Annual Report

2023

Saleri

Annual Report

2023

Saleri

Index

Letter from the Chairman

Dear Stakeholders,

It is a privilege to share with you the challenges faced and the progress made during this year, my first as President of this Group.

My tenure began quite unexpectedly on February 21, 2023, a moment filled with emotions, deep reflections, and swift decisions, thus marking the beginning of the fourth generational cycle in which, since 1942, my family has been actively involved in our Group's activities. The memory of my father, Basilio, who passionately and dedicatedly led the Saleri Group until his death, is still vivid in all of us. Alongside his brilliant collaborators, he succeeded in transforming the Group into a highly reliable benchmark for major European car manufacturers. His example and somewhat dreamer nature continue to inspire and motivate us to uphold the principles and objectives of our journey.

First and foremost, I want to express my sincere gratitude to each of you for your constant commitment and support over the past year, marked by a truly traumatic start and a series of ambitious challenges, both for my family and the entire Group. Thanks to your dedication and closeness, we have been able to achieve significant milestones with reasonable success.

In January 2023, we proudly announced the acquisition of new orders totaling 400 million euros for the supply of E-pumps to be installed in electric vehicles from the most prestigious manufacturers. This represents an important step in our growth strategy in the new mobility sector, allowing us to have a dual market presence (traditional mechanical pumps / electric pumps), enabling us to cover a broader range of new vehicles that our customers will produce in the coming years. This will see a continuous increase in the value of our products that each car manufacturer, and beyond, will assemble in their vehicles. The strategy, conceived about 20 years ago, to specialize in electrified systems is finally beginning to bear fruit, providing a solid foundation for our future and that of our main partners.

Through these results, we are increasingly consolidating our position in the new mobility sector, obtaining significant new orders, and actively participating in major international events like the IAA Mobility in Munich. We manage to remain a reliable benchmark for traditional technologies as well. The ability to serve both solutions will become increasingly strategic in a market that is keeping various options open, aiming more at "technological neutrality" rather than a single binding solution for the entire system.

Moreover, despite the uncertainties related to the geopolitical situation and the aforementioned market changes, we have continued to pursue our mission of product innovation and sustainability in their implementation.

Towards the end of 2023, just one year after the creation of the "Saleri TMS Competence Center" in Munich, dedicated to designing and defining system architectures for the comprehensive management of vehicle thermal dynamics, we received the first nomination for a "Thermal Management" system that will be marketed in 2026 for a major new player in electric mobility.

From an economic-financial perspective, despite the increasingly challenging

demands from the market, institutions, and company management, we are pleased to announce that our performance has exceeded expectations, with results that confirm the solidity and resilience of our business model, ensuring its continuity and future projection with continuously growing results.

Looking to the future, Saleri is committed to continuing to work towards being a leader in technological innovation in the mobility sector, ensuring we remain a reliable and credible partner for our customers and stakeholders. We are focusing on global expansion, productive improvement, and environmental sustainability. Specifically, we aim to continue exploring international expansion opportunities to penetrate new markets and increase the global presence of the Saleri Group.

Sustainability and social responsibility continue to be at the heart of our activities. During the year, we received significant recognition for our sustainability performance, demonstrating our commitment to a more sustainable and responsible future. The Saleri Group was awarded for its Sustainability Performance by Ricardo and McLaren Automotive Ltd for the transparency shown regarding our activities and performance. Additionally, Saleri Mexico received the General Motors GM Supplier Quality Excellence Award (SQEA) 2022, recognizing our constant commitment to “Quality at Volume” and excellence in an increasingly challenging context.

In terms of environmental sustainability, we intend to continue strengthening our commitment by integrating best practices into all business processes and transparently communicating our efforts to reduce environmental impact, making it our mission to contribute to the ambitious goals that the global community is setting to achieve a significant improvement in our living conditions.

On behalf of myself, all the shareholders, and the board members, I would like to thank every single person of the Saleri team for the extraordinary contribution and constant dedication applied every day and in every challenge we faced this year. It is thanks to your commitment and sense of belonging to our group that we have reached these important milestones, which form the foundation for future continuous growth, confirming our presence in one of the most sophisticated markets in the current global economic landscape. Confident in our potential, we look to the future with the spirit of continuous improvement that distinguishes us, pursuing the mission we have set to produce and innovate responsibly.”

I am certain that together we can face the ongoing future challenges that the market will present, achieve new successful milestones in securing orders and developing new products, making all stakeholders proud to be part of our journey.

Personally, I would like to extend my most sincere thanks to all of you for your continuous support and unwavering trust that you have always placed in me during this challenging first year in office. Your presence has provided me with great motivation, and the expressions of closeness, not only during the time of mourning but also and especially during the daily operations, have conveyed to me the good work my predecessors have done for the Group and my family.

Proud and increasingly motivated to have accepted this prestigious role, I can confidently say, at the end of my first year in office, that together we can face future challenges and achieve new milestones with success and satisfaction for everyone. Because our team, although young, is maturing a healthy and solid self-awareness, which, combined with a sense of belonging, will be the key recipe for achieving future goals.

Not with individualism, but only together, can we be the Saleri Group.

Sincerely,

Francesco Italo Saleri
President of Saleri Group

Letter from the CEO

Dear Shareholders, Dear Stakeholders,

Every year, at this time, we find ourselves taking stock of the results achieved by the Saleri Group.

This year, I would like to share with you not only the results of the last fiscal year but also a broader overview of the performance over the past 5 years, from 2019 to 2023. A period marked by significant challenges and transformations for our Group and the competitive landscape in which we operate.

I believe that 5 years represent a sufficient period to analyse a company's performance during an economic cycle characterized, as doctrine states, by the alternation of phases/periods with different intensities of economic activity in both different countries and the sector of belonging (in our case, primarily Automotive). The last 5 years cannot be qualified as "normal". They are 5 years that bring with them both an unmistakable change in our private life habits and the "Metamorphosis" of the Saleri Group.

In 2019, approximately 89 million vehicles were produced worldwide. Five years later, in 2023, after a series of ups and downs, global production finally exceeded the levels of 2019, reaching about 90 million vehicles, passing through a dramatic collapse to 74.6 million vehicles during 2020 (Covid phase). However, this positive recovery was not uniform in all regions of the world:

› in Europe, over 21 million vehicles were produced in 2019, while in 2023 only 16.7 million;
› in North America, production was 16.3 million in 2019, dropping to 15.6 million vehicles in 2023;
› in Japan and South Korea, vehicle production was 13.1 million in 2019 and 12.8 million in 2023;
› in South America, 3.3 million vehicles were produced in 2019, while production was 2.9 million in 2023.

Substantial growth occurred in Asia:

› China production increased from 24.7 million vehicles in 2019 to 28.7 million in 2023;
› India and Southeast Asia saw production increase from 8.4 million in 2019 to 9.6 million in 2023.

The global production centre of gravity shift towards the East is entirely evident.

During the same period, from 2019 to 2023, the Saleri Group has:

› Increased revenues by 30% (from €157 million in 2019 to €203 million in 2023);
› Increased EBITDA by 30% (from €17.6 million in 2019 to €23.1 million in 2023 – EBITDA Margin 2023 at 11.4% in line with 2019 data);
› Increased EBIT by 174% (from €4.6 million in 2019 to €12.8 million in 2023 – EBIT Margin increased by 130% from 3% in 2019 to 6.9% in 2023);
› Increased Net Profit by 100% (from €2.1 million in 2019 to €4.3 million in 2023);
› Improved the Net Debt/EBITDA ratio from 2.3x in 2019 to 1.9x in 2023.

«The 2023 numbers mark the highest point ever reached in terms of economic and financial performance for the Group».

Comparison with 2022 highlights:
- Revenue increase of 11% (from €183 million in 2022 to €203 million in 2023);
- EBITDA increase of 72% (from €13.5 million in 2022 to €23.1 million in 2023 – EBITDA Margin increased by 54%, from 7.4% in 2022 to 11.4% in 2023);
- EBIT increase of 235% (from €3.8 million in 2022 to €12.8 million in 2023);
- Net Profit increase of 522% (from €0.7 million in 2022 to €4.3 million in 2023);
- Improved Net Debt/EBITDA ratio from 4.3x in 2022 to 1.9x in 2023.

The 2023 numbers mark the highest point ever reached in terms of economic and financial performance for the Group.

These results, although certainly positive, are not a destination but should be understood as a solid foundation for the future development of the Group.

At the same time, however, they do not fully express the potential and true scope of the "Metamorphosis" that the Group has undergone and that will show its results in the coming years.

"Metamorphosis" is a word that indicates "mutation," "change," "transformation": it is not reassuring, it implies risk, uncertainty, loss of balance, and, above all, it requires courage, confidence, and ambition. Transformation often instils fear; we are not so much paralyzed by the threat of making mistakes, of choosing superficially, of changing for the worse, but rather by the general fear of the unknown.

It was by no means easy; we took risks, but with great courage, we evolved, mutated, changed, transformed, and grew. We have been able to anticipate and adapt business logics to the profound change that our sector demands.

We have become an **international** entity ready to compete in a complex and highly demanding market; we have built a clear and positive reputation. We have changed our global production/geographic structure. The global perimeter of the group in 2019 consisted of the Italian reality in Brescia and the Chinese plant that largely produced intercompany:
- now we are a Group of 7 production plants worldwide: from Mexico (Monterrey), to China (Shanghai) passing through Europe (Brescia), India (Pune), and Taiwan (Taipei);
- we have developed the Aftermarket Business Unit, which saw its turnover increase by 158%, from €14.5 million in 2019 to €37.5 million in 2023. In 2023 alone, it contributed a margin of over 30% to the Group.
- we invested in the efficiency of production processes, especially through the acquisition of ABL Automazione, a leader in the design and implementation of automated assembly lines.

We have changed from a local vision to a **global** one. Our *Top Management* operates with global scope and responsibility, not just local. We have learned more languages, been able to engage with people from very different cultures than our own. We have changed into a global entity; we are now a recognized, respected, and feared International Group.

We have transformed **from a mechanical company to a mechatronic one. We support the technological transition of mobility** for the reduction of emissions into the atmosphere (not the ideological electric transition) through our skills, our products, which are now produced globally in all our plants and applicable to every type of motorization. From traditional internal combustion engines to electric/electrified vehicles (hybrids) to hydrogen-powered vehicles.

We have accomplished all this with respect for people, with meticulous and obsessed attention to the **safety** and **health** of our Collaborators. Our accident rates are at a minimum when compared to sector benchmarks. We have worked with respect for the environment, also applying Italian best practices to those production plants in countries with less restrictive legislation than ours. We have applied Group standards even where not required. With the preference entrusted to me by the Shareholders and the Board of Directors, I have led the Group in its Metamorphosis to its current size.

Is that all? Certainly not.

Another 5 years await us, no less "interesting" than those past, which we will know how to interpret and manage in the best possible way. The technological transition will bring various surprises and will require further adjustments.

I am more than certain that we will live and participate in this market as protagonists.

Our Business Plan projects revenues for 2028 to exceed €350 million with EBITDA of over €45 million.

The Group is ready to achieve these objectives. The only regret is that our President, Basilio Saleri, who passed away prematurely a year ago, cannot enjoy the Metamorphosis and evolution of his creation. He is with us; we feel him with us.

I thank all the people who have given and continue to give their utmost for their personal satisfaction and for the growth of the Group. Without you, none of this would have been possible. I have seen Collaborators spend nights searching for solutions or completing tasks for the sake of doing well and on time in line with customer or colleague expectations; Collaborators who "bring work home" not with the burden of it but with the pleasure of sharing it with their families, making it an integral part of their lives. Work understood as an expression of creativity, of passion, and not just a "right." To all these people, who have been "contagious" for many others, my deepest sense of gratitude goes.

The first "Metamorphosis" is complete; now Saleri must and can grow further.

I am certain it will succeed.

Thank you and good luck with your work.

Sincerely,

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 8,000 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.

'50 '60

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
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.

Industrie Saleri Italo S.p.A.

HQ's, PLANT A, B & C
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: 14,250 sqm - Production and Assembly (production capacity of around 3 million water pumps), warehouse, offices
Saleri B: 3,000 sqm - Testing Area
Saleri C: 4,700 sqm - Assembly (production capacity of around 1 million water pumps)

ABL Automazione S.r.l.
3,500 sqm
Machining (robotic and integrated tending cells), Assembly (assembly lines and machines), Testing, inspection and approval (test bays and systems for visual inspection of quality and processes)

Saleri Aftermarket S.p.A.
4,730 sqm
IAM logistics platform, warehouses, offices

Saleri Mexico S.A. de C.V.
5,000 sqm
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 India PVT LTD
3,000 sqm
Assembly, warehouses, offices

Saleri Shanghai Co. LTD
12,000 sqm
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.

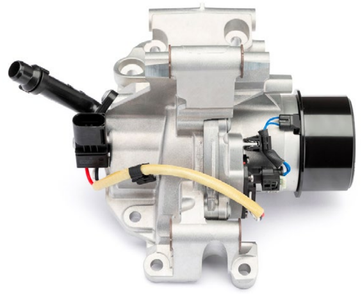
The new generation electric pumps can be used with water and glycol or with alternative fluids.

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).

Multi-ports valves

Multi-port valves serve to flexibly switch heating and cooling circuits in a way to route available heat or cold to the right places.

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 8,000 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;
- 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 cooling 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 auto-parts 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.

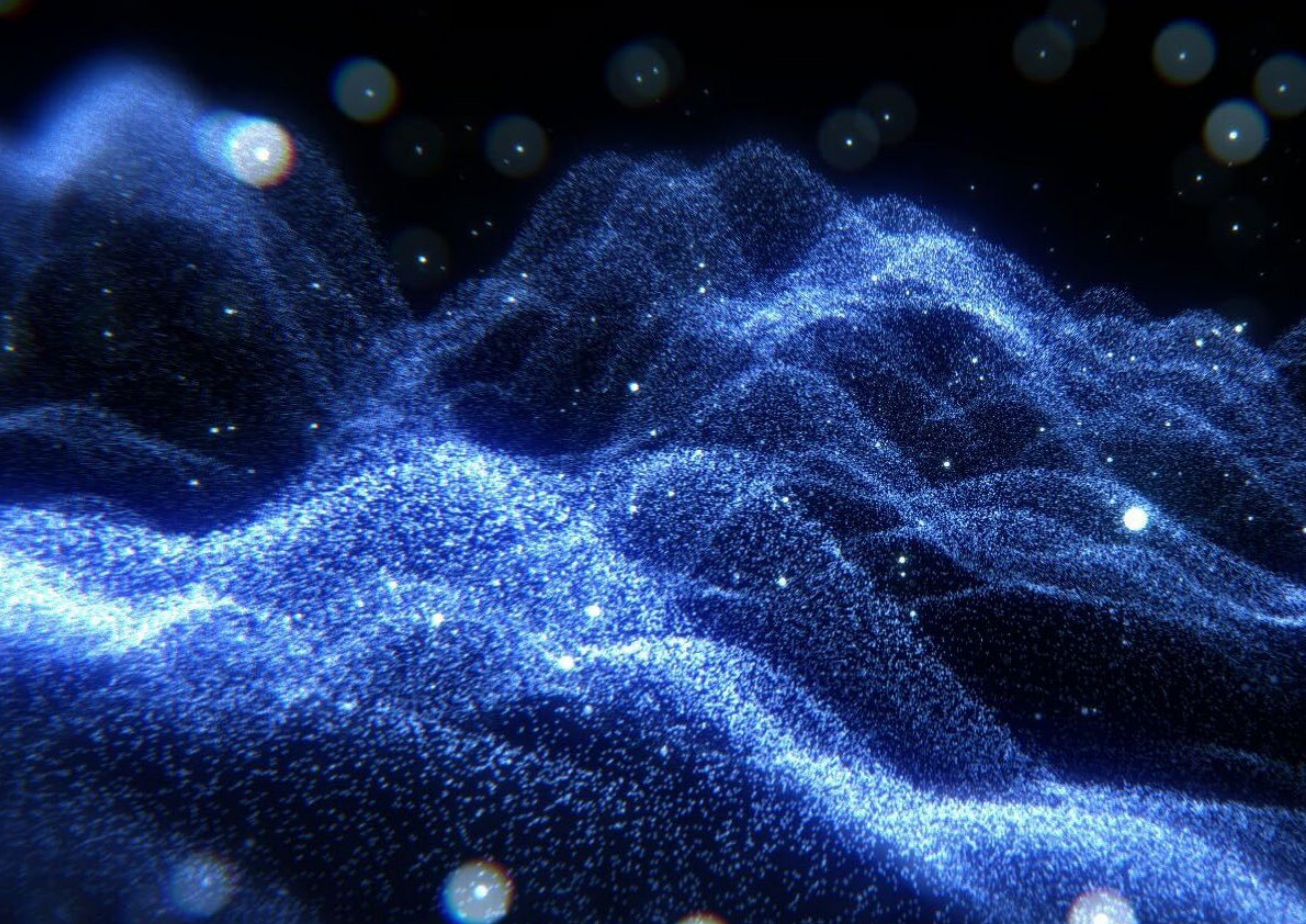
The Group has introduced the SEOS at Saleri plants around the world. Shopfloor Management will lay sustainable foundations for the long-term **Lean Transformation** process, in step with business growth.

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)



Sustainability report 2023

Consolidated non-financial statement

PREPARED PURSUANT TO ART.4 OF LEGISLATIVE DECREE 254/2016

Our approach

We are Saleri

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We are an innovative global group in the automotive industry

11 SUSTAINABLE CITIES AND COMMUNITIES

Our purpose is to enable people sustainable mobility

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We have integrated sustainability into our business to achieve our ambition

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Innovating to support the automotive industry transformation

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

To pursue growth for our local communities,

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

the people who work with us and our partners

13 CLIMATE ACTION

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.

Index

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".

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 23 April 2024.

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 2023[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. 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 2023. Where possible, the information presented in the NFS has been accompanied with comparative information for 2022. 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.

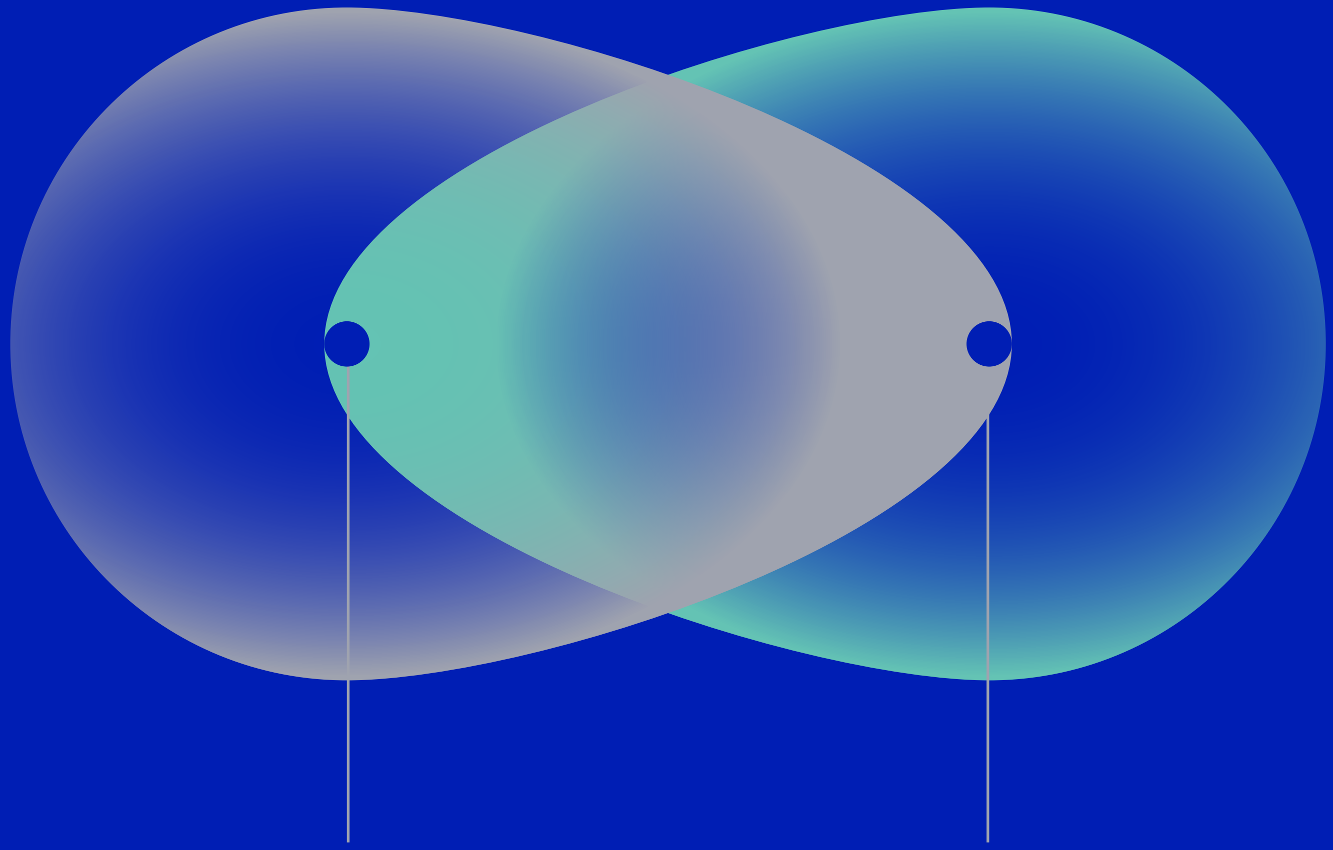
This document has been the subject of a limited assurance engagement (following the criteria indicated by Standard ISAE 3000 Revised) by Deloitte & Touche S.p.A. which has issued a separate report confirming that the information reported meets the requirements of Article 3(10) of Legislative Decree 254/2016.

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 2023. 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

Our sustainability ambition



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

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

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 represents strategic priorities in the ESG field and inspired the drafting of the sustainability plan.

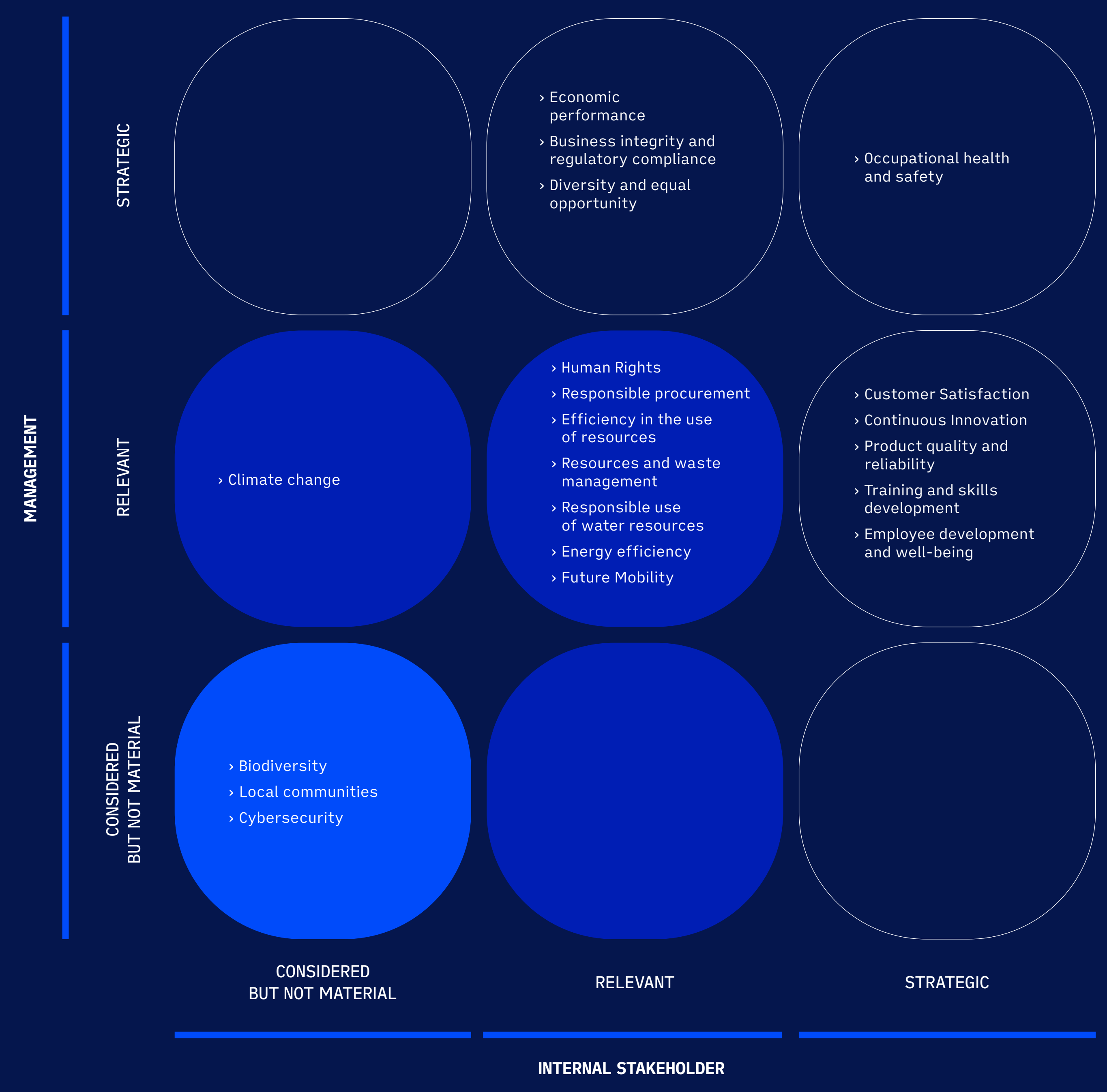
For the Saleri Group, economic, social and environmental matters that help generate shared value and that could impact that value are considered relevant for the business and its stakeholders[2].

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 material topics previously identified were confirmed in 2023 without changes.

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 2023, the economic value generated by the Group[3] amounted to Euro 216.3 million.

The economic value distributed in 2023 amounted to Euro 202.1 million, 10% higher than in 2022.

93% of the economic value generated was distributed to stakeholders while the remaining 7% was retained within the Group.

€ million	2023	2022
Generated economic value	**216.3**	**194.2**
Distributed economic value	**202.1**	**183.8**
Economic value distributed to suppliers/vendors	156.5	145.7
Economic value distributed to collaborators/employees	38.4	34.8
Economic value distributed to Investors and Lenders	4.7	2.9
Economic value distributed to the Public Administration	2.4	0.2
Economic value distributed to the Community	0.1	0.1
Retained economic value	**14.2**	**10.4**

For further information, see the 2023 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%	1,050,485
Giovanna Maria Saleri	40%	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. (Azioni proprie)	**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 31/12/2023.

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

MEMBERSHIP OF THE BOARD OF DIRECTORS AT 31/12/2023

Name and Surname	Role	Age	Gender
Francesco Italo Saleri	President	36	M
Giorgio Garimberti	Vicepresident	74	M
Matteo Cosmi	CEO	46	M
Sergio Bona	Director	68	M
Wilhelm Becker	Director	76	M
Alberto Bartoli	Director	63	M
Alessandro Potestà	Director	55	M
Massimo Colli	Director	74	M
Simona Heidempergher	Director	55	F

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

The Board of Directors, 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 Statutory Auditors

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

MEMBERSHIP OF THE BOARD OF STATUTORY AUDITORS AT 31/12/2023

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 2023, appointed the auditing of the Separate Financial Statements of Industrie Saleri Italo S.p.A., as well as the Consolidated Financial Statements of the Saleri Group, to the audit firm Deloitte & Touche S.p.A. until the General Meeting called for the approval of the financial statements for the fiscal year 2025. On September 5, 2022, Industrie Saleri Italo S.p.A. renewed the assignment to the same audit firm for the auditing of the semi-annual consolidated financial statements of the Saleri Group for the three-year period June 30, 2022 -June 30, 2024.

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 31/12/2023

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, 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 2024.

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, in 2022 and 2023 demonstrates the attention paid by the Group to the issue, regardless of the formal procedures implemented by each Company.

Whistleblowing

The Parent Company, Industrie Saleri Italo S.p.A., intends to promote a corporate culture characterized by the protection of integrity values and ethically driven behaviours, along with a good corporate governance system. For this reason, Saleri has implemented a specific regulatory framework, the "Whistleblowing Policy," governing the Reporting of Violations within the company. The Policy is founded on the Legislative Decree of March 10, 2023, no. 24 (the "Whistleblowing Decree" - transposing EU Directive no. 2019/1937) and Legislative Decree of June 8, 2001, no. 231.

Saleri's Whistleblowing Policy provides, in addition to the non-retaliation clause as outlined in the "Whistleblowing Decree", the possibility to make anonymous reports through a web-based computer tool - accessible through common browsers - aimed at strengthening the protection of the reporter and promoting a transparent and peaceful dialogue with the Supervisory board, the entity responsible for receiving and managing reports. The policy is available on the website www.saleri.com.

We note that no whistleblower reports were received in 2023.

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.

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.

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 2023, the Saleri Group had 660[4,5] employees. This represented a 6% increase compared to 622 employees at 31 December 2022.

At 31 December 2023, Industrie Saleri Italo S.p.A. had 384 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 88% of all workers). This percentage increases to 99.7% if only parent Company Industrie Saleri Italo S.p.A. is considered.

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

GRI 2-7	2023				2022			
CONTRACT TYPE	**M**	**W**	**TOT.**	**%**	**M**	**W**	**TOT.**	**%**
Workers with permanent contracts	362	217	579	88	352	214	566	91
Workers with fixed-term contracts	49	32	81	12	24	32	56	9
TOTAL	**411**	**249**	**660**	**100**	**376**	**246**	**622**	**100**

GRI 2-7	2023						2022					
CONTRACT TYPE BY GEOGRAPHICAL AREA	**IT**	**CN**	**MX**	**IN**	**DE**	**TOT.**	**IT**	**CN**	**MX**	**IN**	**DE**	**TOT.**
Workers with permanent contracts	469	52	24	29	5	579	474	54	19	16	3	566
Workers with fixed-term contracts	1	55	1	24	–	81	6	48	1	1	–	56
TOTAL	**470**	**107**	**25**	**53**	**5**	**660**	**480**	**102**	**20**	**17**	**3**	**622**

GRI 2-7	2023				2022			
TYPE OF EMPLOYMENT	**M**	**W**	**TOT.**	**%**	**M**	**W**	**TOT.**	**%**
Full-time	409	211	620	94	375	212	587	94
Part-time	2	38	40	6	1	34	35	6
TOTAL	**411**	**249**	**660**	**100**	**376**	**246**	**622**	**100**

[4] The figure includes all Group companies at 31/12/2023, including Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2023 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 2023, the Saleri Group hired 146 new employees - including 37 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	2023				2022			
HIRES BY AGE GROUP (N°)	**<30**	**30-50**	**>50**	**TOT.**	**<30**	**30-50**	**>50**	**TOT.**
Men	46	53	6	105	23	42	3	68
Women	7	29	5	41	6	41	3	50
TOTAL	**53**	**82**	**11**	**146**	**29**	**83**	**6**	**118**

GRI 401-1	2023				2022			
HIRES BY AGE GROUP (%)	**<30**	**30-50**	**>50**	**TOT.**	**<30**	**30-50**	**>50**	**TOT.**
Men	32%	36%	4%	72%	19%	36%	3%	58%
Women	5%	20%	3%	28%	5%	35%	3%	42%
TOTAL	**36%**	**56%**	**8%**	**100%**	**25%**	**70%**	**5%**	**100%**

GRI 401-1	2023						2022					
HIRES BY GEOGRAPHICAL AREA (N°)	**IT**	**CN**	**MX**	**IN**	**DE**	**TOT.**	**IT**	**CN**	**MX**	**IN**	**DE**	**TOT.**
Men	38	9	7	50	1	105	40	6	4	16	2	68
Women	14	17	7	2	1	41	16	17	17	–	–	50
TOTAL	**52**	**26**	**14**	**52**	**2**	**146**	**56**	**23**	**21**	**16**	**2**	**118**

GRI 401-1	2023						2022					
HIRES BY GEOGRAPHICAL AREA (%)	**IT**	**CN**	**MX**	**IN**	**DE**	**TOT.**	**IT**	**CN**	**MX**	**IN**	**DE**	**TOT.**
Men	26%	6%	5%	34%	1%	72%	34%	5%	3%	14%	2%	58%
Women	10%	12%	5%	1%	1%	28%	14%	14%	14%	0%	0%	42%
TOTAL	**36%**	**18%**	**10%**	**36%**	**1%**	**100%**	**47%**	**19%**	**18%**	**14%**	**2%**	**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, 2023, correspond to 22% for incoming turnover and 16% for outgoing turnover.

GRI 401-1				2023				2022
DEPARTURES BY AGE GROUP (N°)	<30	30-50	>50	TOT.	<30	30-50	>50	TOT.
Men	25	33	11	69	11	33	10	54
Women	4	29	6	39	10	40	2	52
TOTAL	**29**	**62**	**17**	**108**	**21**	**73**	**12**	**106**

GRI 401-1				2023				2022
DEPARTURES BY AGE GROUP (%)	<30	30-50	>50	TOT.	<30	30-50	>50	TOT.
Men	23%	31%	10%	64%	10%	31%	9%	51%
Women	4%	27%	6%	36%	9%	38%	2%	49%
TOTAL	**27%**	**57%**	**16%**	**100%**	**20%**	**69%**	**11%**	**100%**

GRI 401-1						2023						2022
DEPARTURES BY GEOGRAPHICAL AREA (N°)	IT	CN	MX	IN	DE	TOT.	IT	CN	MX	IN	DE	TOT.
Men	43	5	5	16	–	69	41	4	3	5	1	54
Women	19	16	4	–	–	39	18	17	17	–	–	52
TOTAL	**62**	**21**	**9**	**16**	**–**	**108**	**59**	**21**	**20**	**5**	**1**	**106**

GRI 401-1						2023						2022
DEPARTURES BY GEOGRAPHICAL AREA (%)	IT	CN	MX	IN	DE	TOT.	IT	CN	MX	IN	DE	TOT.
Men	40%	5%	5%	15%	0%	64%	39%	4%	3%	5%	1%	51%
Women	18%	15%	4%	0%	0%	36%	17%	16%	16%	0%	0%	49%
TOTAL	**57%**	**19%**	**8%**	**15%**	**0%**	**100%**	**56%**	**20%**	**19%**	**5%**	**1%**	**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 2023, there were 24 senior managers, including 6 women while, at the same date, 3 out of the 10 members of the Top Management team were women.

GRI 405-1					2023					2022
WORKFORCE BY EMPLOYEE CATEGORY AND GENDER	Senior Mngrs	Mngrs	White Collar	Blue Collar	TOT.	Senior Mngrs	Mngrs	White Collar	Blue Collar	TOT.
Men	2.7%	5.3%	26.4%	27.9%	62.3%	2.1%	4.8%	28.3%	25.2%	60.5%
Women	0.9%	0.8%	11.5%	24.5%	37.7%	0.8%	0.3%	11.3%	27.2%	39.5%
TOTAL	**3.6%**	**6.1%**	**37.9%**	**52.4%**	**100.0%**	**2.9%**	**5.1%**	**39.5%**	**52.4%**	**100.0%**

GRI 405-1					2023					2022
WORKFORCE BY EMPLOYEE CATEGORY AND AGE	Senior Mngrs	Mngrs	White Collar	Blue Collar	TOT.	Senior Mngrs	Mngrs	White Collar	Blue Collar	TOT.
<30	0.0%	0.2%	5.2%	12.7%	18.0%	0.0%	0.6%	5.5%	13.0%	19.1%
30-50	2.4%	5.8%	26.5%	31.7%	66.4%	2.3%	3.9%	28.8%	32.2%	67.0%
>50	1.5%	1.2%	4.8%	8.0%	15.6%	0.6%	1.3%	4.7%	7.2%	13.8%
TOTAL	**4%**	**7%**	**37%**	**52%**	**100.0%**	**3%**	**6%**	**39%**	**52%**	**100.0%**

In accordance with the law, Industrie Saleri Italo S.p.A. and ABL Automazione S.r.l. employ disabled personnel and personnel belonging to protected categories. It has a total of 13 such employees, 8 men and 5 women, at 31 December 2023.

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 2023, a total of 1,951 hours of training was provided to Industrie Saleri personnel while, at Group level, a total of 5,578 hours were dedicated to training. The decrease in training hours, both at consolidated level and at the parent company level, is mainly attributable to the higher number of hours in 2022 for training updates and mandatory cyclical training.

TRAINING 31/12/2023

GRI 404-1

EMPLOYEES BY CATEGORY AND GENDER (H)	Senior Managers	Managers	White Collars	Blue Collars	TOT.
Men	76	610	2,155	966	3,807
Women	22	94	642	1,015	1,771
TOTAL	**98**	**704**	**2,797**	**1,981**	**5,578**

AVERAGE TRAINING HOURS 31/12/2023

GRI 404-1

EMPLOYEES BY CATEGORY AND GENDER (H)	Senior Managers	Managers	White Collars	Blue Collars	TOT.
Men	4.2	17.4	12.4	5.3	9.3
Women	3.6	18.7	8.4	6.3	7.1
TOTAL	**4.1**	**17.6**	**11.2**	**5.7**	**8.5**

TRAINING 31/12/2022

GRI 404-1

EMPLOYEES BY CATEGORY AND GENDER (H)	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**

AVERAGE TRAINING HOURS 31/12/2022

GRI 404-1

EMPLOYEES BY CATEGORY AND GENDER (H)	Senior Managers	Managers	White Collars	Blue Collars	TOT.
Men	11.6	10.8	22.0	7.3	14.6
Women	20.1	7.3	17.6	10.2	12.5
TOTAL	**14.0**	**10.5**	**20.7**	**8.8**	**13.8**

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 108 Industrie Saleri Italo S.p.A. employees belong to FIOM-CGIL while 44 belong to FIM-CISL.

Relations between Management and the Trade Unions are based on transparency and reciprocal correctness. During the year, about 10 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.

Parental leave

Both mothers and fathers have a right to parental leave. This is a period of absence from work that may be divided between the two parents and used in the first twelve years of the child's life in order to fulfil emotional and family needs.

During 2023, in the holding company, a total of 22 parents (22 women) made use of parental leave. All of them enjoyed full freedom of choice over the period and number of days/hours' leave to use. Upon completion of the parental leave period, all of these employees returned to the Company, in the same role as before and with the same salary. A proportionate reduction in salary only occurs if an employee starts to work part time rather than full time.

During 2023, 4 Saleri Shanghai Co. Ltd employees (1 woman and 4 men) asked for parental leave, while no employee of Saleri Mexico asked for it.

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, the certification confirmation took place in the first quarter of 2024, 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 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 Manager was appointed, as at 31.12.2023 Saleri Shanghai Co. LTD. headcount reached 102 people. In June 2023, Saleri Shanghai Co. LTD. also obtained ISO 45001 certification.

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.

During 2023, for the second time, 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 2023 while there were four cases of workplace injury on a Group-wide level[7].

The workplace injuries recorded were not very serious with a prognosis of not more than 40 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 2023, there was five 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].

GRI 403-9			2023			2022
	M	W	TOT.	M	W	TOT.
Frequency rate	5.47	0.00	**3.62**	6.44	0.00	**4.07**
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			2023			2022
	M	W	TOT.	M	W	TOT.
Workplace injuries	4	0	**4**	4	0	**4**
of which fatal	0	0	**0**	0	0	**0**
of which with severe consequences (excluding fatal ones)	0	0	**0**	0	0	**0**

[7] The figure includes all Group companies at 31/12/2023, including Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2023 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 1,105,760 hours worked (excluding overtime hours) were recorded in 2023, of which 731,651 hours by male employees and 374,109 hours by female employees. In 2022, the corresponding figures were 983,527 hours worked (excluding overtime hours), of which 620,690 hours by male employees and 362,837 hours by female employees.

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. In 2024, the renewal of the energy diagnosis is underway. The surveys conducted up to this point do not highlight significant risks and are in line with previous analyses. The energy diagnosis considers all energy sources (electricity and natural 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.

Emissions [9]

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.

[9] The figures include Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2023 Consolidated Financial Statements, and exclude Saleri TMS Competence Center GmbH given its immateriality for both non-financial reporting and the specific data.

GRI 302-1
Energy consumption within the organization (GJ)[10]

TOTAL ENERGY CONSUMPTION 2023 Consolidated

		GJ
METHANE GAS m³	160,496	6,435
ELECTRICITY kwh	1,782,569	6,417
ELECTRICITY FROM RENEWABLE SOURCES kwh	7,670,543	27,614
PETROL FOR COMPANY VEHICLE FLEET l	24,037	819
DIESEL FOR COMPANY VEHICLE FLEET l	79,627	3,012
TOTAL	–	44,297

TOTAL ENERGY CONSUMPTION 2022 Consolidated

		GJ
METHANE GAS m³	175,310	6,971
ELECTRICITY kwh	1,479,451	5,326
ELECTRICITY FROM RENEWABLE SOURCES kwh	6,952,757	25,030
PETROL FOR COMPANY VEHICLE FLEET l	19,942	683
DIESEL FOR COMPANY VEHICLE FLEET l	79,475	3,036
TOTAL	–	41,046

[10] The figures include Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2023 Consolidated Financial Statements, and exclude Saleri TMS Competence Center GmbH given its immateriality for both non-financial reporting and the specific data.

GRI 305-1 and 305-2

EMISSIONS 2023 Consolidated

		Amount
SCOPE 1		
METHANE GAS m³	tCO_2e	327
PETROL FOR COMPANY VEHICLE FLEET l	tCO_2e	56
DIESEL FOR COMPANY VEHICLE FLEET l	tCO_2e	200
TOTAL SCOPE 1	tCO_2e	584
SCOPE 2		
ELECTRICITY LOCATION BASED	tCO_2e	3,337
ELECTRICITY MARKET BASED	tCO_2e	986

EMISSIONS 2022 Consolidated

		Amount
SCOPE 1		
METHANE GAS m³	tCO_2e	353
PETROL FOR COMPANY VEHICLE FLEET l	tCO_2e	43
DIESEL FOR COMPANY VEHICLE FLEET l	tCO_2e	203
TOTAL SCOPE 1	tCO_2e	600
SCOPE 2		
ELECTRICITY LOCATION BASED	tCO_2e	2,958
ELECTRICITY MARKET BASED	tCO_2e	826

Scope 1: emission factors DEFRA 2023 (https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023)
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 2021, source: AIB 2023), 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 [11]	2023		2022	
SOURCE OF WITHDRAWAL (Megalitres)	**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	**13.3**	**13.3**	**14.2**	**14.2**
Fresh water (≤1.000 mg/l of total dissolved solids)	13.3	13.3	14.2	14.2
of which surface water	–	–	–	–
of which underground water	13.3	13.3	14.2	14.2
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	**13.3**	**13.3**	**14.2**	**14.2**

[11] The figures include Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2023 Consolidated Financial Statements, and exclude Saleri TMS Competence Center GmbH given its immateriality for both non-financial reporting and the specific data.

The above figures are the final figures shown in the bills issued by the water Company, except for an estimation for December 2023 for the parent company Industrie Saleri Italo S.p.A. The estimation was based on the meter consumption data and concerned the last week of December, which was assessed based on the average consumption of the current and previous years.

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 waste 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.

GRI 306-3[12]		2023				2022
WASTE[13] (T)	Hazardous	Non-hazardous	TOT.	Hazardous	Non-hazardous	TOT.
Recycling	6.29	706.20	712.48	5.98	579.36	585.34
Disposal	350.43	23.17	373.59	289.50	37.26	326.76
TOTAL	**356.71**	**729.36**	**1,086.08**	**295.48**	**616.62**	**912.10**

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 2023, there were no occurrences requiring activation of the internal emergency plan.

[12] The Saleri Group commits to reporting a breakdown of the total waste by group composition, in accordance with GRI 306-3 (2020 version), in the next edition of the non-financial reporting.
[13] The figures include Saleri India Private Ltd., which is excluded from the scope of consolidation for the 2023 Consolidated Financial Statements, and exclude Saleri TMS Competence Center GmbH 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:

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 2023 (€ Thousand)	
Sponsorship	95
Charity	23
Donations	1
TOTAL	**119**

Business networks

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.

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 TOPICS	TOPICS FROM D.LGS. 254/16	ACTUAL OR POTENTIAL POSITIVE IMPACTS	ACTUAL OR POTENTIAL NEGATIVE IMPACTS	CORRELATION WITH GRI STANDARDS
Future mobility	–	Economic contribution to innovation for sustainable mobility and energy transition in the automotive sector.	–	–
Climate change	Environmental topics	Reduction of climate-altering emissions from vehicles through Thermal Management, lowering Product Carbon Footprint, and reducing direct and indirect emissions (Scope 1 and 2).	Climate-altering emissions associated with the consumption of non-renewable energy.	GRI 305: Emissions (2016)
Energy efficiency	Environmental topics	Reduction of energy consumption, with a positive impact on lowering climate-altering emissions in production.	–	GRI 302: Energy (2016)
Responsible procurement	Environmental topics	Supply chain engagement for reducing the impact of the supply chain. Reduction of direct emissions from suppliers (Scope 1 and 2) - Scope 3 Downstream for Saleri. Transfer of ESG and management best practices.	–	–
Efficiency in the use of resources	Environmental topics	Waste and consumption reduction through careful management of the production process, with a positive impact on emission reduction. Conservation of raw materials through the use of recycled materials.	Contribution to the exhaustion of natural resources through the consumption of raw materials and natural resources.	–
Resources and waste management	Environmental topics	Waste and resource reduction through careful management of the production process.	Environmental impacts associated with waste generation during production and its subsequent disposal in landfills.	GRI 306: Waste (2020)
Responsible use of water sources	Environmental topics	–	Negative impacts on the availability and discharge of water used in production processes.	GRI 303: Water and Effluents (2018)
Customer Satisfaction	–	Development of strong customer relationships through their satisfaction, attentive listening, and customized design tailored to their needs.	Negative impacts on customers' production chain or interruptions due to non-compliance.	–
Continuous Innovation	–	Implementation of business, innovation, and management practices that enhance the shared value of the company for the benefit of all stakeholders. Transfer of innovative and transformative practices and technologies to companies within the supply chain and partners.	–	–
Training and skills development	Social and employees-related topics	Enhancement of human resources skills and intangible assets within the group.	–	GRI 404: Training and Education (2016)
Employee development and well-being	Social and employees-related topics	Well-being of human resources increase, corporate climate improvement with a positive impact on employee satisfaction.	–	GRI 401: Employment (2016)
Diversity and equal opportunity	Social topics, employee and respect of human rights related topics	–	Risk of discrimination and deterioration of employee well-being.	GRI 405: Diversity and Equal Opportunity (2016), GRI 406: Non-discrimination (2016)
Occupational health and safety	Social topics, employee and respect of human rights related topics	Raising awareness through training and implementation of best practices on health and safety - reduction of accidents and injuries.	Non-compliance with regulations and risk of accidents.	GRI 403: Occupational Health and Safety (2018)
Product quality and reliability	–	Development of a safe and high-quality product compliant with various contexts (customer needs and current legislation), with positive impacts on users' health and safety.	Potential quality issues with an impact on end users.	–
Human Rights	Respect of human rights related topics	Through responsible sourcing, a culture of protecting fundamental individual rights is promoted, with a positive impact on the supply chain by transferring ESG and management best practices.	Violation of human rights along the value chain.	–
Economic performance	–	Generation of economic value and employment creation.	–	GRI 201: Economic Performance (2016)
Business integrity and regulatory compliance	Fight against active and passive corruption related topics	–	Negative impacts on the public and private economic system due to unethical business practices.	GRI 206: Anti-competitive behavior (2016) GRI 205: Anti-corruption (2016)

GRI content index

Statement of use

Saleri Group has reported the information cited in this GRI content index for the period 01/01/2023 to 31/12/2023 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 15-27
2-2	Entities included in the organization's sustainability reporting	Director's Report; 36-37
2-3	Reporting period, frequency and contact point	36-37
2-4	Restatements of information	No reviews have been performed on the information reported in previous fiscal years
2-5	External assurance	83-85
2-6	Activities, value chain and other business relationships	Saleri Group Company Profile 15-27; Director's Report
2-7	Employees	54-60
2-9	Governance structure and composition	45-49
2-10	Nomination and selection of the highest governance body	45
2-12	Role of the highest governance body in overseeing the management of impacts	48-49
2-13	Delegation of responsibility for managing impacts	48-49
2-14	Role of the highest governance body in sustainability reporting	36-37
2-22	Statement on sustainable development strategy	Letter from the Chairman; Letter from the CEO; 32-33; 38
2-23	Policy commitments	32-33; 40-41

GRI STANDARD	DISCLOSURE	PAGE NUMBER
2-27	Compliance with laws and regulations	In 2023, there were no instances of non-compliance with laws and regulations involving Industrie Saleri Italo S.p.A. or any other company in the Group
2-28	Membership associations	75
2-29	Approach to stakeholder engagement	42-43
2-30	Collective bargaining agreements	54
GRI 3: MATERIAL TOPICS (2021)		
3-1	Process to determine material topics	42-43
3-2	List of material topics	42-43
MATERIAL TOPIC: Economic Performance		
GRI 201: ECONOMIC PERFORMANCE (2016)		
3-3	Management of material topics	Director's Report; 76-77
201-1	Direct economic value generated and distributed	44
MATERIAL TOPIC: Business Integrity and Regulatory Compliance		
GRI 205: ANTI-CORRUPTION (2016)		
3-3	Management of material topics	46-48; 76-77
205-3	Confirmed incidents of corruption and actions taken	48
GRI 206: ANTI-COMPETITIVE BEHAVIOR (2018)		
3-3	Management of material topics	46-48; 76-77
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2023, there were no legal actions for anti-competitive behavior, antitrust, and monopolistic practices
MATERIAL TOPIC: Energy Efficiency		
GRI 302: ENERGY (2016)		
3-3	Management of material topics	66-68; 76-77
302-1	Energy consumption within the organization	66-68
MATERIAL TOPIC: Responsible use of water resources		
GRI 303: WATER AND EFFLUENTS (2018)		
3-3	Management of material topics	70-71; 76-77
303-1	Interactions with water as a shared resource	70-71
303-2	Management of water discharge-related impacts	70-71
303-3	Water withdrawal	70-71
MATERIAL TOPIC: Climate change		
GRI 305: EMISSIONS (2016)		
3-3	Management of material topics	66-67; 76-77
305-1	Direct (Scope 1) GHG emissions	69
305-2	Energy indirect (Scope 2) GHG emissions	69

GRI STANDARD	DISCLOSURE	PAGE NUMBER
MATERIAL TOPIC: Resources and waste management		
GRI 306: WASTE (2020)		
3-3	Management of material topics	71-72; 76-77
306-1	Waste generation and significant waste-related impacts	71-72
306-2	Management of significant waste-related impacts	71-72
306-3	Waste generated	71-72
MATERIAL TOPIC: Employee development and well-being		
GRI 401: EMPLOYMENT (2016)		
3-3	Management of material topics	54-56; 76-77
401-1	New employee hires and employee turnover	54-56
MATERIAL TOPIC: Diversity and equal opportunity		
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY (2016)		
3-3	Management of material topics	57; 76-77
405-1	Diversity of governance bodies and employees	46; 57
GRI 406: NON-DISCRIMINATION (2016)		
3-3	Management of material topics	57; 76-77
406-1	Incidents of discrimination and corrective actions taken	In 2023, there were no instances of discrimination.
MATERIAL TOPIC: Occupational health and safety		
GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018)		
3-3	Management of material topics	62-65; 76-77
403-1	Occupational health and safety management system	62-65
403-2	Hazard identification, risk assessment, and incident investigation	62-65
403-3	Occupational health services	62-65
403-4	Worker participation, consultation, and communication on occupational health and safety	62-65
403-5	Worker training on occupational health and safety	62-65
403-6	Promotion of worker health	62-65
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	62-65
403-9	Work-related injuries	65
403-10	Work-related ill health	65
MATERIAL TOPIC: Training and skills development		
GRI 404: TRAINING AND EDUCATION (2016)		
3-3	Management of material topics	58; 76-77
404-1	Average hours of training per year per employee	58
MATERIAL TOPIC: Human Rights		
GRI: N/A		
3-3	Management of material topics	40-41; 76-77

GRI STANDARD	DISCLOSURE	PAGE NUMBER
MATERIAL TOPIC: Continuous Innovation		
GRI: N/A		
3-3	Management of material topics	50-53; 76-77
MATERIAL TOPIC: Product quality and reliability		
GRI: N/A		
3-3	Management of material topics	15-27; 76-77
MATERIAL TOPIC: Future Mobility		
GRI: N/A		
3-3	Management of material topics	Letter from the Chairman; Letter from the CEO; Director's Report; 50-53; 76-77
MATERIAL TOPIC: Responsible procurement		
GRI: N/A		
3-3	Management of material topics	73; 76-77
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 15-27; Director's Report; 76-77
MATERIAL TOPIC: Efficiency in the use of resources		
GRI: N/A		
3-3	Management of material topics	66-72; 76-77

Deloitte.

Deloitte & Touche S.p.A.
Via Cefalonia, 70
25124 Brescia
Italia

Tel: +39 02 83327030
Fax: +39 02 83327029
www.deloitte.it

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. 20267/2018

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, paragraph 1, letter g) 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, 2023 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 April 23, 2024 (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 with *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 *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* 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.

During the year covered by this assurance engagement, our auditing firm applied *International Standard on Quality Control 1* (*ISQC Italia 1*) and, accordingly, maintained 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 and with the *GRI Standards*, with reference to the selection of GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

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

Specifically, we carried out the following procedures:

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

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

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

4. understanding of the following matters:

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

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

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Saleri Group as of December 31, 2023 is not prepared, in all material respects, in accordance with article 3 and 4 of the Decree and with the GRI Standards, with reference to the selection of GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Giampaolo Carrara
Director

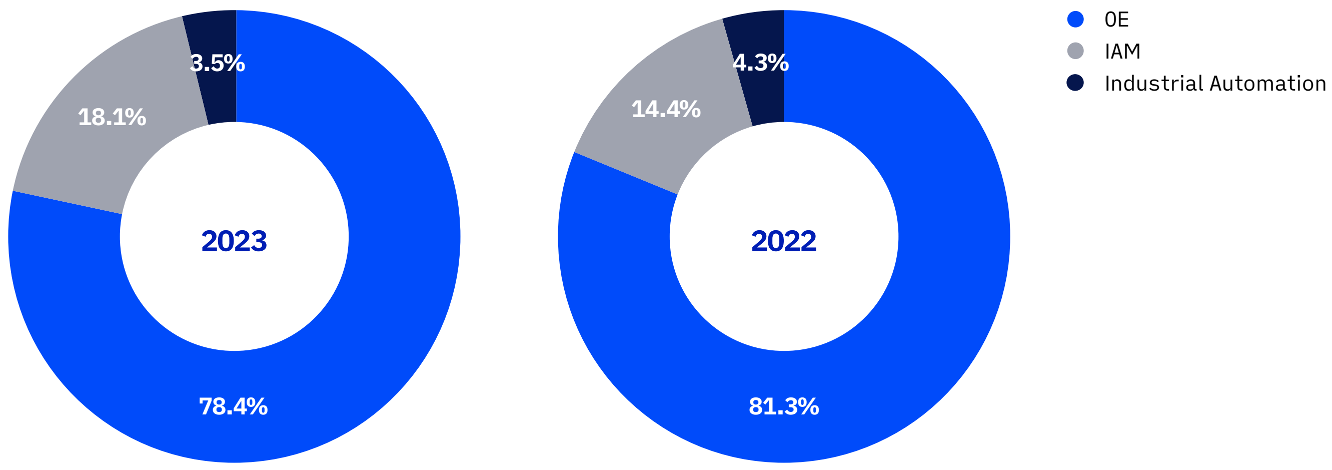
Brescia, Italy
May 8, 2024

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

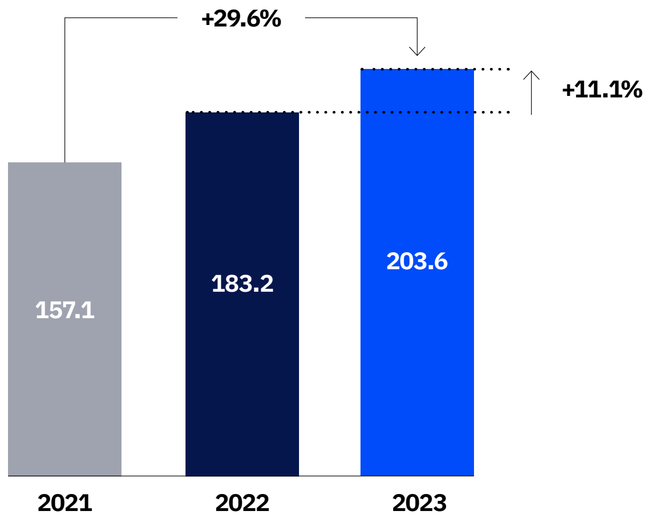
Annual Financial Report 2023

The Group's Financial Highlights

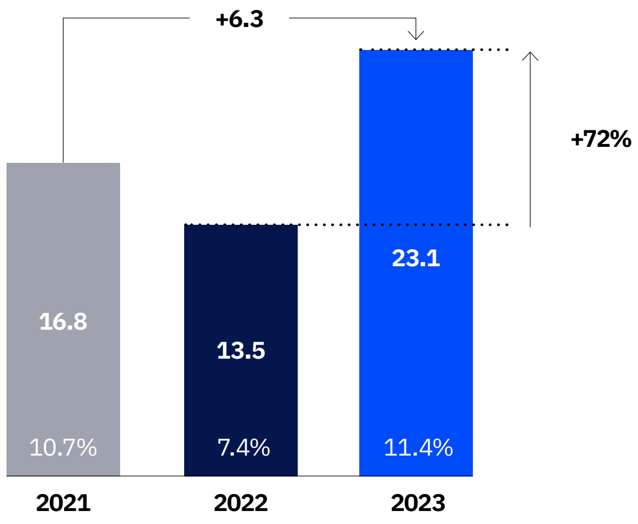
Revenue by BU



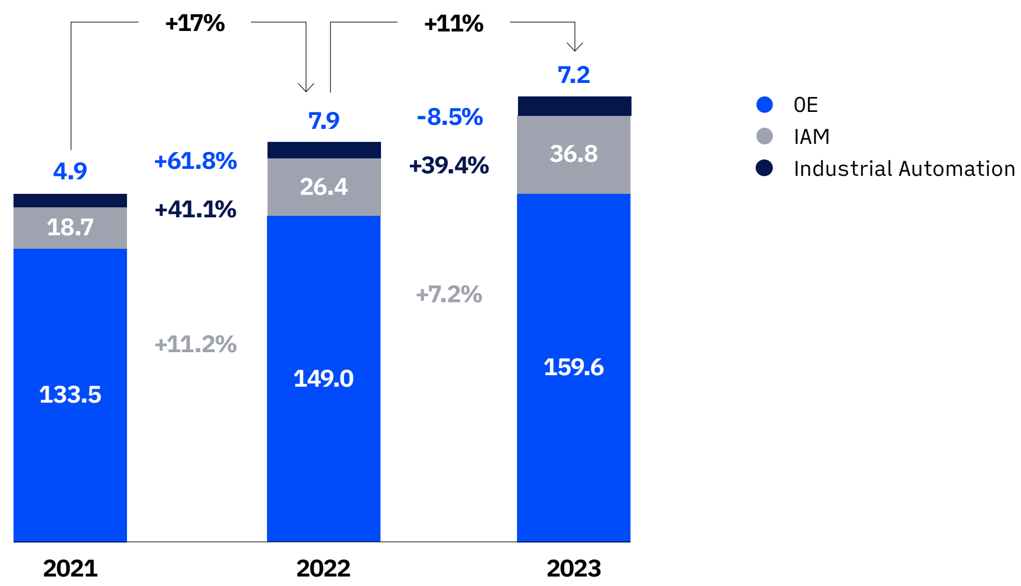
Revenue



EBITDA



Revenue by BU



Directors' Report

Consolidated Financial Statements and Separate Financial Statements at 31 December 2023

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 2023 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 2023 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 2025 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 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

Francesco 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, a role he left when appointed 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 CEO 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). Since 2015, he has been Senior Portfolio Manager with Quaestio Capital Management SGR S.p.A which holds a 26.6% stake. In 2024, he was appointed CEO of Quaestio Capital SGR S.p.A..

Group Structure

The Group Organisation Chart at 31 December 2023 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**

51%* **Saleri India Private Limited**
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.

* Simest: A company from the CDP Group which sustains the growth of Italian companies abroad

SCOPE OF CONSOLIDATION

At 31 December 2023, the scope of consolidation 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.	Avenida Aero Industrial Lote 13, Apodaca, C.P. 66629, Nuevo Léon, México	51%	MXN	98,233,500
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 München- Germany	100%	EURO	25,000

The scope of consolidation for the 2023 Consolidated Financial Statements has not changed compared to 2022.

Companies directly controlled at 31 December 2023 but excluded from the scope of consolidation

Subsidiaries excluded from the scope of consolidation are listed below:

Name	Registered Office	Interest held	Currency	Share capital
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 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
During the reporting period

JANUARY 2023

Saleri consolidates its electric business

Saleri announces Euro 400 million of new orders to supply E-pumps for BEVs (Battery Electric Vehicles). Saleri E-pumps are intended for the coolant distribution module of the main BEV platform of an important American carmaker and Thermal Management systems for two of the leading European and Asian carmakers.

FEBRUARY 2023

New Board of Directors appointment

Following the untimely and unexpected departure of Chairman Basilio Saleri, his son Francesco Italo Saleri joined the Board of Directors and took on the role of Chairman of the company; Giorgio Garimberti was appointed Deputy Chairman; Matteo Cosmi was appointed CEO. In the sign of continuity, the appointment of the remaining Directors: Alberto Bartoli, Wilhelm Becker, Sergio Bona, Massimo Colli, Simona Heidempergher, Alessandro Potestà.

JULY 2023

Formula SAE Italy 2023 with Saleri as main sponsor

Edition XVIII of Formula SAE Italy, an international design competition, drew to a close on Sunday 16 July 2023 at the Autodromo di Varano de' Melegari, with Industrie Saleri Italo S.p.A. as main sponsor.

SEPTEMBER 2023

Saleri at IAA Mobility 2023

During the most important event for global mobility, IAA Mobility 2023 in Munich, Saleri welcomed hundreds of industry professionals interested in learning about our business and our latest technological innovations.

Saleri Mexico receives an award from General Motors

Subsidiary Saleri Mexico received the GM Supplier Quality Excellence Award (SQEA) 2022. This recognition testifies to our ongoing commitment to our customers for "Quality at Volume" and to our excellence in an ever more challenging environment.

OCTOBER 2023

Saleri receives Sustainability Performance award from Ricardo and McLaren

Industrie Saleri Italo S.p.A. received a Sustainability Performance award from Ricardo and McLaren Automotive Ltd during the Engine Supplier event, for the transparency shown during its activities and performance.

DECEMBER 2023

Bond issue

As part of its strategy to diversify its sources of financing, Industrie Saleri Italo S.p.A. issued a bond of Euro 8,000,000 designed to support investment and capex.

After the reporting period

FEBRUARY 2024

Second sustainability rating

Saleri received its second sustainability rating from Cerved Rating Agency, which confirms and enhances last year's result:
ESG risk management capability – High; Rating BBB with Score of 67.0, an improvement compared to the previous period.

OVERVIEW OF THE MACROECONOMIC ENVIRONMENT

After the year 2023 which was characterised by growing uncertainty due to a range of factors including high inflation, the ongoing Russia-Ukraine conflict, geopolitical tension between China and the USA and, most recently, the Israel-Palestine conflict, macroeconomic forecasts for 2024 offer the prospect of improvement. Based on the most recent forecasts of the International Monetary Fund, the global economy is expected to grow faster than previously expected. This improved economic outlook offers a degree of reassurance against a backdrop of persistent uncertainty, although significant risks remain in relation to restrictive economic policy and geopolitical events.

The most recent update of the International Monetary Fund forecasts global growth of +3.1% in 2023, +3.1% in 2024 and +3.2% in 2025, with a 200 bps improvement in the 2024 forecast compared to October 2023 figures[1]. Inflation, in particular, is falling faster than expected in most countries with global rates expected at 5.8% in 2024 and 4.4% in 2025.

However, attention is still required given ongoing restrictive economic policies and the risk of new shocks to the global supply chain because of geopolitical issues and disruption to logistics in the Red Sea area.

There are contrasting trends for the various national economies. Economic growth has been stronger than expected – especially in the second half of 2023 – in the USA (+2.5% in 2023) but modest in Europe (+0.5% in 2023) where it reflects weak consumer confidence, the lasting effects of high energy prices and weak manufacturing and business investment due to interest rate sensitivity. Also thanks to fiscal support, China recorded 5.3% growth in 2023 while India continues to grow with a growth rate of 6.7% recorded in 2023.

The regional growth outlook sees US growth falling to 2.1% in 2024 (+2.5% in 2023) due to the delayed effect of restrictive economic policy. Growth in the Eurozone is expected to rise from +0.5% in 2023 to +0.9% in 2024 and +1.7% in 2025. Growth in China is estimated at 4.6% in 2024 and +4.1% in 2025. Growth in India remains solid and is forecast at +6.5% in both 2024 and 2025.

[1] Figures from IMF, WORLD ECONOMIC OUTLOOK UPDATE January 2024.

THE AUTOMOTIVE INDUSTRY

Light Vehicles - Sales volumes[2]

Region	2021	2022	2023	Δ% VS '22	2021	2022	2023
ASEAN	2.8	3.3	3.3	0.0%	3.4%	4.2%	3.9%
Central Europe	1.4	1.3	1.5	12.4%	1.7%	1.7%	1.7%
East Europe	2.9	2.0	2.9	48.8%	3.6%	2.5%	3.4%
Greater China	24.4	24.6	26.0	5.7%	30.4%	31.1%	30.0%
Indian Subcontinent	3.8	4.6	4.8	4.4%	4.7%	5.8%	5.6%
Japan/Korea	6.1	5.8	6.4	11.0%	7.5%	7.3%	7.4%
Middle East/Africa	3.8	4.1	4.2	0.8%	4.8%	5.2%	4.8%
North America	17.7	16.5	18.7	13.1%	22.1%	20.9%	21.6%
Oceania	1.2	1.2	1.3	10.0%	1.5%	1.5%	1.5%
South America	3.8	3.8	3.9	2.5%	4.7%	4.9%	4.6%
West Europe	12.5	11.7	13.3	14.1%	15.5%	14.8%	15.4%
TOTAL	**80.3**	**79.0**	**86.4**	**9.4%**	**100.0%**	**100.0%**	**100.0%**

Globally, in 2023, new car sales totalled 86.4 million vehicles, up by 9.4% on prior year. This increase was thanks to the easing of supply constraints, a general improvement in logistics and an acceleration in sales in the final quarter of 2023. However, despite this improvement, global sales volumes still remain around 3.5 million vehicles down on pre-pandemic levels (compared to 89.9 million units in 2019).

In Europe, sales increased by 18.5% in 2023. In particular, sales in Western and Central Europe increased by 13.9% while Eastern Europe recorded a notable 48.8% improvement, largely driven by growth in Russia (+60%) which rebuilt its market after the imposition of sanctions, also thanks to imports from Chinese manufacturers and an overhaul of the technical production requirements of Russian vehicles.

In North America, sales volumes for the year increased by 13.1% compared to 2022 to stand at 18.7 million units. This positive trend was seen in both the United States and Canada with sales increases of +12.4% and +11.2%, respectively. Mexico also recorded a significant increase in sales (+24.2% in 2023 compared to 2022) thanks to the availability of Chinese brands which offset stock shortages due to the supply crisis caused by the lack of semi-conductors.

[2] Figures per S&P Global, February 2024

In South America, sales volumes remained stable in 2023, recording a 2.5% increase on prior year for a total of 3.9 million vehicles sold. Meanwhile, in Japan, car sales increased by 13.7% compared to 2022 and South Korea recorded a smaller 4.3% increase.

Demand in China recorded moderate growth with a 5.6% year-on-year increase to 25.4 million vehicles sold. This increase reflects the government incentives offered for the renewal of the car fleet.

In India, new car sales grew by 8.1% in 2023 to reach 4.7 million vehicles. In prior year, car sales in India had grown by 20.5%.

Light Vehicles – Engine production volumes 2023[3]

Region	Mln Units				% of total		
Vehicle engines	2021	2022	2023	Δ% VS '22	2021	2022	2023
Europe	15.9	15.8	17.8	12.5%	20.6%	19.2%	19.8%
Greater China	24.8	26.4	28.9	9.4%	32.2%	32.1%	32.1%
Japan/Korea	10.9	11.1	12.7	14.5%	14.1%	13.5%	14.2%
Middle East/ Africa	2.1	2.2	2.3	2.1%	2.7%	2.7%	2.5%
North America	13.0	14.3	15.6	9.5%	16.9%	17.4%	17.4%
South America	2.6	2.8	2.9	3.1%	3.4%	3.4%	3.2%
South Asia	7.9	9.6	9.8	1.6%	10.2%	11.7%	10.8%
TOTAL	**77.2**	**82.3**	**90.1**	**9.4%**	**100.0%**	**100.0%**	**100.0%**

During 2023, the improvement in global vehicle production exceeded initial forecasts and was driven, in particular, by a fourth quarter characterised by a significant increase in volumes. More than 90 million cars were produced globally in 2023, a 9.4% increase on prior year. When compared with the pre-crisis production levels of 2019 (89 million vehicles), this figure suggests a slight easing of economic concern in the short-term, as evidenced in particular by the balancing of sales volumes and the resulting need to adapt production volumes.

The global growth outlook in 2024 remains fairly stable although there are persistent concerns regarding a possible deterioration in macroeconomic conditions, heightened by the credit crunch. There are also positive signs such as reduced supply chain disruption and the fact that chip production and go-to-market times remain better than before.

In Europe, production volumes increased by 12.5% in 2023 compared to 2022 to reach 17.8 million units. However, a sequential decrease in production can already be seen with stoppages no longer caused by a shortage of parts but by a fall in orders. Despite the effort made to reduce prices, the expectation is that 2024 will see a decline in production volumes.

[3] Figures per S&P Global, February 2024

China remains the world's leading carmaker with a 32.1% share of total production. In 2023, its production totalled 28.9 million vehicles with a 9.4% increase on prior year. The increase in domestic demand – highlighted by the record level recorded in December 2023 – and export growth (+50% compared to prior year) seem to indicate a similar trend in 2024.

In North America, production volumes grew by 9.5% in 2023 compared to prior year to reach a total of 15.6 million vehicles. Analysts expect stability in 2024 with production mainly impacted by stabilisation of stock levels which have recovered following the semi-conductor crisis. Single figure growth is expected with a stable trend.

In South America, production volumes grew by 3.1% in 2023 compared to prior year to reach a total of 2.9 million vehicles. The region remains attractive with new investment expected by companies like Great Wall, which should commence production in Brazil in 2024, followed by BYD in 2025. However, domestic demand remains under pressure due to limited availability of credit while car prices are reaching all-time high levels, reducing the pool of potential buyers. In Argentina, first-quarter performance is already under pressure because of unresolved debt-related issues between manufacturers and suppliers which have led to a halt in production.

In 2023, both Japan and South Korea recorded increases in production volumes with growth of 15% and 13%, respectively, compared to prior year.

In India, 2023 production volumes reached 5.4 million units, up by 6% on prior year and by 31% compared to 2021. However, domestic growth is levelling off as growing demand is not sufficiently supported by production, as underlined by the growing backlog and unsatisfied demand.

Thermal Management and the development of temperature management systems

In the current automotive market environment, the trend towards sustainable, efficient mobility is driving significant change in vehicle design and engineering. With growing interest in low-emission technologies and increasing adoption of electric vehicles, Thermal Management is playing a crucial role in the design and operation of both traditional and electric cars.

Thermal Management refers to vehicle temperature control and regulation, directly influencing the efficiency, performance and lifespan of key components such as the engine, battery and electronic systems. Moreover, in electric vehicles, Thermal Management is key to the thermal management of high-capacity batteries and electric motors, helping to maintain optimal performance and extend battery life. In traditional internal combustion engine vehicles, Thermal Management is essential in ensuring that the engine operates in its optimal temperature range, improving fuel efficiency and reducing harmful emissions.

In this context, Saleri stands out for its consolidated technical expertise in the development of advanced Thermal Management solutions, ready to meet the growing needs of the automotive market. Saleri's ability to design and deliver bespoke thermal management systems for a wide range of vehicles (including internal combustion, hybrid and all-electric vehicles) places it at the heart of innovation in the industry.

Saleri develops customised thermal management solutions that satisfy customer needs by offering a wide range of applications. One of the keys to Saleri's success is diversification through product and applications.

Saleri can now offer its products to the wider mobility market:

- **Cars with a petrol or diesel combustion engine**
- **Hybrid cars (i.e. with dual electric and combustion engines)**
- **Battery electric vehicles**
- **2,3 or 4-wheel combustion and electric vehicles**
- **Commercial and off-road vehicles with an internal combustion engine and for hybrid and electric models**
- **Hypercar & Luxury Sport vehicles with internal combustion engines, hybrid or battery-electric**
- **Charging stations (Power Electronics)**
- **Alternative mobility / recreationals (i.e. snow, water, race)**
- **Industrial & Marine applications**
- **Power generation & energy storage**

Through the OE business unit, the Company has historically offered thermal management solutions primarily for on-road light vehicle applications. The demands of new mobility have meant that Saleri's orderbook and commercial offering have diversified and expanded. In addition to the carmaker market, Saleri now offers thermal management solutions for motorcycles and 2 and 3-wheeled vehicles, providing electric applications for new mobility which are especially popular on Asian markets. Saleri Thermal Management Saleri systems are also present in electric buses and other off-road electric vehicles used to handle and transport goods at airports and ports. An efficient thermal management system is also essential inside charging stations, a market that Saleri has not neglected.

Carmakers like BMW, Mercedes Benz, Ford, General Motors, Hyundai-Kia, Renault-Nissan-Mitsubishi, Stellantis, Volkswagen Group, Mahindra, Tata, and Tesla typically offer a range of models that represent the various types and styles of vehicles demanded by consumers. The various models are based on a common platform with common components and powertrain variants. Saleri is currently present in the world's leading automotive platforms.

Customer relationships include a two-to-three year development stage, several years of mass production and up to 15 years of spare parts supply after mass production has ended.

Tier-1 suppliers sell their products directly to OEMs. Tier-2 suppliers produce smaller components or sub-systems for Tier-1 suppliers. Depending on the complexity of the value chain, additional suppliers are involved – Tier-3, Tier-4 and so on – up to raw material suppliers. In general, sub-system complexity tends to increase at the higher levels of integration in the value chain (i.e. closer to the OEM). Suppliers can provide the same product to different OEMs in a different Tier position. For example, a pump cold be sold directly to an OEM with in-house production of Thermal Management systems and, at the same time, to a Tier-1 Thermal Management supplier.

Saleri is a Tier-1 supplier for most of its thermal management systems although it sells some of its products as a Tier-2 supplier.

In the automotive field, in its most recent history, Saleri has managed to consolidate its presence in the plug-in hybrid vehicles sector where dual engines (internal combustion and electric) have meant that the Content per Vehicle achievable by Saleri products has increased, meeting the separate cooling requirements of the combustion engine and the electric motor. "Content per Vehicle" refers to the set of products and services offered for a single vehicle, including both major components and more minor ones. For example, "Content per Vehicle" for a plug-in hybrid vehicle includes thermal components for the thermal management systems of both the internal combustion engine and the electric motor, along with other related technologies.

The company's presence in all areas of new and traditional mobility offers a privileged perspective on trends in the sector, also through the substantial order book with work in place until 2035.

From this perspective, Saleri's strategy has been to be as flexible as possible in its offering to the market and in relation to the various applications, with business models like Tier-1 and Tier-2, geographical diversification with a presence in the world's main automotive hubs, while remaining total focused on its thermal management experience. This diversification and this focus made Saleri flexible and ready to adopt to whatever circumstances emerge.

Key points

Products and solutions offered in all fields of Thermal management

Saleri is committed to maintaining a diverse range of thermal management products and solutions that can adapt to the changing needs of the automotive market. This includes the development of modular technologies that allow for easy customisation for different vehicle types and applications, as well as the ability to adapt the offering swiftly in response to emerging industry trends.

Collaborative approach with customers

Saleri actively cooperates with its customers, working closely together to understand their specific needs and offer tailor-made solutions that meet their demands through active participation in product development processes and constant feedback.

Investment in Research and Development

Saleri invests heavily in the research and development of new thermal management technologies and solutions. This ongoing commitment to innovation allows the company to stay on top of the latest developments in the automotive industry and develop cutting-edge products that meet customers' future needs.

Geographical and Segmental Diversification

Over the years, Saleri has diversified its geographical presence in order to expand on new markets while seeking out opportunities to collaborate with companies outside the automotive industry to expand its skills and capabilities.

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 2023, the orderbook – providing a clear picture from 2024 to 2029 – amounted to more than Euro 1.3 billion, an average figure of Euro 209 million a year.

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.

The Aftermarket market

In 2022, the EU's passenger car fleet grew by 1% compared to 2021, with more than 252 million cars on the road. The total car fleet increased in almost all EU countries with the highest growth recorded in Romania (+3.3%). The average age of cars on the road in Europe is gradually increasing. EU cars were an average of 12.3 years of age (at the end of 2022), up by 0.3 years compared to 12.0 years in 2021. The oldest car fleets were to be found in Greece and Estonia (17 years) while the youngest fleet was in Luxembourg (7.9 years). The European car fleet on the roads is broken down as follows: 50.6% petrol, 40.8% diesel, 1.2% battery electric, 1% plug-in hybrid, 3.1% hybrid and 3.3% other fuel (Gas, LPG and others).

Although battery electric cars are now the third most popular choice for new car buyers and despite the sharp increase in sales recorded in recent years, electric cars (battery electric and plug-in hybrid) account for just 1.2% of the total vehicles on EU road. In the EU, battery electric vehicles represent more than 2% of the total car fleet in just six countries.

The Italian Aftermarket continued to show robust growth in 2023, recording a significant 11.6% increase compared to prior year. This third consecutive year of growth represents a positive trend after the period of turbulence caused by the pandemic. This pattern of growth was evident an all four quarters of the year with the largest increases seen in the first quarter (+13.6%), followed by further double figure growth in the third quarter (+13.2%) and in the fourth quarter (+10.7%). Analysis of the single product families show increases for all five categories monitored by ANFIA. In detail, undercar components recorded a large 28.3% increase, followed by engine components (+13.9%) and bodywork and passenger compartment items (+10.4%). Although they recorded smaller increases, electrical and electronic components (+8.3%) and consumables (+5.7%) still contributed to the overall growth of the aftermarket. The average age of vehicles in circulation in Italy at the end of 2022 was 12.5 years with 59% of cars more than 10 years old.

THE GROUP'S OPERATING PERFORMANCE

Consolidated results

Saleri Group Income Statement	December 2023		December 2022		Δ 2023 – 2022	
	€ million	% of Revenues	€ million	% of Revenues	€ million	% of Revenues
Revenues	203.6	100.0%	183.2	100.0%	+20.4	+11.1%
Incr. in Non Curr Assets (Capitalisation of. Development Costs)	7.7	3.8%	7.6	4.1%	+0.1	+1.6%
Consumption of direct materials	(125.4)	-61.6%	(114.3)	-62.4%	-11.1	+9.7%
Contribution margin	**85.9**	**42.2%**	**76.5**	**41.7%**	**+9.4**	**+12.3%**
Operating costs	(26.5)	-13.0%	(30.7)	-16.8%	+4.3	-13.9%
Labour costs	(36.3)	-17.8%	(32.3)	-17.6%	-4.0	+12.3%
EBITDA	**23.1**	**11.4%**	**13.5**	**7.4%**	**+9.7**	**+72.0%**
Depreciation, amortisation & provisions	(10.3)	-5.1%	(9.7)	-5.3%	-0.6	+6.5%
Net Operating Profit / EBIT	**12.9**	**6.3%**	**3.8**	**2.1%**	**+9.1**	**n.s.**
Financial income (expenses)	(4.9)	-2.4%	(2.8)	-1.5%	-2.1	+73.1%
Extraordinary income (expenses)	(1.9)	-0.9%	(0.3)	-0.2%	-1.6	n.s.
Profit before taxation	**6.1**	**3.0%**	**0.7**	**0.4%**	**+5.4**	**n.s.**
Taxation	(2.4)	-1.2%	(0.2)	-0.1%	-2.2	n.s.
Net profit before non-controlling interests	**3.7**	**1.8%**	**0.5**	**0.3%**	**+3.3**	**n.s**
Profit pertaining to non-controlling interests	0.6	0.3%	0.2	0.1%	-0.4	n.s.
Net Profit	**4.3**	**2.1%**	**0.7**	**0.4%**	**+3.7**	**n.s.**

The Group's consolidated income statement for 2023 shows revenues of Euro 203.6 million compared to Euro 183.2 million in 2022 , an increase of **11.1%**.

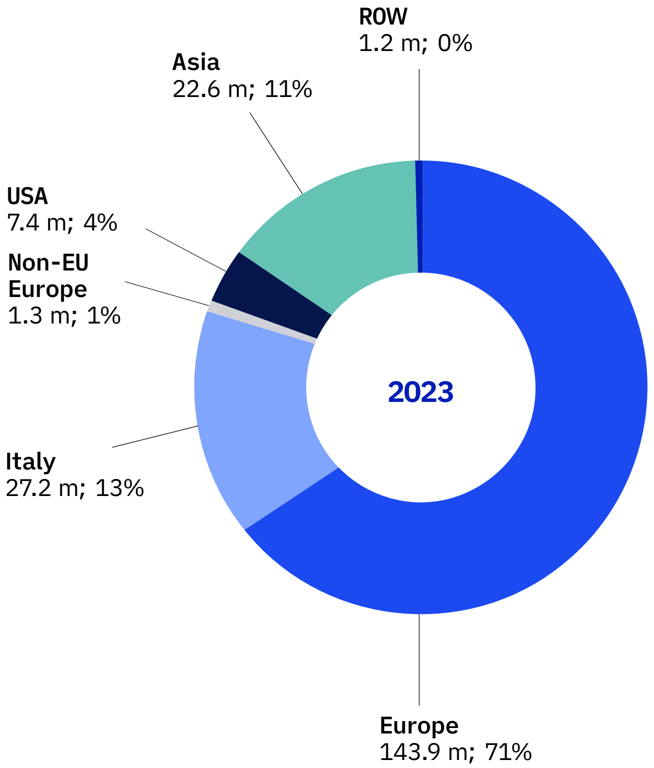
The Original Equipment sector, which accounts for 78.4% of the Group's revenues, ended 2023 with a **7.2% increase** compared to 2022. This result reflects the positive impact of the strategy of geographical localisation adopted by the Group, as well as the fact that the technological solutions developed are meeting customer demands.

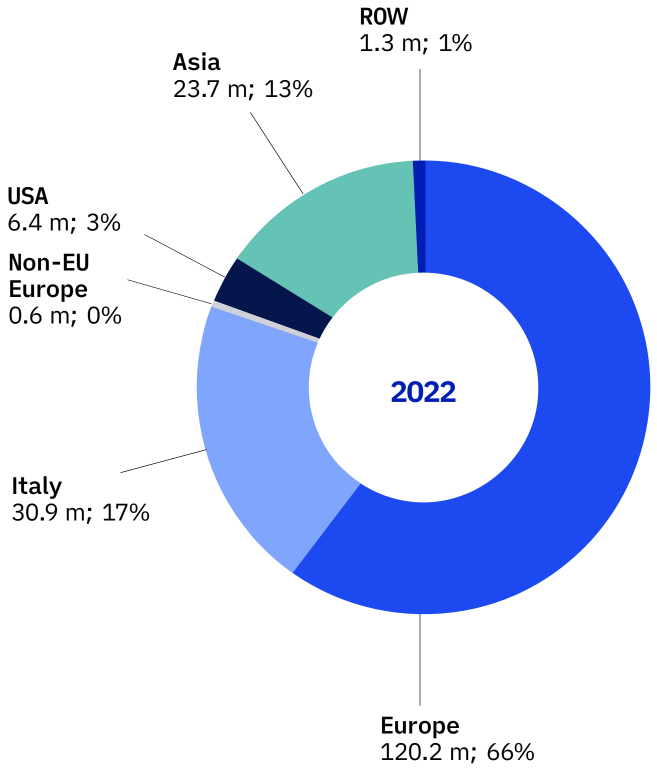
The Aftermarket sector recorded revenues of Euro 10.4 million, representing a **39.4% increase** on 2022 (against Italian market growth of 11.6%). This confirms the effectiveness of the full integration of the Aftermarket business unit in 2022, the quality of the strategic design with a resulting increase in volumes and the value generated by the brands marketed.

The Automation sector represents 3.6% of Group revenues and has recorded 4.7% growth towards third parties, in line with market performance. The growth achieved conforms the effective of the strategy of growth on new sectors where ABL portrays itself as a custom solutions provider.

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 2023	%	FY 2022	%
EU (excl. Italy)	143.9 m	70.7%	120.2 m	65.6%
Italy	27.2 m	13.3%	30.9 m	16.9%
Non-EU Europe	1.3 m	0.7%	0.6 m	0.3%
North America	7.4 m	3.6%	6.4 m	3.5%
Asia	22.6 m	11.1%	23.7 m	12.9%
ROW	1.2 m	0.6%	1.3 m	0.7%
TOTAL	**203.6 m**	**100.0%**	**183.2 m**	**100.0%**





"Increases in non-current assets due to internal works" amounts to Euro 7.7 million (Euro 7.6 million in 2022) and includes:

- Euro 2.9 million of capitalised costs incurred by the Automation Business Unit – ABL Automazione (Euro 1.3 million in 2022) for the realisation of automatic and semi-automatic production lines for new productions by the Group for electric vehicles;
- Euro 4.8 million of capitalised research and development costs (Euro 6.3 million in 2022); this item reflects the Group's strong commitment to the development of new technological solutions and new products, primarily oriented towards vehicle electrification.

In 2023, raw material costs increased in absolute terms due to the higher volume of sales but decreased as a percentage of revenues from 62.4% in 2022 to 61.6% in 2023. Ongoing inflationary pressure and the impact of higher energy prices on the processing of raw materials used – albeit more contained than in prior year – have been offset by product selling price increases negotiated with customers in the Original Equipment segment. In the aftermarket segment, compared to 2022, exchange rate stability has had a positive effect on contribution and this, combined with the completion of the global procurement platform, has stabilised target margins.

Operating costs amount to Euro 26.5 million - against Euro 30.7 million in 2022 - and include Euro 1.4 million of capitalised costs (Euro 3.2 million in prior year). After these capitalised costs, operating costs represent 12.3% of revenues, Euro 2.5 million lower than in prior year (Euro 27.5 million and 15%) also because of the reduction in energy costs.

Labour costs amount to Euro 36.3 million and have increased compared to Euro 32.3 million in 2022. Labour costs increased slightly as a percentage of revenues compared to prior year – 17.8% against 17.6% in 2022. This increase is due to the recruitment of additional personnel to complete the organisation of foreign subsidiaries and subsidiary Saleri Aftermarket S.p.A. and to the impact of increases under the National Collective Labour Agreement at the Italian production facilities. The caption includes Euro 3.6 million of costs for personnel deployed on development activities which were capitalised (amount in line with prior year).

Consolidated EBITDA for the year ended 31 December 2023 amounts to Euro 23.1 million, **up by 72.0%** on the 2022 figure of Euro 13.5 million. EBITDA margin has improved from 7.4% in 2022 to **11.4% in 2023**. This result is thanks to the effective implementation of the strategy launched by the Group with a view to achieving sustainable profit growth and, especially, to diversification of the revenue mix with a higher incidence of the Aftermarket business unit which was consolidated midway through 2021.

"Depreciation, Amortisation and Provisions" amounts to Euro 10.3 million, Euro 0.6 million more than in 2022 mainly because of the start of depreciation regarding new products that went into mass production in 2023.

"Financial expenses" for 2023 amount to Euro 4.9 million compared to Euro 2.8 million in 2022. The increase mainly reflects higher interest rates and, to a lesser extent, interest expenses under supplier payment agreements.

"Extraordinary income (expenses)" shows net expenses of Euro 1.9 million for 2023, against net expenses of Euro 0.3 million in 2022. The increase is mainly due to the settlement of outstanding claims relating to the fire that occurred in 2018, as well has to higher warranty costs relating to prior years.

A net profit (before non-controlling interests) of Euro 3.7 million is reported (1.8% of revenues), representing an increase of Euro 3.3 million compared to the 2022 figure. This is due to the positive impact of higher sales revenues and savings on operating costs.

Consolidated balance sheet

The Saleri Group's reclassified consolidated balance sheet at 31 December 2023 may be analysed as follows:

Saleri Group Balance Sheet	December 2023	December 2022	Δ 2023 – 2022
	€ Million	€ Million	€ Million
Tangible Assets	67.1	64.6	2.5
Intangible Assets	21.4	20.0	1.4
Other Assets	10.7	12.1	(1.4)
Non-Current Assets	**99.2**	**96.7**	**2.5**
Trade Receivables	23.7	24.6	(1.0)
Trade Payables	(54.9)	(39.1)	(15.8)
Inventory	34.6	35.3	(0.6)
Trade Working Capital	**3.4**	**20.8**	**(17.4)**
Other Current Assets / Liabilities	1.9	(1.4)	3.3
Deferred Tax Provision	(4.1)	(3.6)	(0.4)
Employee Severance Indemnity / TFR Provision	(2.4)	(2.4)	0.0
Other Provisions	(2.8)	(2.7)	(0.2)
Net Invested Capital	**95.2**	**107.4**	**(12.1)**
Non-Current Financial Liabilities	48.0	56.6	(8.6)
Current Financial Liabilities	7.4	13.1	(5.7)
Cash and Cash Equivalents	(11.5)	(11.0)	(0.4)
Net Financial Position	**44.0**	**58.7**	**(14.7)**
Shareholders' Equity – Group	**50.0**	**46.8**	**3.2**
Shareholders' Equity – Non-controlling Interests	1.2	1.9	(0.7)
Consolidated Shareholders' Equity	**51.2**	**48.7**	**2.5**
Sources of Finance	**95.2**	**107.4**	**(12.1)**

Tangible Assets amount to Euro 67.1 million and have recorded a net increase of Euro 2.5 million compared to 31 December 2022. The increase is mainly due to capex/additions of Euro 8.7 million (including Euro 2.9 million of capitalised internal costs), depreciation for the period of Euro 5.9 million and disposals of assets with a net carrying amount of Euro 0.3 million. The capex mainly relates to the establishment of new production lines in Italy and China.

Intangible assets totalled Euro 21.4 million at 31 December 2023 compared to Euro 20.0 million at 31 December 2022. The overall increase of Euro 1.4 million includes: additions of Euro 4.5 million (including the capitalisation of research and development costs), amortisation of euro 2.5 million and disposals of Euro 0.6 million.

Other Non-Current Assets total Euro 10.7 million at 31 December 2023 (Euro 12.1 million at 31 December 2022). The net decrease of Euro 1.4 million compared to prior year includes Euro 0.7 million relating to derivatives for interest rate risk hedging purposes.

At 31 December 2023, Trade Working Capital amounts to Euro 3.4 million, well down on 31 December 2022 when it stood at Euro 17.4 million.

Trade receivables amount to Euro 23.7 million and have decreased by Euro 1.0 million compared to 31 December 2022.

At 31 December 2023, trade payables amount to Euro 54.9 million against Euro 39.1 million at 31 December 2022. The Euro 15.8 million increase is due to different, more efficient working capital management.

Inventory amounts to Euro 34.6 million at 31 December 2023 against Euro 35.3 million at 31 December 2022 and has decreased by Euro 0.6 million despite the increase in sales revenues.

"Other Current Assets and Liabilities" shows net assets of Euro 1.9 million, a Euro 3.3 million increase compared to 31 December 2022. The balance mainly includes tax payables and receivables as well as sundry receivables from customers and payables to employees and to social security and pensions institutions.

"Other Provisions" have increased by Euro 0.2 million due to allocations made for future risks and charges.

At 31 December 2023, Net Invested Capital amounts to Euro 95.2 million compared to Euro 107.4 million at 31 December 2022 and has increased by Euro 12.1 million.

At 31 December 2023, net financial indebtedness stands at Euro 44.0 million (Euro 58.7 million at 31 December 2022), **an improvement of 25%**. It comprises net current financial liabilities of Euro 4.1 million and non-current financial liabilities of Euro 48.0 million. The Euro 14.7 million increase in net financial indebtedness is mainly due to the following:

› a Euro 17.4 million reduction in net working capital, as partially countered by a Euro 3.3 million increase in other current items;
› absorption of cash of Euro 13.4 million due to net investment activities;
› the reduction of non-current financial liabilities in compliance with contractual maturity dates;
› cash generated by operating activities.

At 31 December 2023, Consolidated Shareholders' Equity amounts to Euro 51.2 million (of which Euro 1.2 million pertaining to Non-Controlling Interests). The increase of Euro 2.5 million compared to 31 December 2022 is due to the Group's results for the year but also includes Euro 0.7 million due to the decrease in the cash flow hedge reserve in relation to derivative instruments arranged to hedge the interest rate risk regarding Medium/Long-term loans.

The Parent Company did not distribute any dividends during the reporting period.

As a result of the above, the Net Financial Indebtedness / Consolidated Equity ratio has decreased from 1.2x in 2022 to 0.9x in 2023.

The Net Financial Position / EBITDA ratio improved from 4.3x in 2022 to 1.9x in 2023.

Consolidated statement of cash flows

Saleri Group statement of cash flows	December 2023	December 2022
EBITDA	**23.1**	**13.5**
Change in Trade Receivables	1.0	(8.1)
Change in Trade Payables	15.8	3.9
Change in Inventory	0.6	(2.6)
Change in Trade Working Capital	**17.4**	**(6.9)**
Change in Other Assets and Liabilities	**(2.7)**	**(5.8)**
Taxes paid	(2.4)	(0.2)
Cash flows from operating activities (A)	**35.4**	**0.6**
Net Investment in Tangible and Intangible Assets	(13.4)	(10.7)
Disposal of Investments	(0.9)	-
Net Financial Investments	1.4	0.0
Cash flows from investing activities (B)	**(12.8)**	**(10.7)**
Other changes due to non-recurring events	(1.9)	(0.3)
Free Cash Flow	**20.8**	**(10.4)**
Net Change in Equity	(1.2)	(0.0)
Net Change in Third Party Sources of Finance/Debt	(14.2)	6.0
Net financial expenses paid	(4.9)	(2.8)
Cash flows from financing activities (C)	**(20.3)**	**3.2**
Net Cash Flow (A+B+C)	**0.4**	**(7.2)**
Cash and cash equivalents at start of period	11.0	18.2
Cash and cash equivalents at end of period	**11.5**	**11.0**

At 31 December 2023, cash and cash equivalents totalled Euro 11.5 million.

Cash generated by operating activities totals Euro 35.4 million and reflects the result for the year and the change in net working capital; it compares with Euro 0.6 million of cash generated in 2022. Cash flow absorbed by investing activities amounts to Euro 12.8 million, mainly due to investment in new projects. Cash flow absorbed by financing activities totals Euro 20.3 million, as a result of the reduction in medium/long-term debt which was partially offset by the issue of bonds of Euro 8.0 million.

Net cash flow for the reporting period amounts to Euro 0.4 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 2023		December 2022		Δ 2023 – 2022	
	€ million	% of Revenues	€ million	% of Revenues	€ million	% of Revenues
Revenues	136.7	100.0%	125.6	100.0%	+11.2	+8.9%
Incr. in Non Curr Assets (Capitalisation of. Development Costs)	4.8	3.5%	6.2	5.0%	-1.5	-23.3%
Consumption of direct materials	(84.4)	-61.7%	(79.1)	-63.0%	-5.2	+6.6%
Contribution margin	**57.1**	**41.8%**	**52.7**	**42.0%**	**+4.5**	**+8.5%**
Operating costs	(13.3)	-9.7%	(16.0)	-12.8%	+2.8	-17.2%
Labour costs	(25.7)	-18.8%	(23.7)	-18.9%	-2.0	+8.5%
EBITDA	**18.2**	**13.3%**	**13.0**	**10.3%**	**+5.2**	**+40.1%**
Depreciation, amortisation & provisions	(8.9)	-6.5%	(8.4)	-6.7%	-0.5	+6.2%
Net Operating Profit / EBIT	**9.3**	**6.8%**	**4.6**	**3.6%**	**+4.7**	**n.s.**
Financial income (expenses)	(2.5)	-1.8%	0.4	0.3%	-2.9	n.s.
Extraordinary income (expenses)	(1.5)	-1.1%	(0.2)	-0.2%	-1.3	n.s.
Profit before taxation	**5.3**	**3.9%**	**4.8**	**3.8%**	**+0.6**	**+11.7%**
Taxation	(2.0)	-1.4%	(0.3)	-0.2%	-1.7	n.s.
Net Profit	**3.4**	**2.5%**	**4.5**	**3.6%**	**-1.1**	**-24.9%**
Effect of finance lease method	(1.0)	-0.8%	(1.5)	-1.2%	+0.5	-32.6%
Net Profit - ITA GAAP	**2.3**	**1.7%**	**3.0**	**2.4%**	**-0.6**	**-20.9%**

The year 2023 ended with net revenues of Euro 136.7 million, an 8.9% increase compared to Euro 125.6 million in 2022. Consumption of direct materials increased by Euro 5.2 million from Euro 79.1 million in 2022 to Euro 84.4 million in 2023; these costs fell as a percentage of revenues (63.0% in 2022 and 61.7% in 2023). The percentage decrease was mainly thanks to containment of inflation-related increases, to subsidies towards energy cost increases and to careful monitoring of direct purchase costs. Operating costs, totalling Euro 13.3 million, decreased by Euro 2.8 million compared to 2022 (Euro 16.0 million), mainly thanks to cost containment measures and to a Euro 0.5 million reduction in energy consumption as an effect of a reduction in the extraordinary impact of inflation which helped push the cost up in prior year. Operating costs have also been impacted by reductions in other items. including: a Euro 0.5 million decrease in maintenance costs, a Euro 0.4 million decrease in costs for governance bodies and a Euro 0.3 million decrease in consultancy costs, as partially offset by higher costs for participation at trade fairs and property rentals. Labour costs increased by Euro 2.0 million, mainly because of the inflationary trend (application of salary increases provided for by National Collective Labour Agreement / CCNL); it also includes allocations for bonuses.

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 2023 amounts to Euro 18.2 million (13.3% of revenues) compared to Euro 13.0 million (10.3% of revenues) in 2022: the improvement in Contribution Margin in absolute terms (despite a slight decrease as a percentage of revenues) was accompanied by a reduction in in other operating costs. Depreciation, amortisation and impairment adjustments to tangible and intangible assets amount to Euro 8.9 million compared to Euro 8.4 million in 2022; the change mainly regards an increase in depreciation following the launch of new projects as well as the updating of the Product Warranty provision.

Net financial expenses amount to Euro 2.5 million compared to net financial income of Euro 0.4 million in 2022. They include:

- Financial expenses of Euro 4.0 million for the year ended 31 December 2023 (Euro 3.0 million in 2022); the increase mainly reflects higher interest rates;
- Income from investments which amount to Euro 1.5 million in 2023 against Euro 3.4 million in 2022.

Extraordinary expenses amount to Euro 1.5 million and have increased by Euro 1.3 million compared to Euro 0.2 million in 2022. These non-recurring expenses include expenses incurred to settle disputes and claims regarding the fire that occurred in 2018, costs generated by internal reorganisation, gains/losses on asset disposals and out-of-period income and expenses.

Taxes for 2023 amount to Euro 2.0 million compared to net taxes of Euro 0.3 million in 2022. They include changes of Euro 1.5 million in deferred tax assets and liabilities and the current tax expense of Euro 0.7 million. Taxes for 2023 also include income from the tax consolidation of Euro 0.7 million.

The Company reports a net profit of Euro 2.3 million for 2023 compared to a net profit of Euro 3.0 million for 2022.

Industrie Saleri Italo S.p.A. Balance Sheet	**December 2023**	**December 2022**	**Δ 2023 – 2022**
	€ Million	**€ Million**	**€ Million**
Tangible Assets	60.9	61.2	(0.3)
Intangible Assets	18.0	16.1	1.8
Other Assets	40.1	44.0	(3.9)
Non-Current Assets	**119.0**	**121.3**	**(2.4)**
Trade Receivables	26.5	18.0	8.4
Trade Payables	(47.0)	(34.4)	(12.6)
Inventory	18.9	16.8	2.1
Trade Working Capital	**(1.7)**	**0.4**	**(2.0)**
Other Current Assets / Liabilities	0.9	3.7	(2.8)
Deferred Tax Provision	(4.0)	(3.6)	(0.4)
Employee Severance Indemnity / TFR Provision	(1.1)	(1.2)	0.1
Other Provisions	(2.4)	(2.3)	(0.0)
Net Invested Capital	**110.8**	**118.3**	**(7.5)**
Non-Current Financial Liabilities	45.2	52.5	(7.3)
Current Financial Liabilities	4.9	9.5	(4.6)
Cash and Cash Equivalents	(6.4)	(8.2)	1.8
Net Financial Position	**43.7**	**53.8**	**(10.1)**
Shareholders' Equity - ITA GAAP	**61.0**	**59.3**	**1.6**
Effect of finance lease method	6.2	5.1	1.0
Shareholders' Equity	**67.2**	**64.5**	**2.7**
Sources of Finance	**110.8**	**118.3**	**(7.5)**

At 31 December 2023, Non-Current Assets amount to Euro 119.0 million and have decreased by Euro 2.4 million compared to 31 December 2022. They include:

- Tangible assets of Euro 60.9 million; during the year, there were additions of Euro 5.3 million, as countered by depreciation for the year (Euro 5.4 million) and by decreases due to disposals (Euro 0.3 million);
- Intangible assets of Euro 18.0 million which includes additions of Euro 4.3 million (of which Euro 3.4 million due to capitalisation of internal costs), amortisation of Euro 1.9 million and decreases due to disposals of Euro 0.6 million mainly for development costs charged back to third parties or Group companies;
- "Other non-current assets" includes investments in subsidiaries which total Euro 34.2 million. Compared to 31 December 2022, there has been an increase of Euro 1.1 million following the payment of additional capital into subsidiary ABL Automazione S.r.l..
The caption also includes net non-current financial receivables from Group companies (down by Euro 2.1 million on prior year), the amount reported for derivative instruments (assets) and Deferred Tax Assets (utilised in the amount of Euro 1.6 million during the reporting period).

Trade working capital is negative by Euro 1.7 million and has decreased by Euro 2.0 million, mainly in relation to trade payables which show an overall increase of Euro 12.6 million; this caption includes payables to suppliers as well as trade payables to subsidiaries. The increase in trade payables is partially offset by the increase of Euro 8.4 million in trade receivables (which includes receivables from customers with a strong credit rating and trade receivables from subsidiaries so the credit risk is very low) and the Euro 2.1 million increase in inventory.

"Other Current Assets / Liabilities" has decreased by Euro 2.8 million mainly because of a Euro 1.8 million change in tax receivables and payables and recognition of the liability of Euro 1.0 million for the settlement of disputes and claims.

At 31 December 2023, net financial indebtedness stands at Euro 43.7 million. It includes cash and cash equivalents of Euro 6.4 million, short-term debt of Euro 4.9 million and medium/long-term debt of Euro 45.2 million.

At 31 December 2023, Shareholders' Equity amounts to Euro 67.2 million compared to Euro 64.5 million at 31 December 2022. The increase of Euro 2.7 million is mainly due to the result for the year, as partially absorbed by a decrease of Euro 0.7 million due to remeasurement of derivative instruments.

Industrie Saleri Italo S.p.A. Statement of Cash Flows	**December 2023**	**December 2022**
EBITDA	**18.2**	**13.0**
Change in Trade Receivables	(1.3)	(6.6)
Change in Trade Payables	12.4	0.2
Change in Inventory	(2.1)	2.6
Change in Trade Working Capital	**9.0**	**(3.8)**
Change in Other Assets and Liabilities	**(3.0)**	**(9.0)**
Taxes paid	(0.4)	(0.3)
Cash flows from operating activities (A)	**23.8**	**(0.1)**
Net Investment in Tangible and Intangible Assets	(9.7)	(10.4)
Disposal of Investments	0.9	-
Net Financial Investments	1.2	3.4
Cash flows from investing activities (B)	**(7.6)**	**(6.9)**
Other changes due to non-recurring events	(1.5)	(0.2)
Free Cash Flow	**(9.1)**	**(7.2)**
Net Change in Equity	(0.7)	1.5
Net Change in Third Party Sources of Finance	(11.8)	2.8
Net financial expenses paid	(4.0)	(3.0)
Cash flows from financing activities (C)	**(16.5)**	**1.2**
Net cash flow (A+B+C)	**(1.8)**	**(6.0)**
Cash and cash equivalents at start of period	8.2	14.2
Cash and cash equivalents at end of period	**6.4**	**8.2**

At 31 December 2023, cash and cash equivalents amounted to Euro 6.4 million.

Cash generated by operating activities totals Euro 23.8 million and reflects the result for the year and the change in net working capital; it compares with Euro 0.1 million of cash absorbed in 2022. Cash flow absorbed by investing activities amounts to Euro 7.6 million, mainly due to investment in new projects. Cas flow absorbed by financing activities totals Euro 16.5 million, as a result of the reduction in medium/long-term debt which was partially offset by the issue of bonds of Euro 8.0 million.

Net cash flow absorbed during the period totalled Euro 1.8 million.

Treasury shares

There were no movements on treasury shares in 2023.

Saleri Shanghai Co. LTD (China)

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

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

The company is based in Shanghai and was incorporated in 2008. In 2023, net revenues amounted to Euro 28.8 million (+1.2% compared to Euro 28.5 million in 2022) while a net profit of Euro 2.3 million (7.8% of revenues) was reported, in line with the result achieved in 2022. The result was affected by less favourable exchange rates than in 2022 – impact of Euro 2.4 million on revenues and Euro 0.2 million on net profit.

In Balance Sheet terms, net invested capital mainly consists of production lines (Euro 5.5 million) and net working capital (Euro 2.3 million), as increased by other current assets of Euro 0.7 million. The sources of finance include equity (Euro 10.0 million) and the net financial position, comprising net cash of Euro 1.4 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 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 2023, the company recorded net revenues of Euro 6.7 million and a net loss of Euro 1.5 million (-22.8% of revenues). In Balance Sheet terms, net invested capital mainly consists of production lines and improvements to the factory (Euro 2.6 million) plus tax receivables (Euro 1.7 million), as more than countered by negative net working capital of Euro 4.7 million. The sources of finance include equity (Euro 0.3 million) and the net financial position , comprising net cash of Euro 0.8 million.

ABL Automazione S.r.l.

ABL Automazione S.r.l. became a part of the Saleri Group with effect from 31 July 2019 (100% investment held). The investment forms part of a broader strategy to acquire a high value added process that would have been difficult to recreate in-house and was carried out in order to acquire process know-how regarding one of the key phases of the production model of the business.

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

In 2023, the company recorded net revenues of Euro 11.6 million compared to Euro 10.1 million in 2022 and reported a net loss of Euro 0.38 million compared to a net loss of Euro 0.65 million in 2022.

In balance sheet terms, net invested capital mainly the comprises the share cancellation deficit that emerged in 2020 following the reverse merger of former parent company Hold.Co 1 S.r.l. (Euro 1.3 million), as well as deferred tax assets of Euro 0.5 million and net working capital (Euro 4.4 million), mainly represented by contract work in progress and trade receivables. Invested capital also includes other current liabilities of Euro 2.4 million and provisions of Euro 1.2 million. The company's sources of finance include loans of Euro 1.2 million, short-term borrowing of Euro 0.4 million and cash and cash equivalents of Euro 0.1 million Equity amounts to Euro 1.8 million and consists of capital paid in by the Parent Company totalling Euro 1.1 million.

Saleri Aftermarket S.p.A.

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

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

The company has its operational headquarters in Sesto Fiorentino in the province of Florence. In 2023, Saleri Aftermarket S.p.A. reported net revenues of Euro 34.3 million (+28.3% compared to Euro 27,2 million in 2022) and a net profit of Euro 1.7 million (4.8% of revenues) against the net loss of Euro 1.6 million reported for 2022. The improved result for the year is primarily thanks to higher volumes and the product mix effect, as well as to better absorption of operating costs which recorded a smaller percentage increase than revenues.

In Balance Sheet terms, net invested capital mainly consists of net working capital (Euro 4.0 million) and non-current assets of Euro 1.0 million, including equipment for the storage of goods and the investment in C.D.C. Taiwan. Working capital is partially offset by provisions of Euro 0.6 million.

Sources of finance include equity (Euro 4.2 million) and the net financial position which includes Loans (Euro 1.0 million), short-term borrowing (Euro 1.4 million) and cash and cash equivalents (Euro 1.6 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 2023, 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	2023	2022
Number of employees	660	622
Breakdown by gender		
Men	411	376
% of total	62%	60%
Women	249	246
% of total	38%	40%
Breakdown by type of contracto		
Permanent	579	566
% of total	88%	91%
Fixed term	81	56
% of total	12%	9%
Breakdown by type of employment		
Workers with part-time contracts	40	35
% of total	6%	6%
Workers with full-time contracts	620	587
% of total	94%	94%

At the end of 2023, the Saleri Group had 660 employees (headcount at 31/12/2023), an increase of 38 compared to 622 employees at 31 December 2022.

In terms of the types of contract used, 579 employees are hired under permanent contracts (88%) while 81 have fixed-term contracts (12%). Part-time employees (40 in total) represent 6% of the total number of employees in 2023.

Relations with subsidiaries and associated companies

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

In 2023, 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:

Table 1 – Intra-Group Income Statement Relations

Company	Revenues for goods and services	Costs for goods and services	Interest income and (expenses)	of which non-consolidated		
				Revenues for goods and services	Costs for goods and services	Interest income and (expenses)
Industrie Saleri Italo S.p.A.	10,412.9	912.0	125.0	1,510.9	32.7	38.9
Immobiliare Industriale S.r.l.	0					
Saleri Shanghai Co. Ltd	5,386.0	2,241.7		307.3		
Saleri Mexico S.A. de C.V.	9.1	4,330.2	(75.9)			
Saleri India Pvt Ltd	1,776.1	1,861.4	(38.9)	1,776.1	1,861.4	(38.9)
Saleri Aftermarket S.p.A.	414.4	7,958.9	(9.2)	44.8	2,218.7	
Saleri TMS Competence Center GmbH	584.7		(1.0)			
ABL Automazione S.r.l.	4,918.8	182.1		746.2		
CDC Taiwan Inc.	475.3			475.3		
TOTAL	**23,977.3**	**17,486.3**	**(0)**	**4,860.7**	**4,112.9**	**0**

Table 2 – Intra-Group Financial Relations

Company	Receivables	Payables	Of which non-consolidated Receivables	Of which non-consolidated Payables
Industrie Saleri Italo S.p.A.	20,114.7	3,020.6	3,772.9	40.5
El.Fra Holding S.r.l.				
Saleri Shanghai Co. Ltd	5,155.1	7,114.8	303.4	
Immobiliare Industriale S.r.l.				
ABL Automazione S.r.l.	2,482.8	923.9	746.5	
Saleri Mexico S.A. de C.V.	405.8	6,838.7		
Saleri Aftermarket S.p.A.	1,093.5	6,221.0	734.9	24.2
Saleri India Pvt Ltd	40.5	4.813,4	40.5	4,813.4
CDC Taiwan Inc.	24.2		24.2	
Saleri TMS Competence Center GmbH	136.2	136.5		
TOTAL	**29,482.9**	**29,069.0**	**5,622.5**	**4,878.2**

MAIN RISKS AND UNCERTAINTIES

Risks regarding the performance of the automotive industry

During 2023, 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 customer proximity strategy, the Saleri Group operates with international plants in the world's leading automotive hubs. The supply chain is of a global nature of the supply chain and global logistical difficulties and recent tension on the Suez canal could have a negative impact on shipping times and costs. This leaves the Group 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 geopolitical situations

The year 2023 was characterised by the ongoing conflict between Russia and Ukraine and be the renewed heightening of tension in the Middle East. The geopolitical crisis continues to see increasing international involvement in the effort to provide war supplies. This situation caused an initial rise in inflation in relation to energy prices, affecting both commodities and their transformation and, also, in a direct way. The subsequent diversification of sources of supply has helped reduce inflation but the trend has gained strength because of wage demands. The central banks kept interest rates high throughout 2023 with the aim of bringing inflation back down to the 2% target level.

The Saleri Group does not own any strategic assets in the territories directly involved in the conflicts 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 impact current geopolitical situations could have on its 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.

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). One exception to the above regards contracts for products for diesel engines which have decreased significantly because of production and/or environmental policies.

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 2023, 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 and US Dollars on major international markets. The other currencies utilised are the Renmimbi and the Rupee.

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 involving those currencies.

In the year ended 31 December 2023, some 16% 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 24% 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 2024, given the current geopolitical situation, the Group plans to enter into an exchange rate hedging agreement for the USD and CNY 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. and subsidiary ABL Automazione S.r.l. have duly adopted the Organisation and Management Model in terms of Legislative Decree no 231/2001, reorganising their 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, the companies affected have 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 reporting period, 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 year 2023 was characterised by growing uncertainty due to a range of factors including high inflation, the ongoing Russia-Ukraine conflict and geopolitical tension between China and the US. However, macroeconomic forecasts now offer the prospect of improvement.

In view of this macroeconomic environment, the Saleri Group Board of Directors has drawn up a new Business Plan 2024-2028.

At the date of this report, the Group's revenues are performing well (in excess of +5% compared to 2023) and are in line with the 2024 Budget. Group management continues to maintain tight control over costs given the significant risks that remain in relation to geopolitical events and restrictive economic policy.

Barring significant changes to the current macroeconomic and geopolitical context, the Group expects the current year to bring revenue growth and a slight improvement in profitability thanks to higher volumes.

Consolidated Financial Statements at 31/12/2023

General information about the Company

GENERAL DETAILS	
Name	INDUSTRIE SALERI ITALO S.P.A.
Registered Office	VIA RUCA 406 25065 LUMEZZANE BS
Share Capital	23.922.413,12
Is share capital wholly paid?	yes
Chamber of Commerce code	Brescia
VAT number	01589150984
Tax number	03066870175
Business database / REA number	BS-317605
Legal form	Società per azioni (Joint stock company)
Main business segment (ATECO)	293209 Manufacture of other parts and accessories for cars and their engines
Is company in liquidation?	no
Does company have a single shareholder?	no
Is company subject to management and coordination by another entity?	no
Name of company or entity that provides management and coordination	
Does company belong to a group?	yes
Name of holding company	El.fra Holding S.r.l.
Country of holding company	Italy
Register of cooperatives number	

ASSETS	31/12/23	31/12/22
A) DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL	0	0
B) NON-CURRENT ASSETS		
I - Intangible assets:		
1) start-up and expansion costs	280,517	285,137
2) research, development and advertising costs	5,286,360	2,688,013
3) patents and intellectual property rights	1,617,988	2,360,352
4) concessions, licences, trademarks and similar rights	1,895,381	2,016,638
5) goodwill	0	0
5-bis) consolidation difference	2,358,960	2,772,878
6) assets in progress and payments on account	7,967,294	8,744,049
7) other	2,033,392	1,133,340
TOTAL	**21,439,892**	**20,000,407**
II - Tangible assets:		
1) Land and buildings	17,501,077	18,177,305
2) Plant and machinery	37,120,910	37,901,619
3) Industrial and commercial equipment	8,137,968	7,035,724
4) Other tangible assets	748,774	866,301
5) Assets under construction and payments on account	3,556,680	571,907
TOTAL	**67,065,409**	**64,552,856**
III - Non-current financial assets:		
1) investments in:	2,058,962	2,083,002
a) non-consolidated subsidiaries	2,058,430	2,082,470
b) associated companies	0	0
c) parent companies	0	0
d) entities controlled by parent companies		
d-bis) other entities	532	532
2) receivables:	13,367	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	31/12/23	31/12/22
e) due from others	13,367	0
due within a year	0	0
due after more than a year	13,367	0
3) other securities	6,341	6,341
4) derivative instruments	722,934	1,451,176
TOTAL	**2,801,604**	**3,540,519**
TOTAL NON-CURRENT ASSETS (B)	**91,306,905**	**88,093,782**
C) CURRENT ASSETS		
I - Inventory:		
1) raw, ancillary and consumable materials	11,972,508	12,230,905
2) work in progress and semi-finished goods	5,686,551	5,613,215
3) contract work in progress	2,932,525	4,248,246
4) finished goods	13,829,864	12,884,648
5) payments on account	213,674	299,758
TOTAL	**34,635,122**	**35,276,772**
II - Receivables:		
1) trade accounts	27,736,151	24,462,541
due within a year	27,736,151	24,462,541
due after more than a year	0	0
2) due from non-consolidated subsidiaries	5,557,747	1,854,623
due within a year	5,557,747	1,854,623
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	2,136,611	4,247,434
due within a year	2,041,479	4,228,722
due after more than a year	95,132	18,712
5-ter) deferred tax assets	7,908,209	8,680,438
5-quater) due from others	2,477,557	2,394,848
due within a year	1,718,188	1,624,859
due after more than a year	759,369	769,989
TOTAL	**45,816,275**	**41,639,884**

ASSETS	31/12/23	31/12/22
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	0
TOTAL	**13,606**	**13,606**
IV - Cash and cash equivalents:		
1) bank and post office accounts	11,469,817	11,020,700
2) cheques	0	0
3) cash and cash equivalents on hand	735	2,148
TOTAL	**11,470,552**	**11,022,848**
TOTAL CURRENT ASSETS (C)	**91,935,555**	**87,953,110**
D) PREPAID EXPENSES AND ACCRUED INCOME	**6,493,961**	**5,987,315**
TOTAL ASSETS	**189,736,421**	**182,034,207**

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/23	31/12/22
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	1,344,000	1,193,045
V – Statutory reserves	0	0
VI – Other reserves:	5,380,132	5,729,360
consolidation reserve	4,070,876	4,074,979
extraordinary reserve	857,395	857,395
merger surplus	0	0
merger deficit	0	0
reserve for translation of financial statements in foreign currency	87,809	432,934
other reserves	364,052	364,052
VII - Cash flow hedge reserve	722,934	1,451,176
VIII - Retained earnings (Accumulated losses)	2,581,999	2,076,930
IX - Profit (Loss) for the year	4,308,361	693,011
X - Negative reserve for treasury shares held	(285,014)	(285,014)
TOTAL SHAREHOLDERS' EQUITY - GROUP	**50,024,833**	**46,830,929**
Capital and reserves pertaining to non-controlling interests	1,782,810	2,048,514
Profit (Loss) for year pertaining to non-controlling interests	(571,852)	(167,038)
TOTAL SHAREHOLDERS' EQUITY - NON-CONTROLLING INTERESTS	**1,210,958**	**1,881,476**
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**51,235,791**	**48,712,405**
B) PROVISIONS FOR RISKS AND CHARGES		
1) retirement benefits and similar obligations	0	0
2) taxation, including deferred tax	4,062,037	3,621,374
2-bis) consolidation provision for future risks and charges	0	0
3) derivatives	0	0
4) other	2,845,515	2,651,528
TOTAL	**6,907,552**	**6,272,902**
C) EMPLOYEE SEVERANCE INDEMNITY ("TFR") PROVISION	**2,370,988**	**2,397,213**
D) PAYABLES		
1) bonds	7,701,337	0
due within a year	15,400	0
due after more than a year	7,685,937	0
2) convertible bonds	0	0
due within a year	0	0
due after more than a year	0	0
3) shareholder loans payable	0	0
due within a year	0	0
due after more than a year	0	0

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/23	31/12/22
4) bank borrowing	46,402,497	63,630,121
due within a year	16,758,146	24,073,848
due after more than a year	29,644,351	39,556,273
5) payables to other lenders	2,368,055	6,052,997
due within a year	1,540,516	4,964,802
due after more than a year	827,539	1,088,195
6) payments on account	3,201,414	4,909,798
due within a year	3,201,414	4,909,798
due after more than a year	0	0
7) trade payables	54,948,819	39,027,291
due within a year	54,948,819	39,027,291
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	64,764	84,904
due within a year	64,764	84,904
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	1,999,008	1,471,578
due within a year	1,999,008	1,471,578
due after more than a year	0	0
13) payables to social security and pensions institutions	1,864,532	1,771,284
due within a year	1,864,532	1,771,284
due after more than a year	0	0
14) other payables	8,614,333	5,879,730
due within a year	8,510,083	5,171,226
due after more than a year	104,250	708,504
TOTAL	**127,164,759**	**122,827,703**
E) ACCRUED EXPENSES AND DEFERRED INCOME	**2,057,331**	**1,823,984**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**189,736,421**	**182,034,207**

INCOME STATEMENT	31/12/23	31/12/22
A) VALUE OF PRODUCTION		
1) revenue from sales and services	204,969,102	179,090,974
2) change in inventory of work in progress, semi-finished and finished goods	1,718,588	(1,648,645)
3) change in contract work in progress	(1,315,721)	3,414,717
4) increase in non-current assets due to internal works	7,681,406	7,562,865
5) other revenue and income	3,249,695	2,392,055
operating grant income	325,359	533,074
other	2,924,336	1,858,981
TOTAL	**216,303,070**	**190,811,966**
B) COST OF PRODUCTION		
6) raw, ancillary and consumable materials and goods for resale	114,912,958	102,911,804
7) services	36,843,346	38,887,726
8) use of third party assets - lease and rental costs	4,259,777	3,821,294
9) personnel:	36,006,154	31,650,532
a) wages and salaries	26,751,748	23,207,919
b) social contributions	7,815,678	6,916,444
c) employee severance indemnity ("TFR")	1,293,374	1,452,220
d) retirement benefits and similar obligations	0	0
e) other personnel costs	145,354	73,949
10) depreciation, amortisation and writedowns:	8,583,396	8,135,375
a) amortisation of intangible assets	2,491,672	2,718,310
b) depreciation of tangible assets	5,928,440	5,246,201
c) other writedowns of non-current assets	0	0
d) writedowns of current receivables and cash and cash equivalents	163,284	170,864
11) change in inventory of raw, ancillary and consumable materials and goods for resale	1,257,361	(1,051,696)
12) provisions for risks	0	0
13) other provisions	1,712,464	1,585,717
14) sundry operating expenses	1,701,509	1,324,531
TOTAL	**205,276,965**	**187,265,283**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	**11,026,105**	**3,546,683**
C) FINANCIAL INCOME AND EXPENSES		
15) income from investments	700	690
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	700	690

INCOME STATEMENT	31/12/23	31/12/22
16) other financial income:		
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	0
d) income other than the above	995,968	141,283
from non-consolidated subsidiaries	38,870	1,064
from associated companies	0	0
from parent companies	0	0
from entities controlled by parent companies	0	0
other	957,098	140,219
TOTAL	**995,968**	**141,283**
17) interest and other financial expenses	5,655,015	3,259,608
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	5,655,015	3,259,608
17-bis) exchange gains and losses	(230,749)	337,722
exchange gains	1,722,859	1,899,953
exchange losses	1,953,608	1,562,231
TOTAL (15 + 16 - 17 + - 17 BIS)	**(4,889,096)**	**(2,779,913)**
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:	24,039	35,474
a) of investments	24,039	35,474
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)	**(24,039)**	**(35,474)**

INCOME STATEMENT	31/12/23	31/12/22
PROFIT BEFORE TAXATION (A - B +- C +- D)	**6,112,970**	**731,296**
20) taxes on income for the year	(2,376,461)	(205,323)
a) current tax	(1,796,007)	(724,231)
b) prior year taxes	(99)	(9,281)
c) (i) deferred tax and utilisation of deferred tax assets	(2,915,343)	(1,722,166)
c) (ii) deferred tax income and use of deferred tax provisions	2,158,703	2,250,355
d) income and expenses from tax consolidation	176,285	0
21) PROFIT (LOSS) FOR THE YEAR	**3,736,509**	**525,973**
PROFIT (LOSS) FOR YEAR - NON-CONTROLLING INTERESTS	**(571,852)**	**(167,038)**
PROFIT (LOSS) FOR YEAR - GROUP	**4,308,361**	**693,011**

Statement of cash flows, indirect method

STATEMENT OF CASH FLOWS, INDIRECT METHOD	31/12/23	31/12/22
A. CASH FLOWS FROM OPERATING ACTIVITIES		
PROFIT (LOSS) FOR THE YEAR	**3,736,509**	**525,973**
Taxes on Income	2,376,461	205,323
Interest expenses/(income)	4,889,096	2,779,913
(Dividends)	0	0
(Gains)/Losses on asset disposals	(156,253)	52,547
1. Profit (Loss) for the year before taxes on income, dividends and gains/losses on disposals	**10,845,813**	**3,563,756**
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	4,559,181	4,163,182
Depreciation/Amortisation of non-current assets	8,420,111	7,964,511
Impairment writedowns	24,039	35,474
Adjustments to Value of Fin Assets and Liabilities	0	0
Other adjustments for non-cash items	(535,528)	(380,889)
Total adjustments for non-cash items with no impact on net working capital	**12,467,803**	**11,782,278**
2. Cash Flows before changes in NWC Changes in net working capital	**23,313,616**	**15,346,034**
Decrease / (Increase) in Inventory	275,130	(3,343,613)
Decrease / (Increase) in Trade Receivables	(3,334,354)	(8,122,790)
(Decrease) / Increase in Trade Payables	15,921,528	3,890,961
Decrease / (Increase) in Prepaid Exp & Acc Income	(506,646)	(1,960,869)
(Decrease) / Increase in Acc Exp & Def Inc	233,347	80,792
Other decreases/(Other increases) in net working capital	(455,182)	(668,023)
CHANGE IN NET WORKING CAPITAL	**12,133,823**	**(10,123,542)**
3. Cash Flows after changes in NWC	**35,447,439**	**5,222,492**
Interest received / (paid)	(4,889,096)	(2,201,463)
Taxes on income (paid)	0	0
Dividends received		
(Use of provisions)	(3,964,155)	(4,976,675)
Other receipts/(payments)		
TOTAL OTHER ADJUSTMENTS	**(8,853,251)**	**(7,178,138)**
4. Cash Flows after other adjustments	**26,594,188**	**(1,955,646)**
CASH FLOWS FROM OPERATING ACTIVITIES		
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Capex on non-current assets		
– Tangible assets		
(Additions)	(8,736,846)	(5,587,989)
Disposals	441,589	451,436
– Intangible assets		
(Additions)	(4,504,127)	(6,837,089)
Disposals	626,270	1,487,874
– Financial assets		
(Additions)	1	(27,315)
Disposals	0	0
– Current financial assets		
(Additions)	0	0
Disposals	0	643
(Acquisition of business units net of cash and cash equivalents)	0	0
Sale of business units net of cash and cash equivalents		
CASH FLOWS FROM INVESTING ACTIVITIES	**(12,173,113)**	**(10,512,440)**
C.CASH FLOWS FROM FINANCING ACTIVITIES		
Debt		
– Increase (Decrease) in ST bank borrowing	(1,907,140)	(3,900,688)
– Loans arranged	8,000,000	20,000,000
– (Loans repaid)	(20,066,231)	(10,676,032)
Equity		
– Paid share capital increase	0	0
– (Share capital refunds)		
– Sale (Purchase) of treasury shares	0	0
– (Dividends and advances on dividends paid)	0	(173,739)
CASH FLOWS FROM FINANCING ACTIVITIES	**(13,973,371)**	**5,249,541**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	**447,704**	**(7,218,545)**
– Forex effect on cash and cash equivalents		
Cash and cash equivalents at start 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 start of period	**11,022,848**	**18,241,393**
Of which not freely available		
Cash and cash equivalents at end of period		
Bank and post office accounts	11,469,817	11,020,700
Cheques		
Cash and cash equivalents on hand	735	2,148
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**11,470,552**	**11,022,848**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

General information

The Consolidated Financial Statements at 31 December 2023, as prepared in accordance 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 31/12/2022 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

The year 2023 was characterised by growing uncertainty due to several factors including high inflation, the ongoing Russia-Ukraine conflict, geopolitical tension between China and the USA and, most recently, the Israel-Palestina conflict. However, macroeconomic forecasts for 2024 offer the prospect of some improvement. The most recent forecasts of the International Monetary Fund show that global growth is expected to increase, with growth rates exceeding previous expectations. The improved economic outlook offers a degree of reassurance against a backdrop of lasting uncertainty, although significant risks remain in relation to restrictive economic policy and geopolitical events.

The level of attention remains high given the continuation of restrictive economic policies and the risk of new shocks to the global supply chain because of geopolitical issues and disruption to logistics in the Red Sea.

As in prior year, the Group has taken all necessary measures to counteract the effects of market tensions and reductions in customer volumes. These actions, combined with (i) the portfolio of contracts awarded to the company by customers for the next 5 years and (ii) significant moves to increase efficiency and cost savings are the foundation of the 2024-2028 Business 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.

For further details, reference should be made to the Directors' Report.

Consolidated reporting date

The Consolidated Financial Statements have been prepared as at and for the year ended 31 December 2023, 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 2023.

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 2023 by the respective Boards of Directors. Such financial statements have been adjusted, where necessary, to render them consistent with Group accounting principles which are in line with consolidated statutory reporting requirements, as interpreted by the accounting standards issued by Italian Accounting Standards Board ("OIC") and by the IASB (International Accounting Standards Board).

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

a) assets, liabilities, revenues and costs are included in full, irrespective of the percentage investment held, while the portion of Shareholders' Equity and result for the period pertaining to non-controlling interests are disclosed separately;

b) the carrying amount of investments on consolidated companies is eliminated against the corresponding portion of equity while the assets and liabilities, revenues and costs are included on a line-by-line basis; the difference emerging, at the acquisition date, from the elimination of the carrying amount of an entity included in the scope of consolidation against the corresponding portion of shareholders' equity at present value is allocated, where possible, to the assets and liabilities of the entity in question. Any residual amount is treated as follows:

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

c) all receivables and payables and transactions between consolidated entities are eliminated;

d) significant gains realised between consolidated entities and profits included in intangible assets coming from consolidated entities have been eliminated;

e) profits and losses from trade or financial transactions between Group companies, net of related deferred tax and/or deferred tax income, are eliminated; an exception to this rule regards positive intercompany margins realised and relating to assets recorded in inventory at the reporting date – such margins are not eliminated in terms of Article 31(2);

f) any provisions made by foreign subsidiaries included in the scope of consolidation in order to take advantage of tax benefits otherwise not available have been eliminated from the Consolidated Financial Statements, net of the related tax effects, based on the tax rate in force at the date of preparation of the Consolidated Financial Statements;

g) income and expenses resulting from transactions between the same entities are eliminated;

h) profits included in tangible and intangible assets and resulting from purchases of goods and services produced within the Group on an arm's length basis are eliminated. The portion of intra-Group revenues relating to such goods and services is reclassified, net of the related "internal profits", under the caption "increases in non-current assets due to internal works";

i) assets and liabilities expressed in currencies other than the Euro are translated at the reporting date exchange rate; revenues and costs are translated at average rates for the period. The exchange rates used are those officially published. Exchange differences arising from the comparison between opening equity translated at the spot rates at the end of prior period and the difference between the result for the period, translated at average rates, and those obtained from the translation at reporting date rates are allocated directly to Consolidated Shareholders' Equity under the caption "Reserve for translation of financial statements prepared in foreign currency". In detail:

- for balance sheet items, equity items and current assets:
  - › the Euro / Renmimbi reporting date exchange rate is Euro 1: Renmimbi 7.8941 (i.e. the number of Renmimbi required to purchase one Euro);
  - › the Euro / Peso reporting date exchange rate is Euro 1: Pesos 18.7767 (i.e. the number of Pesos required to purchase one Euro);
- for income statement items:
  - › the average Euro / Renmimbi exchange rate for the reporting period is Euro 1: Renmimbi 7.6608;
  - › the average Euro / Peso exchange rate for the reporting period is Euro 1: Pesos 19.1812.

Scope of consolidation

The scope of consolidation at 31 December 2023 includes all of the Italian and foreign entities shown in the following table, in which the Company holds a majority of voting rights and, in any cases, the entities over which it exercises dominant influence.

The financial statements of the Companies in the scope of consolidation have been included on a line-by-line basis.

The companies not included in the scope of consolidation and those in which the percentage interest held is lower than 20% and which constitute non-current assets are valued under the cost method.

For consolidation purposes, the financial statements used are those of the individual companies, as approved or under approval by the respective General Meetings, as reclassified and adjusted to bring them into line with the accounting principles and measurement criteria adopted by the Group.

The scope of consolidation has not changed compared to 31 December 2022.

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

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

Direct Subsidiaries			
Name	**Head 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 München - Germany	Euro 25,000	100%

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

Name	**Head 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 reporting period.

Further information is provided in the notes on each caption.

The criteria used when preparing the Financial Statements at 31 December 2023 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 2023 Consolidated Financial Statements on a going concern basis.

Consistent application of accounting policies and valuation methods is essential to ensure the comparability of the financial statements from one reporting period to another.

Details of the most significant accounting policies and measurement criteria applied during the period are provided below.

Intangible assets

Intangible assets are recorded at purchase or production cost, including related expenses, and amortised on a straight-line basis.

Start-up and expansion costs are reported under the relevant caption and amortised over their useful life which cannot exceed five years.

Software licences are amortised on a straight-line basis over three years.

Management/ERP software is amortised on a straight-line basis over five years.

Trademarks are amortised on a straight-line basis over 18 years.

Development costs are expensed in the Income Statement for the period in which they are incurred. This is except for expenses relating to projects designed to realise new products whose sale on a commercial basis – with margins sufficient to enable recovery of the expenses incurred – is realistically foreseeable. Development costs whose useful life cannot be reliably estimated are amortised over not more than five years. Development costs with a clear link to projects with an estimated useful life of 10 years are amortised over that period at a rate of 10% per annum. Until amortisation has been completed, dividends may only be distributed if there are sufficient residual available reserves to cover the development costs not yet amortised.

Leasehold improvements made during the period are amortised over the residual period of the related lease/rental agreement.

The consolidation difference emerges upon preparation of the Consolidated Financial Statements when the carrying amount of investments is eliminated for the first time against the corresponding portion of equity of the subsidiaries. Any excess that cannot be allocated to individual asses of the entities included in the consolidation is recorded under the caption "Goodwill", where requirements are met. This caption is amortised over a period of ten years as this period is felt best to represent its useful life and not to exceed the period of utilisation of the asset, taking account of the extent of the benefits expected and the synergies resulting from the business acquired.

Other items included in intangible assets but not specifically mentioned here are recorded in the Financial Statements at purchase cost and amortised on a straight-line basis over their estimated useful lives which cannot exceed five years.

Where required by the Italian Civil Code, the above items have been recognised with the agreement of the Board of Statutory Auditors.

Intangible assets whose fair value at the reporting date is permanently impaired compared to the amortised cost determined as above are adjusted to bring them into line with their fair value; the amount and reasons for any impairment adjustments made to intangible assets are disclosed, with specific reference to their involvement in the future generation of profits, their estimated useful life and, insofar as relevant, their market value. Details of differences with adjustments made in prior periods are also shown and their impact on the results for the period is highlighted.

During the reporting period, there were no conditions requiring impairment adjustments to be made to intangible assets.

Tangible assets

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

Tangible assets are systematically depreciated every year on a straight-line basis using rates determined based on the residual useful lives of the assets.

The depreciation rates used are unchanged compared to prior year and are in line with those established by the Finance Ministry Decree of 31/12/1988, as follows:

Asset Category	Rate
Land and buildings	
Industrial buildings	3.00%
Plant and machinery	
General plant and machinery	5.00-10.00%
Specific plant and machinery	5.00-10.00%
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.

Non-current 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 2023.

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 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 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 first half of 2023 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 from contract work in progress is recognised based on percentage of completion of works.

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 2023, 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 IAS 17/IFRS 16 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.

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

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

NOTES TO THE BALANCE SHEET

Non-current assets

Intangible assets

Movements	Start-up and expansion costs	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Goodwill	Assets in progress and payments on account	Other	Total
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
Opening amount	**285,137**	**2,688,013**	**2,360,352**	**2,016,638**	**2,772,878**	**8,744,049**	**1,133,340**	**20,000,407**
Additions during the year	0	35,755	88,812	0	0	3,440,467	974,848	4,539,882
Change in scope of consolidation (cost)	0	0	0	0	0	0	0	0
Change in scope of consolidation (Accumulated amortization)	0	0	0	0	0	0	0	0
Reclassifications	0	3,054,909	0	0	0	(3,599,608)	544,699	0
Movements to other caption during period	0	0	0	0	0	0	(12,034)	(12,034)
Disposals (historical cost)	0	(11,781)	0	0	0	(616,739)	0	(628,520)
Disposals (Accum. Amort'n)	0	2,250	0	0	0	0	0	2,250
Revaluations during year	0	0	0	0	0	0	0	0
Amortisation for the year	(35,432)	(482,786)	(830,848)	(121,257)	(413,918)	0	(607,430)	(2,491,671)
Writedowns for the year	0	0	0	0	0	0	0	0
Other changes - cost	36,086	0	(501)	0	0	(875)	(87,697)	(52,987)
Other changes - Accumulated amortisation	(5,274)	0	173	0	0	0	87,666	82,565
Total changes	**(4,620)**	**2,598,347**	**(742,364)**	**(121,257)**	**(413,918)**	**(776,755)**	**900,052**	**1,439,485**
Historical cost	472,877	8,446,892	4,856,296	2,184,756	4,139,181	7,967,294	8,010,090	36,077,386
Previous revaluations	0	0	0	0	0	0	0	0
Accumulated amortisation	(192,360)	(3,160,532)	(3,238,308)	(289,375)	(1,780,221)	0	(5,976,698)	(14,637,494)
Previous writedowns	0	0	0	0	0	0	0	0
Closing amount	**280,517**	**5,286,360**	**1,617,988**	**1,895,381**	**2,358,960**	**7,967,294**	**2,033,392**	**21,439,892**

Intangible assets represent expenses that produce long-term benefits. They amount to Euro 21,439,892 (Euro 20,000,407 at 31 December 2022) and are stated net of accumulated amortisation (Euro 14,637,494).

The amounts are after consolidation adjustments for intercompany transactions.

The captions "other changes in cost" and "other changes in accumulated amortisation" include the forex difference relating to movements of Saleri Shanghai and Saleri México in 2023 compared to the prior reporting date balance translated at the corresponding balance sheet exchange rate.

Start-up and expansion costs

The amount of Euro 280,517 (Euro 285,137 at 31 December 2022) is net of accumulated amortisation of Euro 192,360 and refers to expansion costs of subsidiary Saleri México S.A. de C.V.. The balance also includes deferred expenses (historical cost of Euro 110,920, now fully amortised) relating to the spin-off operation in 2015 whereby subsidiary Immobiliare Industriale S.r.l. was established.

Development costs

The amount of Euro 5,286,360 (Euro 2,688,013 at 31 December 2022), net of accumulated amortisation of Euro 3,160,532, relates to development costs incurred by the parent company and by subsidiary ABL Automazione S.r.l..

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	2,688,013	0	3,090,664	492,317	0	5,286,360
TOTAL	**2,688,013**	**0**	**3,090,664**	**492,317**	**0**	**5,286,360**

The decreases for the reporting period are almost exclusively referred to the recorded amortisation (Euro 482,786).

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

Industrie Saleri Italo S.p.A.

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

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 Parent Company capitalised Euro 3,440,467 of costs relating to projects for which the development phase has not yet been completed; these costs are recorded under the caption "Intangible assets in progress".

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.

During the reporting period, development costs with an historical cost of Euro 11,781 were disposed of due to chargebacks to third parties.

ABL Automazione S.r.l.

The item amounts to Euro 189,150 (Euro 200,282 at the end of the previous fiscal year) net of an amortization fund of Euro 81,041.

In relation to development activities alone, the Company incurred costs totaling Euro 1,620,000 during the fiscal year. Based on a thorough analysis of the available information regarding man-hours and development expenses on projects, the Directors have deemed it appropriate to capitalize the lower amount of Euro 35,755, as it pertains to projects for which the development phase has already been completed.

The capitalized costs are amortized over a period of 5 years.

Patents and intellectual property rights

The net balance amounts to Euro 1,617,988 (Euro 2,360,352 at 31 December 2022), net of accumulated amortisation of Euro 3,238,308, and refers almost entirely to Software.

Increases for the period of Euro 88,812 mainly refer to the purchase of new software by the parent company and subsidiary ABL Automazione S.r.l..

The balance includes negative consolidation adjustments of Euro 2,922.

Concessions, licences, trademarks and similar rights

The net balance amounts to Euro 1,895,381 (Euro 2,016,638 at 31 December 2022) after accumulated amortisation of Euro 289,375 and almost entirely refers to trademarks purchased by the Parent Company.

The balance did not undergo any changes during the reporting period, except for the annual amortisation charge of Euro 121,257.

Goodwill

Goodwill of Euro 2,358,960 (Euro 2,772,878 at 31 December 2022) is net of amortisation of Euro 1,780,221 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 2023 Financial Statements, goodwill was tested for impairment, using the forecast information contained in the Business Plan 2024-2028. The test was performed in relation to the cash generating unit ("CGU") to which the Goodwill had been allocated i.e. the Company as a whole.

The test was performed by 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, this was determined using the unlevered discounted cash flow method, as applied to cash flows per the Five-Year Plan 2024-2028 - prepared by management of the subsidiary 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 macroeconomic assumptions underlying the plan are determined, where available, on the basis of external sources of information, while the profit and growth estimates assumed in the plan are determined by management on the basis of past experience and expected developments going forward on the markets where the Company operates.

Cash flows determined as above were discounted using a discount rate (WACC) of 12.00%, as determined applying the Capital Asset Pricing Model.

The WACC (Weighted Average Cost of Capital) represents the weighted average cost of capital and is an average of the interest rate on equity and debt, as weighted 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, showed headroom.

The sensitivity analysis performed in relation to the WACC, the nominal growth rate "g" and EBITDA did not show any indicators of impairment either.

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 2024-2028 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 7,967,294 (Euro 8,744,049 at 31 December 2022) and consists almost entirely of payments on account relating to the Parent Company.

This caption refers almost entirely to internal and external development costs incurred in relation to development projects in progress. The costs now recorded under this caption will be reclassified to the relevant asset category as described above – once their suitability for capitalisation has been confirmed – and they will be amortised from the date of completion of the development phase, considering the estimated residual useful life of the project to which they refer; the balance increased by Euro 3,440,467 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 3,054,909 were reclassified and capitalised under “Development Costs”.

Other intangible assets

This caption amounts to Euro 2,033,392 (Euro 1,133,340 at 31 December 2022) after accumulated amortisation of Euro 5,976,698. Total increases for the period amount to Euro 1,519,547, including Euro 544,699 reclassified from “Intangible assets in progress and payments on account”. The increase refers to improvements by the Parent Company to the new, leased production facility.

The balance includes negative consolidation adjustments of Euro 76,714.

The balance and the main changes thereon are detailed below:

Industrie Saleri Italo S.p.A.

The item, amounting to Euro 1,572,578 (Euro 714,821 at 31 December 2022), entirely refers to multy-year costs on third-party assets and increased by Euro 1,393,741 (including Euro 544,699 reclassified from “Intangible assets in progress and payments on account”), the increase refers to leasehold improvements in relation to the new leased production facility.

The decrease for the period of Euro 535,984 entirely refers to the amortisation charge for the period.

ABL Automazione S.r.l.

The balance, amounting to Euro 268,313 (Euro 289,441 at 31 December 2022), consists entirely of leasehold improvements.

Saleri México S.A. de C.V.

The balance, amounting to Euro 95,245 (Euro 103,153 at 31 December 2022), consists entirely of leasehold improvements. Additions totalled Euro 5,352.

Saleri Shanghai Co. Ltd.

This item, amounting to Euro 37,978 (Euro 78,617 at 31 December 2022), refers to:

- Euro 24,437 of leasehold improvements;
- Euro 13,541 of deferred expenses.

Additions for the period totalled Euro 9,197.

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	20,333,142	88,169,847	30,824,700	6,513,730	571,907	146,413,326
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)	0	(86,802,668)
Previous writedowns	(1,560,488)	0	0	0	0	(1,560,488)
Opening amount	**18,177,305**	**37,901,619**	**7,035,724**	**866,301**	**571,907**	**64,552,856**
Additions during the year	0	1,709,406	2,866,761	210,158	3,950,521	8,736,846
Change in scope of consolidation (cost)	0	0	0	0	0	0
Change in scope of consolidation (Accum. Depre'n)	0	0	0	0	0	0
Reclassifications	0	781,635	113,239	0	(894,874)	0
Movements to other caption during period	0	0	0	0	0	0
Disposals (historical cost)	0	(753,095)	(1,145,476)	(243,493)	(25,000)	(2,167,064)
Disposals (Accum. Depr'n)	0	543,429	1,123,967	214,332	0	1,881,728
Revaluations during year	0	0	0	0	0	0
Amortisation for the year	(676,228)	(3,160,434)	(1,790,259)	(301,519)	0	(5,928,440)
Writedowns for the year	0	0	0	0	0	0
Other changes -cost	0	26,131	(194,220)	(6,921)	(45,874)	(220,884)
Other changes - accumulated dep'n	0	72,219	128,232	9,916	0	210,367
Total changes	**(676,228)**	**(780,709)**	**1,102,244**	**(117,527)**	**2,984,773**	**2,512,553**
Historical cost	20,333,142	89,933,924	32,465,004	6,473,474	3,556,680	152,762,224
Previous revaluations	6,502,686	0	0	0	0	6,502,686
Accumulated depreciation	(7,774,263)	(52,813,014)	(24,327,036)	(5,724,700)	0	(90,639,013)
Previous writedowns	(1,560,488)	0	0	0	0	(1,560,488)
Closing amount	**17,501,077**	**37,120,910**	**8,137,968**	**748,774**	**3,556,680**	**67,065,409**

Tangible assets include land, buildings, plant and machinery, industrial and commercial equipment, tangible assets under construction and other tangible assets. They amount to Euro 67,065,409 (Euro 64,552,856 at 31 December 2022) after accumulated depreciation (Euro 90,639,013).

The captions “other changes in cost” and “other changes in accumulated amortisation” include the forex difference relating to movements of Saleri Shanghai Co. Ltd and Saleri México in 2023 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 as there have been 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 Consolidated Financial Statements of the Group at 31 December 2023 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 17,501,077 (Euro 18,177,305 at 31 December 2022) and is stated net of accumulated depreciation of Euro 7,774,263 (Euro 7,098,035 at 31 December 2022). The balance refers almost entirely to the Parent Company.

During the reporting period, the balance did not undergo any changes except for the annual depreciation charge.

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 37,120,910 (against Euro 37,901,619 at 31 December 2022), is stated net of accumulated depreciation of Euro 52,813,014 (Euro 50,268,228 at 31 December 2022). It includes plant and machinery of Euro 9,704,606 (Euro 10,713,660 at 31 December 2022) held under finance leases and reported in accordance with International Accounting Standards and negative consolidation adjustments of Euro 2,042,388 (Euro 1,338,749 at 31 December 2022).

The balance and the main changes thereon are detailed below:

Industrie Saleri Italo S.p.A.

The balance amounts to Euro 25,339,414 (Euro 25,571,673 at 31 December 2022) after accumulated depreciation of Euro 26,203,106 (Euro 24,626,853 at 31 December 2022).

Additions for the period amount to Euro 2,000,571 (including Euro 154,254 reclassified from "Assets under Construction") for payments on account previously made towards projects completed during the period.

Additions mainly refer to maintenance capex incurred to ensure machinery is kept updated and fully efficient, as well as to new workstations needed to handle the contracts acquired by the Company.

Decreases during the period with a net carrying amount of Euro 113,148 (historical cost Euro 656,577) refer to disposals and retirements of plant and machinery no longer in use in the production cycle .

ABL Automazione S.r.l.

Plant and machinery amounts to Euro 40,727 (Euro 47,005 at 31 December 2022) net of accumulated depreciation of Euro 265,152 (Euro 258,874 at 31 December 2022).

The balance did not undergo any changes during the period except for the annual depreciation charge.

Saleri Aftermarket S.p.A.

Plant and machinery amounts to Euro 15,683 (Euro 20,490 at 31 December 2022) net of accumulated depreciation of Euro 315,099 (Euro 310,292 at 31 December 2022).

The balance did not undergo any changes during the period except for the annual depreciation charge.

Saleri México S.A. de C.V.

Plant and machinery amounts to Euro 1,633,667 (Euro 1,570,321 at 31 December 2022) net of accumulated depreciation of Euro 499,357 (Euro 259,052 at 31 December 2022).

During the reporting period, the balance increased by Euro 90,993 (reclassified from "Assets under construction and payments on account") for capex incurred to keep plant and machinery constantly up-to-date and fully efficient.

Saleri Shanghai Co. Ltd.

Plant and machinery amounts to Euro 2,057,473 (Euro 1,317,219 at 31 December 2022) net of accumulated depreciation of Euro 1,604,399 (Euro 1,430,571 at 31 December 2022).

During the reporting period, the balance increased by Euro 1,100,619 (of which Euro 548,107 reclassified from "Assets under construction and payments on account") for capex incurred to keep plant and machinery constantly up-to-date and fully efficient, as well as for new workstations to cope with the contracts acquired by the Company.

Industrial and Commercial Equipment

This caption amounts to Euro 8,137,968 (Euro 7,035,724 at 31 December 2022) and is stated net of accumulated depreciation of Euro 24,327,036 (Euro 23,788,976 at 31 December 2022).

The balance includes consolidation adjustments of Euro 329,548 (Euro 250,445 at 31 December 2022).

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 6,702,816 (Euro 5,590,766 at 31 December 2022) after accumulated depreciation of Euro 22,473,454.

Additions for the period amount to Euro 2,615,235, including Euro 96,290 reclassified from "Assets under Construction and Payments on Account".

As in the case of "Plant and Machinery", additions to "Industrial and Commercial Equipment" mainly refer to purchases of new equipment needed to carry out the contracts acquired by the Company. The costs incurred have been sustained as part of the plan of capex necessary to install the additional production capacity needed to cope with the new, long-term production contracts acquired by the Original Equipment division.

Decreases for the period have a net carrying amount of Euro 21,508 (historical cost Euro 1,145,476) and refer to the sale and retirement of equipment no longer used in the production cycle.

ABL Automazione S.r.l.

The balance amounts to Euro 6,212 (Euro 10,787 at 31 December 2022) after accumulated depreciation of Euro 46,395 (Euro 41,819 at 31 December 2022).

The balance did not undergo any changes during the reporting period except for the annual depreciation charge.

Saleri Aftermarket S.p.A.

The balance amounts to Euro 155,560 (Euro 26,332 at 31 December 2022) after accumulated depreciation of Euro 113,345 (Euro 103,235 at 31 December 2022).

Additions for the reporting period totalled Euro 139,439, mainly for purchases of new shelving for use in the warehouse.

Saleri México S.A. de C.V.

The balance amounts to Euro 3,935 (Euro 11,049 at 31 December 2022) after accumulated depreciation of Euro 29,418 (Euro 18,979 at 31 December 2022).

The balance did not undergo any changes during the reporting period except for the annual depreciation charge.

Saleri Shanghai Co. Ltd.

The balance amounts to Euro 960,586 (Euro 1,146,345 at 31 December 2022) after accumulated depreciation of Euro 1,997,924 (Euro 1,763,594 at 31 December 2022).

Additions for the period amount to Euro 246,115 (including Euro 16,949 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.

Other tangible assets

This caption amounts to Euro 748,774 (Euro 866,301 at 31 December 2022) and is stated net of accumulated depreciation of Euro 5,724,700 (Euro 5,647,429 at 31 December 2022). It includes cars held under finance leases and negative consolidation adjustments of euro 8,050 (Euro 28,295 at 31 December 2022).

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 359,801 (Euro 494,207 at 31 December 2022) after accumulated depreciation of Euro 4,728,500 (Euro 4,553,589 at 31 December 2022) and refers to:

- Furniture and fittings of Euro 151,703 (Euro 213,870 at 31 December 2022); additions for the period totalled Euro 14,467, mainly for new office furnishings;
- Electronic office equipment of Euro 191,587 (Euro 278,508 at 31 December 2022); additions for the period totalled Euro 26,793, 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 net carrying amount of Euro 2,471 was disposed of (original historical cost Euro 18,516);
- Cars and vehicles of Euro 16,511 (Euro 1,829 at 31 December 2022); additions of Euro 18,974 during the reporting period related to the purchase of a new car.

ABL Automazione S.r.l.

The balance amounts to Euro 79,769 (Euro 104,256 at 31 December 2022) after accumulated depreciation of Euro 312,653 (Euro 310,627 at 31 December 2022).

The balance did not undergo any changes during the reporting period except for the annual depreciation charge.

Saleri Aftermarket S.p.A.

The balance amounts to Euro 56,669 (Euro 43,118 at 31 December 2022) after accumulated depreciation of Euro 262,897 (Euro 245,631 at 31 December 2022) and refers to:

- Furniture and fittings of Euro 6,460 (Euro 8,129 at 31 December 2022); the balance did not undergo any changes during the period except for the annual depreciation charge;
- Electronic office equipment of Euro 50,209 (Euro 34,989 at 31 December 2022); additions for the reporting period of Euro 30,817 mainly related to the purchase of terminals for the new warehouse and of PCs to update and replace electronic devices currently in use.

Saleri México S.A. de C.V.

The balance amounts to Euro 88,530 (Euro 88,559 at 31 December 2022) after accumulated depreciation of Euro 81,283 (Euro 41,535 at 31 December 2022).

Additions for the reporting period of Euro 25,313 mainly relate to the purchase of a car.

Saleri Shanghai Co. Ltd.

The balance amounts to Euro 137,604 (Euro 99,908 at 31 December 2022) after accumulated depreciation of Euro 168,030 (Euro 214,239 at 31 December 2020).

During the period, there were additions of Euro 76,466 for purchases of a vehicle and electronic equipment to update and replace equipment currently in use.

During the period, the company disposed of a car with a net carrying amount of Euro 6,366 (original historical cost Euro 63,652).

Saleri TMS Competence Center GmbH

The balance amounts to Euro 19,750 (Euro 7,958 at 31 December 2022) after accumulated depreciation of Euro 11,095 (Euro 5,907 at 31 December 2022) and refers to electronic equipment which has recorded additions of Euro 16,980.

Assets under construction and payments on account

Assets under construction and payments on account total Euro 3,556,680 (Euro 571,907 at 31 December 2022). The total includes negative consolidation adjustments of euro 197,541 (Euro 197,720 at 31 December 2022).

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 1,341,340 (Euro 669,807 at 31 December 2022) and refers to payments made on account during the period towards additions to tangible assets.

During the period, Euro 250,544 was reclassified to the relevant tangible asset categories following the completion of the related capex.

Increases for the period totalling Euro 922,077 regard payments made on account in relation to new production lines and equipment to cope with the new long-term production contracts acquired by the Original Equipment Division.

Saleri Aftermarket S.p.A.

Payments on account of Euro 25,000 made in the previous reporting period towards tangible assets were wholly reversed during the current reporting period.

Saleri México S.A. de C.V.

The balance amounts to Euro 474,017 (Euro 90,993 thousand at 31 December 2022) 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.

During the period Euro 90,993 was reclassified to "Plant and machinery" following the completion of certain capex.

Saleri Shanghai Co. Ltd.

The balance amounts to Euro 2,287,580 (Euro 675,751 thousand at 31 December 2022) 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.

Increases during the period totalled Euro 2,222,760 due to additional payments on account for purchases of machinery and moulds.

During the period, Euro 565,056 was reclassified to the relevant tangible asset categories following the completion of certain capex.

Non-current financial assets

Total financial assets	Euro
Historical cost	3,554,140
Previous revaluations	0
Previous writedowns	(13,621)
Opening amount	**3,540,519**
Acquisitions during the period	0
Increases due to change in scope of consolidation	0
Decreases due to change in scope of consolidation	0
Reclassifications from another caption	13,367
Reclassifications to another caption	0
Disposals	0
Revaluations during the period	0
Writedowns during the period	(752,281)
Other changes	(1)
Closing amount	**2,801,604**

Investments

Investments in	Subsidiaries	Associated companies	Parent companies	Other entities	Total
Historical cost	2,082,470	0	0	532	2,083,002
Previous revaluations	0	0	0	0	0
Previous writedowns	0	0	0	0	0
Opening amount	**2,082,470**	**0**	**0**	**532**	**2,083,002**
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	0	0	0	0	0
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	(24,039)	0	0	0	(24,039)
Other changes	(1)	0	0	0	(1)
Closing amount	**2,058,430**	**0**	**0**	**532**	**2,058,962**

Impairment adjustments of Euro 24,039 wholly relate to subsidiary C.D.C. Taiwan Inc..

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.)	936,930
Saleri India Private Ltd	Chakan Industrial Area, Village Khalumbre, Tal-Khed, District Pune 410501, Maharashtra	3,308,851

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%	371,726	4,902	189,580	189,580	0
Saleri India Private Ltd	51.00%	2,485,188	(2,669,528)	1,267,446	1,868,850	(601,404)
TOTAL				**1,457,026**	**2,058,430**	**(601,404)**

For subsidiary Saleri India Private Ltd, we note that:

› the financial information shown refers to the financial statements at 31 December 2023;

› the carrying amount almost entirely consists of capital injected by the Parent Company in prior years to cover the subsidiary's liquidity requirements while the remainder includes ancillary costs incurred to acquire the investment and commence its activities.

For the purposes of approval of the 2023 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") i.e. 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 31 December 2023.

The test performed did not detect any impairment but, rather, showed headroom.

For C.D.C. Taiwan Inc., the financial information shown refers to the financial statements at 31 December 2023 and the carrying amount of the investment is in line with the corresponding portion of Equity.

Receivables from others

This balance wholly relating to subsidiary Saleri México S.A. de C.V, regards an amount reclassified from another non-current receivables caption.

Other securities

Other Securities	Total
Historical cost	19,962
Previous revaluations	0
Previous writedowns	(13,621)
Opening amount	**6,341**
Acquisitions during the period	0
Reclassifications from another caption	0
Reclassifications to another caption	0
Disposals during the period	0
Revaluations during the period	0
Writedowns during the period	0
Other changes	0
Closing amount	**6,341**

The balance did not change during the reporting period.

Derivative instruments

Derivative instruments	Total
Historical cost	1,451,176
Previous revaluations	0
Previous writedowns	0
Opening amount	**1,451,176**
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	(728,242)
Other changes	0
Closing amount	**722,934**

This 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 2023.

Current assets

Inventory

Description	Opening amount	Change during period	Closing amount
Raw, ancillary and cons. materials	12,230,905	(258,397)	11,972,508
WIP	5,613,215	73,336	5,686,551
Contract WIP	4,248,246	(1,315,721)	2,932,525
Finished goods and products	12,884,648	945,216	13,829,864
Payments on account	299,758	(86,084)	213,674
TOTAL	**35,276,772**	**(641,650)**	**34,635,122**

At 31 December 2023, inventory totalled Euro 34,635,122 (Euro 35,276,772 at 31 December 2022) and referred to parent company Industrie Saleri Italo S.p.A. (53%), to subsidiary Saleri Aftermarket S.p.A. (27%), to subsidiary ABL Automazione S.r.l. (Euro 10%), to subsidiary Saleri Shanghai Co. Ltd (6%) and to subsidiary Saleri México S.A. de C.V. (4%). The contract work in progress entirely relates to subsidiary ABL Automazione S.r.l. The amounts are broadly in line with the previous reporting date and are mainly due to the procurement policies designed to guarantee sufficient stock to meet production requirements, considering – for the Parent Company – the move at year end from the warehouse in Provaglio d'Iseo (BS) to the new warehouse in Lumezzane (BS) and – for the Group as a whole – the transport problems caused by the crisis in the Suez canal area.

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

The increase in "Finished goods" mainly refers to the inventory of the Parent Company and is largely offset by the decrease recorded by subsidiary Saleri Aftermarket S.p.A..

The inventory balance reported above is stated net of the Inventory provision totalling Euro 1,649,490 recorded to take account of obsolete and slow moving items and to show carrying amount at the lower of cost and realisable amount.

During 2023, the provision was increased by Euro 780,990 while there as a decrease of Euro 414,470 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	Increase	Decrease	Closing amount
1. Raw, ancillary and consumable materials	(624,515)	(242,941)	139,716	(727,740)
2. WIP and semi-finished goods	(258,312)	(90,675)	121,060	(227,927)
3. Contract WIP	-	-	-	-
4. Finished goods and products	(400,144)	(447,374)	153,694	(693,824)
5. Payments on account	-	-	-	-
TOTAL	**(1,282,970)**	**(780,990)**	**414,470**	**(1,649,490)**

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	24,462,541	3,273,610	27,736,151
Receivables from non-consolidated subsidiaries	1,854,623	3,703,124	5,557,747
Receivables from associated companies	-	-	-
Receivables from parent companies	0	(0)	-
Receivables from entities controlled by parent companies	0	(0)	-
Tax receivables	4,247,434	(2,110,823)	2,136,611
Deferred tax assets	8,680,438	(772,229)	7,908,209
Receivables from others	2,394,848	82,709	2,477,557
TOTAL	**41,639,884**	**4,176,391**	**45,816,275**

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

Breakdown by residual duration

Description	Amount at 31/12/2023	Due within a year	Due after more than a year	Of which due after more than 5 years
Trade receivables	27,736,151	27,736,151	-	-
Receivables from non-consolidated subsidiaries	5,557,747	5,557,747	-	-
Receivables from associated companies	-	-	-	-
Receivables from parent companies	-	-	-	-
Receivables from entities controlled by parent companies	-	-	-	-
Tax receivables	2,136,611	2,041,479	95,132	-
Deferred tax assets	7,908,209	-	-	-
Receivables from others	2,477,557	1,718,188	759,369	-
TOTAL	**45,816,275**	**37,053,565**	**854,501**	**-**

Trade receivables

At 31 December 2023, trade receivables amounted to Euro 27,736,151 (against Euro 24,462,541 at 31 December 2022) and referred to parent company Industrie Saleri Italo S.p.A. (53% of the total), subsidiary Saleri Shanghai Co. Ltd (23% of the total), subsidiary Saleri Aftermarket S.p.A. (14% of the total), subsidiary ABL Automazione S.r.l. (7% of the total) and subsidiary Saleri México S.A. a C.V. (remaining 3% of the total).

The increase of Euro 3,273,610 compared to 31 December 2022 mainly refers to the parent company and is offset by decreases for the other subsidiaries. This increase is the natural result of the higher level of sales made but not yet collected at the reporting date (in accordance with specific terms of contract signed), net of factoring operations.

Trade receivables are stated net of a provision for bad debts of Euro 417,945 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	Allocated	Utilised	Closing amount
Provision for bad debts	(357.201)	(145.284)	84.540	(417.945)

Receivables from non-consolidated subsidiaries

Receivables from subsidiaries amount to Euro 5,557,747 against Euro 1,854,623 at 31 December 2022. They include:

- Euro 4,518,877 of trade receivables due from Saleri India Private Ltd.;
- Euro 1,038,870 regarding a loan made by the Parent Company to subsidiary Saleri India Private Ltd during the reporting period, including interest income accruing thereon.

Receivables from parent companies

As at 31 December 2023, 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.	Saleri Shanghai Co. Ltd	Saleri TMS Competence Center GmbH	Consolidated
W/holding taxes suffered	-	2	73	-	-	-	75
IRES receivables	2,976	-	15,703	-	-	-	18,679
IRAP receivables	-	81	-	-	-	-	81
VAT receivables	610,014	514,682	-	558,800	23,808	39,170	1,746,474
Other tax receivablesi	276,407	-	82,755	-	-	12,140	371,302
TOTAL	**889,397**	**514,765**	**98,531**	**558,800**	**23,808**	**51,310**	**2,136,611**

The balance of Euro 2,136,611 (Euro 4,247,434 at 31 December 2022) is analysed as follows:

Industrie Saleri Italo S.p.A.

"IRES Receivables", amounting to Euro 2,976 (Euro 16,798 at 31 December 2022), include the IRES credit for 2023.

"VAT Receivables", amounting to Euro 610,014 (Euro 1,180,456 at 31 December 2022), mainly refer to the VAT balance resulting from the December 2023 VAT return (Euro 485,691). 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 276,407 (Euro 768,532 at 31 December 2022), mainly refers to the tax credit for Ordinary Assets 2022 and R&I.

ABL Automazione S.r.l.

"IRAP Receivables", amounting to Euro 81 (Euro 23,552 at 31 December 2022), refer to the IRAP credit for the period.

"VAT Receivables", amounting to Euro 514,682 (Euro 45,088 at 31 December 2022), refer to the VAT balance per the December 2023 VAT return.

Saleri Aftermarket S.p.A.

"IRES Receivables", amounting to Euro 15,703 (Euro 17,480 at 31 December 2022), refer to the IRES credit relating to previous periods.

"IRAP Receivables", amounting to 48,623 at 31 December 2022, have been utilised in full.

"Other tax receivables" of Euro 82,755 mainly refer to the Industry 4.0 tax credit.

Saleri México S.A. de C.V., Saleri Shanghai Co. Ltd and Saleri TMS Competence Center GmbH

"VAT Receivables" of Euro 621,778 refer to the VAT receivable per the December 2023 tax return.

Deferred tax assets

Deferred tax assets amount to Euro 7,908,209 (Euro 8,680,438 at 31 December 2022) 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 261,272) of deferred tax assets were recognised in relation to consolidation adjustments.

We highlight the recognition of deferred tax assets relating to losses of Euro 4,647,490; the losses in question regard the parent company (Euro 4,000.806), subsidiary ABL Automazione S.r.l. (Euro 366,683) and subsidiary Saleri Aftermarket S.p.A. (Euro 280,001)

The Directors concluded that it was reasonable to recognise these deductible temporary differences, also on the basis of the companies' Business Plans 2024-2028, as it was reasonably certain that there will be taxable income in the periods in which the temporary difference reverse.

Other receivables

The amount of Euro 2,477,557 at 31 December 2023 (Euro 2,394,848 at 31 December 2022) regards all of the Group companies and mainly comprises:

- **Receivables due within a year:**
  - Euro 1,515,556 of sundry receivables and costs advanced, after a bad debt provision of Euro 102,932;
  - Euro 119,146 of advances to suppliers;
  - Euro 83,486 of DR balances with certain suppliers of goods and services.

- **Receivables due after more than a year:**
  - Euro 759,369 almost entirely relating to guarantee deposits paid mainly in respect of lease and rental agreements of the parent company and subsidiary Saleri México 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 refers to minority investments in other entities.

Cash and cash equivalents

This balance includes cash on hand of Euro 735 plus bank current account balances of Euro 11,469,817.

Description	Opening amount	Change during period	Closing amount
Bank and post office accounts	11,020,700	449,117	11,469,817
Cash and cash equivalents on hand	2,148	(1,413)	735
TOTAL	**11,022,848**	**447,704**	**11,470,552**

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	Consolidated
Bank and post office accountsi	6,413,260	126,363	1,567,584	773,913	2,525,852	62,845	11,469,817
Cash and cash equivalents on hand	86	-	-	533	116	-	735
TOTAL	**6,413,346**	**126,363**	**1,567,584**	**774,446**	**2,525,968**	**62,845**	**11,470,552**

The amount of Euro 86 relating to the parent company consists wholly of tax stamps. The Group's Italian companies do not hold any cash and all payments are made electronically.

Once again in 2023, the cash management strategy applied by Group management ensured that the resources needed to finance ordinary activities were always available.

Prepaid expenses and accrued income

Description	Opening amount	Change during period	Closing amount
Prepaid expenses:			
Contributions to customers	5,120,329	531,083	5,651,412
Insurance policies	35,090	(2,519)	32,571
Other costs	831,896	(21,918)	809,978
TOTAL	**5,987,315**	**506,646**	**6,493,961**

This item, amounting to Euro 6,493,961 at 31 December 2023 (Euro 5,987,315 at 31 December 2022) mainly entirely refers to the prepaid expenses of parent company Industrie Saleri Italo S.p.A. and 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 31/12/2023
		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	1,193,045	-	150,955			-		1,344,000
Statutory reserves	-	-				-		-
Other reserves								
Consolidation reserve	4,074,979	-			(4,103)	-		4,070,876
Extraordinary reserve	857,395	-				-		857,395
Reserve for translation of foreign currency financial statements	432,934	-			(345,125)	-		87,809
Sundry other reserves	364,052	-				-		364,052
Total other reserves	5,729,360	-	-	-	(349,228)	-		5,380,132
Cash flow hedge reserve	1,451,176	-			(728,242)	-		722,934
Retained earnings (Accumulated losses)	2,076,930	-	542,056		(36,987)	-		2,581,999
Profit (Loss) for the year	693,011	-	(693,011)	-		-	4,308,361	4,308,361
Negative reserve for treasury shares held	(285,014)	-			-	-	-	(285,014)
Total shareholders' equity - Group	**46,830,929**	**-**	**-**	**-**	**(1,114,457)**	**-**	**4,308,361**	**50,024,833**
Capital and reserves of non-controlling interests	2,048,514		(167,038)		(98,666)	-	-	1,782,810
Profit (Loss) for year pertaining to non-controlling interests	(167,038)		167,038	-	-	,	(571,852)	(571,852)
Total shareholders' equity - non-controlling interests	**1,881,476**	**-**	**-**	**-**	**(98,666)**	**-**	**(571,852)**	**1,210,958**
Total consolidated shareholders' equity	**48,712,405**	**-**	**-**	**-**	**(1,213,123)**	**-**	**3,736,509**	**51,235,791**

Share capital
Share Capital, wholly subscribed and paid at 31 December 2023, amounts to Euro 23,922,413 and is represented by 3,127,003 shares.

The balance has not changed compared to 31 December 2022.

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
The item has a balance of Euro 1,344,000 at 31 December 2023 (Euro 1,193,045 at 31 December 2022). The increase for the year of Euro 150,955 is wholly attributable to the allocation of the net profit for 2022, as per the resolution of the General Meeting held on 7 August 2023.

Taking account of the Share Capital increases carried out in 2018 and in 2020, the reserve has not yet reached the limit provided for by Article 2430 of the Italian Civil Code.

Consolidation reserve
This caption shows a balance of Euro 4,070,876 at 31 December 2023, a slight decrease compared to 31 December 2022.

Extraordinary Reserve
This reserve amounts to Euro 857,395 at 31 December 2023 and did not change during the reporting period.

Reserve for translation of financial statements prepared in foreign currency
This caption shows a positive balance of Euro 87,809 at 31 December 2023 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 722,934 at 31 December 2023 (Euro 1,451,176 at 31 December 2022) and refers entirely to hedging contracts signed by the Parent Company in relation to the loan with a SACE guarantee arranged in 2020 for an initial 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 728,242 decrease in the Reserve.

Retained earnings (Accumulated losses)
This caption showed retained earnings of Euro 2,581,999 at 31 December 2023 against retained earnings of Euro 2,076,930 at 31 December 2022. Movements during the reporting period were as follows:

› an increase of Euro 542,056 due to allocation of the Group's net profit for 2022;

› a decrease of Euro 36,987 due to consolidation adjustments and alignment to Group accounting policies.

Negative reserve for treasury shares held
At 31 December 2023, 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

Amounts in thousands of Euro	2023		2022	
	Equity	of which Profit for year	Equity	of which Profit for year
Equity and result for the year of the Parent Company	60,960,873	2,340,246	59,348,869	3,019,098
Elimination of carrying amount of investments against pro-quota amount of equity	(20,978,185)	(1,357,865)	(19,337,057)	(3,293,895)
Pro-quota results of investee companies	3,443,668	3,443,668	274,784	274,784
Gains on disposals after depreciation allocated to non-current assets and to consolidation difference at the date of acquisition of the investee companies	2,358,960	(413,918)	2,772,878	(413,918)
Elimination of effects of transactions between consolidated companies	(2,733,464)	(837,128)	(2,068,168)	(629,669)
Alignment of accounting policies	6,972,981	1,133,358	5,839,623	1,736,611
Restatement of investments at equity	0	0	0	0
Equity and result for the year - **Group**	**50,024,832**	**4,308,360**	**46,830,929**	**693,010**
Equity and result for the year - **non-controlling interests**	1,210,957	(571,852)	1,881,476	(167,038)
Equity and result for the year - **consolidated**	**51,235,788**	**3,736,508**	**48,712,405**	**525,973**

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	3,621,374	-	2,651,528	6,272,902
Changes during the year				
Change in scope of consolidation	-	-	-	-
Allocated	469,743	-	2,339,533	2,809,276
Utilised	(29,080)	-	(2,145,546)	(2,174,626)
Other changes	-	-	-	-
Total changes	440,663	-	193,987	634,650
Amount at 31/12/2023	**4,062,037**	-	**2,845,515**	**6,907,552**

The "Provision for taxation, including deferred tax", amounting to Euro 4,042,037 (Euro 3,621,374 at 31 December 2022), 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 pursuant to Decree Law no 185/08 which was not deductible for tax purposes.

"Other provisions", amounting to Euro 2,845,515 (Euro 2,651,528 at 31 December 2022) refer to:

› Euro 1,636,096 of product warranty provisions. During the period, utilisation of the provision totalled Euro 2,000,000 while allocations totalled Euro

1,636,096; 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, any complaints already received and specific agreements signed with customers;

- Euro 311,583 of prudent provisions for sundry litigation in progress or threatened which, at the date of approval of the financial statements, had not yet been settled;
- Euro 763,141 of provisions for future variable remuneration expenses under agreements signed;
- Euro 134,695 of provisions made by subsidiary ABL Automazione S.r.l. for completion costs in relation to contracts already invoiced.

Employee severance indemnity ("TFR") provision

The TFR provision has been calculated, for the parent company and italian subsidiaries 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	**2,397,213**
Changes during the year	
Change in scope of consolidation	-
Allocated	1,293,374
Utilised	(1,319,599)
Other changes	-
Total changes	(26,225)
Amount at 31/12/2023	**2,370,988**

The amount utilised during the period mainly refers to payments to treasury funds and to TFR paid to employees who left the Group.

Payables

There are no payables relating to transactions involving a future return obligation for the buyer.

Description	Opening amount	Change during period	Amount at 31/12/2023
Bonds	-	7,701,337	7,701,337
Convertible bonds	-	-	-
Shareholder loans payable	-	-	-
Bank borrowing	63,630,121	(17,227,624)	46,402,497
Payables to other lenders	6,052,997	(3,684,942)	2,368,055
Payments on account	4,909,798	(1,708,384)	3,201,414
Trade payables	39,027,291	15,921,528	54,948,819
Payables in form of credit instruments	-	-	-
Payables to non-consolidated subsidiaries	84,904	(20,140)	64,764
Payables to associated companies	-	-	-
Payables to parent companies	(0)	0	-
Payables to companies controlled by parent companies	(0)	0	-
Tax payables	1,471,578	527,430	1,999,008
Payables to social security and pensions institutions	1,771,284	93,248	1,864,532
Other payables	5,879,730	2,734,603	8,614,333
TOTAL	**122,827,703**	**4,337,056**	**127,164,759**

Breakdown by residual duration

Descrizione	Amount at 31/12/2023	Due within a year	Due after more than a year	Of which due after more than five years
Bonds	7,701,337	15,400	7,685,937	1,600,000
Convertible bonds	-	-	-	-
Shareholder loans payable	-	-	-	-
Bank borrowing	46,402,497	16,758,145	29,644,352	-
Payables to other lenders	2,368,055	1,540,516	827,539	-
Payments on account	3,201,414	3,201,414	-	-
Trade payables	54,948,819	54,948,819	-	-
Payables in form of credit instruments	-	-	-	-
Payables to non-consolidated subsidiaries	64,764	64,764	-	-
Payables to associated companies	-	-	-	-
Payables to parent companies	-	-	-	-
Payables to companies controlled by parent companies	-	-	-	-
Tax payables	1,999,008	1,999,008	-	-
Payables to social security and pensions institutions	1,864,532	1,864,532	-	-
Other payables	8,614,333	8,510,083	104,250	-
TOTAL	**127,164,759**	**88,902,681**	**38,262,078**	**1,600,000**

Bonds

On 13 December 2023, the Parent Company issued bonds with a value of Euro 8,000,000, called the “Basket Bond”. This loan, subscribed by SPV Project 2206 S.r.l., a company whose sole corporate objective is to carry out securitisation transactions, consists of 80 bonds with a nominal value of Euro 100,000 each. The bond has a lifespan from 13 December 2023 until 25 July 2029 and will be refunded six-monthly from 25 January 2025. The bonds are subject to interest calculated at a fixed nominal rate of 6.3% per annum.

The amount of Euro 7,701,337 (amortised cost value) reported under the caption includes interest accruing at 31 December 2023.

The contract is subject to financial covenants on the annual consolidated financial statements. It is noted that as of December 31, 2023, all financial covenants have been met.

Bank Borrowing

Description	Amount at 31/12/2022	Amount at 31/12/2023	Change
a) Bank borrowing due within a year	24,073,848	16,758,146	(7,315,702)
Lines of credit	-	777,542	777,542
Current account overdrafts	2,474,286	1,759,562	(714,724)
Loans	11,996,439	9,842,130	(2,154,309)
Advances on receivables	9,603,124	4,378,912	(5,224,212)
Other payables	-	-	-
b) Bank borrowing due after more than a year	39,556,273	29,644,351	(9,911,922)
Loans	39,556,273	29,644,351	(9,911,922)
Advances on receivables	-	-	-
Other payables	-	-	-
TOTAL BANK BORROWING	**63,630,121**	**46,402,497**	**(17,227,624)**

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 and 5 years	Due after more than 5 years	Total	Company
BPM Loan	365,453			365,453	Industrie Saleri Italo S.p.A.
BPM Loan	659,147			659,147	Industrie Saleri Italo S.p.A.
ICCREA Loan	454,798			454,798	Industrie Saleri Italo S.p.A.
TOTAL	**1,479,398**	**0**	**0**	**1,479,398**	

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 46,402,497 against Euro 63,630,121 at 31 December 2022 is detailed as follows:

Industrie Saleri Italo S.p.A.

Description	Amount at 31/12/2022	Amount at 31/12/2023	Change
a) Bank borrowing due within a year	19,442,970	13,251,440	(6,191,530)
Lines of credit	0	0	0
Current account overdrafts	1,066,387	940,362	(126,025)
Loans	10,977,950	8,845,060	(2,132,890)
Advances on receivables	7,398,634	3,466,018	(3,932,616)
Other payables			-
b) Bank borrowing due after more than a year	37,682,057	28,730,941	(8,951,116)
Loans	37,682,057	28,730,941	(8,951,116)
Advances on receivables			
Other payables			
TOTAL BANK BORROWING	**57,125,027**	**41,982,381**	**(15,142,646)**

Bank Borrowing amounts to Euro 41,932,381 and has decreased by Euro 15,142,646 compared to 31 December 2022. Bank borrowing due within a year amounts to Euro 13,251,440 and has decreased by Euro 6,191,530 compared to 31 December 2022. Bank borrowing due after more than a year amounts to Euro 28,730,941 and has decreased by Euro 8,951,116 compared to 31 December 2022.

Loans payable at 31 December 2023 (both current and non-current) amount to Euro 37,576,000, against Euro 48,660,007 at 31 December 2022, and are analysed as follows (amounts at amortised cost):

No.	Type	Start of Repayment Period	No of Instalments	Frequency of Instalments	Maturity Date	Reference Interest Rate	Amount Disbursed	Due within a year	Due after more than a year	Total
1	Secured Loan	31/12/17	84	Monthly	31/12/24	Euribor 3 mths	2,000,000	365,453	0	365,453
2	Secured Loan	31/12/17	84	Monthly	31/12/24	Euribor 3 mths	5,000,000	659,147	0	659,147
3	Secured Loan	31/12/17	84	Monthly	31/12/24	Euribor 3 mths	2,000,000	454,798	0	454,798
4	Unsecured Loan	31/12/17	70	Monthly	10/01/24	Euribor 3 mths	1,000,000	9,306	0	9,306
5	Unsecured Loan	31/12/17	70	Monthly	10/01/24	Euribor 3 mths	1,000,000	14,800	0	14,800
6	Unsecured Loan	31/12/17	72	Monthly	01/01/24	Euribor 1 mth	2,000,000	18,846	0	18,846
7	Unsecured Loan	31/12/17	72	Monthly	01/01/24	Euribor 1 mth	4,000,000	69,113	0	69,113
8	Unsecured Loan	31/12/17	57	Monthly	30/11/22	Euribor 3 mths	400,000	17,793	0	17,793
9	Loan guaranteed by SACE	31/12/22	16	Quarterly	30/09/26	Euribor 3 mths	24,000,000	5,935,896	10,452,237	16,388,133

No.	Type	Start of Repayment Period	No of Instalments	Frequency of Instalments	Maturity Date	Reference Interest Rate	Amount Disbursed	Due within a year	Due after more than a year	Total
10	Loan guaranteed by SACE	31/12/24	14	Quarterly	31/03/28	Euribor 3 mths	18,000,000	1,285,838	16,321,984	17,607,823
11	Loan guaranteed by SACE	31/03/28	1	Bullet repayment	31/03/28	Euribor 3 mths	2,000,000	14,068	1,956,719	1,970,788
TOTAL								**8,845,058**	**28,730,940**	**37,576,000**

Loan agreements 9 to 11 above require compliance with covenants measured based on the annual consolidated financial statements.

ABL Automazione S.r.l.

Description	Amount at 31/12/2022	Amount at 31/12/2023	Change
a) Bank borrowing due within a year	1,696,530	1,010,177	(686,353)
Lines of credit	0	0	0
Current account overdrafts	905,922	444,120	(461,802)
Loans	592,398	566,057	(26,341)
Advances on receivables	198,210	0	(198,210)
Other payables		0	
b) Bank borrowing due after more than a year	1,116,680	586,888	(529,792)
Loans	1,116,680	586,888	(529,792)
Advances on receivables			
Other payables			
TOTAL BANK BORROWING	**2,813,210**	**1,597,065**	**(1,216,145)**

Bank Borrowing amounts to Euro 1,597,065 and has decreased by Euro 1,216,145 compared to 31 December 2022. Bank borrowing due within a year amounts to Euro 1,010,177 and has decreased by Euro 686,353 compared to 31 December 2022. Bank borrowing due after more than a year amounts to Euro 586,888 and has decreased by Euro 529,792 compared to 31 December 2022.

Loans payable at 31 December 2023 (both current and non-current) amount to Euro 1,152,945, against Euro 1,709,078 at 31 December 2022, and are analysed as follows (amounts at amortised cost):

No.	Type	Start of Repayment Period	No of Instalments	Frequency of Instalments	Maturity Date	Reference Interest Rate	Amount Disbursed	Due within a year	Due after more than a year	Total
1	Loan	05/06/20	60	Quarterly	05/06/25	Euribor 3 mths	500,000	126,870	64,152	191,022
2	Loan	30/09/22	61	Monthly	28/02/26	Euribor 3 mths	1,535,000	439,187	522,736	961,923
TOTAL								**566,057**	**586,888**	**1,152,945**

Saleri Aftermarket S.p.A.

Description	Amount at 31/12/202	Amount at 31/12/2023	Change
a) Bank borrowing due within a year	2,934,348	1,863,145	(1,071,203)
Lines of credit	0	144,158	144,158
Current account overdrafts	501,977	375,080	(126,897)
Loans	426,091	431,013	4,922
Advances on receivables	2,006,280	912,894	(1,093,386)
Other payables			
b) Bank borrowing due after more than a year	757,536	326,523	(431,013)
Loans	757,536	326,523	(431,013)
Advances on receivables			
Other payables			
TOTAL BANK BORROWING	**3,691,884**	**2,189,668**	**(1,502,216)**

Bank Borrowing amounts to Euro 2,189,668 and has decreased by Euro 1,502,216 compared to 31 December 2022. Bank borrowing due within a year amounts to Euro 1,863,145 and has decreased by Euro 1,071,203 compared to 31 December 2022. Bank borrowing due after more than a year amounts to Euro 326,523 and has decreased by Euro 431,013 compared to 31 December 2022.

Loans payable at 31 December 2023 (both current and non-current) amount to Euro 757,536, against Euro 1,183,627 at 31 December 2022, and are analysed as follows (amounts at amortised cost):

No.	Type	Start of Repayment Period	No of Instalments	Frequency of Instalments	Maturity Date	Reference Interest Rate	Amount Disbursed	Due within a year	Due after more than a year	Total
1	Unsecured Loan	05/07/20	21	Quarterly	05/07/25	Euribor 3 mths	1,500,000	431,013	326,523	757,536
TOTAL								**431,013**	**326,523**	**757,536**

Saleri Shanghai Co. Ltd

Bank borrowing totals Euro 633,384 and refers to credit facilities arranged during the reporting period.

Payables to Other Lenders

This caption amounts to Euro 2,368,055 (Euro 6,052,997 at 31 December 2022) and consists almost entirely of payables towards leasing companies and factoring companies.

The significant decrease compared to 31 December 2022 is mainly due to the lower payable to Factoring companies as a result of lesser use of non-recourse factoring facilities and to a decrease in payables towards leasing companies due to natural expiry of leases.

Payments on account

This item amounts to Euro 3,201,414 (Euro 4,909,798 at 31 December 2022) and refers mainly to the parent company and to subsidiary ABL Automazione S.r.l. as follows:

- Euro 2,087,960 of payments on account from customers of ABL Automazione S.r.l. for the supply of machinery;
- Euro 414,840 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 purchase; these payments on account are secured by guarantees on the machinery of the Parent Company;
- Euro 425,031 primarily consisting of payments on account from customers towards the supply of equipment (Tooling) and chargebacks of development costs.

Trade payables

Trade payables amount to Euro 54,948,819 (Euro 39,027,291 at 31 December 2022). They include liabilities towards suppliers of goods and services, based on the normal payment terms applied or on specific extended payment terms agreed. They balance mainly refers to the parent company (80% of the total amount) and to subsidiaries Saleri Shanghai Co. Ltd. and Saleri Aftermarket S.p.A. (8% and 6% of the total, respectively).

The increase in the balance includes increases caused by higher energy prices and price list adjustments, as well as by new agreements on extended payment terms.

Payables to non-consolidated subsidiaries

The amount of Euro 64,764 (against Euro 84,904 at 31 December 2022) includes trade payables to subsidiaries C.D.C. Taiwan Inc. (Euro 24,225) and Saleri India Private Ltd (Euro 40,539).

Tax Payables

Tax payables amount to Euro 1,999,008 against Euro 1,471,578 at 31 December 2022. They are detailed as follows::

Description	Opening amount	Change during period	Amount at 31/12/2023
IRES/IRAP payable	-	559,127	559,127
Taxes withheld at source from employees	1,017,810	263,321	1,281,131
Taxes withheld at source from freelance professionals	37,895	(20,299)	17,596
VAT payable	274,309	(267,778)	6,531
Other tax payables	141,564	(6,941)	134,623
TOTAL	**1,471,578**	**527,430**	**1,999,008**

The "IRES" and "IRAP" payables represent the respective liabilities for those taxes.

Payables for taxes withheld at source from employees and professionals/collaborators represent the deductions made at source by the Company which have been duly paid over to the authorities on their legal due dates.

Payables to Social Security and Pensions Institutions

Payables to Social Security and Pensions Institutions amount to Euro 1,864,532 against Euro 1,771,284 at 31 December 2022. They are detailed as follows:

Description	Opening amount	Change during period	Amount at 31/12/2023
Payables to INPS	1,091,040	87,419	1,178,459
Payables to INAIL	6,523	(2,010)	4,513
Payables to other social security and pensions institutions	673,721	7,839	681,560
TOTAL	**1,771,284**	**93,248**	**1,864,532**

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 to social security and pensions institutions" includes amounts relating to contributions allocated on payroll accruals.

Payables to Others

Payables to others amount to Euro 8,614,333 against Euro 5,879,730 at 31 December 2022. They are detailed as follows:

Description	Opening amount	Change during period	Amount at 31/12/2023
Payables to employees	3,677,423	497,992	4,175,415
Payables to directors and statutory auditors	129,454	(4,142)	125,312
Other	2,072,853	2,240,753	4,313,606
TOTAL	**5,879,730**	**2,734,603**	**8,614,333**

"Payables to employees" refers to salaries for the month of December and to 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, compensation for damages payable to third parties but covered by insurance (Euro 1,500,000, the main change compared to prior year), the balance payable to third parties for the acquisition of the investment in Saleri Aftermarket S.p.A. and CR balances with several customers (Euro 702,473).

Accrued expenses and deferred income

Accrued expenses and deferred income amount to Euro 2,057,331 against Euro 1,823,984 at 31 December 2022. They almost entirely refer to the parent company's deferred income for contributions from customers and for tax credits for assets relating to the 4.0 transformation processes.

Notes to the Income Statement

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 204,969,102 against Euro 179,090,974 in 2022. It mainly refers to revenue generated by the Parent Company and subsidiaries Saleri Shanghai Co. Ltd and Saleri Aftermarket S.p.A. and regards 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	2022	Change	2023
Revenue from sales	179,090,974	25,878,128	204,969,102
TOTAL	**179,090,974**	**25,878,128**	**204,969,102**

Revenue from the sale of goods is stated after returns, discounts and bonuses agreed and granted to customers and warranty chargebacks. Revenue from sales also includes chargebacks such as contributions debited to customers for the development of new products and the construction of related equipment, as well as a small amount of incidental selling expenses (shipping and packaging).

The increase in revenue from sales totalling Euro 25,878,128 (+14% approx..) mainly relates to the parent company and to subsidiaries Saleri Aftermarket S.p.A. and ABL Automazione S.r.l

Breakdown of revenue from sales and services by business category

Description	2023
Production and Sale of Water Pumps, Equipment and Prototypes	161,136,530
Contract work on Machinery and services and maintenance	8,685,719
Wholesale of Aftermarket products	35,146,853
TOTAL	**204,969,102**

Breakdown of sales by geographical area

Geographical Area	2022	Change	2023
Italy	28,735,299	1,557,406	30,292,705
Other countries	150,355,675	24,320,721	174,676,397
TOTAL	**179,090,974**	**25,878,128**	**204,969,102**

Increase in non-current assets due to internal works

The amount of Euro 7,681,406 refers to development costs (Euro 4,783,973) and assets built in-house by the Group (Euro 2,861,678). The total is in line with prior year when it amounted to Euro 7,562,865.

Development costs capitalised in 2023 – 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 2023, (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 and to Group companies during the period.

Other revenue and income

Other revenue and income, amounting to Euro 3,249,695 (against Euro 2,392,055 in 2022), includes:

- Euro 1,373,416 of royalties and intercompany services to non-consolidated companies;
- Euro 841,874 of various chargebacks to customers (sharing of purchase cost of equipment, modification of tooling, project cancellation costs);
- Euro 317,071 of tax credits and grants in favour of the Group;
- Euro 310,939 of gains on fixed asset disposals;
- Euro 264,469 chargebacks to suppliers of costs incurred that are not attributable to the Group;
- Euro 59,430 of sundry chargebacks to customers.

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 2022 and 2023.

Description	2022	2023	Change	% Change
Raw, ancillary and consumable materials and goods for resale	102,911,804	114,912,958	12,001,154	11.66%
Services	38,887,726	36,843,346	(2,044,380)	-5.26%
Use of third party assets - Lease and rental costs	3,821,294	4,259,777	438,483	11.47%
Personnel:				
a) wages and salaries	23,207,919	26,751,748	3,543,829	15.27%
b) social contributions	6,916,444	7,815,678	899,234	13.00%
c) employee severance indemnity - TFR	1,452,220	1,293,374	(158,846)	-10.94%
d) retirement benefits and similar obligations	-	-	-	0.00%
e) other personnel costs	73,949	145,354	71,405	96.56%
Depreciation, amortisation and writedowns:				
a) intangible assets	2,718,310	2,491,672	(226,638)	-8.34%
b) tangible assets	5,246,201	5,928,440	682,239	13.00%
c) other writedowns of non-current assets	-	-	-	
d) writedowns of current receivabes	170,864	163,284	(7,580)	
Changes in inventory of raw, ancillary and consumable materials and goods	(1,051,696)	1,257,361	2,309,057	-219.56%
Provisions for risks	-	-	-	
Other provisions	1,585,717	1,712,464	126,747	7.99%
Sundry operating expenses	1,324,531	1,701,509	376,978	28.46%
Rounding			-	
TOTAL	**187,265,283**	**205,276,965**	**18,011,682**	

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 114,912,958 for 2023 against Euro 102,911,804 in 2022.

Purchase costs mainly relate to raw materials (aluminium) and pump components (bearings and shafts, thermostats, pulleys, plates, circuit boards, etc.), pumps and consumable materials. The composition of the balance has not changed significantly compared to prior year.

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 TMS Competence Center GmbH	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
Costs for Services	29,143,275	978,373	174,420	4,028,321	1,156,713	1,362,245	36,843,346
TOTAL	**29,143,275**	**978,373**	**174,420**	**4,028,321**	**1,156,713**	**1,362,245**	**36,843,346**

Costs for services amount to Euro 36,843,346 against Euro 38,887,726 in 2022. They mainly comprise the Parent Company's costs for services (around 79% of the total), as detailed in the table below (amount net of intercompany adjustments):

Description	2022	2023	Change
Industrial services	16,258,190	16,532,338	274,148
Consulting	2,017,821	2,075,689	57,868
General expenses	8,376,406	7,134,301	(1,242,105)
Shipping/Freight	1,749,221	2,250,365	501,144
Other services	3,229,733	1,150,581	(2,079,152)
TOTAL COSTS FOR SERVICES	**31,631,371**	**29,143,275**	**(2,488,097)**

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 decrease of Euro 1,242,105 is mainly due to reductions in costs for utilities (especially electricity) and in Directors' fees.

Other services includes various services. The decrease compared to prior year is mainly due to lower chargebacks of research and development costs incurred by third parties.

Use of third party assets – Lease and rental costs

This item amounts to Euro 4,259,777 against Euro 3,821,294 in 2022. It is analysed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri TMS Competence Center GmbH	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	2,306,330	288,876	67,204	544,083	413,938	639,346	4,259,777
TOTAL	**2,306,330**	**288,876**	**67,204**	**544,083**	**413,938**	**639,346**	**4,259,777**

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 36,006,154 against Euro 31,650,532 in 2022 and are analysed below:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri TMS Competence Center GmbH	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
Personnel costs							
a) wages and salaries	19,067,334	2,620,758	247,888	1,641,998	614,288	2,559,482	26,751,748
b) social contributions	5,701,818	792,688	49,676	472,045	112,756	686,694	7,815,678
c) employee severance indemnity - TFR	1,019,604	181,296	-	92,474	-	-	1,293,374
d) retirement benefits and similar obligations	-	-			-	-	-
e) other personnel costs	-	1,117			-	144,237	145,354
TOTAL	**25,788,756**	**3,595,859**	**297,564**	**2,206,517**	**727,044**	**3,390,414**	**36,006,154**

Amortisation of intangible assets

Amortisation of intangible assets (Euro 2,491,672 against Euro 2,718,310 in 2022) has already been commented upon in the Note on intangible assets.

Depreciation of tangible assets

Depreciation of tangible assets (Euro 5,928,440 against Euro 5,426,201 in 2022) 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 2023, the Group did not make any further writedowns of non-current assets as it believed the amount already provided in prior periods was sufficient.

Writedowns of current receivables

During the reporting period, writedowns of current receivables totalled Euro 163,284.

Other provisions

This item, amounting to Euro 1,712,464 (against Euro 1,585,717 in 2022), mainly relates to amounts allocated to the product warranty provision and to the provision for future risks.

Sundry operating expenses

Sundry operating expenses amount to Euro 1,701,509 against Euro 1,324,531 in 2022 and are detailed as follows:

Description	Industrie Saleri Italo S.p.A.	ABL Automazione S.r.l.	Saleri TMS Competence Center GmbH	Saleri Aftermarket S.p.A.	Saleri México S.A. de C.V.	Saleri Shanghai Co. Ltd	Consolidated
Sundry operating expenses	1,410,625	98,328	4,138	72,326	33,949	82,143	1,701,509
TOTAL	**1,410,625**	**98,328**	**4,138**	**72,326**	**33,949**	**82,143**	**1,701,509**

Financial income and expenses

Sundry income

Sundry income of Euro 995,968 includes:

- income from non-consolidated subsidiaries: Euro 38,870 relating entirely to interest on loan agreements;
- income from others: the total of Euro 957,098 consists of sundry income.

Interest and other financial expenses

Interest and other financial expenses amount to Euro 5,655,015 against Euro 3,259,608 in 2022 and are analysed as follows:

Description	Amount
Bonds	15,400
Bank borrowing	5,033,856
Other	605,759
TOTAL	**5,655,015**

Exchange gains and losses

During the reporting period, there were net exchange losses of Euro 230,749 against net exchange gains of Euro 337,722 in 2022. The total mainly refers to the exchange differences of the parent company and of subsidiaries Saleri Shanghai Co.Ltd, Saleri Aftermarket S.p.A and Saleri México S.A. de C.V..

Writedowns

The amount of Euro 24,039 refers to an impairment adjustment made to subsidiary CDC Taiwan Inc. to bring the carrying amount into line with the corresponding portion of Shareholders' Equity.

Taxes on income – current, deferred and deferred tax income

Description	2022	Change	2023
Current taxes	(724,231)	(1,071,776)	(1,796,007)
Prior year taxes	(9,281)	9,182	(99)
Deferred Taxes and Utilisation of Deferred Tax Assets	(1,722,166)	(1,193,177)	(2,915,343)
Deferred Tax Income and Use of Deferred Tax Provisions	2,250,355	(91,652)	2,158,703
Income and expenses from tax consolidation		176,285	176,285
TOTAL	**(205,323)**	**(2,171,138)**	**(2,376,461)**

"Deferred Taxes and Utilisation of Deferred Tax Assets" and "Deferred Tax Income and Utilisation of Deferred Tax Liabilities" mainly refer to the parent company.

Other information

Off-balance sheet commitments, guarantees and contingent liabilities

Pursuant to Article 2427(9) of the Italian Civil Code, we disclose the following off-balance sheet commitments, guarantees and contingent liabilities:

Guarantees

Guarantees amount to Euro 3,223,123 and refer to:

- Euro 1,479,398 of mortgages attaching to assets owned by the Parent Company as security for loans granted to it by banks and financial institutions. The amount has been measured based on outstanding debt at 31/12/2023;
- Euro 1,743,725 of sureties issued to subsidiaries Saleri India Private Co. Ltd. and Saleri Aftermarket S.p.A. in favour of lenders to them; the amount reported is in line with the exposure of the subsidiaries towards the beneficiaries of the guarantees;

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 2023 – Euro 414,840). The amount of the advances is covered by guarantees for the same amount on machinery owned by the Parent Company.

Related party transactions

We note that the Group companies routinely enter into commercial and financial transactions with one another. As already highlighted in the "Consolidation Methods" paragraph, receivables and payables, revenue and expenses between companies in the scope of consolidation have been eliminated. All intercompany transactions have been entered into on an arm's length basis.

The following table shows amounts relating to transactions with non-consolidated subsidiaries and other related parties.

The Parent Company has provided technical/administrative, commercial and management services to the subsidiaries. It also charges royalties to the Group's operational subsidiaries. Such transactions are governed by specific contracts.

Description	Parent companies	Non-consolidated subsidiaries	Other related parties
Revenue		2,607,957	
Costs		2,251,455	578,320
Financial income/expenses		38,870	
Financial receivables		1,038,870	-
Trade receivables		4,518,877	-
Financial payables		-	
Trade payables		64,764	31,868

Fees

As required by law, the following table contains details of the total fees of the Directors, the members of the Board of Statutory Auditors and the External Auditor for performance of their duties.

Description	Consolidated
Directors' Fees	1,899,944
Board of Statutory Auditors' Fees	94,640
External auditor's fees - Annual audit	157,952
External auditor's fees - Other services	89,156
TOTAL	**2,241,692**

Employment details

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

Description	2022	Change	2023
White collars - Managers	298	(4)	294
Blue collars - Intermediates	315	18	333
TOTAL	**613**	**14**	**627**

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 2023, the Group did not receive any grants and contributions included in the definition governed by Law 124 of 4 August 2017.

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.

Description	Fair value at 31/12/2023	Fair value at 31/12/2022	Change through P&L	Change through Equity	Nature	Amount
Interest rate swap	772.934	1.451.176		(678.242)	Hedge	16.500.000
Options	0	-	0		Hedge	

Significant events after the reporting period

Pursuant to Article 2427(22-iv) of the Italian Civil Code , we note that after the year 2023 was characterised by growing uncertainty due to a range of factors including high inflation, the ongoing Russia-Ukraine conflict and geopolitical tension between China and the USA, macroeconomic forecasts now offer the prospect of some improvement.

In view of this macroeconomic environment, the Saleri Group Board of Directors has prepared a new Business Plan 2024-2028.

At the date of this report, the Group's sales performance is positive with turnover in line with the 2024 Budget. Group management continues to maintain tight control over costs given the presence of significant ongoing risks related to geopolitical events and restrictive economic policy.

Barring significant changes in the current macroeconomic and geopolitical environment, the Group expects revenue growth and a slight improvement in margins in the current year, confirming its ability to generate income.

Lumezzane (BS), 23 April 2024

THE BOARD OF DIRECTORS
Francesco Italo Saleri (Chairman)
Matteo Cosmi
Sergio Bona
Giorgio Garimberti
Wilhelm Becker
Alessandro Potestà
Alberto Bartoli
Simona Heidempergher
Massimo Colli

Deloitte.

Deloitte & Touche S.p.A.
Via Cefalonia, 70
25124 Brescia
Italia

Tel: +39 02 83327030
Fax: +39 02 83327029
www.deloitte.it

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, 2023, 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, 2023, 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.

Deloitte.

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, 2023, 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, 2023 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, 2023 and is prepared in accordance with the law.

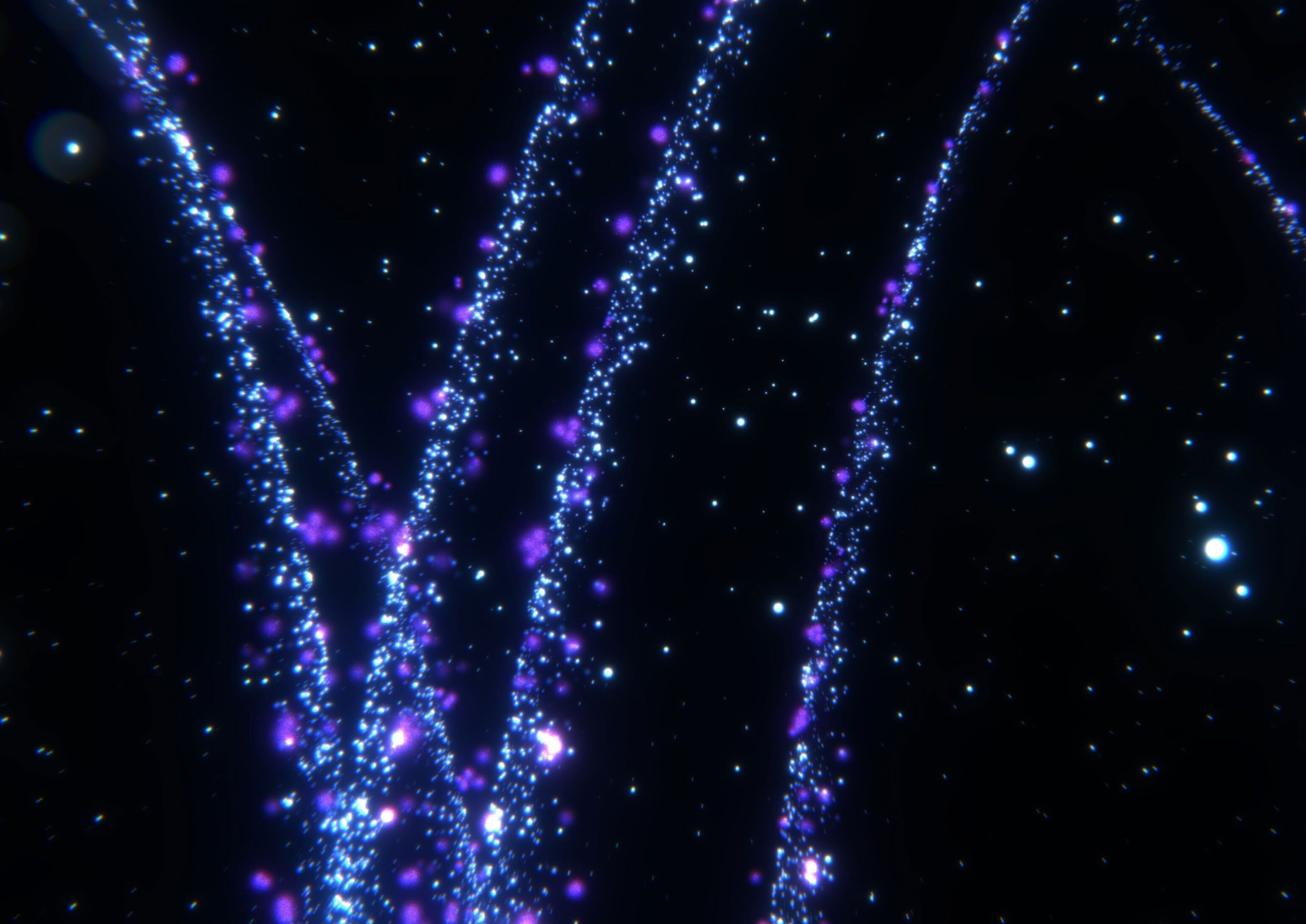
With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giampaolo Carrara
Director

Brescia, Italy
May 8, 2024

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.



Separate Financial Statements at 31/12/2023

General information about the Company

GENERAL DETAILS	
Name	INDUSTRIE SALERI ITALO S.P.A.
Registered Office	VIA RUCA 406 25065 LUMEZZANE BS
Share Capital	23.922.413,12
Is share capital wholly paid?	yes
Chamber of Commerce code	Brescia
VAT number	01589150984
Tax number	03066870175
Business database / REA number	BS-317605
Legal form	Società per azioni (Joint stock company)
Main business segment (ATECO)	293209 Manufacture of other parts and accessories for cars and their engines
Is company in liquidation?	no
Does company have a single shareholder?	no
Is company subject to management and coordination by another entity?	no
Name of company or entity that provides management and coordination	
Does company belong to a group?	yes
Name of holding company	El.fra Holding S.r.l.
Country of holding company	Italy
Register of cooperatives number	

Balance sheet

BALANCE SHEET - ASSETS	31/12/23	31/12/22
A) DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL		
B) NON-CURRENT ASSETS		
I - Intangible assets:		
1) Start-up and expansion costs		
2) Development costs	5,097,210	2,487,731
3) Patents and intellectual property rights	1,431,287	2,167,660
4) Concessions, licences, trademarks and similar rights	1,887,909	2,007,813
5) Goodwill		
6) Assets under construction and payments on account	7,968,169	8,744,049
7) Other	1,572,578	714,821
Total Intangible Assets	**17,957,153**	**16,122,074**
II - Tangible assets:		
1) Land and buildings	17,501,077	18,177,305
2) Plant and machinery	25,339,414	25,571,673
3) Industrial and commercial equipment	6,702,816	5,590,766
4) Other tangible assets	359,801	494,207
5) Assets under construction and payments on account	1,341,340	669,807
Total Tangible Assets	**51,244,448**	**50,503,758**
III - Financial assets:		
1) Investments in:		
a) subsidiaries	33,467,509	32,417,509
b) associated companies		
c) parent companies		
d) entities subject to control of parent companies		
d-bis) other entities	532	532
Total investments	**33,468,041**	**32,418,041**
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**
3) Other Securities	6,340	6,340
4) Derivatives	722,934	1,451,176
Total Financial Assets	**34,197,315**	**33,875,557**
TOTAL NON-CURRENT ASSETS (B)	**103,398,916**	**100,501,389**

BALANCE SHEET - ASSETS	31/12/23	31/12/22
C) CURRENT ASSETS		
I - Inventory:		
1) Raw, ancillary and consumable materials	9,115,876	8,974,620
2) Work in progress and semi-finished goods	5,536,988	5,543,932
3) Contract work in progress		
4) Finished goods	4,010,042	2,048,583
5) Payments on account	209,926	203,966
Total Inventory	**18,872,832**	**16,771,101**
II - Receivables:		
1) Trade accounts		
due within a year	14,615,970	8,736,360
due after more than a year		
Total trade receivables	**14,615,970**	**8,736,360**
2) due from subsidiaries		
due within a year	20,144,738	19,068,084
due after more than a year		
Total receivables due from subsidiaries	**20,144,738**	**19,068,084**
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		
5-bis) Tax receivables		
due within a year	813,061	1,955,566
due after more than a year	68,465	18,712
Total tax receivables	**881,526**	**1,974,278**
5-ter) Deferred tax assets		
due within a year		
due after more than a year	5,885,859	7,440,898
Total deferred tax assets	**5,885,859**	**7,440,898**

BALANCE SHEET - ASSETS	31/12/23	31/12/22
5-quater) due from others		
due within a year	1,225,137	1,223,749
due after more than a year	219,710	217,970
Total receivables due from others	**1,444,847**	**1,441,719**
TOTAL RECEIVABLES	**42,972,940**	**38,661,339**
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	6,413,260	8,173,883
2) Cheques		
3) Cash and cash equivalents on hand	86	118
Total IV	**6,413,346**	**8,174,001**
TOTAL CURRENT ASSETS	**68,272,412**	**63,619,735**
D) PREPAID EXPENSES AND ACCRUED INCOME	**4,135,348**	**3,704,487**
TOTAL ASSETS	**175,806,676**	**167,825,611**

BALANCE SHEET – LIABILITIES AND EQUITY	31/12/23	31/12/22
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	1,344,000	1,193,045
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		
undry other reserves	364,052	364,052
VII - Cash flow hedge reserve	722,934	1,451,176
VIII - Retained earnings (Accumulated losses)	(3,062,844)	(5,930,987)
IX - Profit (Loss) for the year	2,340,246	3,019,098
X - Negative reserve for treasury shares held	(285,014)	(285,014)
TOTAL SHAREHOLDERS' EQUITY	**60,960,873**	**59,348,869**
B) PROVISIONS FOR RISKS AND CHARGES		
1) Retirement benefits and similar obligations		
2) Taxation, including deferred tax	1,589,363	1,604,873
3) Derivatives		
4) Other	2,363,206	2,348,146
TOTAL PROVISIONS FOR RISKS AND CHARGES	**3,952,569**	**3,953,019**
C) EMPLOYEE SEVERANCE INDEMNITY /TFR PROVISION	**1,101,143**	**1,237,585**
D) PAYABLES		
1) Bonds		
due within a year	15,400	
due after more than a year	7,685,937	
Total bonds	**7,701,337**	
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	13,251,440	19,442,970
due after more than a year	28,730,941	37,682,057
Total bank borrowing	**41,982,381**	**57,125,027**

BALANCE SHEET – LIABILITIES AND EQUITY	31/12/23	31/12/22
5) Payables to other lenders		
due within a year	443,664	1,422,062
due after more than a year		
Total payables to other lenders	**443,664**	**1,422,062**
6) Payments on account		
due within a year	1,012,991	1,322,206
due after more than a year		
Total payments on account	**1,012,991**	**1,322,206**
7) Trade payables		
due within a year	43,996,089	31,272,369
due after more than a year		
Total trade payables	**43,996,089**	**31,272,369**
8) Credit instruments		
due within a year		
due after more than a year		
Total credit instruments		
9) Payables to subsidiaries		
due within a year	3,020,580	3,301,929
due after more than a year		
Total payables to subsidiaries	**3,020,580**	**3,301,929**
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	1,553,349	882,762
due after more than a year		
Total tax payables	**1,553,349**	**882,762**
13) Payables to social security and pensions institutions		
due within a year	1,518,433	1,458,724
due after more than a year		
Total payables to social security and pensions institutions	**1,518,433**	**1,458,724**

BALANCE SHEET – LIABILITIES AND EQUITY	31/12/23	31/12/22
14) Other payables		
due within a year	6,581,690	4,177,074
due after more than a year		500,000
Total other payables	**6,581,690**	**4,677,074**
TOTAL PAYABLES	**107,810,514**	**101,462,153**
E) ACCRUED EXPENSES AND DEFERRED INCOME	**1,981,577**	**1,823,985**
TOTAL LIABILITIES AND EQUITY	**175,806,676**	**167,825,611**

INCOME STATEMENT	31/12/23	31/12/22
A) VALUE OF PRODUCTION		
1) revenue from sales and services	135,890,148	124,746,846
2) change in inventories of WIP, semi-finished and finished goods	1,954,514	(1,495,398)
3) change in contract work in progress		
4) increases in non-current assets due to capitalisation of internal works	4,783,973	6,237,703
5) other revenue and income		
Operating grant income	317,071	531,741
Other	5,832,600	5,601,563
Total other revenue and income	**6,149,671**	**6,133,304**
Total value of production	**148,778,306**	**135,622,455**
B) COST OF PRODUCTION		
6) raw, ancillary and consumable materials and goods	72,856,743	64,096,323
7) services	29,871,901	31,809,886
8) use of third party assets – lease and rental costs	4,701,917	5,057,722
9) personnel		
a) wages and salaries	19,067,334	17,002,215
b) social contributions	5,701,818	5,262,806
c) employee severance indemnity / TFR	1,019,604	1,113,504
d) retirement benefits and similar obligations		
e) other personnel costs		42
Total personnel costs	**25,788,756**	**23,378,567**
10) depreciation, amortisation and writedowns		
a) amortisation of intangible assets	1,858,936	2,097,445
b) depreciation of tangible assets	4,469,332	3,841,052
c) other writedowns of non-current assets		
d) writedowns of current receivables and cash and cash equivalents	53,272	47,849
Total depreciation, amortisation and writedowns	**6,381,540**	**5,986,346**
11) changes in inventory of raw, ancillary and consumable materials and goods for resale	(141,256)	721,301
12) provisions for risks		
13) other provisions	1,600,000	1,475,694
14) sundry operating expenses	1,410,625	897,886
Total cost of production	**142,470,226**	**133,423,725**
Difference between value and cost of production (A - B)	**6,308,080**	**2,198,730**
C) FINANCIAL INCOME AND EXPENSES		
15) income from investments		
in subsidiaries	1,544,696	3,430,990
in associated companies		
in parent companies		
in entities controlled by parent companies		
Other		

INCOME STATEMENT	31/12/23	31/12/22
Total income from investments	**1,544,696**	**3,430,990**
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 securities classed as non-current assets other than equity investments	700	690
c) from securities classed as current assets other than equity investments		
d) income other than the above		
from subsidiaries	124,976	48,879
from associated companies		
from parent companies		
from entities controlled by parent companies		
from other entities	812,077	83,841
Total income other than the above	**937,053**	**132,720**
Total other financial income	**937,753**	**133,410**
17) interest and other financial expenses		
to subsidiaries		
to associated companies		
to parent companies		
to entities controlled by parent companies		
Other	4,862,750	2,858,483
Total interest and other financial expenses	**4,862,750**	**2,858,483**
17-bis) exchange gains and losses	(20,021)	(163,191)
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	**(2,400,322)**	**542,726**
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS AND LIABILITIES		
18) Revaluations		
a) of equity investments		
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		
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 writedowns		
TOTAL ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS		
Profit before taxation (A - B + - C + - D)	**3,907,758**	**2,741,456**

INCOME STATEMENT	31/12/23	31/12/22
20) Taxes on income for the year – current, deferred and deferred tax income		
a) Current taxes	734,107	97,865
b) Prior year taxes		
c) Deferred tax (income)	1,539,529	(375,507)
d) Income (Expenses) from participation in tax consolidation	706,124	
Total taxes on income for the year – current, deferred and deferred tax income	**1,567,512**	**(277,642)**
Profit (Loss) for the year	**2,340,246**	**3,019,098**

Statement of cash flows, indirect method

STATEMENT OF CASH FLOWS, INDIRECT METHOD	31/12/23	31/12/22
A.CASH FLOWS FROM OPERATING ACTIVITIES		
PROFIT (LOSS) FOR THE YEAR	**2,340,246**	**3,019,098**
Taxes on income	1,567,512	(277,642)
Interest expenses/(income)	3,945,018	(542,726)
(Dividends)	(1,544,696)	0
(Gains)/Losses on asset disposals	(156,253)	72,758
1. Profit (Loss) for the year before taxes on income, interest, dividends and gains/losses on disposal	**6,151,827**	**2,271,488**
Adjustments for non-cash items with no impact on net working capital		
Allocations to provisions	3,526,593	3,232,259
Depreciation/Amortisation of non-current assets	6,328,268	5,938,497
Impairment adjustments	0	0
Adjustments to value of financial assets and liabilities		
Other adjustments for non-cash items		(29,341)
Total adjustments for non-cash items with no impact on net working capital	**9,854,861**	**9,141,415**
2. Cash flows before changes in NWC Changes in net working capital	**16,006,688**	**11,412,903**
Decrease / (Increase) in Inventory	(2,247,386)	2,055,998
Decrease / (Increase) in Trade Receivables	(5,914,885)	(3,839,951)
(Decrease) / Increase in Trade Payables	12,723,719	3,745,227
Decrease / (Increase) in Prepaid Expenses and Accrued Income	(430,861)	73,638
(Decrease) / Increase in Accrued Expenses and Deferred Income	157,595	85,459
Δ in Financial Receivables	0	0
Δ in Tax Receivables	1,064,769	1,677,633
Δ in Sundry Receivables	(3,128)	1,304,316
Decrease / (Increase) in Sundry Receivables	1,061,641	2,981,949
Δ in Other Payables	237,398	(12,697,761)
Δ in Tax Payables	670,587	133,936
Δ in Payables to Social Security and Pensions Institutions	59,709	26,153
(Decrease) / Increase in Sundry Payables	967,694	(12,537,672)
Other decreases/(Other increases) in net working capital	2,029,335	(9,555,723)
CHANGE IN NET WORKING CAPITAL	**6,317,517**	**(7,435,352)**
3. Cash flows after changes in NWC	**22,324,205**	**3,977,551**
Interest received / (paid)		(2,888,264)
Taxes on income (paid)	(3,945,018)	
Dividends received	1,544,696	3,430,990
(Use of Provisions for Risks and Charges)	(2,311,001)	(3,396,826)
(Use of employee severance indemnity /TFR provision)	(1,156,046)	(1,069,084)
Other receipts/(payments)		
TOTAL OTHER ADJUSTMENTS	**(5,867,369)**	**(3,923,184)**

STATEMENT OF CASH FLOWS, INDIRECT METHOD	31/12/23	31/12/22
4. Cash Flows after other adjustments	**16,456,836**	**54,367**
CASH FLOWS FROM OPERATING ACTIVITIES		
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Capex on non-current assets		
– Tangible assets		
(Additions)	(5,598,116)	(5,208,269)
Disposals	544,348	258,854
– Intangible assets		
(Additions)	(7,919,894)	(6,818,789)
Disposals	4,225,878	0
– Financial assets		
(Additions)	(1,050,000)	(173,956)
Disposals		
– 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	**(9,797,784)**	**(11,942,160)**
C.CASH FLOWS FROM FINANCING ACTIVITIES		
Debt		
– Increase (Decrease) in short-term bank borrowing	(5,335,702)	(4,513,481)
– Loans arranged	8,000,000	20,000,000
– (Loans repaid)	(11,084,006)	(9,852,499)
Equity		
– Paid share capital increase		
– (Share capital refunds)		
– Sale (Purchase) of treasury shares		
– (Dividends and advances on dividends paid)		
CASH FLOWS FROM FINANCING ACTIVITIES	**(8,419,708)**	**5,634,020**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**(1,760,655)**	**(6,253,774)**
– Forex effect on cash and cash equivalents		
Cash and cash equivalents at start of period		
Bank and post office accounts	8,173,883	14,427,657
Cheques		
Cash and cash equivalents on hand	118	118
Total cash and cash equivalents at start of period	**8,174,001**	**14,427,775**
Of which not freely available		

STATEMENT OF CASH FLOWS, INDIRECT METHOD	31/12/23	31/12/22
Cash and cash equivalents at end of period		
Bank and post office accounts	6,413,260	8,173,883
Cheques		
Cash and cash equivalents on hand	86	118
Total cash and cash equivalents at end of period	**6,413,346**	**8,174,001**
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 2,340,246.

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 2023. 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 year 2023 was characterised by growing uncertainty due to several factors including high inflation, the ongoing Russia-Ukraine conflict, geopolitical tension between China and the USA and, most recently, the Israel-Palestina conflict. However, macroeconomic forecasts for 2024 offer the prospect of some improvement. The most recent forecasts of the International Monetary Fund show that global growth is expected to increase, with growth rates exceeding previous expectations. The improved economic outlook offers a degree of reassurance against a backdrop of lasting uncertainty, although significant risks remain in relation to restrictive economic policy and geopolitical events.

Attention remains high given the continuation of restrictive economic policies and the risk of new shocks to the global supply chain because of geopolitical issues and disruption to logistics in the Red Sea.

As in prior year, the Company has taken all necessary measures to counteract the effects of market tensions and reductions in customer volumes. These actions, combined with (i) the portfolio of contracts awarded to the company by customers for the next 5 years and (ii) significant moves to increase efficiency and cost savings are the foundation of the 2024-2028 Business 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.

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 should be made to the Directors' 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.

Following the contribution of the aftermarket division to subsidiary Saleri Aftermarket S.p.A. with effect from 1 January 2022, the Company retained production activities only in 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 2023 comprise the Balance Sheet, the Income Statement, the Statement of Cash Flows and these Notes. They reflect the contents of the properly maintained accounting records and have been prepared in accordance with the requirements of Articles 2423 and 2423 – bis of the Italian Civil Code, as well as with the accounting standards and accounting recommendations issued by the Italian Accounting Standards Board (*"Organismo Italiano di Contabilità"* -O.I.C.).

The structure and content of the financial statements are consistent with the requirements of Articles 2424 and 2425 of the Italian Civil Code and with the terms of Article 2423-ter. Meanwhile the Notes are consistent with the requirements of Articles 2427 and 2427-bis and all other relevant provisions.

The entire document has been prepared in order to present a true and fair view of the Company's balance sheet and financial position and of its result for the year. Where necessary, additional information has been provided in order to provide a full understanding.

Exceptions

There have been no exceptional circumstances requiring the use of exceptions in terms of Article 2423 (5) of the Italian Civil Code.

Comparability of amounts reported

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

Principles followed when preparing the Financial Statements

Pursuant to Article 2423-bis of the Italian Civil Code, the following principles were followed when preparing the financial statements:

- Each amount was measured based on the prudence principle and on a going concern basis, while taking account of the substance of the transaction or the contract;
- Only those gains or profits actually realised during the reporting period were included;
- Income and expenses relating to the period were included, irrespective of their collection or payment date;
- Risks and losses relating to the period were taken into account even if they came to light after the reporting date;
- Different items included in the various financial statement captions were measured separately.

The Financial Statements, together with these Notes, have been prepared to the nearest Euro.

Financial Statements Format adopted by the Company

We note the following with regard to the format of the Financial Statements:

- The format of the Balance Sheet and Income Statement is as required, respectively by Article 2424 and 2425 of the Italian Civil Code. Line items indicated by Arab numerals and by small letters per Articles 2424 and 2425 of the Italian Civil Code but which are not reported had zero balances in both the current and the previous reporting period;
- The Statement of Cash Flows, as introduced by Article 2425-ter of the Italian Civil Code, has been prepared using the indirect method and its format is consistent with that recommended by Italian Accounting Standard OIC 10 (revised in 2016).

The Notes to the Financial Statements contain obligatory tables and/or those important in providing a proper understanding of the information in the Financial Statements, as envisaged by the Italian Civil Code or prepared in accordance with specific legal requirements.

In accordance with Article 2423-ter of the Italian Civil Code, 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 2023, 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 7 August 2023 until approval of the Financial Statements at 31 December 2025. 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 2023 amount to Euro 59,000, 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 motorcycles	25%
Internal means of transport	20%

It should be recalled that, since 2019, the depreciation of new tangible assets has been calculated based on the effective number of days' use.

If there are indicators of impairment, tangible assets undergo an impairment test as described below under "Impairment of assets"; any impairment writedowns may be reversed subsequently if the reasons for the writedown cease to apply.

Cost may be revalued in application of revaluation laws; in any case, revalued amount shall not exceed market value. No discretionary or voluntary revaluations have been performed and the valuations performed do not exceed the value in use or market value of the tangible asset in question, as determined on an objective basis.

Tangible assets destined for sale are classified under a specific current assets caption as the conditions set out by Italian Accounting Standard OIC no. 16 have been met.

Impairment of assets

Art. 2426 (1)(3) of the Italian Civil Code requires the adjustment of any non-current assets whose value has been impaired at the reporting date compared to its net carrying amount.

Italian Accounting Standard OIC 9 defines impairment as a reduction of value that renders the recoverable amount of an asset, as determined on a long-term basis, lower than its net carrying amount.

The recoverability of the amounts recorded is tested by comparing their net carrying amount with the greater of fair value less costs to sell and the value in use of the asset as OIC 9 defines recoverable amount as the greater of the fair value of an asset or a cash generating unit less costs to sell and its value in use.

Value in use is generally determined by discounting cash flows expected from use of the asset or the cash generating unit, taking account of the expected disposal value at the end of its useful life.

Cash generating units have been identified, in a manner consistent with the organisational and business structure, as assets that generate independent cash inflows due to continuing use.

Assets held under finance leases

Tangible assets held under finance leases are reported in accordance with Italian GAAP. This involves recording the lease instalments as period costs over the duration of the finance lease while recording a prepaid expense for advance instalments and recognising the asset at the amount of the final purchase option in the period when said option is exercised.

During the lease period, the final purchase option and the outstanding commitment for finance lease instalments are disclosed under Commitments. A later section of the Notes contains details of the effect of applying international accounting standards to account for finance leases in place at the reporting date and for those that have ended but which still produce an effect under the finance lease accounting method.

Non-current financial assets

Non-current financial assets consisting of investments in subsidiaries and associated companies are measured at cost, inclusive of related expenses. Their carrying amount is determined based on acquisition or subscription price or on the value attributed to contributed assets.

Cost determined as above is adjusted for any impairment. If the reasons for any impairment adjustment cease to apply, the value of the investment is restored up to not more than the acquisition cost.

The amount so determined is not greater than the amount that would have been determined applying the criteria required by Article 2426(4) of the Italian Civil Code.

Investments not determined to form part of the Company's long-term portfolio are classified under current financial assets.

Investments in other entities and/or associated companies have been recognised at acquisition cost, as adjusted for any impairment based on the losses reported by the investee companies; in such cases, they are reported at less than their acquisition cost.

Securities are reported using the amortised cost method, as required by Italian Accounting Standard OIC 20.

Any receivables classed as non-current financial assets are reported using the amortised cost method, taking account of the time factor and estimated realisable amount.

The amortised cost method is not applied when the effective interest rate is not significantly different to the market interest rate or when the effects of application of the method are insignificant compared to the method adopted.

Inventory, securities and current financial assets

Inventory, securities and current financial assets have been recorded at the lower of purchase cost –including direct related expenses – and estimated realisable value based on market trends.

The purchase cost of raw and ancillary materials is determined using the weighted average cost method.

For finished goods and WIP, production cost includes the purchase cost of raw materials and components – determined as above – and the portion of direct and indirect production costs ("general production costs") that is reasonably attributable, also taking account of the state of completion of the relevant production phase.

The purchase cost of certain items e.g. prototypes and tooling is determined based on the specific cost method.

Estimated realisable value, as based on market trends, is determined based on the current purchase prices and selling prices of the inventory at the reporting date. If estimated realisable value is lower than purchase or production cost, the inventory is written down to that lower amount by means of a specific inventory provision.

The value of obsolete and slow moving items has been written down based on its prospects of future use or realisation by means of a specific inventory provision.

Receivables

Receivables due within a year are reported at estimated realisable amount by creating a specific provision for bad debts. Every year, an amount representing the risk of non-collection of the receivables reported in the Financial Statements is allocated to the provision, as determined based on general economic conditions, the business sector and the location of the debtor.

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

Receivables include invoices issued and those yet to be issued for services relating to the reporting period.

Foreign currency receivables are initially recorded by applying the spot exchange rate at the transaction date. At the reporting date, foreign currency receivables are restated at the spot rate in force at that date. Realised exchange gains and losses are recorded in the Income Statement. Any unrealised net gain resulting from the translation of amounts denominated in foreign currency is allocated to a reserve not distributable until realisation.

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

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

Cash and cash equivalents

This caption contains tax stamps and the Company's bank current account balances. 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. 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 17,957,153 (Euro 16,122,074 at 31 December 2022) and are stated net of accumulated amortisation (Euro 10,905,044).

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	2,487,731	3,054,909	445,430	5,097,210
Patents and intellectual property rights	2,167,660	30,777	767,150	1,431,287
Concessions, licences, trademarks and similar rights	2,007,813	0	119,904	1,887,909
Goodwill		0	0	
Assets in progress and payments on account	8,744,049	3,440,467	4,216,347	7,968,169
Other intangible assets	714,821	1,393,741	535,984	1,572,578
Rounding				
TOTAL	**16,122,074**	**7,919,894**	**6,084,815**	**17,957,153**

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 account	Other intangible assets	Total intangible assets
Opening 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**
Changes during the year								
Increases due to additions			30,776			3,440,467	849,042	4,320,285
Reclassifications (of net carrying amount)		3,054,909				(3,599,608)	544,699	0
Decreases due to disposals (of net carrying amount)		9,531				616,739		626,270
Revaluations performed during the year								0
Amortisation for the year		435,899	767,149	119,904			535,984	1,858,936
Writedowns performed during the year								0
Other changes								0
Total changes	**0**	**2,609,479**	**(736,373)**	**(119,904)**	**0**	**(775,880)**	**857,757**	**1,835,079**
Closing amount								
Cost		8,176,701	4,414,187	2,151,198		7,968,169	6,151,944	28,862,199
Revaluations								0
Amortisation (Accumulated Amortisation)		3,079,491	2,982,900	263,289			4,579,366	10,905,046
Writedowns								0
Net carrying amount		**5,097,210**	**1,431,287**	**1,887,909**		**7,968,169**	**1,572,578**	**17,957,153**

Development costs

During the reporting period, the Company carried out research and development activities into technological innovation. 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.

Details of the research activities carried out are provided in the Directors' Report.

With regard to development activities alone, in 2023, the Company incurred personnel costs totalling Euro 4,939,181 and external development costs of Euro 879,202. Based on a careful analysis of available information on external development costs and on the number of hours spent on development projects already assigned (i.e. projects for which a final contract has been signed), the Directors concluded that they could capitalise the lower amount of Euro 3,440,467 of costs relating to projects for which the development phase has not yet been completed; these costs are recorded under the caption "Intangible assets in progress".

During the reporting period, following completion of the development phase, certain projects with a value of Euro 3,054,909 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	2,487,731	3,054,909	445,430	5,097,210
TOTAL	**2,487,731**	**3,054,909**	**445,430**	**5,097,210**

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, the increases totalling Euro 3,054,909 reclassified from "Assets in progress and payments on account" include the amount of projects for which the development phase was completed during the year.

Decreases during the year of Euro 445,430 mainly refer to amortisation for the year while a minor amount of Euro 9,531 refers to the residual value of development costs on projects completed during the year.

Patents and intellectual property rights

The net balance amounts to Euro 1,431,287 (Euro 2,167,660 at 31 December 2022) and refers entirely to Software.

Increases for the year of Euro 30,776 refers to purchases of new licences needed for technological implementations in the management of various business processes.

Decreases amounting to Euro 767,149 refer entirely to amortisation for the period.

This category of intangible assets is amortised on a straight-line basis:

› over 5 years for management software;
› over 3 years for all other software.

Concessions, Licences, Trademarks and similar rights

The net balance amounts to Euro 1,887,909 (Euro 2,007,813 at 31 December 2022) and entirely refers to Trademarks purchased in 2021.

The decrease of Euro 119,904 entirely refers to amortisation for the period.

Intangible assets in progress and payments on account

This item amounts to Euro 7,968,169 (Euro 8,744,049 at 31 December 2022).

This caption refers almost entirely to internal and external development costs incurred in relation to development projects in progress. The costs now recorded under this caption will be reclassified to the relevant asset category as described above – once their suitability for capitalisation has been confirmed – and they will be amortised from the date of completion of the development phase, considering the estimated residual useful life of the project to which they refer; the balance increased by Euro 3,440,467 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 3,054,909 were reclassified and capitalised under "Development Costs".

Decreases of Euro 616,739 for the reporting period mainly refer to chargebacks of development costs to customers.

Other intangible assets

The net balance amounts to Euro 1,572,578 (Euro 714,821 at 31 December 2022) after accumulated amortisation of Euro 4,579,366 and entirely refers to leasehold improvements.

Additions for the year of Euro 1,393,741 (including Euro 544,699 reclassified from "Intangible assets in progress and payments on account") refer to improvements to the new, leased production facility.

Decreases of Euro 535,984 refer entirely to amortisation for the period.

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 51,244,448 (Euro 50,503,758 at 31 December 2022) after accumulated depreciation (Euro 61,136,836).

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 assets
Opening 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**
Changes during year						
Increases due to additions		1,846,317	2,518,945	60,234	922,077	5,347,573
Reclassifications (of net carrying amount)		154,254	96,290		(250,544)	0
Decreases due to disposals (of net carrying amount)		113,148	21,508	2,895		137,551
Revaluations performed during the year						0
Depreciation for the year	676,228	2,119,682	1,481,677	191,745		4,469,332
Writedowns performed during the year						0
Other changes						0
Total changes	**(676,228)**	**(232,259)**	**1,112,050**	**(134,406)**	**671,533**	**740,690**
Closing amount						
Cost	20,290,654	51,542,520	29,176,271	5,088,301	1,341,340	107,439,086
Revaluations	6,502,686					6,502,686
Depreciation (Accumulated Depreciation)	7,731,775	26,203,106	22,473,455	4,728,500		61,136,836
Writedowns	1,560,488					1,560,488
Net carrying amount	**17,501,077**	**25,339,414**	**6,702,816**	**359,801**	**1,341,340**	**51,244,448**

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 2023 as there are no new factors requiring changes to the conclusions reached at the time.

Land and buildings
This caption amounts to Euro 17,501,077 (Euro 18,177,305 at 31 December 2022) and is stated net of accumulated depreciation of Euro 7,731,775.

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 25,339,414 (Euro 25,571,673 at 31 December 2022) after accumulated depreciation of Euro 26,203,106.

Increases of Euro 2,000,571 were recorded during the reporting period, including Euro 154,254 reclassified from Assets under construction and payments on account and relating to payments previously made on account towards projects completed during the period.

The 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 113,148 (historical cost Euro 656,577) 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 6,702,816 (Euro 5,590,766 at 31 December 2022) after accumulated depreciation of Euro 22,473,454.

Additions for the period amount to Euro 2,615,235, including Euro 96,290 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 21,508 (historical cost Euro 1,145,476) refer to disposals and retirements of equipment no longer in use in the production cycle.

Other tangible assets
The following table contains a detailed breakdown of “Other tangible assets”. It shows movements on each of the component asset categories.

	Furniture and fittings	Electronic office equipment	Cars and motorcycles	Motor vehicles	Sundry other assets
Historical cost	1,339,382	3,582,279	126,135		5,047,796
Prior year revaluations					0
Fondo ammortamento iniziale	1,125,512	3,303,771	124,306		4,553,589
Opening accumulated depreciation					0
Opening amount	**213,870**	**278,508**	**1,829**		**494,207**
Increases – additions	14,467	26,793	18,974		60,234
Transfers to other captions					0
Transfers from other captions					0
Disposals/Decreases for year: Historical cost	(1,212)	(18,516)			(19,728)
Disposals / Decreases for year: accumulated depreciation	(788)	(16,045)			(16,833)
Revaluations during year					0
Depreciation for year	76,210	111,243	4,292		191,745
Writedowns during year					0
Interest capitalised during year					0
Closing amount	**151,703**	**191,587**	**16,511**	**0**	**359,801**

The balance amounts to Euro 359,801 (Euro 494,207 at 31 December 2022) after accumulated depreciation of Euro 4,728,500 and refers to:

- Furniture and fittings of Euro 151,703 (Euro 213,870 at 31 December 2022); additions for the period totalled Euro 14,467 mainly in respect of new office furnishings;
- Electronic office equipment of Euro 191,587 (Euro 278,508 at 31 December 2022); additions for the period totalled Euro 26,793, mainly for purchases of hardware and for the updating and replacement of electronic devices currently in use; during the period, also as a result of the renewal process, certain electronic equipment with a carrying amount of Euro 2,471 was disposed of (original historical cost Euro 18,516);
- Cars and vehicles of Euro 16,511 (Euro 1,829 at 31 December 2022); additions for the period totalled Euro 18,974 due to the purchase of a new car.

Assets under construction and payments on account
The balance amounts to Euro 1,341,340 (Euro 669,807 at 31 December 2022) and refers to payments made on account during the period towards additions to tangible assets.

During the period, Euro 250,544 was reclassified to the relevant tangible asset categories following the completion of the related capex.

Increases for the period totalling Euro 922,077 regard payments made on account in relation to new production lines and equipment to cope with the new long-term production contracts acquired by the Original Equipment Division.

Revalued tangible assets at the reporting date

As required by law, the following table contains details of the tangible assets reported in the Company's Financial Statements at 31 December 2023 which have been the subject of monetary revaluations and exceptions to statutory measurement criteria.

Description	Revaluation under Decree Law no. n. 185/2008	Total revaluations
Land and buildings	6,502,686	6,502,686
TOTAL	**6,502,686**	**6,502,686**

The Company made use of the possibility offered by Decree Law no 185/2008 to revalue some of the tangible assets reported in its Financial Statements at 31/12/2008.

The revaluation was performed in 2008 and led, in the Financial Statements for that year, to an increase of Euro 6,502,686 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	9,692,603
Notional depreciation charge for the year	917,882
Notional adjustments and reversals for the year	
Present value of lease instalments not yet due at reporting date	1,041,790
Financial expenses for the year based on effective interest method	54,625

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 2023, they amounted to Euro 33,468,041 (Euro 32,418,041 at 31 December 2022).

The following table contains a breakdown of the net carrying amount of financial assets as reported in the Financial Statements (Art. 2427(2) of the Italian Civil Code).

	Investments in subsidiaries	Investments in associated companies	Investments in parent companies	Investments in entities controlled by parent companies	Investments in other entities	Total Investments	Other securities	Derivatives
Opening amount								
Cost	10,715,896				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**
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		
Writedowns performed during year						0		728,242
Other changes	1,050,000					1,050,000		
Total Changes	**1,050,000**					**1,050,000**	**0**	**(728,242)**
Closing amount								
Cost	11,765,896				532	11,766,428	19,960	722,934
Revaluations	22,452,350					22,452,350		
Writedowns	750,737					750,737	13,620	
Net carrying amount	**33,467,509**				**532**	**33,468,041**	**6,340**	**722,934**

"Investments in subsidiaries" totalling Euro 33,467,509 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 2,122,322;
- Subsidiary Saleri India Private Ltd – Euro 1,868,850;
- Subsidiary ABL Automazione S.r.l. – Euro 2,068,717 (after impairment adjustment of Euro 750,737);
- Subsidiary Saleri TMS Competence Center GmbH - Euro 42,480.

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 2023 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 2023.

Specifically, this was determined using the unlevered discounted cash flow method, as applied to cash flows per the new Five-Year Plan 2024-2028 - 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 10.69%, 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 weighted 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 2024-2028 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 2023, the investment amounted to Euro 2,068,717, after the impairment adjustment of Euro 750,737 recorded in 2020.

It should be noted that the balance sheet and income statement of subsidiary ABL Automazione S.r.l. revealed the emergence, in the first half of 2023, of additional losses on top of those already reported at 31 December 2022; this meant that action pursuant to Article 2482-ter of the Italian Civil Code was necessary. 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, in the first half of 2023 the Company paid additional capital of Euro 1,050,000 into subsidiary ABL Automazione S.r.l.. The payments made covered both the losses arising as at 31 December 2022 and those arising at the date of approval of the Financial Statements. The amount of Euro 1,050,000 is equal to the change in equity investments in 2023.

For the purposes of approval of the 2023 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 2023.

Specifically, this was determined using the unlevered discounted cash flow method, as applied to cash flows per the new Five-Year Plan 2024-2028 - 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 12.00%, 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 weighted 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 2024-2028 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.

Saleri TMS Competence Center GmbH

The Company owns 100% of the subsidiary.

The carrying amount of the investment is Euro 42,480 and it did not change during the reporting period.

The subsidiary's sole activities regard the provision of support services to the Parent Company with R&I and the management of customers based in Germany.

Saleri México S.A. de C.V.

The Company owns 51.14% of the subsidiary.

The value of the investment is Euro 2,122,322 – unchanged on prior year - and this includes additional capital paid in during previous reporting periods.

The Company only commenced mass production and, consequently, began to invoice its first revenues in the second half of 2021.

For the purposes of approval of the 2023 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 2023.

Specifically, this was determined using the unlevered discounted cash flow method, as applied to cash flows per the new Five-Year Plan 2024-2028 - 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 16.52%, 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 weighted 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 2024-2028 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.

Saleri India Private Ltd.

The Company owns 51% of the subsidiary.

The carrying amount of the investment is Euro 1,868,850 (unchanged on 31 December 2022). This includes capital payments made during the previous reporting 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 only got underway in 2022.

For the purposes of approval of the 2023 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 2023.

Specifically, this was determined using the unlevered discounted cash flow method, as applied to cash flows per the new Five-Year Plan 2024-2028 - 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 14.54%, 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 weighted 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 2024-2028 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.

Saleri Aftermarket S.p.A.

The Company owns 100% of the subsidiary.

The carrying amount of the investment is Euro 2,849,540 and it did not change during the reporting period.

The performance of the Company in 2023 confirms that the right strategy was implemented in prior year with the decision to concentrate the Aftermarket business in a single Group entity and the acquisition of brand well-known in the sector.

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 and this difference is considered permanent, an appropriate impairment adjustment 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		1,877,480	2,787,378	10,051,411	9,548,840	95%	24,515,600
Saleri TMS Competence Center GmbH	Germany		25,000	25,482	83,762	83,762	100%	42,480
ABL Automazione S.r.l.	Gussago (BS)	03309390171	750,000,00 I.V.	375,309	1,825,152	1,825,152	100%	2,068,717
Saleri México S.A. de C.V.	Mexico		5,231,670	(1,190,860)	281,510	143,964	51%	2,122,322
Saleri Aftermarket S.p.A.	Lumezzane (BS)	01779170487	100,000,00 I.V.	1,688,955	4,175,695	4,175,695	100%	2,849,540
Saleri India Private Ltd	India		3,308,851	(2,669,528)	2,485,188	1,267,446	51%	1,868,850
TOTAL								**33,467,509**

The amounts shown in the table refer to the 2023 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 722,934 (Euro 1,451,176 at 31 December 2022).

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 2023.

Current assets

Inventory

In terms of Article 2427(4) of the Italian Civil Code, inventory is analysed as follows.

Item	Opening amount	Change during year	Closing amount
1. Raw, ancillary and consumable materials	8,974,620	141,256	9,115,876
2. WIP and semi-finished goods	5,543,932	(6,944)	5,536,988
3. Contract work in progress		0	
4. Finished goods	2,048,583	1,961,459	4,010,042
5. Payments on account	203,966	5,960	209,926
TOTAL	**16,771,101**	**2,101,731**	**18,872,832**

This balance represents the value of the physical inventory held at Company and third party warehouses at 31 December 2023 and goods in transit.

The increase in "Finished goods" is mainly due to the Company's procurement policies designed to ensure sufficient stock to meet production requirements, taking account of both the year-end transfer of the warehouse in Provaglio d'Iseo (BS) to the new warehouse in Lumezzane (BS) and shipping problems caused by the Suez canal crisis.

The amount of Euro 18,872,832 (Euro 16,771,101 at 31 December 2022) is stated net of the obsolescence provision of Euro 999,566 created following an analysis of obsolete/slow moving inventory and inventory with below cost selling prices.

In 2023, the provision was increased by Euro 456.456 while Euro 311,001 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	(464,515)	(182,941)	139,716	(507,740)
2. WIP and semi-finished goods	(258,312)	(90,675)	121,060	(227,926)
3. Contract work in progress	0			0
4. Finished goods	(131,084)	(183,040)	50,225	(263,899)
5. Payments on account	0			0
TOTAL	**(853,910)**	**(456,456)**	**311,001**	**(999,566)**

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 five years
Trade receivables	8,736,360	5,879,610	14,615,970	14,615,970		
Receivables from subsidiaries	19,068,084	1,076,654	20,144,738	20,144,738		
Receivables from associated companies						
Receivables from parent companies		0				
Receivables from entities controlled by parent companies		0				
Tax receivables	1,974,278	(1,092,752)	881,526	813,061	68,465	
Deferred tax assets	7,440,898	(1,555,039)	5,885,859			
Receivables from others	1,441,719	3,128	1,444,847	1,225,137	219,710	
Total receivables classed as current assets	**38,661,339**	**4,311,601**	**42,972,940**	**36,798,906**	**288,175**	**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 the debtors (Art. 2427 (6) of the Italian Civil Code):

	Europe	Italy	Rest of World	Total
Trade receivables	12,955,207	1,020,042	640,721	14,615,970
Receivables from subsidiaries	136,494	3,687,034	16,321,210	20,144,738
Receivables from associated companies				
Receivables from parent companies		0		
Receivables from entities controlled by parent companies		0		
Tax receivables	124,324	757,202		881,526
Deferred tax assets		5,885,859		5,885,859
Receivables from others	572,295	841,351	31,201	1,444,847
TOTAL	**13,788,320**	**12,191,488**	**16,993,132**	**42,972,940**

Trade receivables

The amount of Euro 14,615,970 (Euro 8,736,360 at 31 December 2022) entirely consists of trade receivables. The balance is stated net of the provision for bad debts of Euro 130,344 and fairly represents the estimated realisable amount.

The overall increase of Euro 5,879,610 is mainly due to the higher level of sales revenue and to receivables not yet collected at the reporting date in accordance with specific terms of contract agreed

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 movements thereon during the year were as follows.

Description	Opening amount	Utilised	Allocated	Closing amount
Provision for bad debts	(95,072)		(35,272)	(130,344)

Receivables from subsidiaries

	31 December 2022	31 December 2023	Change
IMMOBILIARE INDUSTRIALE S.R.L.	0	0	0
SALERI SHANGHAI CO. LTD	5,062,610	5,789,807	727,197
SALERI TMS COMPETENCE CENTER GMBH	109,415	136,494	27,080
SALERI INDIA PVT LTD	1,702,874	3,772,877	2,070,003
ABL AUTOMAZIONE S.R.L.	176,007	201,756	25,749
SALERI MEXICO S.A. DE C.V.	5,502,580	6,758,526	1,255,946
SALERI AFTERMARKET S.P.A.	6,514,598	3,485,278	(3,029,320)
TOTAL	**19,068,084**	**20,144,738**	**1,076,654**

Receivables totalling Euro 5,789,807 from Saleri Shanghai Co. Ltd (Euro 5,062,610 at 31 December 2022) refer to:

- Euro 5,342,807 of 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;

Receivables totalling Euro 136,494 from Saleri TMS Competence Center GmbH (Euro 109,415 at 31 December 2022) refer to:

- Euro 101,000 for a short-term loan granted to the subsidiary, including interest accruing;
- Euro 35,494 for sundry advances.

Receivables totalling Euro 3,772,877 from Saleri India PVT LTD (Euro 1,702,874 at 31 December 2022) refer to:

- Euro 2,719,439 of trade receivables (including under Service Agreements);
- Euro 1,038,870 for a short-term loan granted to the subsidiary, including interest accruing;
- Euro 14,568 for sundry advances;

Receivables totalling Euro 201,756 from ABL Automazione S.r.l. (Euro 176,007 at 31 December 2022) refer to:

- Euro 173,620 of trade receivables (including under Service Agreements);
- Euro 6,097 due under the consolidated taxation agreement;
- Euro 7,426 for sundry advances;
- Euro 14,613 due under contracts for the secondment of personnel.

Receivables totalling Euro 6,758,526 from Saleri México S.A. de C.V. (Euro 5,502,580 at 31 December 2022) refer to:

- Euro 6,633,893 of trade receivables (including under Service Agreements and Royalties Agreements);
- Euro 64,617 of sundry advances;
- Euro 36,318 due under contracts for the secondment of personnel;
- Euro 23,130 of financial receivables;
- Euro 568 of interest accruing on a short-term loan that was repaid in full in the second half of 2023.

Receivables totalling Euro 3,485,278 from Saleri Aftermarket S.p.A. (Euro 6,514,598 at 31 December 2022) refer to:

- Euro 2,931,446 of trade receivables (including under Service Agreements and Royalties Agreements);
- Euro 523,744 due under the consolidated taxation agreement;
- Euro 9,256 of financial receivables;
- Euro 20,832 of sundry advances.

Receivables from parent companies

At 31 December 2023, there were no receivables from parent companies.

Tax receivables

	31 December 2022	31 December 2023	Change
Withholding taxes suffered	595	0	(595)
IRES receivables	16,798	2,976	(13,822)
IRAP receivables	7,897		(7,897)
VAT receivables	1,180,456	610,014	(570,442)
Other tax receivables	768,532	268,536	(499,996)
TOTAL	**1,974,278**	**881,526**	**(1,092,752)**

"IRES receivables", amounting to Euro 2,976 (Euro 16,798 at 31 December 2022), represent the IRES receivable for 2023.

"VAT Receivables", amounting to Euro 610,014 (Euro 1,180,456 at 31 December 2022), mainly refer to the VAT balance resulting from the December 2023 VAT return (Euro 485,691). The amount also includes a minor amount of 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 268,536 (Euro 768,532 at 31 December 2023), mainly relates to the tax credit for Ordinary Assets 2022 and R&I.

Deferred tax assets

Deferred tax assets amount to Euro 5,885,859 (Euro 7,440,898 at 31 December 2022).

The Directors concluded that it was appropriate to recognise the deferred tax assets – as described in more detail on the Note on deferred taxes – also on the basis of the contents of the Business Plan 2024-2028 approved by the Board of Directors of the Company, as it is reasonably certain that, in the periods in which temporary differences reverse, there will be taxable income of not less than the amount of the differences reversing.

Other receivables

Other receivables amounts to Euro 1,444,847, broadly in line with the 31 December 2022 figure of Euro 1,441,719.

The amount of Euro 1,225,137 due within a year includes:

- Euro 1,170,657 of advances to suppliers;
- Euro 36,473 of DR balances with certain suppliers of goods and services;
- Euro 18,007 of sundry receivables, after a provision for doubtful debts of Euro 102,932.

The amount of Euro 219,710 due after more than a year entirely consists of guarantee deposits paid, mainly in relation to lease and rental agreements.

Current financial assets

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	8,173,883	(1,760,623)	6,413,260
2. Cheques		0	
3. Cash and cash equivalents on hand	118	(32)	86
TOTAL	**8,174,001**	**(1,760,655)**	**6,413,346**

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 from loans obtained in prior years.

"Cash and cash equivalents" of Euro 86 (Euro 118 at 31 December 2022) entirely refers to Tax Stamps. Note that the Company does not hold any cash on hand and all payments are made electronically.

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	0
Prepaid expenses	3,704,487	430,861	4,135,348
Total prepaid expenses and accrued income	**3,704,487**	**430,861**	**4,135,348**

	31 December 2022	31 December 2023	Change
Prepaid expenses:	3,704,487	4,135,348	430,861
- lease instalments	195,674	78,651	(117,023)
- contributions to customers	2,759,631	3,507,631	748,000
- insurance premiums	23,395	1,983	(21,412)
- other	725,787	547,083	(178,704)
Accrued income	0	0	0
TOTAL	**3,704,487**	**4,135,348**	**430,861**

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 2023.

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 2023, Shareholders' Equity amounted to Euro 60,960,873 and movements during the year then ended were as follows (Art. 2427(4) of the Italian Civil Code).

	Opening amount	Allocation of prior year net profit or loss		Other changes			Result for year	Closing amount
		Allocation to dividends	Other allocations	Increases	Decreases	Reclassifications (of carrying amount)		
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	1,193,045	0	150,955					1,344,000
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 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	1,451,176	0	(728,242)	0	0	0	0	722,934
Retained earnings (Accumulated losses)	(5,930,987)	0	2,868,143					(3,062,844)
Profit (Loss) for the year	3,019,098	0	(3,019,098)				2,340,246	2,340,246
Loss rescheduled during year		0						
Negative Reserve for Treasury Shares	(285,014)	0						(285,014)
Total Shareholders' Equity	**59,348,869**	**0**	**(728,242)**	**0**	**0**	**0**	**2,340,246**	**60,960,873**

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):

Legend for "Origin / nature" column: C = Capital reserve; E = Earnings reserve.

	Amount	Origin / nature	Possible utilisation	Amount available	Summary of utilisation in last three years	
					To cover losses	For other reasons
Share capital	23,922,413					
Share premium reserve	7,696,219	C	A, B, C	7,696,219		
Revaluation reserves	27,061,472	U	A, B, C	27,061,472		
Legal reserve	1,344,000	U	B	1,344,000		
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 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	722,934					323,421
Retained earnings	(3,062,844)					
Negative reserve for treasury shares held	(285,014)					
TOTAL	**58,620,627**	**0**	**0**	**37,323,138**	**0**	**323,421**
Amount not distributable				20,172,772		
Residual amount distributable				17,150,366		

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 2023, amounts to Euro 23,922,413 (unchanged on 31 December 2022) 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 1,344,000 at 31 December 2023 (Euro 1,193,045 at 31 December 2022). The increase for the year of Euro 150,955 is wholly attributable to the allocation of the net profit for 2022, as per the resolution of the General Meeting held on 7 August 2023.

Taking account of the Share Capital increases carried out in 2018 and in 2020, the reserve has not yet reached the limit provided for by Article 2430 of the Italian Civil Code.

Extraordinary reserve

This reserve amounts to Euro 857,395 at 31 December 2023 and did not change during the period.

Sundry other reserves

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

Cash flow hedge reserve

This reserve has a balance of Euro 722,934 at 31 December 2023 (negative balance of Euro 1,451,176 at 31 December 2022) 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 caption shows accumulated losses of Euro 3,062,844 against accumulated losses of Euro 5,930,987 at 31 December 2022.

The Euro 2,868,143 reduction in accumulated losses is due to allocation of the net profit for 2022, as per the resolution of the General Meeting held on 7 August 2023.

Negative reserve for treasury shares held

At 31 December 2023, 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		1,604,873		2,348,146	3,953,019
Changes during year					
Allocated during year	0	0	0	2,015,060	2,015,060
Utilised during year		15,510		2,000,000	2,015,510
Other changes					0
Total changes	**0**	(15,510)	**0**	**15,060**	**(450)**
Closing amount		**1,589,363**		**2,363,206**	3,952,569

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.

"Other provisions", amounting to Euro 2,363,206 (Euro 2,348,146 at 31 December 2022), 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 1,600,000 of product warranty provisions. During the period, utilisation of the provision totalled Euro 2,000,000 while increases totalled Euro 1,600,000; 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, any complaints already received and specific agreements signed with customers;
› Euro 609,460 of provisions for future expenses for variable remuneration/bonuses in relation to agreements that have been signed.

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).

Description	Employee severance indemnity ("TFR") provision
Opening amount	1,237,585
Changes during year	
Allocated during year	1,019,604
Utilised during year	1,156,046
Other changes	0
Total changes	(136,442)
Closing amount	**1,101,143**

The amount utilised during the period (Euro 1,156,046) mainly refers to TFR payments to employees who left the Company (Euro 757,640).

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		7,701,337	7,701,337	15,400	7,685,937	1,600,000
Convertible bonds		0				
Shareholder loans payable		0				
Bank borrowing	57,125,027	(15,142,646)	41,982,381	13,251,440	28,730,941	
Payables to other lenders	1,422,062	(978,398)	443,664	443,664		
Payments on account	1,322,206	(309,215)	1,012,991	1,012,991		
Trade payables	31,272,369	12,723,720	43,996,089	43,996,089		
Credit instruments		0				
Payables to subsidiaries	3,301,929	(281,349)	3,020,580	3,020,580		
Payables to associated companies		0				
Payables to parent companies		0				
Payables to entities controlled by parent companies		0				
Tax payables	882,762	670,587	1,553,349	1,553,349		
Payables to social security and pensions institutions	1,458,724	59,709	1,518,433	1,518,433		
Other payables	4,677,074	1,904,616	6,581,690	6,581,690		
	101,462,153	**6,348,361**	**107,810,514**	**71,393,636**	**36,416,878**	**1,600,000**

Bonds

Under an agreement signed on 24 July 2023, the Company gave Equita SIM S.p.A. a mandate to structure and implement an operation aimed at financing and supporting investment. On 13 December 2023, the Company issued bonds with a value of Euro 8,000,000, called the *"Basket Bond"*. This loan, subscribed by SPV Project 2206 S.r.l., a company whose sole corporate objective is to carry out securitisation transactions, consists of 80 bonds with a nominal value of Euro 100,000 each. The bond has a lifespan from 13 December 2023 until 25 July 2029 and will be refunded six-monthly from 25 January 2025. The bonds are subject to interest calculated at a fixed nominal rate of 6.3% per annum.

The amount of Euro 7,701,337 (amortised cost value) reported under the caption includes interest accruing at 31 December 2023.

The contract is subject to financial covenants on the annual consolidated financial statements. It is noted that as of December 31, 2023, all financial covenants have been met.

Bank borrowing

Description	31 December 2022	31 December 2023	Change
a) Bank borrowing due within a year	19,442,970	13,251,440	(6,191,530)
Lines of credit	0	0	(0)
Current account overdrafts	1,066,387	940,362	(126,025)
Loans	10,977,950	8,845,060	(2,132,890)
Advances on receivables	7,398,634	3,466,018	(3,932,616)
Other payables			
b) Bank borrowing due after more than a year	37,682,057	28,730,941	(8,951,116)
Loans	37,682,057	28,730,941	(8,951,116)
Advances on receivables			0
Other payables			
Total bank borrowing	**57,125,027**	**41,982,381**	**(15,142,646)**

Bank Borrowing amounts to Euro 41,982,381 and has decreased by Euro 15,142,646 compared to 31 December 2022. Bank borrowing due within a year amounts to Euro 13,251,440 and has decreased by Euro 6,191,530 compared to 31 December 2022. Bank borrowing due after more than a year amounts to Euro 28,730,941 and has decreased by Euro 8,951,116 compared to 31 December 2022.

Loans payable at 31 December 2023 (both current and non-current) amount to Euro 37,576,001, against Euro 48,660,007 at 31 December 2022, and are analysed as follows (amounts at amortised cost):

No.	Type	Start of Repayment Plan	No. of Instalments	Frequency	Maturity	Interest Rate Index	Principal	Due within a year	Due after more than a year	Total
1	Secured Loan	31/12/17	84	Monthly	31/12/24	Euribor 3 months	2,000,000	365,453	0	365,453
2	Secured Loan	31/12/17	84	Monthly	31/12/24	Euribor 3 months	5,000,000	659,147	0	659,147
3	Secured Loan	31/12/17	84	Monthly	31/12/24	Euribor 3 months	2,000,000	454,798	0	454,798
4	Unsecured Loan	31/12/17	70	Monthly	10/01/24	Euribor 3 months	1,000,000	9,306	0	9,306
5	Unsecured Loan	31/12/17	70	Monthly	10/01/24	Euribor 3 months	1,000,000	14,800	0	14,800
6	Unsecured Loan	31/12/17	72	Monthly	01/01/24	Euribor 1 month	2,000,000	18,846	0	18,846
7	Unsecured Loan	31/12/17	72	Monthly	01/01/24	Euribor 1 month	4,000,000	69,113	0	69,113
8	Unsecured Loan	31/12/17	57	Monthly	30/11/22	Euribor 3 months	400,000	17,793	0	17,793
9	Loan Guaranteed by SACE	31/12/22	16	Quarterly	30/09/26	Euribor 3 months	24,000,000	5,935,896	10,452,237	16,388,133
10	Loan Guaranteed by SACE	31/12/24	14	Quarterly	31/03/28	Euribor 3 months	18,000,000	1,285,838	16,321,984	17,607,823
11	Loan Guaranteed by SACE	31/03/28	1	Bullet repayment	31/03/28	Euribor 3 months	2,000,000	14,068	1,956,719	1,970,788

Loan agreements 9 to 11 above require compliance with covenants measured based on the annual consolidated financial statements.

It should be noted that, at 31 December 2023, all covenants were respected.

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

Payables to other lenders

This caption amounts to Euro 443,664 (Euro 1,422,062 at 31 December 2022) and mainly refers to payables to Factoring companies and to instalments payable to leasing companies.

The significant decrease compared to 31 December 2022 is mainly due to the lower payable to Factoring companies as a result of lesser use of non-recourse factoring facilities.

Payments on account

This item amounts to Euro 1,012,991 (Euro 1,322,206 at 31 December 2022) and mainly refers to:

- Euro 425,031 of payments on account received from customers towards sales of Tooling;
- Euro 414,840 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 43,996,089 (Euro 31,272,369 at 31 December 2022). They include liabilities at 31 December 2023 towards suppliers of goods and services, based on the normal payment terms applied or on specific extended payment terms agreed.

Payables to subsidiaries

	31 December 2022	31 December 2023	Change
SALERI SHANGHAI CO. LTD	2,739,699	2,124,383	(615,316)
IMMOBILIARE INDUSTRIALE S.R.L.			0
SALERI TMS COMPETENCE CENTER GMBH	120,266	136,158	15,892
ABL AUTOMAZIONE S.R.L.	400,643	697,133	296,491
SALERI MEXICO S.A. de C.V.	5,219	16,252	11,033
SALERI INDIA PVT LTD	7,811	40,539	32,728
SALERI AFTERMARKET S.P.A.	28,292	6,115	(22,177)
Total payables to subsidiaries	**3,301,929**	**3,020,580**	**(281,349)**

Payables to Saleri Shanghai Co. Ltd, totalling Euro 2,124,383 (Euro 2,739,699 at 31 December 2022), entirely consist of trade payables.

Payables to Saleri TMS Competence Center Gmbh, totalling Euro 136,158 (Euro 120,266 at 31 December 2022), entirely refer to the service agreement in place.

Payables to ABL Automazione S.r.l., totalling Euro 697,133 (Euro 400,643 at 31 December 2022), include trade payables of Euro 677,790 and Euro 19,343 of payables under the tax consolidation arrangement.

Payables to Saleri Mexico S.A. de C.V., totalling Euro 16,252 (Euro 5,219 at 31 December 2022), include trade payables of Euro 13,951 and a financial payables for the remainder of the balance.

Payables to Saleri India PVT LTD, totalling Euro 40,539 (Euro 7,811 at 31 December 2022), entirely consist of trade payables.

Payables to Saleri Aftermarket S.p.A., totalling Euro 6,115 (Euro 28,292 at 31 December 2022), entirely consist of trade payables.

Tax payables

	31 December 2022	31 December 2023	Change
IRAP payable		205,064	205,064
IRES payable		254,895	254,895
Tax withheld at source from employees	840,745	1,075,974	235,230
Tax withheld at source from freelance professionals/ collaborators	34,317	17,416	(16,901)
Substitute tax payable	7,700		(7,700)
VAT payable			0
Other taxes payable	(0)	(0)	(0)
TOTAL	**882,762**	**1,553,349**	**670,587**

The "IRES" and "IRAP" payables represent the respective liabilities for those taxes.

Payables for taxes withheld at source from employees and professionals/collaborators represent the deductions made at source by the Company which have been duly paid over to the authorities on their legal due dates.

Payables to social security and pensions institutions

	31 December 2022	31 December 2023	Change
Payable to INPS	824,526	883,811	59,285
Payable to INAIL		3,183	3,183
Other payables to social security and pensions institutions	634,198	631,439	(2,759)
TOTAL	**1,458,724**	**1,518,433**	**59,709**

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

	31 December 2022	31 December 2023	Change
a) Other payables due within a year	4,177,074	6,581,690	2,404,616
Payables to employees	3,005,465	2,849,347	(156,118)
Payables to directors and statutory auditors	61,063	51,912	(9,151)
Other payables	1,110,546	3,680,431	2,569,885
b) Other payables due after more than a year	500,000		(500,000)
Total Other payables	**4,677,074**	**6,581,690**	**1,904,616**

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 267,125), compensation for damages payable to third parties but covered by insurance (Euro 1,500,000), the balance payable to third parties for the acquisition of the investment in Saleri Aftermarket S.p.A. (Euro 500,000) and CR balances with several customers (Euro 702,473).

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		7,701,337		7,701,337
Convertible bonds				
Shareholder loans payable				
Bank borrowing		41,982,381		41,982,381
Payables to other lenders		443,664		443,664
Payments on account	173,120	839,871		1,012,991
Trade payables	14,085,615	28,604,871	1,305,603	43,996,089
Credit instruments				
Payables to subsidiaries	136,158	703,248	2,181,174	3,020,580
Payables to associated companies				
Payables to parent companies				
Payables to entities controlled by parent companies				
Tax payables		1,553,349		1,553,349
Payables to social security and pensions institutions		1,518,433		1,518,433
Other payables	623,540	5,907,580	50,570	6,581,690
Total payables	**15,018,433**	**89,254,734**	**3,537,347**	**107,810,514**

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					7,701,337	7,701,337
Convertible bonds						
Shareholder loans payable						
Bank borrowing	1,479,399			1,479,399	40,502,982	41,982,381
Payables to other lenders					443,664	443,664
Payments on account			414,840	414,840	598,151	1,012,991
Trade payables					43,996,089	43,996,089
Credit instruments						
Payables to subsidiaries					3,020,580	3,020,580
Payables to associated companies						
Payables to parent companies						
Payables to entities controlled by parent companies						
Tax payables					1,553,349	1,553,349
Payables to social security and pensions institutions					1,518,433	1,518,433
Other payables					6,581,690	6,581,690
Total payables	**1,479,399**	**0**	**414,840**	**1,894,239**	**105,916,275**	**107,810,514**

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 1,479,399 apply to the Company's property.

Advances from customers of Euro 414,840 recorded under "Payments on account" are secured by guarantees/ liens on machinery, as already described in the note on Payments on account.

Accrued expenses and deferred income
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	1,823,985	157,592	1,981,577
Total accrued expenses and deferred income	**1,823,985**	**157,592**	**1,981,577**

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
Reference should be made to the Directors' Report for more detailed analysis of changes compared to prior year and for comments on the effects 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:

	2022	2023	Change	% Chg
Revenue from sales and services	124,746,846	135,890,148	11,143,302	9
Change in inventory of WIP, semi-finished and finished goods	(1,495,398)	1,954,514	3,449,912	(231)
Change in contract work in progress			0	0
Increase in non-current assets due to capitalisation of internal works	6,237,703	4,783,973	(1,453,730)	(23)
Other revenues and income	6,133,304	6,149,671	16,367	0
TOTAL	**135,622,455**	**148,778,306**	**13,155,851**	

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.

	2023
Manufacture and Sale of Water Pumps, Equipment and Prototypes	135,890,148
TOTAL	**135,890,148**

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.

	2023
Italy	6,887,150
Other countries	129,002,998
TOTAL	**135,890,148**

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 increased compared to prior year (95% vs 88%), albeit with a more diversified customer portfolio. The predominance of export sales will remain very high going forward in light of the long-term production contracts already acquired.

Increases in non-current assets due to capitalisation of internal works
During the period, the Company capitalised development costs of Euro 4,783,973. 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 2023, (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 6,149,671 (against Euro 6,133,304 in 2022), includes:

- Euro 4,368,390 of royalties, intercompany services and chargebacks for seconded personnel;
- Euro 841,874 of various chargebacks to customers (sharing of purchase cost of equipment, modification of tooling, project cancellation costs);
- Euro 317,071 of tax credits and grants in favour of the Company;
- Euro 310,939 of gains on fixed asset disposals.
- Euro 264,469 of chargebacks to suppliers of costs incurred that are not attributable to the Company;
- Euro 3,024 of unaccrued prior year income, mainly regarding adjustments to estimates made in prior years.

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.

	2022	2023	Change	% Chg
Raw, ancillary and consumable materials and goods	64,096,323	72,856,743	8,760,420	14
Services	31,809,886	29,871,901	(1,937,985)	(6)
Use of third party assets – lease and rental costs	5,057,722	4,701,917	(355,805)	(7)
Personnel costs:				
a) wages and salaries	17,002,215	19,067,334	2,065,119	12
b) social contributions	5,262,806	5,701,818	439,012	8
c) employee severance indemnity / "TFR"	1,113,504	1,019,604	(93,900)	(8)
d) retirement benefits and similar obligations				
e) other personnel costs	42		(42)	(100)
Depreciation, amortisation and writedowns:				
a) amortisation of intangible assets	2,097,445	1,858,936	(238,509)	(11)
b) depreciation of tangible assets	3,841,052	4,469,332	628,280	16
c) other writedowns of non-current assets				
d) writedowns of current receivables	47,849	53,272	5,423	11
Changes in inventory of raw, ancillary and consumable materials and goods	721,301	(141,256)	(862,557)	(120)
Provisions for risks				
Other provisions	1,475,694	1,600,000	124,306	8
Sundry operating expenses	897,886	1,410,625	512,739	57
Rounding				
TOTAL	**133,423,725**	**142,470,226**	**9,046,501**	

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 72,856,743 for 2023 against Euro 64,096,323 in 2022.

Purchase costs mainly relate to raw materials (aluminium) and pump components (bearings and shafts, thermostats, pulleys, plates, circuit boards, etc.), purchases of pumps and consumable materials. The composition of the balance has not changed significantly compared to prior year.

Costs for services

This caption amounts to Euro 29,871,901 against Euro 31,809,886 in 2022 and refers to a series of costs for services incurred for various reasons. The following table shows the main types of service:

	2022	2023	Change
Industrial services	16,428,171	16,575,268	147,097
Consulting	2,017,821	2,075,689	57,868
General Expenses	8,376,406	7,176,494	(1,199,912)
Shipping/Transport	1,749,221	2,250,365	501,145
Other services	3,238,267	1,794,085	(1,444,183)
Total Costs for Services	**31,809,886**	**29,871,901**	**(1,937,985)**

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 increase totalling Euro 147,097 mainly relates to outsourced services.

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 balance is in line with prior year.

General Expenses include costs for Utilities, Maintenance and other general costs relating to the Company's activities. The overall decrease of Euro 1,199,912 is mainly due to reductions in costs for utilities (especially electricity) and in Directors' fees.

Shipping/Transport costs have increased compared to prior year in relation to both purchases and sales to customers; the increase also includes the cost of shuttle services between the various production facilities.

Other services includes various services. The decrease compared to prior year is mainly due to lower chargebacks of research and development costs incurred by third parties.

Use of third party assets – lease and rental costs

This item mainly refers to finance lease costs and, to a minor, extent operating lease costs, hire charges and other rental costs. It amounts to Euro 4,701,917 against Euro 5,057,722 in 2022.

The reduction compared to prior year is mainly due to a decrease in finance lease costs (down by Euro 681,565) after several leases ended.

Property rental costs have increased by Euro 136,218 compared to prior year. The increase is due to the signature of a new rental agreement for the new "SIL C" production facility.

Personnel costs
This item, amounting to Euro 25,788,756 (against Euro 23,378,567 in 2022), comprises all employee related expenses including merit based increases, promotions, seniority increases, accrued holiday pay and provisions required by law and collective labour agreements. The total cost has increased by Euro 2,410,189 mainly as a result of the recruitment of new personnel and increased use of temporary labour. See the later section of these Notes for details of the workforce in 2023.

Amortisation of intangible assets
Amortisation of intangible assets (Euro 1,858,936 against Euro 2,097,445 in 2022) has already been commented upon in the Note on intangible assets.

Depreciation of tangible assets
Depreciation of tangible assets (Euro 4,469,332 against Euro 3,841,052 in 2022) 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 recalled earlier, with effect from 2019, depreciation of new tangible assets has been calculated based on the actual number of days' utilisation.

Other writedowns of non-current assets
As already described in the note on Non-Current Assets, in 2023, the Company did not make any further writedowns of non-current assets as it believed the amount provided in prior years was sufficient.

Writedowns of current receivables
During the year, writedowns of current receivables totalled Euro 53,272.

Other provisions
This item, amounting to Euro 1,600,000 (against Euro 1,475,694 in 2022), relates to amounts allocated to the product warranty provision.

Sundry operating expenses
Sundry operating expenses, amounting to Euro 1,410,625, mainly refers to non-deductible foreign taxes, unaccrued prior year expenses, membership fees and sundry taxes. The balance has increased by a total of Euro 512,739 compared to prior year, mainly because the Company incurred higher than estimated costs in relation to complaints received.

Income from investments in subsidiaries
The amount of Euro 1,544,696 refers to the dividend received from subsidiary Saleri Shanghai Co. Ltd..

Sundry income from subsidiaries
The amount of Euro 124,976 refers to interest income on loans to subsidiaries or on extended payment periods granted, as follows:

- Saleri Tms Competence Center GmbH - Euro 1,000;
- Saleri Mexico S.A. de C.V. - Euro 75,851;
- Saleri India PVT LTD - Euro 38,870;
- Saleri Aftermarket S.p.A. - Euro 9,255.

Breakdown of sundry income
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					135,234	135,234
Other income					676,843	676,843
TOTAL					**812,077**	**812,077**

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
Bonds	15,400
Bank borrowing	4,416,615
Other debt	430,736
TOTAL	**4,862,750**

Interest and other financial expenses relating to bank borrowing regard both medium/long-term loans and short-term finance.

The amount of Euro 430,736 includes Euro 234,457 of interest expenses on extended payment periods obtained. The remaining interest and financial expenses on other debt almost entirely consists of customer discounts and financial expenses towards other lenders.

Taxes on income – current, deferred and deferred tax income

Taxes on income for the year
The following table provides a breakdown of the caption "Taxes on income for the year":

	2022	Change	% Chg	2023
Current taxes	97,865	636,242	650	734,107
Prior year taxation				
Deferred taxes and deferred tax income	(375,507)	1,915,036	(510)	1,539,529
Income (Expense) from participation in tax consolidation / fiscal transparency		706,124		706,124
TOTAL	**(277,642)**	**1,845,154**		**1,567,512**

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 2022.

	Prior year	Prior year	Change	Change	Current year	Current year
	IRES	IRAP	IRES	IRAP	IRES	IRAP
Deferred tax assets			Amount of temporary differences			
Interest expenses not deducted and GOI excess	4,759,181		(2,188,875)	0	2,570,306	
Allocation to provisions for risks and charges	2,000,000		(400,000)	0	1,600,000	
Allocation to inventory obsolescence provision	853,910		145,656	0	999,566	
Writedown of non-current assets	1,560,488		0	0	1,560,488	
Other changes in deferred tax assets	2,217,950		(1,093,921)	0	1,124,029	
Total deductible temporary differences	11,391,529	0	(3,537,140)	0	7,854,389	0
Tax losses	19,612,209		(2,942,185)	0	16,670,024	
IRES and IRAP rates	24,00%		0,00%	0,00%	24,00%	
Deferred tax assets	7,440,897		(1,555,038)	0	5,885,859	
Deferred taxes			Amount of temporary differences			
Depreciation of assets revalued under Decree Law no. 185/2008	5,752,229	5,752,229	(55,589)	(55,589)	5,696,640	5,696,640
Other changes in deferred taxes			0	0		
Total taxable temporary differences	5,752,229	5,752,229	(55,589)	(55,589)	5,696,640	5,696,640
IRES and IRAP rates	24%	4%	0%	0%	24%	4%
Deferred tax liabilities	1,380,535	224,337	(13,341)	(2,168)	1,367,194	222,169
Rounding						
Deferred tax assets (liabilities) net for IRES and IRAP	6,060,362	(224,337)	(1,541,697)	2,168	4,518,666	(222,169)
Total deferred tax assets (liabilities) net			(1,539,529)	0	(1,539,529)	
– allocated to Income Statement			(1,539,529)			
– allocated to Equity						

We highlight the recognition of deferred tax assets in relation to losses of Euro 4,000,806, all relating to prior years.

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 2024-2028, 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)	3,907,758	
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	18,000	
– allocation to provision for risks		
– writedown of non-current assets		
– writedown of inventory	456,657	
– directors' emoluments not paid	333,333	
– other allocations to provisions for risks	1,600,000	
Total	**2,407,990**	**0**
Reversal of prior year temporary differences:		
– utilisation of provision for bad debts		
– utilisation of provision for risks	2,000,000	
– revaluation of non-current assets		
– portion of gains in instalments		
– directors' emoluments paid	1,699	
– portion of entertainment expenses		
– other items		
Total	**2,001,699**	**0**
Differences that will not reverse in later periods / Permanent differences:		
– IMU – local property tax	74,306	
– motor vehicle expenses	362,753	
– unaccrued prior year expenses	775,342	
– telephone expenses	24,020	
– fines and penalties	64,114	
– non-deductible costs	349,839	
– non-deductible D&A	264,867	
– writedown of investments		
– donations	24,246	
– other increases	353,442	
– super-depreciation	(523,246)	
– portion of interest expenses not deductible in prior year		

	Financial statements	Taxes
– exempt gains		
– other decreases	(3,311,556)	
Total	**(1,541,873)**	**0**
Taxable income for IRES		0
Increase in IRES –Current taxes	2,772,176	
Current IRES for the year		381,347

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	33,750,108	0
Costs not deductible for IRAP purposes:		
– interest element of lease instalments	54,625	
– IMU – local property tax	74,306	
– costs for freelance / occasional personnel		
– directors' fees	1,328,051	
– inventory writedown		
– non-deductible costs and unaccrued prior year expenses	882,628	
– other items	56,752	
Revenue not considered for IRAP purposes		
– utilisation of provisions	2,320,094	
Total	**33,826,376**	**0**
Theoretical tax expense %		
Deductions:		
– INAIL		
– Social security /pension contributions	1,054	
– Expenses for apprentices, R&D personnel		
– other personnel related deductions	24,780,186	
Total	**24,781,240**	**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**

	Financial statements	Taxes
Additional deduction		
Taxable income for IRAP	9,045,137	
Current IRAP for the year		352,760

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 31/12/2023.

	Average Number in 2022	Average Number in 2023
Senior managers	14	14
Managers	15	18
White collars	145	144
Blue collars	236	223
Other employees		5
Total Employees	**410**	**404**

Fees, advances and loans granted to directors and statutory auditors and commitments made on their behalf

The following table contains details of the fees, advances and loans granted to the Directors and to members of the Board of Statutory Auditors, as well as details of commitments made on their behalf in the year ended 31 December 2021, as required by Article 2427(16) of the Italian Civil Code.

	Directors	Statutory Auditors
Fees	1,328,051	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	59,000
Other audit services	83,156
Tax advisory services	
Other non-audit services	
Total fees of the external auditor or audit firm	**142,156**

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	Closing 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	1,041,790
retirement benefits and similar obligations	
towards subsidiaries	
towards associated companies	
towards parent companies	
towards entities controlled by parent companies	
Guarantees	3,223,123
of which secured	1,479,398
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 2023, guarantees referred to the following:

› around Euro 1,479,398 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 31/12/2023;

· around Euro 1,743,725 of guarantees issued by the Company on behalf of subsidiaries Saleri India Private Co. Ltd and Saleri Aftermarket S.p.A. in favour of lenders to them. The amount shown is in line with the subsidiaries' exposure to the beneficiaries of the guarantee.

As already disclosed in the Note on "Payments on Account", the Company has received Euro 414,840 of payments on account from several important 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:

	Parent companies	Subsidiaries	Associated companies	Other related parties	Parent companies
Revenue		10,412,913			
Costs		911,978			
Financial income / expense		654,817			
Financial receivables		2,149,665			
Trade receivables		17,995,073			
Financial payables		21,644			
Trade payables		2,998,936			

Significant events after the reporting period

Pursuant to Article 2427(22-iv) of the Italian Civil Code , we note that after the year 2023 was characterised by growing uncertainty due to a range of factors including high inflation, the ongoing Russia-Ukraine conflict and geopolitical tension between China and the USA, macroeconomic forecasts now offer the prospect of some improvement.

In view of this macroeconomic environment, the Saleri Group Board of Directors has prepared a new Business Plan 2024-2028.

At the date of this report, the Company's sales performance is positive with turnover in line with the 2024 Budget. Group management continues to mainly tight control over costs given the presence of significant ongoing risks related to geopolitical events and restrictive economic policy.

Barring significant changes in the current macroeconomic and geopolitical environment, the Company expects revenue growth and a slight improvement in margins in the current year, confirming its ability to generate income.

Summary of public finance in terms of art. 1(125) to (129) of Law no. 124/2017

Article 1 (125) to (129) of Law no 124 of 4 August 2017 (Annual law for the market and competition) introduced new disclosure requirements on public finance received and approved.

These amounts are reported on a "cash basis". During 2023, the Company did not receive any grants and contributions included in the definition governed by Law 124 of 4 August 2017.

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 31/12/2023	Fair value 31/12/2022	Change through Income Statement	Change through equity	Nature	Amount
Interest rate swap	772,934	1,451,176		(678,242)	Hedge	16,500,000
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	117,012
Retained earnings (Accumulated losses)	2,223,234
TOTAL	**2,340,246**

Lumezzane (BS), 23 aprile 2024

IL CONSIGLIO DI AMMINISTRAZIONE
Francesco Italo Saleri (Presidente)
Matteo Cosmi
Sergio Bona
Giorgio Garimberti
Wilhelm Becker
Alessandro Potestà
Alberto Bartoli
Simona Heidempergher
Massimo Colli

Deloitte & Touche S.p.A.
Via Cefalonia, 70
25124 Brescia
Italia

Tel: +39 02 83327030
Fax: +39 02 83327029
www.deloitte.it

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, 2023, 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, 2023, 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.

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 scepticism 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.

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, 2023, 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, 2023 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, 2023 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
May 8, 2024

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 2023, PREPARED IN TERMS OF ART. 2429 (2) OF THE ITALIAN CIVIL CODE

* * *

T*o the Shareholders of Industrie Saleri Italo S.p.A*.

During the year ended 31 December 2023, 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").

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

The statutory financial statements of Industrie Saleri Italo S.p.A. at 31.12.2023, prepared in accordance with Italian statutory reporting requirements and reporting a net profit for the year of Euro 2,340,246, have been presented for your review and approval.

The financial statements were approved by the Board of Directors on 23 April 2024 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 8 May 2024 and containing a clean opinion.

The external auditors' report states that the financial statements at 31.12.2023 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.

We have not made any reports to the Board of Directors in terms of article 25-viii of Legislative Decree no 14 of 12 January 2019.

We have not received any reports from public creditors in terms of Article 25-ix of Legislative Decree no 14 of 12 January 2019.

During the reporting period, the Board of Statutory Auditors did not issue any opinions or observations required by law, except for its reasoned proposal for the award of the engagement for the audit of the financial statements.

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 2023 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, we have given our approval for the capitalisation in the Balance Sheet of "development costs" with a total net carrying amount of Euro 5,097,210.

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 2023, 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, 8 May 2024

The Board of Statutory Auditors

Francesco Facchini

Roberta Lecchi

Andrea Gabola

saleri.com