027 and used to perform the impairment test are subject to an inherent degree of uncertainty. Therefore, we cannot exclude the possibility that actual future results may differ from the estimates and that this may require future adjustments by subsidiary management to the plan assumptions.

ABL Automazione S.r.l.

The Company owns 100% of the subsidiary.

At 31 December 2022, the investment amounted to Euro 1,018,717, after the impairment adjustment of Euro 750,737 recorded in 2020.
For the purposes of approval of the 2022 Financial Statements, the above carrying amount of the investment was tested for impairment. The test was performed in relation to the cash generating unit (“CGU”) consisting of the subsidiary as a whole.
The test was performed by comparing the carrying amount of the investment with the value in use of the CGU, i.e. its Equity Value, equal to the sum of discounted operating cash flows minus the net financial position of the subsidiary at the date of measurement of 31 December 2022.
Specifically, Enterprise Value was determined using the unlevered discounted cash flow method, as applied to cash flows per the Five-Year Plan 2023-2027 - as prepared by management of the subsidiary – projected over the explicit period covered by the plan using the perpetual return method (“Terminal Value") and using a growth rate (“g rate”) equal to the rate of inflation expected over the plan period.
The cash flows used were the operating cash flows forecast in the plan, net of related taxes; they include investments in fixed assets and cash movements on working capital while

they do not include cash flows relating to financing activities, extraordinary events or the payment of dividends.
The WACC (Weighted Average Cost of Capital) represents an average of the interest rate on equity and debt, as weighed for the relative proportions of debt and equity.
The following elements were considered when determining the WACC:
- risk-free rate, determined using the six-month average return on risk-free financial assets;
- market premium, determined using information from external providers;
- industry beta;
- cost of borrowing;
- debt/equity ratio, assumed equal to industry average.

The test performed did not detect any impairment but, rather, it showed headroom.
In any case, it should be noted that, given their nature as forecasts, the assumptions regarding future performance and the resulting data taken from the Business Plan 2023-2027 and used to perform the impairment test are subject to an inherent degree of uncertainty. Therefore, we cannot exclude the possibility that actual future results may differ from the estimates and that this may require future adjustments by subsidiary management to the plan assumptions.

See the “Significant events after the reporting period” paragraph for further comments on the subsidiary.

Saleri TMS Competence Center GmbH

The Company owns 100% of the subsidiary which changed its name during the year (former name Saleri GmbH).
The carrying amount of the investment is Euro 42,480.
It increased by Euro 17,480 during the year as a result of expenses incurred to launch R&I activities. These activities, together with existing dealings with customers with their registered office in Germany, are carried out wholly in support of the Parent Company.

Saleri México SA de CV

The Company owns 51,14% of the subsidiary.

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 previous year, 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 1,868,850 (Euro 1,841,535 at 31 December 2021).
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 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.
The value of the investment increased by Euro 27,315 during the year due to expenses incurred to launch operating activities.

Saleri Aftermarket S.p.A.

The Company owns 100% of the subsidiary.
The carrying amount of the investment is Euro 2,849,540.
This includes the subscription by Industrie Italo Saleri S.p.A. of a share capital increase by the subsidiary (Euro 50,000) and the related share premium (Euro 29,425) following the aforementioned business contribution operation, as well as related expenses.
The decision to concentration the Aftermarket business under a single Group entity and the acquisition of a brand well-known in the sector only began to produce their first positive effects in the last few months of 2022. Bearing this in mind, the Company has concluded that no adjustment need be made to the carrying amount of the investment despite the negative difference between the said carrying amount and the relevant portion of Equity.

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
Saleri Shanghai CO., LTD	China		2,014,218	2,193,820	9,505,449	9,030,177	95%	24,515,600
Saleri TMS Competence Center GmbH	Germany		25,000	21,141	58,280	58,280	100%	42,480
ABL Automazione S.R.L.	Gussago (BS)	03309390171	750,000,00 I,V,	(651,830)	399,843	399,843	100%	1,018,717
Saleri Mexico S.A. de C.V.	Mexico		4,710,083	(1,031,557)	1,325,578	676,045	51%	2,122,322
Saleri Aftermarket S.P.A.	Lumezzane (BS)	01779170487	100,000,00 I,V,	(1,636,338)	2,486,740	2,486,740	100%	2,849,540
Saleri India PVT LTD	India		3,469,395	(700,331)	2,745,265	1,400,085	51%	1,868,850
Total								**32,417,509**

The amounts shown in the table refer to the 2022 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 1,451,176 (Euro 1,080 at 31 December 2021).

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 2022.

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	9,695,921	(721,301)	8,974,620
2) WIP and semi-finished goods	5,557,029	(13,097)	5,543,932
3) Contract work in progress	-	0	-
4) Finished goods	3,530,885	(1,482,302)	2,048,583
5) Payments on account	29,110	174,856	203,966
Total	**18,812,945**	**(2,041,844)**	**16,771,101**

This balance represents the value of the physical inventory held at Company and third party warehouses at 31 December 2022 and goods in transit.

The decrease 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 16,771,101 (Euro 18,812,945 at 31 December 2020) is stated net of the obsolescence provision of Euro 853,910 created following an analysis of obsolete/slow moving inventory and inventory with below cost selling prices.

In 2022 the provision was increased by Euro 456,405 while Euro 470,560 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	(483,588)	(202,814)	221,888	(464,515)
2) WIP and semi-finished goods	(159,127)	(155,566)	56,381	(258,312)
3) Contract work in progress	0			0
4) Finished goods	(225,350)	(98,024)	192,290	(131,084)
5) Payments on account	0			0
Total	**(868,065)**	**(456,405)**	**470,560**	**(853,910)**

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	4,888,661	3,847,699	8,736,360	8,736,360	-	-
Receivables from subsidiaries	12,938,623	6,129,461	19,068,084	19,068,084	-	-
Receivables from associated companies	-	-	-	-	-	-
Receivables from parent companies	-	0	-	-	-	-
Receivables from entities controlled by parent companies	-	0	-	-	-	-
Tax receivables	2,381,610	(407,332)	1,974,278	1,955,566	18,712	-
Deferred tax assets	6,693,533	747,365	7,440,898	-	-	-
Receivables from others	2,746,035	(1,304,316)	1,441,719	1,223,749	217,970	-
Total receivables classed as current assets	**29,648,462**	**9,012,877**	**38,661,339**	**30,983,759**	**236,682**	**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	7,079,229	1,409,298	247,833	8,736,360
Receivables from subsidiaries	109,415	6,690,605	12,268,064	19,068,084
Receivables from associated companies	-	-	-	-
Receivables from parent companies	-	0	-	-
Receivables from entities controlled by parent companies	-	0	-	-
Tax receivables	151,584	1,822,694	-	1,974,278
Deferred tax assets	-	7,440,898	-	7,440,898
Receivables from others	987,035	451,452	3,232	1,441,719
Total	**8,327,263**	**17,814,947**	**12,519,130**	**38,661,339**

Trade receivables

The amount of Euro 8,736,360 (Euro 4,888,661 at 31 December 2021), entirely consists of trade receivables.
The balance is stated net of the provision for bad debts of Euro 95,072 and fairly represents the estimated realisable amount.

The overall variation of Euro 3,847,699 is mainly attributed to the increase in invoiced amounts to customers that were not yet collected at the end of the financial year and a decrease in the utilization of credit lines for assignments without recourse.

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 95,072 and has changed compared to prior year, as follows.

Description	Opening Amount	Utilised	Allocated	Closing Amount
Provision for bad debts	(102,816)	54,586	(46,842)	(95,072)

Receivables from subsidiaries

	31 December 2021	31 December 2022	Change
Immobiliare Industriale S.r.l.	13,770	(0)	(13,770)
Saleri Shanghai CO., LTD	2,538,391	5,062,610	2,524,219
Saleri TMS Competence Center GMBH	106,587	109,415	2,828
Saleri India PVT LTD	620,819	1,702,874	1,082,055
ABL Automazione S.R.L.	257,291	176,007	(81,284)
Saleri Mexico S.A. de C.V.	4,420,718	5,502,580	1,081,862
Saleri Aftermarket S.P.A.	4,981,046	6,514,598	1,533,552
Total	**12,938,623**	**19,068,084**	**6,129,461**

Receivables totalling Euro 5,062,610 from Saleri Shanghai Co. Ltd (Euro 2,538,391 at 31 December 2021) refer to:
- Euro 4,468,256 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 147,354 relating to contracts for seconded personnel concluded in the first half of 2022.

Receivables totalling Euro 109,415 from Saleri TMS Competence Center GmbH (Euro 106,587 at 31 December 2021), refer to:
- Euro 101,065 for the short-term loan granted to the subsidiary, including interest accruin;
- Euro 8,350 for sundry advances.

Receivables totalling Euro 1,702,874 (Euro 620,819 at 31 December 2021) from Saleri India PVT LTD refer to:
- Euro 1,540,446 of trade receivables (including under Service Agreements);
- Euro 162,428 for sundry advances.

Receivables totalling Euro 176,007 from ABL Automazione S.r.l. (Euro 257,291 at 31 December 2021) refer to:

- Euro 159,988 of trade receivables (including under Service Agreements);
- Euro 16,019 for sundry advances.

Receivables totalling Euro 5,502,580 from Saleri México S.A. de C.V. (Euro 4,420,718 at 31 December 2021) refer to:

- per Euro 3,350,732 of trade receivables (including under Service Agreements and Royalties Agreements);
- Euro 2,086,885 for the short-term loan granted to the subsidiary, including interest accruing;
- Euro 20,521 of financial receivables;
- Euro 44,442 of sundry advances.

Receivables totalling Euro 6,514,598 from Saleri Aftermarket S.p.A. (Euro 4,981,046 at 31 December 2021) refer to:

- Euro 5,187.819 of trade receivables (including under Service Agreements and Royalties Agreements);
- Euro 1,326,779 of sundry advances.

Receivables from parent companies

At 31 December 2022, there were no receivables from parent companies.

Tax receivables

	31 December 2021	31 December 2022	Change
Withholding taxes suffered	75	595	520
IRES receivables	134,608	16,798	(117,810)
IRAP receivables	65,070	7,897	(57,173)
VAT receivables	534,393	1,180,456	646,063
Other tax receivables	1,647,464	768,532	(878,932)
Total	**2,381,610**	**1,974,278**	**(407,332)**

“IRES receivables”, amounting to Euro 16,798 (Euro 134,608 at 31 December 2021), represent the IRES receivable for 2022.

“IRAP Receivables”, amounting to Euro 7,897 (Euro 65,070 at 31 December 2021), refer to the IRAP credit balance for 2022.

“VAT Receivables”, amounting to Euro 1,180,456 (Euro 534,393 at 31 December 2021), mainly refer to the VAT balance resulting from the December 2022 VAT return (Euro 1,028,872).

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 768,532 (Euro 1,647,464 at 31 December 2021), almost entirely relates to the tax credit for assets for use in the 4.0 transformation process (Euro 534,624), of which Euro 8,361 is due after more than a year.

Deferred tax assets

Deferred tax assets amount to Euro 7,440,898 (Euro 6,693,533 at 31 December 2021).
The item includes prepaid taxes amounting to Euro 387,367, related to the subsidiary Immobiliare Industriale S.r.l. and acquired as a result of the aforementioned merger by incorporation.
The Directors concluded that it was appropriate to record the prepaid taxes, as better described in the paragraph related to deferred taxation, based on the results of the industrial plan for 2023-2027 approved by the Company's Board of Directors.
This decision was made due to a reasonable certainty that in the periods in which the prepaid taxes will be utilized, there will be taxable income not less than the amount of the differences that will be reversed.

Other receivables

Other receivables amounts to Euro 1,441,719, and has decreased by Euro 1,304,316 compared to 31 December 2021 when it stood at Euro 2,746,035.

The change is mainly due to an increase in advances to suppliers for goods and services.

The amount of Euro 1,223,749, due within a year includes:

- Euro 1,110,740 of advances to suppliers;
- Euro 96,425 of DR balances with certain suppliers of goods and services;
- Euro 16,584 of sundry receivables, after a provision for doubtful debts of Euro 84,932.

The amount beyond the next financial year, equal to Euro 217,970, is solely related to active guarantees, mostly referring to lease 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	14,222,005	(6,048,122)	8,173,883
2) Cheques		0	
3) Cash and cash equivalents on hand	118	0	118
Total	**14,222,123**	**(6,048,122)**	**8,174,001**

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 a loan granted in previous years and in 2022.

The item includes cash and cash equivalents amounting to Euro 189,917, related to the subsidiary Immobiliare Industriale S.r.l. and acquired as a result of the aforementioned merger by incorporation operation.

The amount of Euro 118 relates to “Cash and cash equivalents on hand” which is unchanged compared to prior year and solely refers to Tax Stamps. Note that the Company does not hold any cash on hand and all payments are made electronically, leaving an audit trail.

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	0
Prepaid expenses	3,778,125	(73,638)	3,704,487
Total prepaid expenses and accrued income	**3,778,125**	**(73,638)**	**3,704,487**

	31 December 2021	Change	31 December 2022
Prepaid expenses:	3,778,125	(73,638)	3,704,487
- lease instalments	438,411	(242,737)	195,674
- contributions to customers	2,462,006	297,625	2,759,631
- insurance premiums	14,417	8,978	23,395
- other	863,291	(137,504)	725,787
Accrued income	0	0	0
Total	**3,778,125**	**(73,638)**	**3,704,487**

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 2022.

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 2022, Shareholders’ Equity amounted to Euro 59,348,869 and movements during the year 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	13,069	-	-	-	-	1,193,045
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	(1,775)	0	-	1,452,951	-	-	-	1,451,176
Retained earnings (Accumulated losses)	(6,179,307)	0	248,321	-	1	-	-	(5,930,987)
Profit (Loss) for the year	261,390	0	(261,390)	-	-	-	3,019,098	3,019,098
Loss rescheduled during year	-	-	-	-	-	-	-	-
Negative Reserve for Treasury Shares	(285,014)	0	-	-	-	-	-	(285,014)
Total shareholders’ equity	**54,876,821**	**0**	**0**	**1,452,951**	**1**	**0**	**3,019,098**	**59,348,869**

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	2,541,368	
Revaluation reserves	27,061,472	U	A,B,C	27,061,472		
Legal reserve	1,193,045	U	B	1,193,045		
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	1,451,176					325,196
Retained earning	(5,930,987)					
Negative reserve for treasury shares held	(285,014)					
Total	**56,329,771**	**0**	**0**	**37,172,183**	**2,541,368**	**325,196**
Amount not distributable				20,861,522		
Residual amount distributable				16,310,661		

Legend for "Origin / nature" column:
- C: Capital reserve;
- U: Earnings reservei.

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 2022, amounts to Euro 23,922,413 (unchanged on 31 December 2021) 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

The item has a balance of Euro 1,193,045 as of December 31, 2022 (Euro 1,179,976 at the end of the previous year). The increase for the year, amounting to Euro 13,069, is solely attributed to the allocation of the 2021 financial year result as per the resolution of the General Meeting held on June 28, 2022.

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 2022 and did not change during the period.

Sundry other reserves

This item amounts to Euro 364,052 and did not change during the reporting period.

Cash flow hedge reserve

This reserve has a balance of Euro 1,451,176 at 31 December 2022 (Euro 1,775 negative at 31 December 2021) 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 stand at Euro 5,930,987 negative against Euro 6,179,307 negative at 31 December 2021.

The increase of Euro 248,320 refers to the allocation of the net loss for the previous reporting period as per the General Meeting resolution of 28 June 2022.

Negative reserve for treasury shares held

At 31 December 2022, 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	**-**	**1,620,382**	**2,855**	**3,601,463**	**5,224,700**
Changes during year	-	-	-	-	-
Allocated during year	0	0	0	1,670,094	1,670,094
Utilizzo nell'esercizio	-	15,509	2,855	2,923,411	2,941,775
Utilised during year	-	-	-	-	0
Other changes	**0**	**(15,509)**	**(2,855)**	**(1,253,317)**	**(1,271,681)**
Closing Amount	**-**	**1,604,873**	**-**	**2,348,146**	**3,953,019**

The "Provision for taxation, including deferred tax", amounting to Euro 1,604,873, 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/longterm loan agreements and finance lease agreements.
At 31 December 2022, they do not have any negative fair value.

"Other provisions", amounting to Euro 2,348,146 (Euro 3,601,463 at 31 December 2021), 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 1,745,694 and was increased by the same amount.
  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 194,400 of provisions for future expenses to variable compensation under signed agreement.

It should be noted that during 2022, 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 into account the insurance coverage limits and the evidence currently available, there are no elements at present that require additional provisions to be made in the Financial Statements.

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	**1,193,165**
Changes during year	-
Allocated during year	1,113,504
Utilised during year	1,069,084
Other changes	(0)
Total changes	**44,420**
Closing Amount	**1,237,585**

The amount utilised during the period (Euro 1,069,084) mainly refers to payments to treasury funds (Euro 993,958).

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	3,931,162	(3,931,162)	-	-	-	-
Convertible bonds	-	0	-	-	-	-
Shareholder loans payable	-	0	-	-	-	-
Bank borrowing	46,513,097	10,611,930	57,125,027	19,442,970	37,682,057	3,285,714
Payables to other lenders	2,468,810	(1,046,748)	1,422,062	1,422,062	-	-
Payments on account	2,545,494	(1,223,288)	1,322,206	1,322,206	-	-
Trade payables	27,527,141	3,745,228	31,272,369	31,272,369	-	-
Credit instruments	-	0	-	-	-	-
Payables to subsidiaries	10,593,456	(7,291,527)	3,301,929	3,301,929	-	-
Payables to associated companies	-	0	-	-	-	-
Payables to parent companies	-	0	-	-	-	-
Payables to entities controlled by parent companies	-	0	-	-	-	-
Tax payables	732,792	149,970	882,762	882,762	-	-
Payables to social security and pensions institutions	1,432,571	26,153	1,458,724	1,458,724	-	-
Other payables	6,221,602	(1,544,528)	4,677,074	4,177,074	500,000	-
	101,966,125	**(503,972)**	**101,462,153**	**63,280,096**	**38,182,057**	**3,285,714**

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 loan, subscribed by certain suppliers of the Company, had a duration from July 1, 2020, until June 30, 2022, and carried interest calculated at a fixed rate of 5.50%. The Company has repaid the loan upon its maturity.

Bank borrowing

	31 December 2021	31 December 2022	Change
a) Bank borrowing due within a year	17,549,882	19,442,970	1,893,088
Lines of credit	0	0	(0)
Current account overdrafts	1,091,460	1,066,387	(25,073)
Loans	9,549,291	10,977,950	1,428,659
Advances on receivables	6,909,131	7,398,634	489,503
Other payables	-	-	-
b) Bank borrowing due after more than a year	28,963,215	37,682,057	8,718,842
Loans	28,963,215	37,682,057	8,718,842
Advances on receivables	-	-	0
Other payables	-	-	-
Total bank borrowing	**46,513,097**	**57,125,027**	**10,611,930**

Bank Borrowing amounts to Euro 57,125,027 and has increased by Euro 10,611,930 compared to 31 December 2021. Bank borrowing due within a year amounts to Euro 19,442,970 and has increased by Euro 1,893,088 compared to 31 December 2021.

Bank borrowing due after more than a year amounts to Euro 37,682,057 and has increased by Euro 8,718,842 compared to 31 December 2021. On June 24, 2022, a financing contract supported by SACE guarantee for Euro 19,999,999 was signed.

Loans payable at 31 December 2022 (both current and noncurrent) amount to Euro 48,660,007, against Euro 38,512,507 at 31 December 2021, and are analysed as follows (amounts at amortised cost):

N.	Type	Start of repayment plan	Installments	Frequency	Maturity	Interest index	Principal	Outstanding amount within a year	Outstanding amount due after a year	Total
1	Secured Loan	31/12/2017	84	Monthly	31/12/2024	Euribor 3-months	2,000,000	145,329	365,500	**510,829**
2	Secured Loan	31/12/2017	84	Monthly	31/12/2024	Euribor 3-months	5,000,000	262,121	659,232	**921,353**
3	Secured Loan	31/12/2017	84	Monthly	31/12/2024	Euribor 3-months	2,000,000	137,470	454,907	**592,377**
4	Unsecured Loan	31/12/2017	70	Monthly	10/01/2024	Euribor 3-months	1,000,000	111,858	9,306	**121,164**
5	Unsecured Loan	31/12/2017	70	Monthly	10/01/2024	Euribor 3-months	1,000,000	178,125	14,800	**192,925**
6	Unsecured Loan	31/12/2017	72	Monthly	01/01/2024	Euribor 1-month	2,000,000	227,272	18,846	**246,118**
7	Unsecured Loan	31/12/2017	72	Monthly	01/01/2024	Euribor 1-month	4,000,000	833,455	69,112	**902,567**
8	Unsecured Loan	31/12/2017	71	Monthly	31/12/2023	Euribor 3-months	2,000,000	174,577	0	**174,577**
9	Unsecured Loan	31/12/2017	71	Monthly	30/11/2023	Euribor 3-months	7,000,000	948,791	0	**948,791**
10	Unsecured Loan	31/12/2017	71	Monthly	30/11/2023	Euribor 3-months	1,500,000	275,688	0	**275,688**
11	Unsecured Loan	31/12/2017	71	Monthly	31/12/2022	Euribor 3-months	2,000,000	205,760	0	**205,760**
12	Unsecured Loan	31/12/2017	67	Monthly	31/07/2023	Euribor 3-months	4,000,000	305,966	0	**305,966**
13	Unsecured Loan	31/12/2017	69	Monthly	31/12/2023	Euribor 3-months	3,500,000	614,863	0	**614,863**
14	Unsecured Loan	31/12/2017	69	Monthly	31/12/2023	Euribor 3-months	500,000	103,876	0	**103,876**
15	Unsecured Loan	31/12/2017	57	Monthly	30/11/2022	Euribor 3-months	400,000	72,745	17,840	**90,585**
16	Unsecured Loan	01/06/2018	54	Monthly	30/11/2023	Euribor 3-months	459,510	98,243	0	**98,243**
17	Unsecured Loan	19/06/2018	65	Monthly	01/12/2023	Euribor 1-month	2,109,713	500,275	0	**500,275**
18	Loan secured by SACE	31/12/2022	16	Monthly	30/09/2026	Euribor 3-months	24,000,000	5,910,698	16,387,154	**22,297,852**
19	Loan secured by SACE	31/12/2024	14	Monthly	31/03/2028	Euribor 3-months	18,000,000	-127,274	17,700,513	**17,573,240**
20	Loan secured by SACE	31/03/2028	1	Single paymen	31/03/2028	Euribor 3-months	2,000,000	-1,888	1,984,847	**1,982,959**

With regard to the loan agreements listed above from 1 to 17 the banks require compliance with covenants measured based on the Separated Financial Statements; with regard to the loan agreements listed above from 18 to 20 the banks require compliance with covenants measured based on the Consolidated Financial Statements.

It should be noted that, at 31 December 2022, 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.

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 1,422,062 (Euro 2,468,810 at 31 December 2021) and mainly refers to payables towards leasing companies for due instalments and payables to factoring companies.

The significant decrease compared to 31 December 2021 mainly relates to the decrease of payables to Factoring companies as a result of reduced utilizaztion of withouth recourse credit lines.

Payments on account

This item amounts to Euro 1,322,206 (Euro 2,545,494 at 31 December 2021) and almost entirely refers to:

- Euro 115,962 of payments on account from customers towards the supply of equipment (Tooling);
- Euro 1,095,243 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 31,272,369 (Euro 27,527,141 at 31 December 2021). They include liabilities at 31 December 2022 towards suppliers of goods and services, based on the agreed contractual terms and conditions.

Payables to subsidiaries

	31 December 2021	31 December 2022	Change
Saleri Shanghai CO., LTD	2,969,421	2,739,699	(229,722)
Immobiliare Industriale S.r.l.	3,511,055	-	(3,511,055)
Saleri TMS Competence Center GmbH	117,227	120,266	3,039
ABL Automazione S.R.L.	3,658,314	400,643	(3,257,672)
Saleri Mexico S.A. de C.V.	138,775	5,219	(133,556)
Saleri India PVT LTD	2,664	7,811	5,147
Saleri Aftermarket S.P.A.	196,000	28,292	(167,709)
Total payables to subsidiaries	**10,593,456**	**3,301,929**	**(7,291,527)**

Payables to Saleri Shanghai Co. Ltd, totalling Euro 2,739,699 (Euro 2,969,421 at 31 December 2021), entirely consist of trade payables.
Payables to Saleri TMS Competence Center GmbH, totalling Euro 120,266 (Euro 117,227 at 31 December 2021), entirely refer to the service agreement in place.
Payables to ABL Automazione S.r.l., totalling Euro 400,643 (Euro 3,658,314 at 31 December 2021), include trade payables of Euro 381,300 and Euro 19,343 of payables under the tax consolidation arrangement.
Payable to Immobiliare Industriale S.r.l. as of December 31, 2021 (Euro 3,511,055) related to the upstream financing agreement with the subsidiary has been offset by the corresponding credit acquired during the fiscal year as a result of the aforementioned merger by incorporation.

Payables to Saleri Mexico S.A. de C.V., totalling Euro 5,219 (Euro 138.775 at 31 December 2021), include trade payables of Euro 2,918 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 7,811 (Euro 2,664 at 31 December 2021), entirely consist of trade payables. Payables to Saleri Aftermarket S.p.A., totalling Euro 28,292 (Euro 196,000 at 31 December 2021), entirely consist of trade payables.

Tax payables

	31 December 2021	31 December 2022	Change
IRAP payable			0
IRES payable			0
Tax withheld at source from employees	618,553	840,745	222,192
Tax withheld at source from freelance professionals/ collaborators	25,542	34,317	8,775
Substitute tax payable	2,997	7,700	4,703
VAT payable	85,700		(85,700)
Other taxes payable	0	(0)	(0)
Total	**732,792**	**882,762**	**149,970**

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 theauthorities on their legal due dates

Payables to social security and pensions institutions

	31 December 2021	31 December 2022	Change
Payable to INPS	810,920	824,526	13,606
Payable to INAIL	-	-	0
Other payables to social security and pensions institutions	621,651	634,198	12,547
Total	**1,432,571**	**1,458,724**	**26,153**

Payables to social security and pensions institutions represent the contributions payable by the companies. They have been duly paid by the legal due date.

Other payables include social security and pension contributions recorded in relation to accrued employee holiday pay.

Other payables

	2021	2022	Change
a) Other payables due within a year	5,321,602	4,177,074	(1,144,528)
Payables to employees	3,837,469	3,005,465	(832,004)
Payables to directors and statutory auditors	60,894	61,063	169
Other payables	1,423,239	1,110,546	(312,693)
b) Other payables due after more than a year	900,000	500,000	(400,000)
Total Other payables	**6,221,602**	**4,677,074**	**(1,544,528)**

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 233,508) and CR balances with several customers (Euro 348,497).

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	-	0	-	-
Convertible bonds	-	-	-	-
Shareholder loans payable	-	-	-	-
Bank borrowing	-	57,125,027	-	57,125,027
Payables to other lenders	-	1,422,062	-	1,422,062
Payments on account	1,179,296	142,910	-	1,322,206
Trade payables	8,452,272	22,561,667	258,430	31,272,369
Credit instruments	-	-	-	-
Payables to subsidiaries	120,266	428,934	2,752,729	3,301,929
Payables to associated companies	-	-	-	-
Payables to parent companies	-	0	-	-
Payables to entities controlled by parent companies	-	0	-	-
Tax payables	-	882,762	-	882,762
Payables to social security and pensions institutions	-	1,458,724	-	1,458,724
Other payables	335,110	4,308,553	33,411	4,677,074
Total payables	**10,086,944**	**88,330,640**	**3,044,570**	**101,462,153**

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	0	-
Convertible bonds	-	-	-	-	-	-
Shareholder loans payable	-	-	-	-	-	-
Bank borrowing	2,024,559	-	-	2,024,559	55,100,468	57,125,027
Payables to other lenders	-	-	-	0	1,422,062	1,422,062
Payments on account	-	-	1,095,243	1,095,243	226,963	1,322,206
Trade payables	-	-	-	0	31,272,369	31,272,369
Credit instruments	-	-	-		-	-
Payables to subsidiaries	-	-	-	0	3,301,929	3,301,929
Payables to associated companies	-	-	-		-	-
Payables to parent companies	-	-	-	0	0	-
Payables to entities controlled by parent companies	-	-	-	0	0	-
Tax payables	-	-	-	0	882,762	882,762
Payables to social security and pensions institutions	-	-	-	0	1,458,724	1,458,724
Other payables	-	-	-	0	4,677,074	4,677,074
Total payables	**2,024,559**	**0**	**1,095,243**	**3,119,802**	**98,342,351**	**101,462,153**

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 2,024,559 apply to the Company's property.

Advances from customers of Euro 1,095,243 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	1,738,525	85,460	1,823,985
Total accrued expenses and deferred income	**1,738,525**	**85,460**	**1,823,985**

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 previously mentioned, the results reported in the Income Statement were once again, like in the two previous fiscal years, affected by the Covid-19 emergency and the conflict in Ukraine that began in February 2022.

The consequences of the Lockdown imposed in the Shanghai area, the slow recovery in global economic activity and the conflict in Ukraine made it extremely difficult to compare the reporting period with prior year.

The global uncertainty created by the geopolitical crisis between Russia and Ukraine – which led to the ongoing conflict – has also triggered rising inflation following an increase in the raw material costs (especially for energy with Russia one of the world leaders for extraction and export).

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:

	2021	2022	Change	% Chg
Revenue from sales and services	122,209,571	124,746,846	2,537,275	2
Change in inventory of WIP, semi-finished and finished goods	(1,068,643)	(1,495,398)	(426,755)	40
Change in contract work in progress	-	-	0	0
Increase in non-current assets due to capitalisation of internal works	3,864,400	6,237,703	2,373,303	61
Other revenues and income	8,717,136	6,133,304	(2,583,832)	(30)
Total Value of Production	**133,722,464**	**135,622,455**	**1,899,991**	

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.

	2022
Manufacture and Sale of Water Pumps, Equipment and Prototypes	124,746,846
Total	**124,746,846**

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.

	2022
Italy	14,339,962
Other countries	110,406,884
Total	**124,746,846**

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 has remained largerly unchanged compared to prior year (88% vs 97%), although with a more diversified customer portfolio.
The predominance of export sales will remain very high in the years ahead in light of the longterm 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 6,237,703. 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 2022, (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 6,133,304 (against Euro 8,717,136 in 2021), includes:

- Euro 4,303,089 of royalties, intercompany services and chargebacks for seconded personnel;
- Euro 657,573 of various chargebacks to customers (sharing of purchase cost of equipment, project cancellation costs or volumes lower than contractually agreed);
- Euro 531,741 for tax credits and contributions recognized by the Company;
- Euro 287,442 of chargebacks to suppliers of costs incurred that are not attributable to the Company;
- Euro 12,122 of gains on fixed asset disposals;
- Euro 203,261 of unaccrued prior year income, mainly relating to amounts provided in error in prior years.

The significant variation compared to the previous fiscal year is mainly due to lower charges to customers, partially offset by intercompany recharges.

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.

	2021	2022	Change	% Chg
Raw, ancillary and consumable materials and goods	69,114,158	64,096,323	(5,017,835)	(7)
Services	29,195,756	31,809,886	2,614,130	9
Use of third party assets – lease and rental costs	4,176,998	5,057,722	880,724	21
Personnel costs:				
a) wages and salaries	18,047,223	17,002,215	(1,045,008)	(6)
b) social contributions	5,454,266	5,262,806	(191,460)	(4)
c) employee severance indemnity / "TFR"	1,094,771	1,113,504	18,733	2
d) retirement benefits and similar obligations			0	0
e) other personnel costs	796	42	(754)	(95)
Depreciation, amortisation and writedowns:				
a) amortisation of intangible assets	2,118,692	2,097,445	(21,247)	(1)
b) depreciation of tangible assets	4,054,984	3,841,052	(213,932)	(5)
c) other writedowns of non-current assets			0	0
d) writedowns of current receivables	218	47,849	47,631	21,849
Changes in inventory of raw, ancillary and consumable materials and goods	(1,222,310)	721,301	1,943,611	(159)
Provisions for risks			0	0
Other provisions	1,106,227	1,475,694	369,467	33
Sundry operating expenses	861,186	897,886	36,700	4
Rounding				
Total	**134,002,965**	**133,423,725**	**(579,240)**	

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 64.096.323 for 2022 against Euro 69,114,158 in 2021.

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.

With the exception of the purchase of finished pumps (IAM), which, following the aforementioned business transfer related to the sale and distribution of aftermarket products, is now directly carried out by the subsidiary Saleri Aftermarket S.p.A.

Costs for services

This caption amounts to Euro 31,809,886 against Euro 29,195,756 in 2021 and refers to a series of costs for services incurred for various reasons.
The following table shows the main types of service:

	2021	2022	Change
Industrial services	18,471,209	16,428,171	(2,043,038)
Consulting	1,011,739	2,017,821	1,006,082
General Expenses	5,931,186	8,376,406	2,445,220
Shipping/Freight	2,423,621	1,749,221	(674,400)
Other services	1,358,001	3,238,267	1,880,266
Total costs for services	**29,195,756**	**31,809,886**	**2,614,130**

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 decrease of a total of Euro 2,043,038 is mainly attributed to external subcontracting.

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 increase of a total of Euro 1,006,082 is mainly attributed to tax, legal, technical, and IT consultancy services.

General Expenses include costs for Utilities, Maintenance and other general costs relating to the Company's activities.
The increase of a total of Euro 2,445,220 is mainly attributed to price increases in utility costs and compensation for directors.

Transportation costs have decreased compared to the previous period as a primary effect of the aforementioned business branch transfer, which resulted in a reduction of external logistics costs.

The "Other services" category includes services of various nature, and the increase compared to the previous period is mainly attributable to the higher costs of research and development.

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 5,057,722 against Euro 4,176,998 in 2021.

The increase totalling Euro 880,724 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 the second half 2021. Another minor factor was the increase due to new software leases entered into with effect from 2022.

Property rental costs are broadly unchanged compared to prior year.

Personnel costs

This item, amounting to Euro 23,378,567 (against Euro 24,597,056 in 2021), 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 decreased by around Euro 1,218,489 mainly as a result of the decrease in the average number of employees. See the later section of these Notes for details of the workforce in 2022.

Amortisation of intangible assets

Amortisation of intangible assets (Euro 2,097,445 against Euro 2,118,692 in 2021) has already been commented upon in the Note on intangible assets.

Depreciation of tangible assets

Depreciation of tangible assets (Euro 3,841,052 against Euro 4,054,984 in 2021) 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 2022, the Company did not make any further writedowns of noncurrent 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 47,849.

Other provisions

The amount of Euro 1,475,694 corresponds to provisions for product guarantees. In the previous fiscal year, this item amounted to Euro 1,106,227 and mainly consisted of provisions for potential claims related to the enforcement of guarantees provided to third parties.

Sundry operating expenses

Sundry operating expenses, amounting to Euro 897,886 mainly relates to non-deductible foreign taxes, membership fees, and other miscellaneous taxes.
The balance remains almost unchanged compared to prior year when it totalled Euro 861,186.

Income from investments in subsidiaries

The amount of Euro 3,430,990 refers to the dividend received from the subsidiary Saleri Shanghai Co. Ltd.

Sundry income from subsidiaries

The amount of Euro 48,879 refers to interest income on loans to subsidiaries:

- Saleri TMS Competence Center GmbH - Euro 1,064;
- Saleri Mexico - Euro 47,815.

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	-	-	-	-	2,289	2,289
Other income	-	-	-	-	81,553	81,553
Total	**-**	**-**	**-**	**-**	**83,841**	**83,841**

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.

Interest and other financial expenses relating to bank borrowing relate to both medium/long-term loans and short-term finance. The amount of Euro 138,072 under "Other" includes Euro 106,375 for interest expenses on contracts entered into with third parties in prior years. The remainder almost entirely consists of financial discounts to customers and financial expenses to other lenders.

	Interest and other financial expenses
Bonds	103,749
Bank borrowing	2,616,662
Other debt	138,072
Total	**2,858,483**

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".

	2021	Change	2022
18) Revaluations			
d) of derivatives	-	0	-
19) Writedowns			
a) of equity investments	4,538,008	(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	-	0)	-
of financial assets from cash pooling	-	-	-
Total	**(4,538,008)**	**4,538,008**	**0**

The amount of Euro 4,538,00 of the prior year 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":

	2021	Change	% Chg	2022
Current taxes	96,857	1,008	1	97,865
Prior year taxation	-	0	0	-
Deferred taxes and deferred tax income	(772,209)	396,702	(51)	(375,507)
Income (Expense) from participation in tax consolidation / fiscal transparency	1,270	(1,270)	(100)	-
Total	**(676,622)**	**398,980**	**-**	**(277,642)**

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 2021.

		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	-	4,433,308	-	325,873	0	4,759,181	-
Allocation to provisions for risks and charges	-	2,000,000	-	0	0	2,000,000	-
Allocation to inventory obsolescence provision	-	868,065	-	(14,155)	0	853,910	-
Writedown of non-current assets	-	1,560,488	-	0	0	1,560,488	-
Other changes in deferred tax assets	-	3,630,766	-	(1,412,816)	0	2,217,950	-
Total deductible temporary differences	-	12,492,627	0	(1,101,098)	0	11,391,529	-
Tax losses	-	15,397,095	-	4,215,114	0	19,612,209	-
IRES and IRAP rates	-	24,00%	-	0,00%	0,00%	24,00%	-
Deferred tax assets	-	6,693,533	-	747,364	0	7,440,897	-
DEFERRED TAXES	**Amount of temporary differences**						
Depreciation of assets revalued under Decree Law no. 185/2008	-	5,807,818	5,807,818	(55,589)	(55,589)	5,752,229	5,752,229
Other changes in deferred taxes	-	-	-	0	0	-	-
Total taxable temporary differences	-	5,807,818	5,807,818	(55,589)	(55,589)	5,752,229	5,752,229
IRES and IRAP rates	-	24%	4%	0%	0%	24%	4%
Deferred tax liabilities	-	1,393,876	226,505	(13,341)	(2,168)	1,380,535	224,337
Rounding	-	-	-	-	-	-	-
Deferred tax assets (liabilities) net for IRES and IRAP		5,299,657	(226,505)	760,705	2,168	6,060,362	(224,337)
Total deferred tax assets (liabilities) net	-	-	-	0	0	-	-
- allocated to Income Statement	-	-	-	375,506	-	-	-
- allocated to Equity	-	-	-	387,367	-	-	-

We highlight the recognition of deferred tax assets of Euro 4,706,929 in relation to tax losses. This includes Euro 619,991 relating to losses for the period and Euro 4,086,939 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 2023-2027, 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)	2,741,456	-
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	1,978	-
- allocation to provision for risks	1,475,694	-
- writedown of non-current assets	-	-
- writedown of inventory	456,405	-
- directors' emoluments not paid	196,099	-
- other allocations to provisions for risks	-	-
Total	2,130,176	0
Reversal of prior year temporary differences:		
- utilisation of provision for bad debts	-	-
- utilisation of provision for risks	2,923,411	-
- revaluation of non-current assets	-	-
- portion of gains in instalments	-	-
- directors' emoluments paid	-	-
- portion of entertainment expenses	261,902	-
- other items	6,017,608	-
Total	9,202,921	0
Differences that will not reverse in later periods / Permanent differences:		
- IMU – local property tax	73,403	-
- motor vehicle expenses	359,776	-
- unaccrued prior year expenses	195,498	-
- telephone expenses	30,251	-
- ines and penalties	6,629	-
- non-deductible costs	474,000	-
- non-deductible D&A	130,482	-
- writedown of investments	-	-
- donations	35,950	-
- other increases	442,006	-
- super-depreciation	-	-
- portion of interest expenses not deductible in prior year	-	-
- exempt gains	-	-
- other decreases	-	-
Total	1,747,995	0
Taxable income for IRES	(2,583,294)	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	27,100,840	0
Costs not deductible for IRAP purposes:		
- interest element of lease instalments	132,157	-
- IMU – local property tax	73,403	-
- costs for freelance / occasional personnel	-	-
- directors' fees	1,660,515	-
- inventory writedown	-	-
- non-deductible costs and unaccrued prior year expenses	241,268	-
- other items	55,589	-
Revenue not considered for IRAP purposes:		
- utilisation of provisions	3,028,679	-
Total	26,235,093	0
Theoretical tax expense %	-	-
Deductions:		
- INAIL	552	-
- social security /pension contributions	157	-
- expenses for apprentices, R&D personnel	-	-
- other personnel related deductions	23,725,014	-
Total	23,725,723	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	-	-
Current IRAP for the year	-	97865

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 31/12/2022.

	Average Number in 2021	Average Number in 2021
Senior managers	9	14
Managers	9	15
White collars	167	145
Blue collars	259	236
Other employees	-	-
Total Employees	**444**	**410**

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 2022, as required by Article 2427(16) of the Italian Civil Code.

	Directors	Statutory Auditors
Fees	1,660,515	36,400
Advances	-	-
Loans	-	-
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	78,772
Tax advisory services	-
Other non-audit services	-
Total fees of the external auditor or audit firm	**132,272**

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	3,396,437
retirement benefits and similar obligations	
towards subsidiaries	
towards associated companies	
towards parent companies	
towards entities controlled by parent companies	
Guarantees	2,489,565
of which secured	2,024,559
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 2022, guarantees referred to the following:

- Euro 465,006 of guarantees issued by the Company on behalf the subsidiary Saleri India Private Co. Ltd.;
- around Euro 2,024,559 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 31/12/2022.

As disclosed in the Note on “Payments on Account”, the Company has received Euro 1,095,243 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	-	13,477,935	-	-
Costs	-	1,035,367	-	-
Financial income / expense	-	48,879	-	-
Financial receivables	-	2,661,664	-	-
Trade receivables	-	16,406,421	-	-
Financial payables	-	-	-	-
Trade payables	-	3,301,929	-	-

Significant events after the reporting period

Pursuant to Article 2427(22-iv) of the Italian Civil Code, we note that the first few months of 2023 have been impacted by ongoing negative effects mainly regarding higher commodity and energy costs, partly triggered by the military conflict in Ukraine, as well as tension on financial markets with consequences for exchange rates and interest rates. As already stated in the Foreword, once more in 2023, rising prices as well as component shortages have badly hit the European Automotive market, leading to a significant fall in volumes.

It should be noted that the Company does not own any strategic assets in the areas currently affected by the conflict in Ukraine and that its business activities in those regions are limited. Therefore, although 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.

It should also be noted that, at the date of approval of these Notes, the balance sheet and income statement of subsidiary ABL Automazione S.r.l. revealed additional losses on top of those already realised at 31 December 2022; this made it necessary to take action pursuant to Article 2482-ter of the Italian Civil Code.

By means of Article 3(9) of Decree Law 198 of 29 December 2022, acting under Article 60(7-bis) of Decree Law 104/2020 (converted by Law 126/2020), the Legislator extended to financial statements for reporting periods ending 31 December 2022,
the same rules that neutralised the effects of the reporting of losses in the 2020 and 2021 financial statements and postponed until the fifth subsequent reporting period the need for any decisions on recapitalisation. However, in order to provide the subsidiary with the necessary financial and capital resources and considering the contents of the Business Plan for the period 2023-2027,
the Company has already paid additional capital of Euro 1,050,000 into subsidiary ABL Automazione S.r.l..

The payments made cover both the losses arising as at 31 December 2022 and those arising at the date of approval of the Financial Statements.

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
Inps	Exemption from payment of contributions for new hires	12,458,03

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 31/12/2022	Fair value 31/12/2021	Change through Income Statement	Change through equity	Nature	Amount
Interest rate swap	1,451,176	(1,775)	-	1,452,951	Hedge	22,500,000
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	150,955
Retained earnings (Accumulated losses)	2,868,143
Total	**3,019,098**

Lumezzane (BS), 3 August 2023

THE BOARD OF DIRECTORS

Signed by **Francesco Italo 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**

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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, 2022, 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, 2022, 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.

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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, 2022, 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, 2022 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, 2022 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
Giampaolo Carrara
Director

Brescia, Italy
August 7, 2023

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 2022, 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 2022, 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. These results contain details of the work done and the results obtained.

The statutory financial statements of Industrie Saleri Italo S.p.A. at 31.12.2022, prepared in accordance with Italian statutory reporting requirements and reporting a net profit for the year of Euro 3,019,098, have been presented for your review and approval. The Board of Directors made use of the right to approve the financial statements within 180 days. Nevertheless, the financial statements were approved by the Board of Directors on 3 August 2023 and made available to the Board of Statutory Auditors. The Board of Statutory Auditors has received a letter 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.

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.

External auditors Deloitte & Touche have given us their audit report dated 7 August 2023 and containing a clean opinion.

The external auditors' report states that the financial statements at 31.12.2022 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.

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 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 and of Article 2409 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 2022 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 1,174,744, bringing the total of such costs capitalised to a net amount of Euro 2,487,731.

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 do not identify any obstacles to the approval, by the Shareholders' General Meetings, of the financial statements for the year ended 31 December 2022, 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, 7 August 2023

The Board of Statutory Auditors

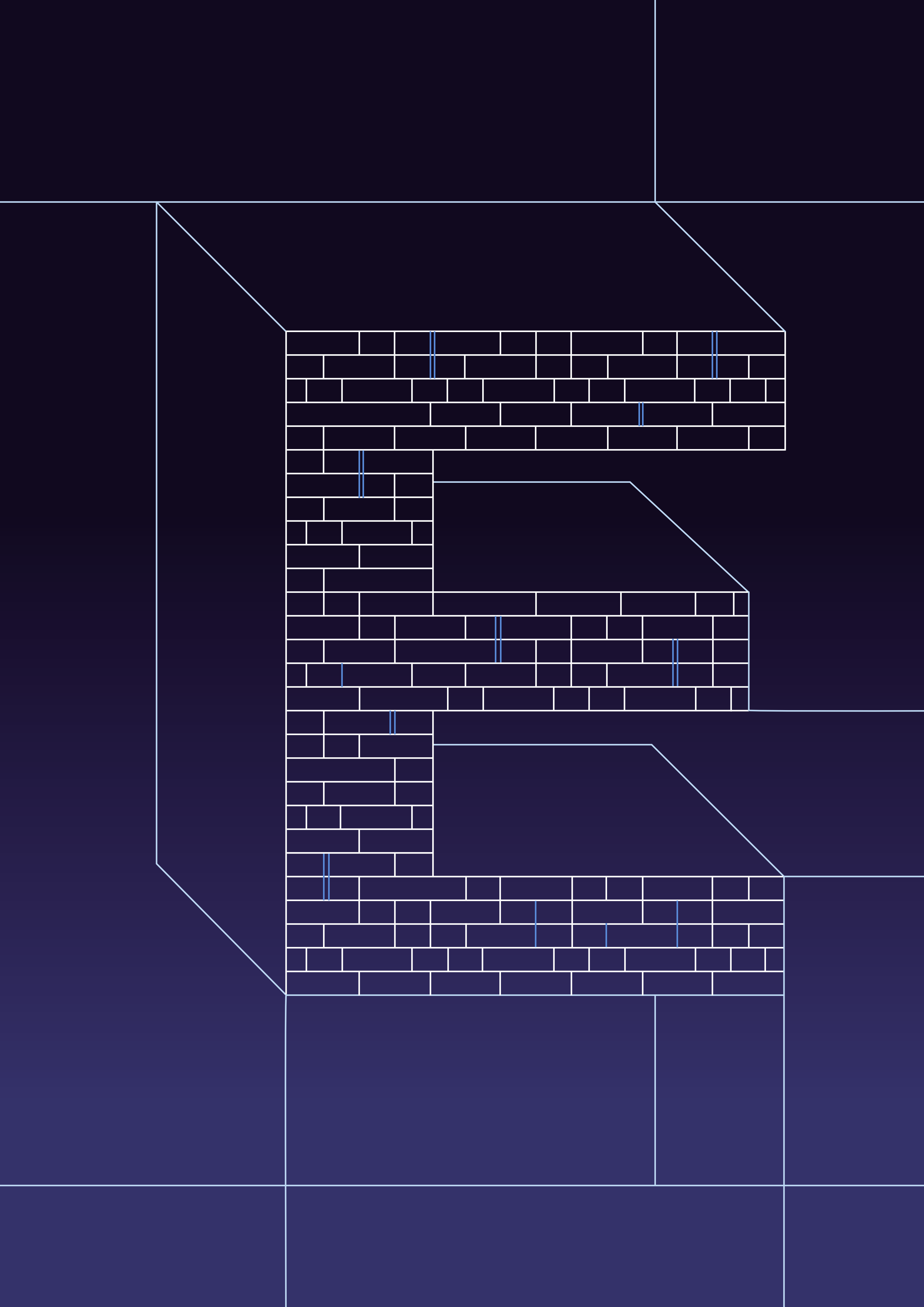
Francesco Facchini

Roberta Lecchi

Andrea Gabola

Envisioning our future

Strengthened by our principles and our expertise, we can look upon the **future as an opportunity** rather than a risk.



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