2021

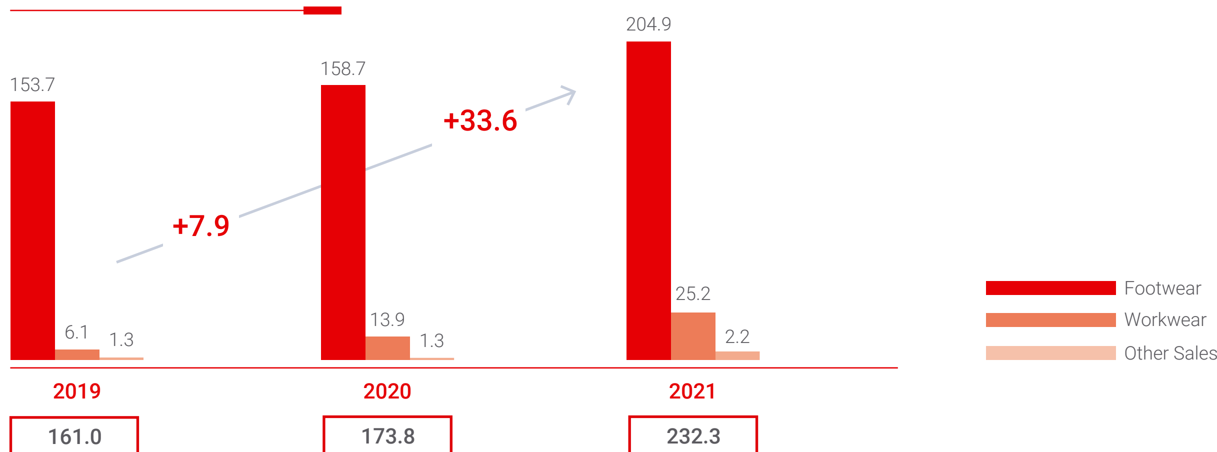
ANNUAL REPORT

2021 showed the first signs of recovery at macroeconomic level, though in a context marked by continuing concerns over the trend in the health emergency and its impacts on economic activities.

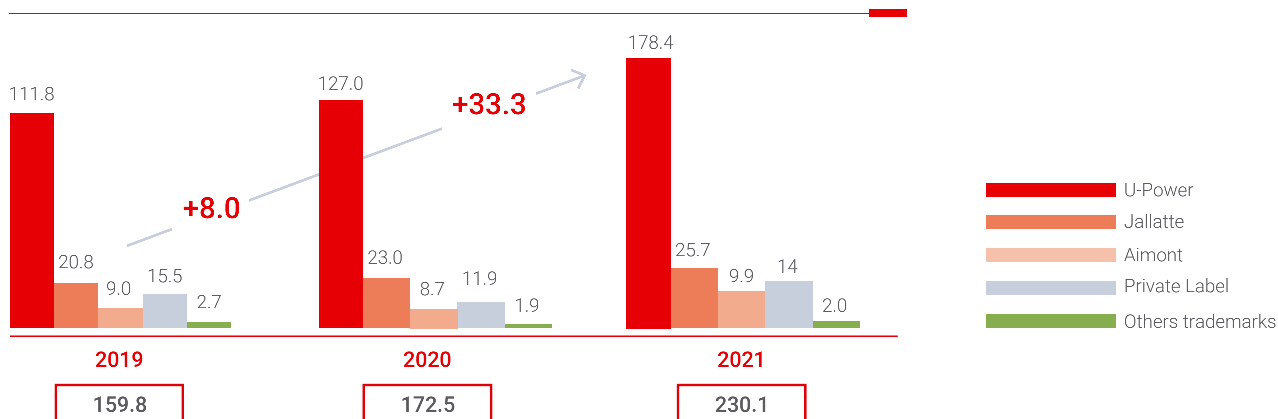
FRANCO UZZENI
CHAIRMAN

HIGHLIGHTS

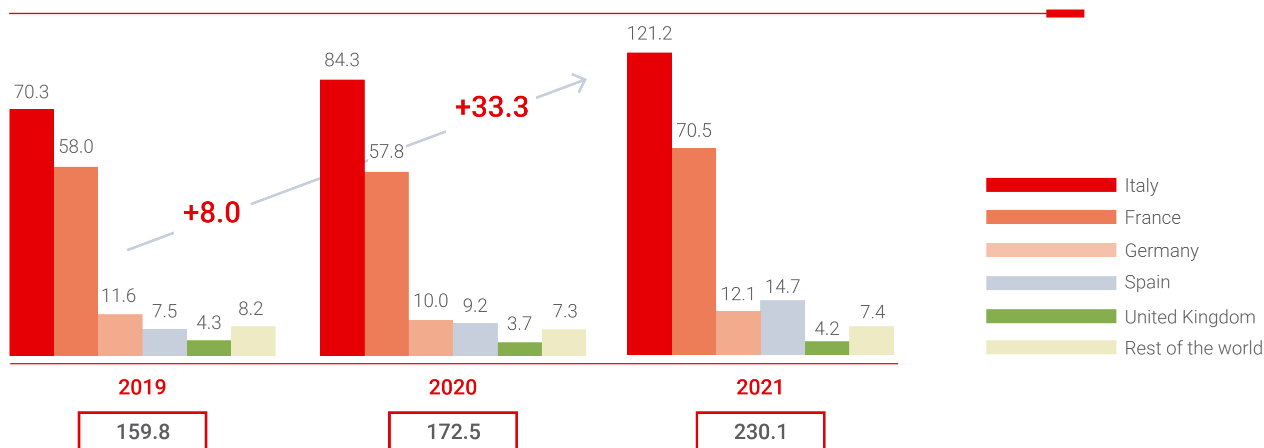
TOTAL REVENUES (€ million)



REVENUES FROM CONTRACTS WITH CUSTOMERS - PER BRAND (€ million)



REVENUES FROM CONTRACTS WITH CUSTOMERS - PER GEOGRAPHICAL AREA (€ million)



HIGHLIGHTS

EBITDA

58.8 MLN€

+37.4% VS 2020

EBIT

52 MLN€

+44% VS 2020

NET PROFIT

35.1 MLN€

+6.4% VS 2020

NET FINANCIAL POSITION

18.1 MLN€

19 MLN 2020

CASH FLOWS FROM
OPERATING ACTIVITIES

28 MLN€

22 MLN€ 2020

LETTER OF STAKEHOLDERS

FRANCO UZZENI
CHAIRMAN

The first half of 2021 the U-Power Group grew further on all economic and financial indicators.

Dear Shareholder,

2021 showed the first signs of recovery at macroeconomic level, though in a context marked by continuing concerns over the trend in the health emergency and its impacts on economic activities.

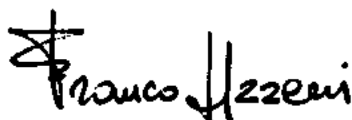
In this scenario, the U Power Group grew further on all economic and financial indicators. Turnover marked +33.3% exceeding Euro 230 million, our operating margin was approximately Euro 58.8 million with an incidence on sales of 25.6% (24.6% in 2020), but which contains costs of non-recurring items relating to the listing process (currently interrupted) for approximately Euro 2.5 million, without which EBITDA would have an incidence of 26.6% on revenues from contracts with customers.
Net profit amounted to over Euro 35.1 million, up by more than 6% compared to 2020.
Cash generation from operating activities amounted to Euro 28 million.

The Consolidated Financial Statements are submitted for your examination and approval for the year ended as at 31/12/2021, consisting of the Consolidated Statement of Financial Position, the Consolidated Statement of Profit/(Loss) for the year, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Explanatory Notes to the Consolidated Financial Statements.
These consolidated financial statements of the Group have been prepared in accordance with the International Financial

Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Information regarding the preparation of the aforementioned financial statements is provided in the Explanatory Notes; in this document, in accordance with the provisions of Article 2428 of the Italian Civil Code, information is provided regarding the income, equity, financial, and management situation of the U-Power group. This report has been drawn up with amounts expressed in thousands of Euro.

For the year ended 31/12/2021, the Company has prepared the Group's Consolidated Financial Statements since it has not made use of the faculty of exemption provided for by paragraph 3 of Article 27 of Legislative Decree 127/1991.



>230 MLN€

+33.3% VS 2020

REVENUES

58.8 MLN€

EBITDA

35.1 MLN€

NET PROFIT

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Power

REPORT ON OPERATIONS

VALUES AND PURPOSE

U-POWER GROUP S.P.A. is an ever evolving company projected towards reinvention and continuous development, while remaining true to itself.

"We like to think that every day can be the beginning of something wonderful. A new challenge, a new opportunity, an unexpected situation that puts us to the test and allows us to show all our worth. We are convinced that positive thinking is not an illusion, but a concrete way to face life with a smile, confident in yourself and strong in your abilities."

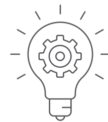
"...So here is our philosophy of life: don't worry, be happy!"

PURSUING EXCELLENCE

We always strive to do better, as individuals, and as a company. We never tire of learning and redefining the rules.

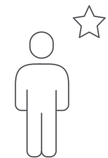
LEVERAGE CREATIVITY

We are unique and unconventional. We give space to our inner genius



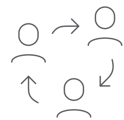
BELIEVE IN TOMORROW

We always look to future-oriented challenges, continuing to seek sustainable solutions where they have not yet been found.



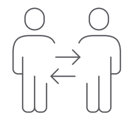
INVOLVING PEOPLE

Bringing empathy, building trust to create long-term relationships.



EXPERIENCE DIVERSITY

We are always open to welcoming different voices. We live with multiplicity and communicate with all generations.



PURSUING SUSTAINABLE SUCCESS

We seek excellence with the responsibility of preserving the environment and resources for future generations.

THE COMPANY

The Group structure as at 31 December 2021 is shown below:

U-POWER GROUP S.P.A.

Italy

Parent Company that provides centrally managed services such as marketing, management control, treasury and IT and that holds the equity investments of:

100% U-Logistics S.r.l.
Italy

Company that manages all logistical activities associated with fulfilment of orders and deliveries of products

100% Jalatte S.a.s.
France

French company that deals with the production and marketing of finished products (footwear only) using the logistics services provided by U-Logistics

100% U-Group S.r.l.
Italy

Branch FR
Branch DE
Branch E
Branch UK

Main company of the Group that sells finished products using the logistics services provided by U-Logistics. The company also handles all the procurement of raw materials and Research and Development for the manufacture of footwear

100% Martek S.a.r.l.
Tunisia

Tunisian production site that manufactures footwear with raw material purchased from Group associates

100% Lupos Gmbh
Germany

Company no longer operating, placed in liquidation.

Legenda

Registered office in Paruzzaro (NO) – Via Borgomanero 50
Share capital: Euro 10,000,000 = fully paid-in
Tax Code and Novara Register of Companies no. 08482990150
Chamber of Commerce of Novara no. 163970 R.E.A.
(Economic and Administrative Index)

BUSINESS MODEL

The integrated management of the entire value chain, from R&D to production and marketing, guarantees flexibility and rapid response to market needs
The Group is active in the research and development, production and marketing of a wide range of safety footwear intended for individual protection and safety in the work environments of operators mainly from, but not only, the different sectors of industry, agriculture and trade, highly regulated in terms of safety rules (such as chemical industry, construction, construction in general and services), as well as the marketing of work clothing.

In Safety Footwear (with the exception of the production of Basic Safety Footwear, which represents a small part of total revenues and which is commissioned by the Group to third-party manufacturers located exclusively in China), the Group controls the entire value chain, according to a vertically integrated business model, with a workforce of more than 5,000 employees.

R&D activities are carried out at global level at the Group's two R&D centres located in Italy (Trani and Paruzzaro).
The R&D activities are oriented to the constant search for and identification of raw materials, materials and production components and/or production techniques able to improve and increase the efficiency of the quality and technological standards of the products.

Product development comprises several phases, including: the development or design of models, prototyping, the creation of models, the activities to control and test compliance with the reference regulations of the product, up to the final approval of the new model.

The ability to innovate and develop safe and technologically advanced products represents the strong point of U-Power's strategy, which then directly manages production in the plants in Tunisia and France. For lower-end footwear and workwear, the company has decided to use directly selected, coordinated and periodically verified Asian manufacturers.

The main production plant is a state-of-the-art plant stretching over 100,000 square meters in Tunisia with a local workforce of approximately 4,900 employees, where the Group produces medium/high-end products (86% of pairs produced). The Group also has a commercial and production facility in France (~ 6% of production). For basic products, production is outsourced to selected Asian producers (~ 8% of the total produced).

In the Technical Clothing segment, on the other hand, the Group is involved in the R&D, industrialisation and marketing of technical clothing, entrusting their production to third-party manufacturers located in APAC countries.

The Group markets its own brand products and, to a lesser extent, third party brand products ("Private Label"), through Business to Business ("B2B") sales.
The customers of the Group are represented by (i) operators of GDO ("Distributors") and (ii) small and medium trade customers, such as hardware stores and shopkeepers of work items ("Resellers"), through which the products are sold to end users (such as artisans, small entrepreneurs, workers of medium-large and large companies), operating mainly in the European market.
Sales are mainly made through sales representatives who interact with thousands of Resellers and Distributors.

The brands owned by the group are mainly the following:

These brands cover almost all product ranges, from the TOP of the range to basic products, but not the low-cost ones as they are not considered profitable.

High quality, constant technological innovation and product design, strong distinctiveness, and recognition of its brands and models, timeliness and quality of customer service, including a widespread distribution system in the markets in which it operates, are characteristics that are believed to represent some of the keys to the European expansion of the Group.

Gilet Climb Rm – Polo Gap Bc – Trouser Pit BC

THE HISTORY OF THE GROUP

A long lasting successfull History

1988 2000

Focus on safety footwear

- Almar files the Aimont brand, specialising in safety footwear. It is in these years that manufactured is transferred to Tunisia and there is a significant increase in pairs manufactured per year. The product is now differentiated by features, price and geographical area.

1950 1987

Almar, the first years

- Pier Franco Uzzeni takes over the company founded in 1950 by his father in Soriso (NO), Italy: Almar. Manufacturing focuses on safety footwear, but sports shoes are also manufactured at the same time, by brands such as Puma and Adidas.

2000 2005

Gruppo Jal

Consolidation

- Pier Franco Uzzeni sells the majority shares of Almar to the CVC investment fund. Almar is thus consolidated with the main European competitors, Jallatte and Lupos, to create the JAL Group. Uzzeni becomes CEO of the Group.

2006 2013

Creation of U-Group

Gruppo U-Invest

- In 2005, Pier Franco Uzzeni left the JAL Group and founded U-Power with the aim of manufacturing and distributing safety footwear with his own brand, immediately gaining a positive of leadership in the European market.

2013 2017

Acquisition and relaunch of JAL Group

- In 2013, U-Power, leader in the sector, acquires the main assets and brands of JAL Group, which include Jallatte, Aimont and Lupos: U-Power Group is thus founded.
- 2017 is the year in which the Group's financial data recorded sustained growth, especially as a result of the introduction of the Red Lion line and the first results of the recovery of the acquired brands are beginning to be seen.

2017 2021

The new technological era

These are the greatest growth years of the Group:

- U-Power launches the new revolutionary lines with Infinergy® technology from BASF.
- The Group's financial figures grow for all brands.
- Workwear sales also grow exponentially
- In 2021 turnover reaches approximately 230 million euros

THE STRATEGY

The Group's strategic directions for continuing business growth include:

- Consolidation of the leadership position in key markets
- Development of markets with high growth potential (Germany, the UK and other European areas)
- Expansion of products in niches of complementary markets

These objectives are considered to be achievable thanks to products with innovative content and also through marketing and communication strategies aimed at developing brand awareness and strengthening customer loyalty.

SUSTAINABILITY

For U-Power, the value of a company is also determined by the way in which its business is conducted, by the contribution made to society as a whole and by compliance with the commitments undertaken.
The Company believes, in fact, that the quality of its products is an element that must go beyond the technical aspects: a quality product must be made in a responsible manner and respectful of human and worker rights and of the environment. The ever increasing integration between economic decisions and the assessment of the related social and environmental impacts underlie U-POWER'S ability to create long-term value for all stakeholders.
During 2020, the Company started a process that led to the preparation of a Sustainability Report prepared in compliance with the GRI standards.

FCS – CRITICAL FACTORS OF THE U-POWER GROUP'S SUCCESS

The key elements of the U-Power strategy underlying its competitive success can be summarised as follows:

- Integrated value chain with flexible logistics platform
- Brand recognition
- Perception of value by the consumer towards the purchased product, with respect to the origin of production/provenance of the product itself
- Technological and design content of safety footwear in relation to different "occasions of use", differentiated in relation to the markets/countries of destination
- Quality of service to the customer/distributor: ability to guarantee very short delivery/order fulfilment times and "refill" of the customer assortment (in terms of breadth and depth of range)
- Well diversified portfolio of complementary brands with a broad range of products
- Highly diversified customer base

THE CONTEXTUAL CONDITIONS AND THE BUSINESS DEVELOPMENT

The Group's reference market is that of Personal Protective Equipment (PPE) and, specifically, in the segments of safety footwear and safety clothing.
In the past, growth was largely driven by the introduction of homogeneous workplace safety standards throughout Europe and compliance with strict regulations that require the use of safety shoes in the workplace.

The demand for safety shoes is expected to grow due to greater awareness of the competent authorities and those responsible for safety in industrial segments, including manufacturing, pharmaceuticals, oil and gas, construction, transport and chemicals.
Moreover, the growth of a highly-qualified, more specialised industrial and manufacturing workforce in Europe, the DIY trend for manual work and the craftsmen/independent contractors push for greater investments in research and development for high-performing safety footwear that is competitively priced, functional and fashionable, stimulating, in turn, a greater segment of end consumers, above and beyond employers.
The European Protective Footwear market in 2020 was estimated at around Euro 1.7 billion (in terms of value), while that expected for 2023 amounts to around Euro 2.1 billion, with a CAGR20-23 of +5.7%. (Source – "Protective Footwear and Workwear" prepared by Euromonitor International); these estimates are still considered to be current.

Similar to that seen for safety footwear, the stricter European regulations on safety in the workplace, along with the innovation in the fit and feel and comfort for the users, contributed to the demand for technical work clothing products. The European Technical Work Apparel market in the year 2020 was about Euro 2.9 billion (in value terms). In the future, it is forecast that demand deriving from the service and hospitality sectors and the construction and manufacturing industries, from compliance with regulations and progress in textile technology and in sustainability will expand the customer base and the destination sectors, and will bring the market to around Euro 3.4 billion by 2023, with a CAGR of 5% in the forecast period (2020-2023) (source: "Protective Footwear and Workwear" report drawn up by Euromonitor International). These estimates are still believed to be valid.

Europe is the main geographical area of operation for the Group, where in 2021 it achieved around 97% of revenues.

Thanks to products with innovative content and also through marketing and communication strategies aimed at developing brand awareness and at strengthening customer loyalty, the Group believes it can consolidate its leadership position in key markets, strengthen its position in geographical areas characterised by a significant level of demand but currently not very well monitored, while consolidating the entry into the adjacent markets already started (i.e. clothing).

It should be emphasised that the Group pays constant attention to reducing the climate impact, as evidenced by the launch of the new "Red-Industry-Green" footwear line, the collection of certified carbon-neutral work shoes.

SIGNIFICANT EVENTS

From the closing date of fiscal year 2021 to the date of this Report on Operations, neither the Group's business nor its performance of operations were significantly impacted. Similarly, previously defined future strategies and trends have not been affected.

OPERATING PERFORMANCE

During 2021, the structure of the U Power Group changed from that in place as at 31 December 2020. In particular, on 11 March 2021, the Shareholders' Meeting approved the transformation into a joint stock unit company and the change of the company name to "U-Power Group S.p.A.". Furthermore, in Italy, on 1 May 2021, the merger through incorporation of the company Altek Europe S.r.l into U Group S.r.l. was completed, with civil and fiscal effects from 1 January 2021, and on 1 November 2021 the merger by incorporation of the Tunisian companies Granbis S.a.r.l and Belbis S.a.r.l. in Martek with effect from 1 January 2021; these mergers have no effect on the consolidated financial statements. Furthermore, during 2021, branches in France, Spain, Germany and the UK were set up by the affiliate U-Group.

The year 2021 was marked, also due to the growing vaccination campaigns, by the gradual reduction in the negative effects of the global COVID-19 pandemic, without this meaning that the pandemic has been fully overcome.

Therefore, particularly starting in the second quarter, production activities and services gradually intensified, with a significant recovery in the rate of economic growth.

During the course of 2021, the growth in turnover, margins, geographical diversification and widespread distribution throughout Italy by the U Power Group continued.

The amount of revenues from contracts with customers as at 31 December 2021 came to Euro 230.1 million, of which around Euro 25.2 million relating to work clothing (around 11% of the Group's total revenues).

In particular, as at 31 December 2021, the Group's sales recorded an increase of 33.3% compared to the year 2020 (with growth in sales of Safety Footwear of 29.1% and of Technical Clothing of 81.5%).

The Technical Clothing division increasingly represents an important strategic growth market for the Group, confirming the synergistic complementarity of the project with respect to the structural distribution of U-Power branded safety footwear.

In 2021, the Group generated a result that was still clearly improved compared to the already excellent performances achieved in 2020, not only in terms of overall turnover, but also and above all in terms of profitability (EBITDA).

The total production costs were equal to Euro 173.5 million; the difference between gross operating costs and revenues (EBITDA) was therefore positive for approximately Euro 58.8 million, equal to 25.6% of total turnover; as already mentioned, it should be noted that the item Costs for services includes the costs incurred for admission to the listing process that the company had started during the year. Given the suspension and the impossibility of foreseeing a recovery in the short term, it was decided to allocate these costs, for a total of Euro 2.5 million, entirely to the income statement. Without these costs, EBITDA would amount to Euro 61.2 million or 26.6%.

In the year 2021, amortisation, depreciation and write-downs were accounted for in the amount of Euro 6.8 million; the item relating to financial costs amounted to Euro 0.7 million and basically refers to interest on payables to banks and factoring that financed the normal course of business.

Taxes for the period amounted to approximately Euro 15.8 million.

The period ended with a net profit of approximately Euro 35.1 million.

During the period, the group confirmed its focus on the strategic strengthening of owned brands, and this allowed it to increase sales especially of medium-high range products with better margins.

In order to achieve these results, the marketing campaigns already undertaken in previous years were continued and

increased. In fact, also for 2021, significant advertising investments were made in Italy and in the other European countries where the Group operates; the sponsorship agreement for the Serie B football championship with AC Monza was renewed, both for the sponsor name on the jersey and the naming of the new AC Monza stadium (U-Power Stadium); all of this was done with the aim of achieving greater awareness of the U-Power brand. Overall, marketing costs amount to Euro 17.2 million, equal to 7.5% of revenues from contracts with customers.

The most significant results were obtained with the Red Lion line, which uses, among other materials, an insert in Infinergy with very high energy return and technologies protected by international patents.
The Safety Footwear, in addition to differing from those of competitors for an innovative and cutting-edge design, is characterised by the high quality of the raw materials and components used. The quality is guaranteed both by processes and design solutions developed internally by the Group in the R&D centres, and by the use of highly performing materials and technical production systems, such as BASF's Infinergy, Boa Fit System, and Goretex (as for Goretex, under licence), which guarantee greater safety, comfort, and resistance (thanks also to the multi-density soles certified by international patents applied in anti-fatigue footwear).
In addition, the use of high quality materials allows a high standard of safety to be maintained while reducing the weight of the products and thus making the Safety Footwear lighter and more in line with market trends.

U-Power has become one of the best-selling brands in Europe also thanks to the continuous growth highlighted in the main European markets: Spain approximately +59% compared to 2020, Italy +43.6%, France +21.9%, and Germany +21.6% again compared to last year.
Likewise, the other brands acquired by the Group at the end of 2013 have achieved important and fully satisfactory results.

Jallatte has once again become the absolute reference brand for the French market: the integrated commercial policies and new products have made it possible to significantly improve margins, now largely positive after the first few difficult years.
In this regard, it is important to emphasise that the French subsidiary Jallatte reached Euro 35 million in turnover as at 31 December 2021, generating significant profits.

Aimont fits perfectly as a complement to the Jallatte and U-Power collections, guaranteeing a comprehensive product range; in particular, on the French market, sales grew by over 18%, consolidating market shares in medium-range products.

The service is an integral part in the creation of product value.
The integration of logistics services in the Group has al-

Shoes Kora Red Over Line

Vulcan Shoes – Line Vigorex (Aimont)

lowed an improvement in the quality of customer service, and has contributed to guaranteeing better profit margins for the Group.
It should be noted that during the year, the subsidiary U-Logistics purchased the properties used as facilities and previously leased.

In the financial year ended 31 December 2021, the Group obtained new loans and disbursements of new credit lines, to a lesser extent than the amount reimbursed: the Group, in addition to scheduled reimbursements, proceeded to pay off medium/long-term loan agreements in advance.

It should be noted that the tax dispute of the subsidiary U Group against the Italian Revenue Agency in relation to the notice of assessment issued for the year 2007 was settled pursuant to art. 6 of Law Decree no. 119 of 23 October 2018. Following the completion of the proceeding for the settlement of the mentioned dispute, we are still waiting for the termination of the related proceedings in relation to the notice of assessment issued for the year 2011, with which the Italian Revenue Agency had rejected the use of the adjusted tax losses with the notice of assessment for 2007.
The total petitum passive, including penalties, amounts to Euro 1,318 thousand, but the risk of losing is non-existent, as the declaration of termination of the judgement by the Court of Cassation is pending.

ECONOMIC SITUATION

To better understand the Group's operating result, a reclassification statement of the Income Statement is provided below.

INCOME STATEMENT

(Euro thousand)

Item	Fiscal year 2021	%	Fiscal year 2020	%
REVENUES FROM CONTRACTS WITH CUSTOMERS	**230,067**	**100.0%**	**172,536**	**100.0%**
+ Other revenues and income	2,236	1.0%	1,282	0.7%
– Consumption of raw materials	(77,452)	-33.7%	(59,718)	-34.6%
– Costs for services and the use of third-party assets	(59,867)	-26.0%	(41,002)	-23.8%
ADDED VALUE	**94,984**	**41.3%**	**73,098**	**42.4%**
– Personnel cost	(34,325)	-14.9%	(28,407)	-16.5%
– Other operating expenses	(1,870)	-0.8%	(1,899)	-1.1%
GROSS OPERATING MARGIN (EBITDA)	**58,789**	**25.6%**	**42,792**	**24.8%**
– Depreciation, amortisation and impairment	(6,816)	-3.0%	(6,707)	-3.9%
OPERATING PROFIT/LOSS (EBIT)	**51,973**	**22.6%**	**36,085**	**20.9%**
+ Financial income and revaluation of financial assets	41	0.0%	101	0.1%
+ Gains (losses) on exchange rates and derivatives	(302)	-0.1%	19	0.0%
– Financial expenses and write-down of financial assets	(761)	-0.3%	(1,208)	-0.7%
PRE-TAX INCOME	**50,951**	**22.1%**	**34,997**	**20.3%**
– Income taxes for the year	(15,838)	-6.9%	(1,990)	-1.2%
NET INCOME	**35,113**	**15.3%**	**33,007**	**19.1%**

Total revenues increased by over 33% compared to the previous year, reaching Euro 230.1 million (Euro 172.5 million in 2020). This growth, thanks to a careful cost containment policy, in particular overhead fixed costs, determines an EBITDA equal to Euro 58.8 million, i.e. an increase of approximately 37% compared to the previous year, with an incidence on sales of 25.6%, which as we recall includes non-recurring costs for Euro 2.5 million, without which the Ebitda Margin would have an incidence of 26.6% on revenues.

In relation to substantially stable depreciation, amortisation and write-downs (Euro 6.8 million), EBIT also showed a positive trend on the previous year, reaching Euro 52 million, with growth of 44%, equal to Euro 15.9 million on 2020.
The decrease in financial expenses is substantially due to the process of optimising the debt structure implemented in the second half of 2020, described in greater detail in the Explanatory Notes.
The pre-tax profit is approximately Euro 51 million.
The tax rate for the year is equal to 31.1% and returns to "normal" values compared to those of 2020 which were strongly influenced by the tax advantages relating to the revaluations of the U Power brand and the patent concerning "safety footwear energising".
In this way, the net profit reached Euro 35.1 million with an increase of 6.4% on 2020.

ALTERNATIVE ECONOMIC PERFORMANCE INDICATORS

In order to facilitate understanding of the economic and financial performance of the Group, the Directors have identified some alternative performance indicators ("Alternative Performance Indicators" or "IAP"). These indicators also represent the tools that facilitate the directors themselves in identifying operational trends and in making decisions about investments, resource allocation, and other operational decisions.

For a correct interpretation of these IAPs, the following is highlighted:

(i) these indicators are constructed exclusively from historical data of the Group and are not indicative of the future performance of the Group itself;

(ii) the APIs are not provided for by IFRS and, although they are derived from consolidated financial statements, they are not subject to auditing;

(iii) the reading of said APIs must be carried out together with the financial information of the Group taken from the consolidated financial statements;

(iv) the definitions of the indicators used by the Group, because they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other Groups and therefore comparable with them; and

(v) the APIs used by the Group are processed with continuity and uniformity of definition and representation for all the periods for which financial information is included.

The APIs shown below were selected because the Group believes that EBITDA, EBIT, ROE and ROI, together with other relative profitability indicators, make it possible to illustrate changes in operating performance and provide useful information regarding the Group's ability to incur debt; these indicators are also commonly used by analysts and investors to assess company performance.

The Group's alternative economic performance indicators for the periods of the Group ended 31 December 2021 and 2020 are presented below.

(Euro thousand)

	Notes	2021	2020
EBIT	1	51,973	36,085
EBIT Margin	1	23%	21%
EBITDA	1	58,789	42,792
EBITDA Margin	1	26%	25%
ROE	2	36%	42%
ROI	3	45%	37%

NOTE 1 – EBIT, EBIT MARGIN, EBITDA, EBITDA MARGIN

EBIT is defined as the sum of the net profit for the year, plus income taxes, exchange gains (losses), financial income and charges, and income (charges) from investing activities.

The Group calculates the EBIT margin as the ratio between EBIT and Revenues from contracts with customers.

EBITDA is defined as the sum of the net profit for the year, plus income taxes, exchange gains (losses), financial income and charges, income (charges) from investing activities, and depreciation and amortisation.

The Group calculates the EBITDA *margin* as the ratio between EBITDA and Revenues from contracts with customers.

The reconciliation of profit for the year with EBITDA for the periods ended 31 December 2021 and 2020 is presented below:

(Euro thousand)

	2021	% total Revenues from contracts with customers	2020	% total Revenues from contracts with customers	2021 vs 2020	2021 vs 2020 %
Profit for the year	35,113	15.3%	33,007	19.1%	2,106	6.4%
+ income taxes	15,838	6.9%	1,990	1.2%	13,848	695.9%
+ Other income and expenses	302	0.1%	(19)	(0.0%)	321	(1689.5%)
+ Financial expenses	761	0.3%	1,208	0.7%	(447)	(37.0%)
– Financial income	(41)	(0.0%)	(101)	(0.1%)	60	(59.4%)
EBIT	**51,973**		**36,085**		**15,888**	**44.0%**
EBIT margin		**22.6%**		**20.9%**		
+ Depreciation, amortisation and write-downs	6,816	3.0%	6,707	3.9%	109	1.6%
EBITDA	**58,789**		**42,792**		**15,997**	**37.4%**
EBITDA margin		**25.6%**		**24.8%**		

EBITDA for the period ended 31 December 2021 amounted to Euro 58,789 thousand, up compared to 31 December 2020 by Euro 15,997 thousand (+37.4%); in terms of percentage impact on revenues, EBITDA increased from 24.8% for the period ended 31 December 2020 to 25.6% for the period ended 31 December 2021.

The increase in EBITDA recorded during the year is mainly due to the growth in Group revenues consequently, on the one hand, to the expansion of the range of products offered that, by adapting specifically to the different needs of end users, allowed an expansion of the customer base, and, on the other hand, to the enhancement and strategic strengthening of owned brands, obtained through investments in advertising campaigns both in Italy and in the other countries in which the Group operates and sponsorship campaigns, as well as to a slight reduction in the incidence of the fixed cost structure with respect to revenues.

Shoes Sven – Red 360 Line

NOTE 2 – ROE

ROE is the ratio between the net profit for the year and the shareholders' equity at the end of the reference year. The calculation of this ratio for the periods ended 31 December 2021 and 2020 is provided below.

(Euro thousand)

	2021	2020
Net profit	35,113	37,007
Equity	96,294	78,154
ROE – Net profit for the period / Equity	**36%**	**42%**

The ROE progressed to 42% in the year ended as at 31 December 2020 to 36% for the year ended 31 December 2021, due to an improvement in profit for the period, compared to the previous period, net of dividends distributed.

NOTE 3 – ROI

ROI is the ratio between the EBIT, as defined in Note 1, and the net invested capital at the end of the reference year. The calculation of this ratio for the periods ended 31 December 2021 and 2020 is provided below.

(Euro thousand)

	2021	2020
EBIT	51,973	36,085
Net Invested Capital	114,371	97,147
ROI – Ebit / Net Invested Capital	**45%**	**37%**

The ROI also benefited from the improved results during the year compared to the previous year, and came to 45%, an increase of 8 percentage points.

STATEMENT OF FINANCIAL POSITION

In order to better understand the Group's equity and financial situation, a reclassification statement of the Balance Sheet is provided below.

BALANCE SHEET

(Euro thousand)

ASSETS	31/12/2021	%	31/12/2020	%
WORKING CAPITAL	**169,871**	**75,37%**	**146,256**	**73.54%**
Immediate liquidity	**29,420**	**13.05%**	**37,989**	**19.10%**
Cash and cash equivalents	29,420	13.05%	37,989	19.10%
Deferred liquidity	**78,682**	**34.91%**	**57,197**	**28.76%**
Short-term current receivables	78,682	34.91%	57,197	28.76%
Inventories	**61,769**	**27.41%**	**51,070**	**25.68%**
FIXED ASSETS	**55,517**	**24.63%**	**52,636**	**26.46%**
Intangible assets	2,998	1.33%	3,930	1.98%
Tangible assets	34,853	15.46%	28,065	14.11%
Rights of use assets	4,278	1.90%	6,005	3.02%
Other non-current assets	1,368	0.61%	1,355	0.68%
Deferred tax assets	12,020	5.33%	13,281	6.68%
TOTAL ASSETS	**225,388**	**100.00%**	**198,892**	**100.00%**

The reduction in cash and cash equivalents compared to the closing as at 31/12/2020 is the direct result of the payment for the logistics building purchased by U-Logistics, as described in the Explanatory Notes, in addition to the repayment of payables during the year, including the full early repayment of the loans, and to distribution of dividends for Euro 17.1 million.

The increase in "short-term current receivables" is strictly linked to the performance of sales, as that item is primarily composed of trade receivables (for Euro 67.3 million). There were also increases in the advances to suppliers for the purchase of clothing from Asian manufacturers.

The value of inventories, shown net of an obsolescence provision worth Euro 61.8 million, increased compared to the end of the previous year and is strictly correlated to the increase in sales.

The item "Intangible assets" refers mainly to the value of the U Power, Jallatte, Aimont, and other minor trademarks, relating to the products sold by the Group in the footwear and safety clothing sector.
The value of the Aimont, Almar, Lupos trademarks and other minor trademarks, including patents, totalling Euro 1.2 million, corresponds to the purchase value net of the amortisation already incurred.
The value of the U-Power and Jallatte trademarks reported in the financial statements amounts, respectively, to Euro 0.7 million and Euro 1 million, net of amortisation for the year.
As regards trademarks, considered by management as assets with definite useful life and amortised over 10 years, no

indicators of impairment or indicators that could identify a different useful life from the current one emerged during the year, based on future plans.

The item "Tangible assets" is net of depreciation and write-downs and is composed of:

- Land and buildings of Euro 17.2 million: this item increased by around Euro 5.3 million, following the purchase by the subsidiary U-Logistics of the building used as a warehouse, which was previously leased. The remainder is mainly composed of buildings located in Tunisia;
- Plant, machinery and equipment for Euro 16.7 million, also located mostly in the Tunisian production plants;
- Other assets for Euro 0.9 million.

The value expressed in the financial statements, according to IFRS16, concerning rights of use and lease agreements on property and machinery/equipment is Euro 4.3 million, net of depreciation calculated for the year. The item decreased due to the purchase of the building described above.

(Euro thousand)

LIABILITIES	31/12/2021	%	31/12/2020	%
CURRENT LIABILITIES	**95,056**	**42.17%**	**78,893**	**39.67%**
Current financial liabilities	21,141	9.38%	21,203	10.66%
Other short-term payables	73,915	32.79%	57,690	29.01%
CONSOLIDATED LIABILITIES	**34,038**	**15.10%**	**41,845**	**21.04%**
Medium / long-term payables	26,356	11.69%	35,779	17.99%
Payables for non-current taxes	1,211	0.54%		
Provisions for risks and charges	5,368	2.38%	5,052	2.54%
Post-employment benefits	1,103	0.49%	1,014	0.51%
EQUITY	**96,294**	**42.72%**	**78,154**	**39.29%**
Group Shareholders' Equity	**96,294**	**42.72%**	**78,154**	**39.29%**
Capital	10,000	4.44%	10,000	5.03%
Reserves	12,982	5.76%	12,788	6.43%
Retained earnings (losses)	38,199	16.95%	22,359	11.24%
Profit (loss) for the year	35,113	15.58%	33,007	16.60%
TOTAL LIABILITIES	**225,388**	**100.00%**	**198,892**	**100.00%**

Current financial liabilities are composed of the portion due within the year of bonds for Euro 7.5 million (floating-rate bonds amounting to Euro 25 million, subscribed on 29 June 2020, with maturity on 29 June 2023), bank loans for Euro 12.7 million and payables due to lease companies and for rights of use for Euro 0.9 million.

The loans under consolidated liabilities are mainly composed of a bond of Euro 13.6 million, medium/long-term bank loans amounting to approximately Euro 9.4 million and payables on rights of use and leases of Euro 3.3 million.

Other payables due within one year include trade payables of Euro 58 million, payables due to the parent company of Euro 1 million, tax payables of Euro 6.7 million, other tax payables of approximately Euro 2 million, and payables to employees and social security institutions of Euro 5.9 million.

The item "provisions for risks and charges" is mainly composed of a provision for a risk on employee contributions and tax risks of the Tunisian branch of approximately Euro 2.4 million, as well as a pension fund and indemnities due to employees of the French branch of approximately Euro 0.5 million and the compensation for termination of agent contracts of Euro 2.4 million of the subsidiary U Group.

The item post-employment benefits refers to the Italian companies (the parent company U-Power Group, U Group and U-Logistics) and its valuation for IAS purposes follows the method of projection of the present value of the defined benefit obligation with the estimate of the benefits accrued by personnel.

The following table shows the change in Net Financial Indebtedness:

(Euro thousand)

Net Financial Indebtedness	31/12/2021	31/12/2020	Change
Current financial liabilities	(21,141)	(21,203)	62
Medium / long-term payables	(26,356)	(35,779)	9,423
Cash and cash equivalents	29,420	37,989	(8,569)
	(18,077)	**(18,993)**	**916**

The excellent economic results generated an improvement in net financial indebtedness, which, as can be seen, improved during the period by Euro 0.9 million, despite the payment of Euro 17.1 million in dividends, the purchase of the logistics building and the early repayment of loans, as described above.

The following table shows the reconciliation between shareholders' equity and profit for the year of the Parent Company and the consolidated financial statements:

(Euro thousand)

	Shareholders' equity as of 31 December 2021	Profit for the year 2021
As per the capital and economic situation of U-Power Group S.p.A.	89,469	28,173
Surplus of shareholders' equity, including the results for the year compared to the book values of the equity investments	23,078	39,375
Consolidation adjustments	(16,253)	2,425
Dividend elimination	-	(34,860)
As per the consolidated financial statements	96,294	35,113

Gilet Universe Bc – T-Shirt Fluo Yf – Trouser World Bc Shoes Sven Red360 Line

ALTERNATIVE FINANCIAL PERFORMANCE INDICATORS

The APIs have been developed in accordance with ESMA/2015/1415 guidelines.

For a correct interpretation of these IAPs, the following is highlighted:

(i) these indicators are constructed exclusively on the basis of historical data of the Group and are not indicative of the future performance of the Group itself;

(ii) the APIs are not provided for by IFRS and, although they are derived from consolidated financial statements, they are not subject to auditing;

(iii) the reading of said APIs must be carried out together with the economic information of the Group taken from the consolidated financial statements;

(iv) the definitions of the indicators used by the Group, because they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other Groups and therefore comparable with them; and

(v) the APIs used by the Group are processed with continuity and uniformity of definition and representation for all periods.

The APIs listed below have been selected and represented as the Group believes that:

- the net financial debt, together with other equity indicators of composition of assets and liabilities and financial elasticity indicators, allow a better assessment of the overall level of capital solidity of the Group and its ability to maintain a situation of structural equilibrium over time;
- the net working capital, the operating working capital, the fixed assets and the net invested capital allow a better assessment of both the ability to meet short-term commercial commitments through current trade assets, and the consistency between the structure of loans and that of funding sources in terms of time.

The Alternative Balance Sheet and Financial Performance Indicators for the period ended 31 December 2021 and 2020 of the Group are presented below.

(Euro thousand)

	Notes	2021	2020
Availability index	1	(1.93)	(1.95)
Net working capital	2	67,566	52,830
Net operating capital	2	62,198	47,778
Fixed assets	2	55,517	52,636
Net invested capital	2	114,371	97,147
Net invested capital / Equity ratio	2	1.19	1.24
Net financial indebtedness / EBITDA ratio	3	0.31	0.44
Fixed assets / Invested capital ratio	4	38.0%	40.5%
Own funds / Invested capital ratio	5	0.84	0.80
Financial expenses / EBITDA ratio	6	0.01	0.03
Trade receivables turnover ratio	7	3.4	3.3
Average days of collection of trade receivables	7	107	109
Trade payables turnover ratio	8	2.6	2.5
Average days of payment of trade payables	8	143	146
Inventory turnover ratio	9	4.1	3.5
Average days spent in the warehouse	9	90	104

Jacket Venus BO – Neck Warmer Yf – Road DG

NOTE 1 – AVAILABILITY INDEX

The availability index is defined as the ratio between: (i) the sum of trade receivables, other current assets and inventories, and (ii) short-term non-financial payables, calculated as the sum of trade payables and other current liabilities.

The calculation of this ratio for the periods ended 31 December 2021 and 31 December 2020 is provided below.

(Euro thousand)

	2021	2020
Trade receivables (A)	67,339	51,510
Other current assets (B)	11,331	5,675
Inventories (C)	61,769	51,070
Trade payables (E)	(58,044)	(41,815)
Other current liabilities (F)	(14,841)	(13,622)
Short-term non-financial payables (G) = (E) + (F)	(72,885)	(55,437)
Availability index (H) = (A+B+C) / G	**(1.93)**	**(1.95)**

The availability index as at 31 December 2021 was 1.93, compared to 1.95 as at 31 December 2020, substantially stable.

NOTE 2 – NET WORKING CAPITAL, NET OPERATING CAPITAL, FIXED ASSETS, NET INVESTED CAPITAL AND NET INVESTED CAPITAL / EQUITY RATIO

The ratio between net invested capital and equity, defined as debt ratio or Leverage, is the ratio between net invested capital and equity.

Details of the calculation of the Net Working Capital, Net Operating Capital, Fixed Assets and Net Invested Capital in the periods considered are shown below:

(Euro thousand)

	2021	2020	2021 vs 2020	2021 vs 2020 %
LOANS				
Net working capital	67,566	52,830	14,736	27.9%
Provisions for risks and charges	(5,368)	(5,052)	(316)	6.3%
Net operating capital	62,198	47,778	14,420	30.2%
Intangible assets	2,998	3,930	(932)	-23.7%
Property, plant and equipment	39,131	34,070	5,061	14.9%
Other non-current assets	1,368	1,355	13	1.0%
Deferred tax assets	12,020	13,281	(1,261)	-9.5%
Fixed assets	55,517	52,636	2,881	5.5%
Liabilities for employee benefits	(1,103)	(1,014)	(89)	8.8%
Payables to related parties	(1,030)	(2,253)	1,223	-54.3%
Payables for non-current taxes	(1,211)	–	(1,211)	-
Net invested capital	**114,371**	**97,147**	**17,224**	**17.7%**
SOURCES				
Equity	96,294	78,154	18,140	23.2%
Net financial indebtedness	18,077	18,993	(916)	-4.8%
Total sources	**114,371**	**97,147**	**17,224**	**17.7%**

The Net Invested Capital/Equity ratio is calculated as follows:

(Euro thousand)

	2021	2020
Net invested capital (A)	114,371	97,147
Shareholders' equity (B)	96,294	78,154
Ratio – Net invested capital / Equity (C) = (A) / (B)	**1.19**	**1.24**

The ratio of net invested capital to equity was 1.19 as at 31 December 2021, compared to 1.24 as at 31 December 2020. This ratio shows a decrease of 0.05, due to an increase in net invested capital of Euro 17.2 million, less than proportional to the increase in equity of Euro 18.1 million.

NOTE 3 – NET FINANCIAL INDEBTEDNESS/EBITDA RATIO

The ratio between net financial indebtedness and EBITDA is given by the ratio between (i) net financial indebtedness and (ii) EBITDA.
The calculation of this ratio for the periods ended 31 December 2021 and 31 December 2020 is provided below:

(Euro thousand)

	2021	2020
Net financial indebtedness (A)	18,077	18,993
EBITDA (B)	58,789	42,792
Ratio – Net financial indebtedness (A) / EBITDA (C) = (A) / (B)	**0.31**	**0.44**

The ratio between net financial indebtedness and EBITDA was 0.31 as at 31 December 2021, an improvement compared to 0.44 as at 31 December 2020.

NOTE 4 – FIXED ASSETS/NET INVESTED CAPITAL RATIO

The ratio of fixed assets to net invested capital is the ratio of (i) fixed assets, defined as the sum of tangible assets, intangible assets and goodwill and (ii) net invested capital.
The calculation of this ratio for the periods ended 31 December 2021 and 31 December 2020 is provided below:

(Euro thousand)

	2021	2020
Fixed assets (A)	43,497	39,355
Net invested capital (B)	114,371	97,147
Fixed assets / Net invested capital (A / B)	**38.0%**	**40.5%**

The ratio of fixed assets to net invested capital was 38% as at 31 December 2021, compared to 40.5% as at 31 December 2020. This ratio shows a decrease, mainly due to the increase in net invested capital, due to the profits achieved during the year.

NOTE 5 – OWN FUNDS/NET INVESTED CAPITAL RATIO

The ratio between own funds and invested capital, defined as an indicator of financial autonomy, is the ratio between (i) equity and (ii) invested capital and indicates the ability of the company to finance itself without resorting to external sources of financing.
The calculation of this ratio for the periods ended 31 December 2021 and 31 December 2020 is provided below:

(Euro thousand)

	2021	2020
Own funds (A)	96,294	78,154
Net invested capital (B)	114,371	97,147
Own funds / Net Invested Capital (A / B)	**0.84**	**0.80**

The ratio of own funds to net invested capital was 0.84 as at 31 December 2021, compared to 0.80 as at 31 December 2020. This ratio shows an increase of 0.04, due to (i) an increase in equity of Euro 18.1 million (by virtue of profits earned, net of dividends distributed), more than proportional to the (ii) increase in invested capital of Euro 17.2 million.

NOTE 6 – FINANCIAL EXPENSES / EBITDA RATIO

The ratio between financial expenses and EBITDA indicates the impact of the cost of financial indebtedness on EBITDA and is given by the ratio between (i) financial expenses and (ii) EBITDA.

The calculation of this ratio for the periods ended 31 December 2021 and 31 December 2020 is provided below:

(Euro thousand)

	2021	2020
Financial expenses (A)	761	1,208
EBITDA (B)	58,789	42,792
Financial expenses/EBITDA (A/B)	**0.01**	**0.03**

The ratio between net financial indebtedness and EBITDA was 0.01 as at 31 December 2021, compared to 0.03 as at 31 December 2020. That ratio improved further due to the reduction in financial charges and the improvement in EBITDA;

NOTE 7 – TRADE RECEIVABLES TURNOVER RATIO AND AVERAGE COLLECTION DAYS

The trade receivables turnover ratio is calculated as the ratio between revenues and trade receivables at the reference date.
The average days of collection of trade receivables are calculated as the ratio of trade receivables at the reference date to revenues from contracts with customers relating to the period 31 December 2020 – 31 December 2021 multiplied by 365.

Details of the receivables turnover ratio and the evolution of the average collection times as at 31 December 2021 and 31 December 2020 are shown below:

(Euro thousand)

	2021	2020
Revenues from contracts with customers (A)	230,067	172,536
Trade receivables (B)	67,339	51,510
Trade receivables turnover ratio (A/B)	**3.4**	**3.3**
Average days of collection of trade receivables (B/A)*365	**107**	**109**

Note: the determination and trends of the ratios shown in the table are also influenced by the value added tax component which, given the global scale of the Group's commercial relations, is not homogeneously applied in all subsidiaries.

The trade receivables turnover ratio was 3.4 as at 31 December 2021, compared to 3.3 as at 31 December 2020.
The average days of collection of trade receivables were 107 as at 31 December 2021 and 109 as at 31 December 2020.
The above indices show an increase of 0.1 and a decrease of 2 days, respectively.

NOTE 8 – TRADE PAYABLES TURNOVER RATIO AND AVERAGE PAYMENT DAYS

The payables turnover ratio is calculated as the ratio between (i) the sum of costs for consumable raw materials and costs for services and (ii) trade payables at the reference date.
The average days of payment of trade payables are calculated as the ratio between (i) trade payables at the reference date and (ii) the sum of costs for consumable raw materials and costs for services relating to the period 31 December 2020 – 31 December 2021, multiplied by 365.
Details of the payables turnover ratio and the evolution of the average payment times as at 31 December 2021 and 31 December 2020 are shown below:

(Euro thousand)

	2021	2020
Consumption of raw materials and consumables	88,151	63,513
Cost of services	59,867	41,002
subtotal (A)	148,018	104,515
Trade payables (B)	58,044	41,815
Trade payables turnover ratio (A/B)	**2.6**	**2.5**
Average days of payment of trade payables (B/A)*365	**143**	**146**

Note: the determination and trends of the ratios shown in the table are also influenced by the value added tax component which, given the global scale of the Group's commercial relations, is not homogeneously applied in all subsidiaries.

The trade payables turnover ratio was 2.6 as at 31 December 2021, compared to 2.5 as at 31 December 2020.
The average days of payment of trade payables were 143 as at 31 December 2021 and 146 as at 31 December 2020.

NOTE 9 – INVENTORY TURNOVER RATIO AND AVERAGE DAYS SPENT IN THE WAREHOUSE

The inventory turnover ratio is calculated as the ratio of revenues from contracts with customers referring to the period 31 December 2020 – 31 December 2021 to inventories at the reference date.
The details of the calculation of the turnover ratio and of the average days of rotation of inventories for the periods ended 31 December 2021 and 31 December 2020 are shown below:

(Euro thousand)

	2021	2020
Revenues from contracts with customers (A)	230,067	172,536
Inventories as at 1 January (B1)	51,070	47,274
Inventories as at 31 December (B2)	61,769	51,070
Average inventories (B) = (B1+B2)/2	56,420	49,172
Inventory turnover ratio (A/B)	**4.1**	**3.5**
Average days spent in the warehouse (B/A)*365	**90**	**104**

Jacket Jupiter Db – T-Shirt Fluo Of – Trouser Atom DB

Note: the determination and trends of the ratios shown in the table are also influenced by the value added tax component which, given the global scale of the Group's commercial relations, is not homogeneously applied in all subsidiaries.

The turnover ratio is calculated on average inventories at period-end and on total revenues from contracts with customers for the year 2021 and as at 31 December 2020. That ratio was mainly influenced by the increase in revenues, and the by the increase in inventories. The average number of days of rotation was 90 as at 31 December 2021 and 104 as at 31 December 2020.

The inventory turnover ratio rose from 3.5 as at 31 December 2020 to 4.1 as at 31 December 2021.
The ratios shown above reported an increase of 0.6 and an increase of 14 days respectively, mainly due to the increase in sales.

INFORMATION PURSUANT TO ART. 2428 OF THE ITALIAN CIVIL CODE

The information specifically required by the provisions of Article 2428 of the Italian Civil Code are detailed here below.

RESEARCH AND DEVELOPMENT ACTIVITIES

In a highly competitive market context, the success of the Group depends on the ability to maintain and increase market shares through the launch of innovative products with high quality standards, which consequently guarantee ever higher levels of profitability.
The Group owns two research and development laboratories in Italy: one located in Paruzzaro (NO) and the other in Trani (BT), which develop new models and collections every year.
The R&D activities are oriented, on the one hand, to the constant search for and identification of raw materials, materials and production components and/or production techniques able to improve and increase the efficiency of the quality and technological standards of the products (in addition to determining the absence of defects), also depending on the evolution of customer needs and the reference regulatory parameters and, on the other hand, to the constant innovation of the models and style of the products offered on the market, depending on the reference target – geographical area and production sector (industry; agriculture; tertiary services, with respective sub-markets by nature and type of activity).
Much of the strategic development is based on R&D activities aimed at developing products, conceiving and defining new high-tech and high-quality models, also able to prevent the risks of musculoskeletal disorders, as well as guaranteeing the safety of end users while pursuing a development that is attentive to social, environmental and economic issues. Design and the study of trends are a priority in the development and implementation of new concepts and models. Moreover, given the importance of the ergonomic aspects necessary to provide answers to the problems of safety and well-being at work, the Group's R&D activity has recently also focused on an in-depth analysis of the workstations and ergonomic work processes, which are the primary conditions for the well-being of workers during their professional activity.

The expenses incurred for research and development were considered as operating costs and charged entirely to the income statement, as they do not meet all the requirements for capitalisation under IAS 38.

RELATIONS WITH PARENT COMPANIES AND RELATED PARTIES

Relations with parent companies (even indirectly) and related parties at the end of the year were carried out at market value and are summarised below:

	Credits	Payables	Revenues	Costs
FIN REPORTER S.r.l. (parent company)	3	1,030	-	169
PFU S.r.l. (related company)	9	-	4	-
Grand total	**12**	**1,030**	**4**	**169**

Payables to the parent company are mainly due to the tax consolidation, which will be paid when taxes are paid.

Softshell Spock Db – Uranus Db – Jeans Romeo Db – Shoes Rider Red360 Line

INFORMATION ON THE ENVIRONMENT AND ON PERSONNEL

It should be noted that the company carries out its business in compliance with the provisions relating to the environment, hygiene in the workplace, and safety pursuant to Legislative Decree 81/2008.
It is noted that at present there is no significant information. This information will be provided whenever there are concrete, tangible, and significant environmental impacts, such as those that generate potential financial and income consequences for the Company.
In relation to personnel, it should be noted that during the year:
- no serious injuries occurred in the workplace;
- there were no charges relating to occupational illnesses on employees or former employees and/or other cases for which the Group companies were declared liable.

With reference to the working environment, it is noted that during the course of 2021:
- there was no damage caused to the environment for which the group companies were found guilty;
- no sanctions or penalties were imposed on the Group companies for crimes or environmental damage.

Shoes Nigaara – Red Industry Green Line

MAIN RISK FACTORS TO WHICH THE COMPANY IS EXPOSED

Pursuant to and for the purposes of the first paragraph of Article 2428 of the Civil Code, a description of the main risks and uncertainties to which the Group is exposed is provided below:

A) MARKET RISKS:

Market risk refers to the performance of the personal protective equipment market, and in particular to safety footwear and technical work clothing in which the Group operates.
The Group has implemented policies aimed at increasing penetration of the reference markets and actions aimed at rationalising and strengthening the sales structure, managing to increase sales both at national and European level. It should be noted that the destination markets of company products and the conditions of uncertainty that characterise them are constantly monitored.

B) CREDIT RISKS:

The Group is exposed to credit risk mainly deriving from business relations with its customers and, in particular, due to possible delays or non-performance of their payment obligations within the terms and according to the methods agreed. In this case, there are no particular risks, although it should be noted that delays remain in the collection of receivables, as already occurred historically, and are to be considered physiological.
Exposure to customers is in any case broken down into a high number of customers operating in different product sectors and markets.

The financial strength of the main customers is in any case monitored regularly through the use of information and customer assessment procedures and any risks are covered in the financial statements by appropriate provisions.

C) LIQUIDITY RISKS

Liquidity risk, understood as the failure to find adequate financial resources necessary for operations and for the repayment of debts, including financial ones, as well as for the development of industrial and commercial activities, is to be

considered under control. The liquidity risk is limited thanks to the Group's credibility on the reference financial markets.
With regard to loans from the credit system, the Group now has an adequate amount of credit available to be used in case of need to finance the working capital; in any event, further actions are underway to increase and improve the credit lines.
Liquidity risk management is mainly based on the strategy of containing debt, self-financing and maintaining financial balance.

D) INTEREST RATE RISKS

The risk of interest rate fluctuations is essentially linked to medium/long-term loans negotiated at variable rates. Any fluctuations in interest rates could consequently have negative effects on the economic and financial situation of the Group
The Group's approach to managing interest rate risk is hedging the risk through interest rate swap contracts, recognised in the financial statements at fair value. The Group's approach to managing interest rate risk is therefore prudent

E) RISKS ASSOCIATED WITH EXCHANGE RATE TRENDS

The Group is subject to exchange rate risk mainly deriving from transactions relating to operating costs denominated in currencies other than the Euro. Specifically, the Group incurs costs in USD and CNY for the purchase of raw materials, and in TND (Tunisian Dinar) for personnel costs of the Tunisian subsidiary.
The Group's policy does not envisage the assumption of speculative risks, but actions that may limit unwanted fluctuations are evaluated: the financial risks associated with exchange rate fluctuations are constantly monitored and the Group, if necessary, activates specific hedges by signing various forward currency contracts. During the year, it was not considered appropriate to hedge against exchange rate fluctuations.

F) RISKS CONNECTED TO THE EFFECTS OF THE COVID-19 PANDEMIC

The Group is exposed to the risks connected with the economic, social and financial consequences generated by COVID-19 pandemic, whose evolution is still uncertain. Following the uncontrolled spread of Covid-19 and the consequent health emergency, starting from mid-March 2020 repeated lock downs were imposed on the production activities in the various countries where the Group is present. In all countries, on repeated occasions, measures were taken to contain the pandemic, also by closing production activities and activating remote working (if applicable).
The Group is following developments related to the spread of Covid-19 closely and has, from the very outset, adopted all the necessary organisational, control and prevention measures recommended by the various government and health institutions.

The uncertainty regarding the development of the COVID-19 pandemic and, as a result, the scope of the measures that could be adopted by the competent authorities to handle the situation, make it impossible to rule out, with reasonable certainty, the need to revise the Group's 2021-2023 Business Plan in the future, should the effects of the negative economic trend have a greater impact than estimated.
The Group did not report any delays in the delivery of products or any non-fulfilment of customer orders, thanks to the availability of sufficient stocks of products to cover the commitments undertaken.

BUSINESS OUTLOOK

From a corporate point of view, after streamlining structure in 2021 to make it more efficient through the merger of the Italian company Altek Europe into U Group S.r.l., carried out on 1 May 2021 (with tax and accounting effects from 1 January 2021) and the Tunisian companies Belbis and Granbis into Martek S.a.r.l., again with effect from 1 January 2021. Moreover, the liquidation of the German subsidiary Lupos GmbH is preparing completion, having already transferred the commercial activity to U Group S.r.l.
During 2022 the Group intends to continue its growth on the market of Safety Footwear and Technical Work Clothing at a higher rate than the average of the reference market, and to strength its positioning through the following strategic actions:

- continuous product innovation, which will increase its market share and margins in segments with greater added value;
- additional growth in commercial presence on key markets (Italy, France, and Spain) and expansion in Germany and the UK, based on hiring a new sales force for the purpose of implementing a network of small and medium-sized local distributors;
- increase in brand awareness through marketing initiatives.

The Group continues to closely monitor developments in the spread of the Coronavirus both for the health-related impact it can have on employees (all necessary organisational, control and prevention measures are adopted, informing employees about the behaviour and the interpersonal distances to be maintained, equipping them with the necessary healthcare devices) and in terms of the macroeconomic impact that Covid-19 can have on the reference markets.

With regard to real and potential impacts on revenues, costs, investments and expected cash flows deriving from the limitations imposed by the coronavirus emergency, to date, the Company has no findings that would forecast significant negative effects on the results for 2022.

The Group thus expects to confirm its leadership in the end markets for the current year, supported by the technological leadership and the Italian design of its collections, with a view to continuous enhancement of the brands marketed.

In conducting its business, the Company intends to pursue purposes of the common good, operating in a responsible, sustainable and transparent manner in relation to people, the territory, the environment and other stakeholders, with the goal of generating measurable social value and building the foundations to maintain satisfactory income results that are sustainable over time.

The developments of the recent conflict in Ukraine will also be carefully monitored, however it should be noted that the presence of the Group in the countries affected by the conflict is totally marginal.

OTHER INFORMATION

Pursuant to Article 2428 paragraphs 3 and 4 of the Italian Civil Code, it is specified that the company does not hold, nor has it held during the year, treasury stock units and stock units or stakes in subsidiary companies.

It should also be noted that the Italian subsidiary U Group owns representative offices in France, Germany, Spain, and the United Kingdom.

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Paruzzaro, 25 February 2022

The Chairman of the Board of Directors
(Pier Franco Uzzeni)

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CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

BALANCE SHEET ASSETS

(amounts in Euro thousand)

	NOTES	31.12.2021	31.12.2020
NON-CURRENT ASSETS			
Intangible assets	6	2,998	3,930
Property, plant and equipment	7	34,853	28,065
Rights of use	8	4,278	6,005
Deferred tax assets	9	12,020	13,281
Other non-current assets	10	1,368	1,355
Total Non-current assets		**55,517**	**52,636**
CURRENT ASSETS			
Inventories	11	61,769	51,070
Trade receivables	12	67,339	51,510
Receivables from related parties	13	12	12
Tax receivables	14	189	99
Other current assets	15	11,142	5,576
Cash and cash equivalents and short-term deposits	16	29,420	37,989
Total Current assets		**169,871**	**146,256**
TOTAL ASSETS		**225,388**	**198,892**

BALANCE SHEET LIABILITIES

(amounts in Euro thousand)

	NOTES	31.12.2021	31.12.2020
EQUITY	**17**		
Share capital		10,000	10,000
Other reserves		4,382	4,188
Capital contributions reserves		8,600	8,600
Retained earnings		38,199	22,359
Profit for the year		35,113	33,007
Total Group Equity		**96,294**	**78,154**
Minority interest		-	-
Total Shareholders' Equity		**96,294**	**78,154**
NON-CURRENT LIABILITIES			
Employee benefit obligations	18	1,103	1,014
Provisions	19	5,368	5,052
Payables for non-current taxes		1,211	-
Non-current financial liabilities	20	26,356	35,779
Total Non-current liabilities		**34,038**	**41,845**
CURRENT LIABILITIES			
Current financial liabilities	20	21,141	21,203
Trade payables	21	58,044	41,815
Payables to related parties	37	1,030	2,253
Payables for current taxes	22	6,672	5,781
Other current liabilities	23	8,169	7,841
Total Current liabilities		**95,056**	**78,893**
TOTAL LIABILITIES		**129,094**	**120,738**
TOTAL EQUITY AND LIABILITIES		**225,388**	**198,892**

CONSOLIDATED STATEMENT OF PROFIT/(LOSS) FOR THE YEAR AS AT 31 DECEMBER 2021

(amounts in Euro thousand)

	NOTES	31.12.2021	31.12.2020
Revenues from contracts with customers	24	230,067	172,536
Other revenues and income	25	2,236	1,282
Total revenues and income		**232,303**	**173,818**
Purchases of raw materials and change in inventories	26	(77,452)	(59,718)
Personnel costs	27	(34,325)	(28,407)
Cost of services	28	(59,867)	(41,002)
Other costs and expenses	29	(1,870)	(1,899)
Depreciation and amortisation	30	(6,283)	(6,355)
Write-downs	31	(533)	(352)
Operating profit		**51,973**	**36,085**
Financial income	32	41	101
Financial expenses	33	(761)	**(1,208)**
Other net financial income/(expense)	34	(302)	19
Profit before tax		**50,951**	**34,997**
Income tax	35	(15,838)	(1,990)
Group profit for the year		**35,113**	**33,007**
Profit for the year of third parties		-	-
Total profit for the year		**35,113**	**33,007**
No. shares making up the share capital		**100,000,000**	
Basic/diluted earnings per share – €		**0.35**	**0.33**

* As at 31 December 2020, U-Power Group S.p.A. had the legal form of a limited liability company, modified in 2021 in connection with the admission process to the MTA market. The average number of stock units hypothetically in circulation during the 2020 financial year was determined by taking as reference the number of stock units issued in connection with the transformation of the legal form of U-Power Group S.p.A.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021

(amounts in Euro thousand)

	NOTES	2021	2020
Profit for the year	**17**	**35,113**	**33,007**
Other comprehensive income			
Other comprehensive income (loss) that will be reclassified to profit or loss for the year in subsequent periods: (net of tax)			
Net gain/(loss) on cash flow hedges	20	151	(13)
Net other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods, net of tax		**151**	**(13)**
Other comprehensive income (loss) that will not be reclassified to profit or loss for the year in subsequent periods, net of tax Remeasurement gain/(loss) on defined benefit plans		(24)	(11)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods, net of tax		**(24)**	**(11)**
Other comprehensive income/(loss), net of tax		**127**	**(24)**
Total Group comprehensive income/(loss), net of tax		**35,240**	**32,983**
Total third-party comprehensive income/(loss), net of tax		-	-
Total comprehensive income/(loss), net of tax		**35,240**	**32,983**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2021

(amounts in Euro thousand)

	Share capital	Other reserves	Capital contributions reserves	Retained earnings	Result for the year	Total Group Equity	Minority interest	Total Equity
NOTES	18	18	18	18	18	18	18	18
Balance as at 1 January 2020	**10,000**	**3,491**	**8,600**	**16,364**	**18,966**	**57,421**	**-**	**57,421**
Allocation of 2019 profit	-	721	-	18,245	(18,966)	-	-	-
Dividends 2020	-	-	-	(12,250)	-	(12,250)	-	(12,250)
Profit for the year	-	-	-	-	33,007	33,007	-	33,007
Other comprehensive income	-	(24)	-	-	-	(24)	-	(24)
Balance as at 31 December 2020	**10,000**	**4,188**	**8,600**	**22,359**	**33,007**	**78,154**	**-**	**78,154**
Allocation of 2020 profit	-	67	-	32,940	(33,007)	-	-	-
Dividends 2021	-	-	-	(17,100)	-	(17,100)	-	(17,100)
Profit for the year	-	-	-	-	35,113	35,113	-	35,113
Other comprehensive income	-	127	-	-	-	127	-	127
Balance as at 31 December 2021	**10,000**	**4,382**	**8,600**	**38,199**	**35,113**	**96,294**	**-**	**96,294**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2021

(amounts in Euro thousand)

	NOTES	2021	2020
Operating Activities:			
PROFIT FROM OPERATING ACTIVITIES NET OF TAXES		**35,113**	**33,007**
Adjustments to reconcile profit to net cash flows before taxes:			
Amortisation and impairment of intangible assets	*6-30*	*1,063*	*1,033*
Depreciation and impairment of property, plant and equipment	*7-30*	*4,147*	*4,134*
Amortisation and impairment of right-of-use assets	*8-30*	*1,073*	*1,188*
Financial income	*32*	*(41)*	*(101)*
Financial expenses	*33*	*761*	*1,209*
Other financial income and expense	*34*	*302*	*(19)*
Income tax	*35*	*15,838*	*1,990*
Write-down of current assets	*31*	*533*	*352*
Subtotal of operating activities		**58,789**	**42,792**
Net change in employee severance indemnity and pension funds	*18*	*52*	*72*
Net change in provisions for risks and charges	*19*	*316*	*415*
Interest paid		*(891)*	*(813)*
Income taxes paid		*(13,833)*	*(11,761)*
Net foreign exchange differences	*34*	*(352)*	*39*
Changes in working capital:			
Changes in inventories	*11*	*(10,699)*	*(3,795)*
(Increase)/decrease in trade receivables	*12*	*(16,362)*	*(9,117)*
(Increase)/decrease in other non-financial assets		*(5,570)*	*523*
Increase/(decrease(in trade payables	*21*	*16,227*	*6,341*
Increase/(decrease) in other non-financial liabilities		*338*	*(2,677)*
NET CASH FLOWS FROM OPERATING ACTIVITIES		**28,015**	**22,019**
Investing activities:			
Investments in intangible assets	*6*	*(131)*	*(155)*
Investments in property, plant and equipment	*7*	*(10,935)*	*(4,899)*
(Increase)/decrease in financial assets		*15*	*(297)*
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(11,051)**	**(5,350)**
Financing activities:			
Increase in non-current loans and financing	*20*	*13,000*	*40,750*
(Repayment) of non-current borrowings	*20*	*(17,951)*	*(27,018)*
(Repayment of)/increase in current loans	*20*	*(3,482)*	*1,154*
Dividends paid to the shareholders of the Parent Company	*17*	*(17,100)*	*(14,938)*
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(25,533)**	**(52)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(8,569)**	**16,617**
Cash and cash equivalents at the beginning of the year	16	37,989	21,372
Cash and cash equivalents at the end of the year		**29,420**	**37,989**

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

U-POWER GROUP S.P.A. is a company registered and domiciled in Italy.
The registered office is in Paruzzaro (NO), in via Borgomanero 50.

The U-POWER Group is active in the research, development and design ("R&D"), production and sale of certain personal protective equipment ("PPE"), intended for individual protection and safety in the work environments of operators in the different sectors of industry and trade, as well as agriculture, including therein highly regulated sectors (such as the chemical industry, construction, farming, construction in general and services).

The Group directly controls the entire value chain of the design, prototyping, production and sales of safety footwear and technical clothing.

The Group consolidated financial statements include:

Name	Registered office	Type of control	Currency	Functional currency	% equity investment 2021	% equity investment 2020
U-Group S.r.l.	Italy	Direct	EUR	EUR	100%	100%
U-Logistics S.r.l.	Italy	Direct	EUR	EUR	100%	100%
Lupos G.m.b.H.	Germany	Direct	EUR	EUR	100%	100%
Martek Sarl	Tunisia	Direct	TND	EUR	100%	100%
Jallatte SAS	France	Direct	EUR	EUR	100%	100%

The Tunisian companies have used the Euro as the functional currency.
During the course of the year, the mergers were finalised:
- of the subsidiary Altek Europe S.r.l. in U-Group S.r.l.
- of the subsidiaries Granbis S.a.r.l. and Belbis S.a.r.l. in Martek S.a.r.l.

Furthermore, during 2021, branches in France, Spain, Germany and England were set up by the affiliate U-Group S.r.l. It should be Noted that the subsidiary Lupos G.m.b.H. is no longer active and has been put into liquidation.

The scope of consolidation remains unchanged with respect to the previous period.

Ultimate parent

The ultimate parent of the U-POWER GROUP S.P.A group is Fin Reporter S.r.l., also domiciled in Italy, which owns 100% of the shares.

2. DRAFTING PRINCIPLES AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES

2.1 DRAFTING PRINCIPLES

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).
The consolidated financial statements have been drawn up on the basis of the historical cost principle, except for real estate investments, some properties for office use (classified under the item property, plant and equipment), derivative financial instruments, financial assets represented by

shares or bonds in the portfolio, and potential payments which are recognised at fair value.
The book value of assets and liabilities that are subject to fair value hedging transactions and which would otherwise be recognised at amortised cost, is adjusted to take into account the changes in fair value attributable to the hedged risks.
The consolidated financial statements, consisting of the statement of financial position, the statement of profit/(loss) for the year, the statement of other comprehensive income, the statement of changes in equity, the cash flow statement and the explanatory notes to the financial statements.
The Company has chosen, among the various options allowed by IAS 1, to present the balance sheet items according to the distinction between "current/non-current" and the income statement, classifying the costs by nature. The cash flow statement, on the other hand, was prepared using the indirect method.
The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand euros, unless otherwise indicated.
The Group has prepared the financial statements on the assumption that the business continuity requirement is maintained.

2.2 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The principles and interpretations listed below were adopted after 1 July 2020 and are effective for annual financial years starting after 1 January 2021. Not all the principles and amendments listed have had an impact on these illustrative financial statements.
The following new standards and amendments are effective from 1 January 2020:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16.

The Group has not arranged for the early adoption of any other standard, interpretation or amendment, issued but still not in force.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of U-Power S.p.A. and its subsidiaries as at 31 December 2021.

Control is obtained when the Group is exposed or has the right to variable returns, deriving from its relationship with the entity subject to investment and, at the same time, has the ability to affect these returns by exercising its power over that entity.
Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee entity (or holds valid rights that give it the current ability to manage the relevant activities of the investee entity);
- exposure or rights to variable returns deriving from the relationship with the investee entity;
- the ability to exercise its power over the investee to affect the amount of its returns.

Generally, there is a presumption that the majority of voting rights entails control. In support of this presumption and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all the relevant facts and circumstances to determine whether it controls the investee, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements relevant to the definition of control. The consolidation of a subsidiary begins when the Group gains control of it and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements from the date in which the Group obtains control until the date in which the Group no longer exercises control over the company.
The profit/(loss) for the year and each of the other components of the comprehensive income statement are attributed to the owners of the parent company and to the minority interests, even if this implies that the minority interests have a negative balance. When necessary, appropriate adjustments are made to the financial statements of the subsidiaries in order to ensure compliance with the Group's accounting policies. All assets and liabilities, shareholders' equity, revenues, costs and infra-group cash flows relating to transactions between Group entities are completely eliminated in the consolidation phase.
Changes in the shareholding in a controlled company that do not lead to a loss of control are recognised in shareholders' equity.
If the Group loses control of a subsidiary, it must eliminate

the related assets (including goodwill), liabilities, minority interests and other components of shareholders' equity, while any profit or loss is recognised in the income statement. Any share held must be recognised at fair value.

2.4 SUMMARY OF THE MAIN ACCOUNTING PRINCIPLES

2.4.1. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value at the acquisition date, and the amount of the minority shareholding in the acquiree. For each business combination, the Group defines whether to measure the minority interest in the acquired company at fair value or in proportion to the share of the minority interest in the net identifiable assets of the acquired company. Acquisition costs are expensed in the year and classified under administrative expenses. The Group determines that it has acquired a business when the integrated set of activities and assets includes at least one factor of production and a substantial process which together contribute significantly to the ability to generate an output. The acquired process is considered substantial if it is crucial to the ability to continue to generate output and the acquired factors of production include an organised workforce that has the necessary skills, knowledge, or experience to carry out that process or contributes significantly to the ability to continue to generate an output and is considered unique or scarce or cannot be replaced without significant costs, efforts, or delays for the ability to continue generating an output. When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed in accordance with the contractual terms, economic, and other relevant conditions existing at the acquisition date. This includes checking whether an embedded derivative should be separated from the host agreement. Any potential consideration to be recognised is done so by the purchaser at fair value on the acquisition date. The potential consideration classified as equity is not subject to remeasurement and its subsequent payment is accounted for with a balancing entry in equity. The change in the fair value of the contingent consideration classified as an asset or liability, as a financial instrument that falls within the scope of IFRS 9 Financial instruments, must be recognised in the income statement in accordance with IFRS 9. The contingent consideration that does not fall within the scope of the IFRS 9 is measured at fair value at the balance sheet date and changes in fair value are recognised in the income statement. Goodwill is initially recognised at cost represented by the excess of the total amount paid and the amount recorded for the minority interests with respect to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total amount paid, the Group again checks whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the new valuation still shows a fair value of the net assets acquired higher than the consideration, the difference (profit) is recognised in the income statement. After initial recognition, goodwill is valued at cost net of accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired in a business combination is allocated, from the acquisition date, to each cash-generating unit of the Group which is expected to benefit from the synergies of the combination, to regardless of whether other assets or liabilities of the acquired entity are assigned to such units. If the goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of that unit, the goodwill associated with the divested business is included in the carrying amount of the asset when determining the profit or the loss of the divestiture. The goodwill associated with the divested business is determined on the basis of the relative values of the divested business and the retained part of the cash-generating unit.

2.4.2. Current/non-current classification

The assets and liabilities in the Group's financial statements are classified according to the current/non-current criterion.
An asset is current when:

- it is assumed that it is made, or is held for sale or consumption, in the normal course of the operating cycle;
- it is mainly held for the purpose of trading it;
- it is assumed that it will be realised within twelve months from the closing date of the financial year; or
- it consists of cash and cash equivalents unless it is forbidden to exchange it or use it to extinguish a liability for at least twelve months from the closing date of the financial year.

All other assets are classified as non-current.

A liability is current when:

- it is expected to expire in its normal operating cycle;
- it is mainly held for the purpose of trading it;
- it must be settled within twelve months from the closing date of the financial year; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months from the closing date of the financial year.

The Group classifies all other liabilities as non-current.
Assets and liabilities for prepaid and deferred taxes are classified among non-current assets and liabilities.

2.4.3 Fair value measurement

The Group evaluates financial instruments such as derivatives at fair value at each balance sheet date.
Fair value is the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability, in a regular transaction between market operators on the valuation date. A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the principal market for the asset or liability;

or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The main market or the most advantageous market must be accessible for the Group.
The fair value of an asset or liability is measured by adopting the assumptions that market operators would use in determining the price of the asset or liability, assuming that they act to best satisfy their economic interest.
A fair value measurement of a non-financial asset considers the ability of a market operator to generate economic benefits by using the asset to its maximum and best use, or by selling it to another market operator who would use it to its maximum and best use.
The Group uses valuation techniques that are suitable for the circumstances and for which there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which the fair value is measured or shown in the financial statements are categorised according to the fair value hierarchy, as described below:

- Level 1 – the prices quoted (unadjusted) in active markets for identical assets or liabilities that the entity can access at the valuation date;
- Level 2 – Inputs other than the quoted prices included in Level 1, observable directly or indirectly for the asset or liability;
- Level 3 – valuation techniques for which the input data is not observable for the asset or liability.

The fair value measurement is classified entirely in the same level of the fair value hierarchy in which the input of the lowest hierarchy level used for the measurement is classified.
For assets and liabilities recognised in the financial statements at fair value on a recurring basis, the Group determines whether any transfers have taken place among the levels of the hierarchy by reviewing the categorisation (based on the lowest level input, which is significant for the purposes of assessing fair value in its entirety) at each balance sheet date.
For the purposes of disclosure relating to fair value, the Group determines the classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability, and the level of the fair value hierarchy, as previously illustrated.
Information relating to the fair value of financial instruments and non-financial assets designated at fair value is reported in note 7.

2.4.4. Revenues from contracts with customers

The Group is engaged in the supply of safety footwear and technical clothing.
Revenues deriving from contracts with customers are recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for such goods or services. The Group has generally concluded that it acts as Principal for most of the revenue-generating agreements as it usually controls the goods and services prior to their transfer to the customer. The Group has concluded that the sale of the products is the only performance obligation of the contract.

Sale of safety footwear and technical clothing

Revenues from the sale of safety footwear and technical clothing are recognised when control of the goods passes to the customer, generally at the time of delivery of the goods to the customer's home. The usual terms of commercial extension range from 30 to 120 days from shipment.
In determining the price of the sale transaction for safety footwear and technical clothing, the Group considers the effects deriving from the presence of variable consideration, such as discounts on purchase volumes, and estimates the amount of the consideration to which it will be entitled in exchange for the transfer of goods to the customer.

Contractual balances – Trade receivables

A receivable is recorded if the consideration is unconditionally owed by the customer (that is to say, it is only necessary that the time elapses for the payment of the consideration to be obtained). Please refer to the paragraph on the standards in section 2.3.12 Financial instruments – initial recognition and subsequent measurement.

2.4.5. Income tax

Current taxes

Current tax assets and liabilities for the year are valued at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax legislation used to calculate the amount are those issued, or substantially in force, at the balance sheet date in the countries where the Group operates and generates its taxable income.

Current taxes relating to elements recognised directly in shareholders' equity are also recognised in shareholders' equity and not in the statement of profit/(loss) for the year. Management periodically assesses the position taken in the tax return in cases where tax regulations are subject to interpretation and, where appropriate, allocates provisions.

Deferred taxes

Deferred taxes are calculated by applying the so-called "liability method" to the temporary differences at the balance sheet date between the tax values of assets and liabilities and the corresponding balance sheet values.

Deferred tax liabilities are recognised on all taxable temporary differences, with the following exceptions:

- deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, does not affect either the financial statement result or the tax result;
- the reversal of taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures can be controlled, and it is probable that this will not occur in the foreseeable future.

Deferred tax assets are recognised against all temporary deductible differences, unused tax credits, and losses that can be carried forward, to the extent that it is probable that sufficient future taxable income will be available, which may allow the use of deductible temporary differences and tax credits and losses carried forward, except in cases where:

- the deferred tax asset linked to the deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction itself, does not affect either the financial statement result or the tax result;
- in the case of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, the deferred tax assets are recognized only to the extent that it is probable that they will reverse in the foreseeable future and that there will be sufficient taxable income for the recovery of such temporary differences.

The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to allow all or part of this credit to be used. Unrecognised deferred tax assets are reviewed at each balance sheet date and are recognised to the extent that it becomes probable that the tax income will be sufficient to allow the recovery of such deferred tax assets.

Deferred tax assets and liabilities are measured on the basis of the tax rates that are expected to be applied in the year in which these assets will be realised or these liabilities will be extinguished, considering the rates in force and those already issued, or substantially in force, at the date budget.

Deferred taxes relating to elements recognised outside the income statement are also recognised outside the income statement and, therefore, in shareholders' equity or in the comprehensive income statement, consistently with the element to which they refer.

Deferred tax assets and deferred tax liabilities are offset where there is a legal right that allows offsetting current tax assets and current tax liabilities, and the deferred taxes refer to the same taxpayer and the same tax authority.

Tax benefits acquired following a business combination, but which do not meet the criteria for separate recognition at the acquisition date, are eventually recognised later, when new information is obtained on changes in facts and circumstances. The adjustment is recognised as a reduction in goodwill (up to the amount of goodwill), if it is recognised during the measurement period, or in the income statement, if recognised later.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, there is a legal right that allows it to offset current tax assets and current tax liabilities, and the deferred tax assets and liabilities refer to income taxes due to the same tax authority by the same taxpayer or by different taxpayers who intend to settle current tax assets and liabilities on a net basis, or realise the asset and settle the liability simultaneously, with reference to each future period in which deferred tax assets and liabilities are expected to be settled or recovered.

Indirect duties

Costs, revenues, assets, and liabilities are recognised net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible; in this case it is recognised as part of the purchase cost of the asset or part of the cost recognised in the income statement; and
- trade receivables and payables include the applicable indirect tax.

The net amount of indirect taxes to be recovered or paid to the tax authorities is included in the balance sheet under receivables or payables.
It should be noted that the parent company opted together with the other resident group companies for the group VAT payment; the adoption of the VAT consolidation makes it possible to aggregate, for the consolidating parent company, the credit or debit VAT settlements of the parent company with those of the consolidated Italian companies.

2.4.6. Translation of foreign currency items

The consolidated financial statements are presented in euro which is the functional and presentation currency adopted by the parent company. Each Group company defines its own functional currency, which is used to measure the items included in the individual financial statements. The Group uses the direct consolidation method; the profit or loss reclassified to the income statement at the time of the sale of a foreign subsidiary represents the amount that emerges from the use of this method.

2.4.6.1. Tunisian companies included in the consolidation area

The Tunisian companies have decided to use the Euro as the functional currency as indicated by IAS 21.
IAS 21 defines functional currency as the currency of the main economic environment in which the entity operates, i.e. the one in which the entity generates and uses its cash and cash equivalents. IAS 21 outlines a series of factors and indicators that an entity should consider in determining the functional currency.
Management believes that the euro currency more faithfully represents the economic effects of underlying events, transactions and conditions based on the following indicators:

- Influence of the selling prices of goods and services (which in most cases will coincide with the currency in which the selling prices of goods and services are denominated and regulated);
- The country whose competitive forces and regulations mainly determine the selling prices of goods and services;
- Influence of the cost of labour, procurement of materials, and other costs of supplying goods and services (which in most cases will coincide with the currency in which these costs are denominated and regulated).

2.4.7. Dividends

The Parent Company recognises a liability for the distribution of a dividend to its shareholders when the distribution is adequately authorised and is no longer at the discretion of the company. Under Italian company law, a distribution is authorised when it is approved by the shareholders. The amount corresponding to the dividends distributed is recognised directly as a reduction of shareholders' equity.

2.4.8. Property, plant and equipment

Property, plant and equipment are recognised at historical cost, net of the related accumulated depreciation and accumulated impairment losses. This cost includes the costs for the replacement of part of equipment and plants when they are incurred, if they comply with the recognition criteria. Where it is necessary to periodically replace significant parts of plants and equipment, the Group amortises them separately on the basis of the specific useful life. Similarly, on the occasion of major overhauls, the cost is included in the book value of the plant or equipment as in the case of replacement, where the criterion for recognition is met. All other repair and maintenance costs are recognised in the income statement when incurred. The present value of the cost of dismantling and removing the asset at the end of its use is included in the cost of the asset, if the recognition criteria for a provision are met.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Land and buildings	from 3% to 10%
Plant and equipment	from 10% to 15%
Industrial and commercial equipment	from 10% to 25%
Other assets	
• Electronic office machines	from 20% to 33%
• Furniture	from 10% to 12%

The book value of an element of property, plant and equipment and any significant component initially recognised are eliminated at the time of disposal (i.e. on the date on which the purchaser obtains control) or when no future economic benefit is expected from their use or disposal. The profit/loss that emerges at the time of the derecognition of the asset (calculated as the difference between the book value of the asset and the net consideration) is recognised in the income statement when the element is derecognised.
The residual values, useful lives and depreciation methods

of property, plant and equipment are reviewed at each year-end and, where appropriate, corrected prospectively.

2.4.9. Leasing

The Group assesses at the time of signing a contract whether it is, or contains, a lease. In other words, if the contract confers the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets. The Group recognises the liabilities relating to leasing payments and the right-of-use asset which represents the right to use the asset underlying the contract.

i) Right-of-use activity

The Group recognises the right-of-use assets on the lease start date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment, and adjusted for any remeasurement of leasing liabilities. The cost of the right-of-use assets includes the amount of recognised leasing liabilities, the initial direct costs incurred and the lease payments made on or before the commencement date, net of any incentives received. Right-of-use assets are amortised on a straight-line basis from the effective date to the end of the useful life of the right-of-use asset or, if earlier, at the end of the lease term, as follows:

- Land and buildings from 3% to 10%
- Industrial plants, machinery and equipment from 10% to 25%
- Other assets from 10% to 33%

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the Royalty fee reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the asset consisting of the right of use from the effective date until the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment. Please refer to what is indicated in section 2.3.15 Impairment of non-financial assets.

ii) Right-of-use liabilities

At the effective date of the lease, the Group recognises the lease liabilities by measuring them at the present value of the payments due for the lease not paid at that date. Payments due include fixed payments (including fixed payments in substance) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts that are expected to be paid under the of residual value guarantees. Lease payments also include the exercise price of a purchase option if it is reasonably certain that this option will be exercised by the Group and the lease termination penalty payments, if the lease term takes into account exercise by the Group of the termination option of the lease itself.

Variable lease payments that do not depend on an index or rate are recognised as costs in the period (unless they were incurred for the production of inventories) in which the event or condition that generated the payment occurs.

In calculating the present value of payments due, the Group uses the marginal loan rate at the start date if the implicit interest rate cannot be easily determined. After the effective date, the amount of the lease liability increases to take into account the interest on it and decreases to consider the payments made. Furthermore, the book value of the lease payables is restated in the event of any changes to the lease or for the revision of the contractual terms for the modification of payments; it is also restated in the presence of changes in the valuation of the purchase option of the underlying asset or due to changes in future payments resulting from a change in the index or rate used to determine such payments.

Leasing liabilities of the Group are included in the item Financial liabilities (see note 21).

iii) Short-term leasing and leasing of low-value assets

The Group applies the exemption for the recognition of short-term leases relating to machinery and equipment (i.e., leases that have a duration of 12 months or less from the inception date and do not contain a purchase option). The Group has also applied the exemption for leases relating to low-value assets in reference to leasing contracts relating to office equipment whose value is considered low. The instalments relating to short-term leases and leases of low-value assets are recognised as costs on a straight-line basis over the lease term.

2.4.10. Financial expenses

Financial expenses directly attributable to the acquisition, construction, or production of an asset that requires a fairly long period before being available for use, are capitalised on the cost of the asset itself. All other financial expenses are recognised under costs for the year in which they are incurred. Financial expenses consist of interest and other costs that an entity incurs in connection with obtaining loans.

2.4.11. Intangible assets

Intangible assets acquired separately are initially recognised at cost, while those acquired through business combinations are recognised at fair value at the acquisition date. After initial recognition, intangible assets are recognised at cost, net of accumulated amortisation and any accumulated impairment losses. Intangible assets produced internally, with the exception of development costs, are not capitalised and are recognised in the income statement in the year in which they were incurred.
The useful life of intangible assets is assessed as finite or indefinite.
Intangible assets with a finite useful life are amortised over their useful life and are subject to a verification of the adequacy of their value whenever there are indications of a possible loss in value. The amortisation period and the amortisation method of an intangible asset with a finite useful life is reconsidered at least at the end of each financial year. Changes in the expected useful life or in the ways in which the future economic benefits associated with the asset will be realised are recognised by changing the depreciation period or method, as appropriate, and are considered changes in accounting estimates. The amortisation stakes of intangible assets with a finite useful life are recognised in the profit/(loss) for the year in the cost category consistent with the function of the intangible asset.
Intangible assets with an indefinite useful life are not amortised, but are subjected annually to the impairment test, both at the individual level and at the level of the cash flow generating unit. The valuation of the indefinite useful life is reviewed annually to determine whether this attribution continues to be sustainable, otherwise the change from indefinite useful life to finite useful life is applied prospectively. It should be noted that the Group does not hold intangible assets with an indefinite useful life.
An intangible asset is derecognised at the time of disposal (that is, at the date on which the acquirer obtains control of it) or when no future economic benefits are expected from its use or disposal. Any profit or loss deriving from the elimination of the asset (calculated as the difference between the net consideration for the disposal and the book value of the asset) is included in the income statement.

Concessions, licences and trademarks

The item includes the trademarks of the Group, in part corresponding to the purchase cost, and in part deriving from the allocation of the initial positive cancellation difference generated on first consolidation within the limit of the current value of these assets and, in any case, for values not higher than their recoverable value, including prepaid and deferred taxes recorded against the capital gains allocated. Trademarks are amortised on a straight-line basis over a period of 10 years, corresponding, on the basis of specific appraisals drawn up by specialists, to the period of production and marketing of the products to which they refer.
The item also includes software recorded at purchase cost and are amortised on a straight-line basis over a period of 5 years.

Research and development costs

Research costs are charged to the income statement for the year in which they are incurred. Development costs incurred in relation to a specific project are recognised as intangible assets when the Group is able to demonstrate:

- the technical possibility of completing the intangible asset, so that it is available for use or sale;
- the intention to complete the asset and one's ability and intention to use or sell it;
- the ways in which the asset will generate future economic benefits;
- the availability of resources to complete the task; and
- the ability to reliably assess the cost attributable to the asset during development.

After initial recognition, development activities are valued at cost less depreciation or accumulated impairment losses. Depreciation of the asset begins when development is completed and the asset is available for use. Development activities are amortised over a period of 5 years. During the development period, the asset is subject to an annual impairment test for any loss in value.
The Group did not recognise any development costs in the years 2021 and 2020.

2.4.12. Financial instruments – Recognition and evaluation

A financial instrument is any agreement that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

i) Financial assets

Initial recognition and evaluation

Upon initial recognition, financial assets are classified, as appropriate, based on the subsequent measurement methods, i.e. at amortised cost, at fair value recognised in the OCI comprehensive income statement and at fair value recognised in the income statement.
The classification of financial assets at the time of initial

recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses to manage them. With the exception of trade receivables which do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially values a financial asset at its fair value plus, in the case of a financial asset that is not at fair value recognised in the income statement, the transaction costs. Trade receivables which do not contain a significant financing component or for which the Group has applied the practical expedient are valued at the transaction price as illustrated in paragraph (2.3.4) Revenues from contracts with customers.
In order for a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate financial flows that depend solely on the capital and interest on the amount of capital to be repaid (so-called 'solely payments of principal and interest (SPPI)'). This evaluation is referred to as the SPPI test and is performed at the instrument level. Financial assets whose cash flows do not meet the above requirements (e.g. SPPI) are classified and measured at fair value through profit or loss.
The Group's business model for managing financial assets refers to the way it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of financial assets or from both.
Financial assets classified and measured at amortised cost are held within the framework of a business model whose objective is the possession of financial assets aimed at collecting contractual cash flows, while financial assets that are classified and measured at fair value recognised in OCI are held within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets.
The purchase or sale of a financial asset that requires its delivery within a period of time generally established by regulation or market conventions (so-called standardised sale or regular way trade) is recognised on the trade date, i.e. the date on which the Group undertook to purchase or sell the asset.

Subsequent evaluation

For the purposes of subsequent evaluation, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value recognised in the comprehensive income statement with reclassification of accumulated profits and losses (debt instruments);
- Financial assets at fair value recognised in the comprehensive income statement without reversal of accumulated profits and losses at the time of their elimination (capital instruments);
- Financial assets at fair value reported in the Income Statement.

The first and fourth types are present in the Group.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest criterion and are subject to impairment. Gains and losses are recognised in the income statement when the asset is eliminated, modified, or revalued.

Financial assets at fair value reported in the Income Statement

Financial instruments at fair value with changes recognised in the income statement are recognised in the statement of financial position at fair value and net changes in fair value recognised in the profit/(loss) for the year.
Derivative instruments fall into this category.
The embedded derivative contained in a non-derivative hybrid agreement, in a financial liability or in a main non-financial agreement, is separated from the main agreement and accounted for as a separate derivative, if: its economic characteristics and the associated risks are not strictly associated to those of the main agreement; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid agreement is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value, with the changes in fair value recognised in the income statement. A restatement occurs only in the event of a change in the terms of the agreement that significantly modifies the otherwise expected cash flows or a reclassification of a financial asset to a category other than fair value in the income statement.

Cancellation

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is first derecognised (e.g. removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset are extinguished; or
- the Group has transferred the right to receive cash flows from the asset to a third party or has assumed a contractual obligation to pay them in full and without delay and (a) has substantially transferred all the risks and benefits of ownership of the financial asset, or (b) has not transferred

or withheld substantially all the risks and rewards of the asset, but has transferred control of the same.

In cases where the Group has transferred the rights to receive cash flows from an asset or has signed an agreement under which it maintains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the financial flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits inherent in ownership. In the event that it has neither transferred nor retained substantially all the risks and benefits or has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its residual involvement in the asset itself. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that remain attributable to the Group.

Loss of value

The Group records an expected credit loss ('ECL') for all financial assets represented by debt instruments not held at fair value through profit or loss. The ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted to an approximation of the original effective interest rate. The expected cash flows will include the cash flows deriving from the enforcement of the collateral held or other credit guarantees which are an integral part of the contractual conditions.
Expected losses are recognised in two stages. With regard to credit exposures for which there has not been a significant increase in credit risk since initial recognition, the credit losses deriving from the estimate of default events that are possible within the next 12 months (12-month ECL) must be recognised. For credit exposures for which there has been a significant increase in credit risk since initial recognition, the expected losses referring to the residual duration of the exposure must be recognised in full, regardless of when the default event is expected to occur ("Lifetime ECL").
For trade receivables and assets deriving from agreements, the Group applies a simplified approach in calculating expected losses. Therefore, the Group does not monitor changes in credit risk, but records the expected loss in full at each reference date. The Group has defined a matrix system based on historical information, revised to consider forward-looking elements with reference to the specific types of debtors and their economic environment, as a tool for determining expected losses.
For assets represented by debt instruments measured at fair value recognised in OCI, the Group applies the simplified approach permitted for low credit risk assets. At each balance sheet date, the Group assesses whether the debt instrument is deemed to have low credit risk using all available information that can be obtained without excessive costs or efforts. In making this assessment, the Group monitors the creditworthiness of the debt instrument. Furthermore, the Group assumes that there has been a significant increase in credit risk when the contractual payments are overdue for more than 30 days.
The Group considers a financial asset in default when the contractual payments are past due by 180 days. In some cases, the Group may also consider that a financial asset is in default when internal or external information indicates that it is unlikely that the Group will fully recover the contractual amounts before having considered the credit guarantees held by the Group. A financial asset is eliminated when there is no reasonable expectation of recovery of the contractual cash flows.

ii) Financial liabilities

Initial recognition and evaluation

Financial liabilities are classified, at the time of initial recognition, among financial liabilities at fair value through profit or loss, among mortgages and loans, or among derivatives designated as hedging instruments.
All financial liabilities are initially recognised at fair value to which, in the case of mortgages, loans and payables, the transaction costs directly attributable to them are added.
The financial liabilities of the Group include trade payables and other payables, mortgages and loans, including overdrafts and derivative financial instruments.

Subsequent evaluation

For the purposes of subsequent valuation, financial liabilities are classified into two categories:

- Financial liabilities at fair value reported in the Income Statement
- Financial liabilities at amortised cost (financing and loans)

In the Group there is only the second type.

Financial liabilities at amortised cost (financing and loans)

This is the most relevant category for the Group. After initial recognition, the loans are valued with the amortised cost criterion using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process.
The amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that are

an integral part of the effective interest rate. Amortisation at the effective interest rate is included in the financial charges in the profit/(loss) statement.
This category generally includes interest-bearing loans and receivables. See note 21 for more information.

Cancellation
A financial liability is cancelled when the obligation underlying the liability is extinguished, cancelled or fulfilled. Where an existing financial liability is replaced by another of the same lender, under substantially different conditions, or the terms of an existing liability are substantially changed, such exchange or modification is treated as a write-off of the original liability, accompanied by the recognition of a new liability, with entry in the profit/(loss) for the year of any differences between the book values.

iii) Clearing of financial instruments
A financial asset and a financial liability can be offset in the net balance shown in the statement of financial position, if there is a current legal right to offset the amounts recognised in the accounts and there is an intention to settle the net residual, or to realise the asset and at the same time extinguish the liability.

2.4.13. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments including interest rate swaps to hedge interest rate risks on loans. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is signed and, subsequently, they are measured again at fair value. Derivatives are accounted for as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
At the start of a hedging transaction, the Group designates and formally documents the hedging relationship, to which it intends to apply hedge accounting, its objectives in risk management and the strategy pursued.
The documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk and the ways in which the Group will assess whether the hedging relationship satisfies the hedging effectiveness requirements (including the analysis of the sources of ineffectiveness of the coverage and how the coverage ratio is determined). The hedging relationship meets the eligibility criteria for hedge accounting if it meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the aforementioned economic relationship;
- the hedging ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge this quantity of hedged item.

With regard to the cash flow hedge operation, the Group recognises the portion of profit or loss on the hedged instrument relating to the effective hedging part, in the statement of the other comprehensive income in the "cash flow hedge" reserve, while the ineffective part is recognised directly in the profit/(loss) for the year. The cash flow hedge reserve is adjusted to the lower of the cumulative profit or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

2.4.14. Inventories

Inventories are valued at the lower of cost and presumed net realisable value. The purchase or production cost is calculated using the weighted average cost method.
The cost of inventories includes the transfer, from the other components of the comprehensive income statement, of the profits and losses deriving from operations qualified to hedge cash flows relating to the purchase of raw materials.
The estimated net realisable value consists of the normal estimated sale price in the normal course of business, less the estimated costs of completion and the estimated costs to make the sale.
In the event that obsolete or slow-moving stocks are recognised, these are written down on the basis of their possibility of use or realisation. The original value is restored in the year in which the reasons for a previous write-down no longer exist.

2.4.15. Impairment of non-financial assets

At the end of each financial statements, the Group assesses the possible existence of indicators of impairment of the assets. In this case, or in cases where an annual impairment test is required, the Group makes an estimate of the recoverable value. The recoverable value is the greater of the fair value of the asset or unit generating cash flows, net of sales costs, and its value in use. The recoverable value is determined for each individual asset, except when this asset generates cash flows that are not largely independent from those generated by other assets or groups of assets. If the book value of an asset is higher than its recoverable value, this asset has suffered a loss in value and is con-

sequently written down to bring it back to the recoverable value.
In determining the value in use, the Group discounts estimated future cash flows to the present value using a pre-tax discount rate, which reflects the market valuations of the present value of money and the specific risks of the asset. In determining the fair value net of sales costs, recent transactions on the market are taken into account. If such transactions cannot be identified, an appropriate valuation model is used.
The Group bases its impairment test on detailed budgets and forecast calculations, prepared separately for each cash-generating unit of the Group to which individual assets are allocated. These budgets and forecast calculations cover a period of three years. A long-term growth rate is calculated to project future cash flows beyond the third year.
Losses in value of continuing operations are recognised in the profit/(loss) for the year in the cost categories consistent with the destination of the asset that showed the loss in value.
For assets other than goodwill, at the end of each financial year, the Group assesses the existence of indications of the elimination (or reduction) of previously recognised losses in value and, if such indications exist, estimates the recoverable value of the asset or of the CGU. The value of an asset previously written down can be restored only if there have been changes in the assumptions on which the calculation of the recoverable value was based, subsequent to the recognition of the last loss in value. The recovery of value cannot exceed the book value which would have been determined, net of depreciation, in the event that no impairment had been recognised in previous years. This recovery is recognised in the profit/(loss) for the year.
Intangible assets with an indefinite useful life are tested for impairment at least once a year, at the level of the cash-generating unit and when circumstances indicate that there may be a loss in value.

2.4.16. Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits include cash in hand and sight and short-term deposits with a maturity of no more than three months, which are not subject to significant risks associated with the change in value.
For the purposes of representation in the consolidated cash flow statement, cash and cash equivalents are represented by cash and cash equivalents as defined above, net of bank overdrafts as these are considered an integral part of the Group's liquidity management.

2.4.17. Provisions for risks and charges

Allocations to provisions for risks and charges are made when the Group has to meet a current obligation (legal or constructive) resulting from a past event, an outlay of resources to meet this obligation is probable and it is possible to make an estimate reliable of its amount. When the Group believes that a provision for risks and charges will be partially or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately as an asset if, and only if, it is practically certain. In this case, the cost of any provision is presented in the statement of profit/(loss) for the year net of the amount recognised for the indemnity.
If the effect of the value of money over time is significant, the provisions are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the liability is discounted, the increase in the provision due to the passage of time is recognised as a financial charge.

2.4.18. Pension funds and other post-employment benefits

The compulsory severance pay (TFR) for Italian companies pursuant to article 2120 of the Italian Civil Code has the nature of deferred remuneration and is related to the duration of the working life of employees and the remuneration received.
As a result of the complementary pension reform, amounts of post-employment benefits accrued up to 31 December 2006 will continue to remain with the company as they represent a defined benefit plan (obligation for benefits accrued subject to actuarial evaluation), while amounts accruing from 1 January 2007 (with the exception of employees in companies with fewer than 50 employees), due to the decisions made by the employees, are allocated to forms of complementary pension or transferred from the company to the treasury provision managed by INPS (Italian National Social Security Institution), as they represent, from the moment the decision is formalised by the employee, defined contribution plans (no longer subject to actuarial evaluation).
For benefits subject to actuarial valuation, the liability relating to the severance pay must be calculated by projecting the amount already accrued at the future time of termination of the employment relationship and then discounting the amount at the balance sheet date using the "Projected Unit Credit Method" actuarial method. The discount rate used to determine the liability is that relating to the "Composite" interest rate curve of securities issued by corporate issuers with an AA rating.

From an accounting point of view, through the actuarial valuation, the interest cost which constitutes the notional charge that the company would incur by asking the market for a loan equal to the severance pay and in the item "labour cost" the current service cost which defines the amount of the rights accrued during the financial year by employees only for those Group companies with fewer than 50 employees, and which therefore have not transferred the portions accrued since 1 January to the supplementary pension 2007 are accounted in the income statement under item "Financial income/charges". Actuarial gains and losses that reflect the bills of exchange deriving from changes in the actuarial assumptions used are recognised directly in shareholders' equity without ever passing through the income statement and are shown in the statement of other comprehensive income.
It should be remembered that the subsidiaries in France and Tunisia do not have the severance pay.

2.4.19. Earnings per stock unit (basic and diluted)

The basic earnings per stock unit is obtained as the ratio between the result of the Group resulting from the consolidated financial statements and the weighted average of the stock units in circulation during the period, net of any treasury shares in the portfolio.
The diluted earnings per stock unit correspond to the basic earnings as there are no instruments with a potential diluting effect.

3. ASSUMPTIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group financial statements requires the directors to make discretionary assessments, estimates, and hypotheses that influence the values of revenues, costs, assets, and liabilities and the related disclosure, as well as the indication of potential liabilities. The uncertainty about these assumptions and estimates could lead to outcomes that will require, in the future, a significant adjustment to the book value of these assets and/or liabilities.

Estimates and assumptions

The main assumptions regarding the future and the other main causes of valuation uncertainty which, at the end of the financial year, present the significant risk of giving rise to significant adjustments to the carrying values of assets and liabilities within the following year are illustrated below. The Group based its estimates and assumptions on parameters available at the time of preparing the consolidated financial statements. However, current circumstances and assumptions about future events could change due to changes in the market or events beyond the control of the Group. Such changes, if they occur, are reflected in the assumptions as they occur.

Impairment of non-financial assets and useful life of fixed assets

A reduction in value occurs when the book value of an asset or unit generating cash flows exceeds its recoverable value, which is the greater of its fair value less costs to sell and its value in use. The fair value minus the costs to sell is the amount obtainable from the sale of an asset or a cash-flow generating unit in a free transaction between knowledgeable and willing parties, less the costs of the disposal. The calculation of the value in use is based on a cash flow discounting model. Cash flows are derived from the budget for the following three years and do not include restructuring activities for which the Group has not yet committed or significant future investments that will increase the results of the activity included in the cash-generating unit subject to assessment. The recoverable value significantly depends on the discount rate used in the cash flow discounting model, as well as on the expected future cash flows and on the growth rate used for the extrapolation.

The Group, considering the positive final results and the positive growth trend, did not identify any impairment indicators as at 31 December 2021 and therefore did not carry out an impairment test. It should also be noted that there are no goodwill and intangible assets with an indefinite useful life. For a summary of the useful life of intangible and tangible assets and rights of use estimated by the directors, please refer to notes 2.3.8, 2.3.9 and 2.3.13.

Taxes

Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that in the future there will be a taxable profit such as to allow the use of the losses. A significant estimate is required by the company management to determine the amount of tax assets that can be recognised on the basis of the level of future taxable profits, the timing of their occurrence and the applicable tax planning strategies.
The Group has prior tax losses that can be carried forward indefinitely relating to the subsidiary Jallatte. In line with what is reported in the company budgets, these losses are deemed to be fully recoverable and therefore deferred tax assets have been recognised for all of them.
Significant judgement is required from management to assess the likelihood of recoverability of deferred tax assets, considering all possible evidence, both negative and positive, and to determine the amount that can be recognised in the financial statements, based on the timing and amount of future taxable income, future tax planning strategies, and the tax rates in force at the time of their reversal. However, should it be found that the Group is unable to recover all or part of the deferred tax assets recognised in future years, the consequent adjustment will be charged to the income statement for the year in which this circumstance occurs.
IFRIC 23 requires an entity to consider whether a tax authority is likely to accept uncertain tax treatment. If the entity concludes that it is in a situation where its position is not likely to be accepted, the effects of that uncertainty must be reflected in the accounting for income taxes.
The Tunisian subsidiaries of the Group are subject to a tax dispute, the risk of which has been accounted for in the item Taxes for the year with a contra entry Payables for taxes and other assets in accordance with the provisions of IFRIC 23. Further details on taxes are provided in note 35.

Defined benefit plans (pension funds)

The cost of defined benefit pension plans and other post-employment benefits and the present value of the defined benefit obligation are determined using actuarial valuations. Actuarial valuation requires the development of various assumptions that may differ from actual future developments. These assumptions include the determination of the discount rate, future wage increases, mortality rates, and future pension increases. Due to the complexity of the valuation and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually. The discount rate represents the parameter most subject to variations. In determining the appropriate discount rate, the directors use as a reference the interest rate of corporate bonds, in currencies consistent with the currencies of the defined benefit bonds, which have a minimum rating of AA, assigned by internationally recognised rating agencies, and with average maturities corresponding to the expected duration of the defined benefit obligation. Bonds are subjected to further qualitative analysis and those with a credit spread deemed excessive are excluded from the bond basket under which the discount rate is calculated, as they do not represent a high quality bond category. The mortality rate is based on the available tables on specific mortality for each country. Such tables tend to vary only in response to a change in demographic assumptions. Future wage increases and pension increases are based on expected inflation rates for each country. Further details, including a sensitivity analysis, are provided in note 19.

Fair value of financial instruments

When the fair value of a financial asset or financial liability recognised in the statement of financial position cannot be measured based on the prices on an active market, it is determined using various valuation techniques, including the discounted cash flow model. The inputs included in this model are taken from observable markets, where possible, but if this is not possible, a certain degree of estimation is required to define the fair value. The estimates include considerations on variables such as liquidity risk, credit risk, and volatility. Changes in the assumptions on these elements could have an impact on the fair value of the financial instrument recognised.

Inventory obsolescence fund

The Group usually makes forecasts in relation to the realisable value of obsolete, excessive, or slow-moving inventories. This estimate is essentially based on historical experience, also taking into account the characteristics of each stock. The actual realisable value of the stocks could differ from that estimated due to the uncertainty surrounding the conditions underlying the estimates adopted.

Lease – Estimate of the marginal lending rate

The Group cannot easily determine the implicit interest rate of the lease and therefore uses the marginal borrowing rate to measure the lease liability. The marginal borrowing rate is the interest rate that the lessee would have to pay for a loan, with a similar duration and collateral, required to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The marginal borrowing rate therefore reflects what the group would have had to pay, and this requires making an estimate when no observable data exists or when rates need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the marginal loan rate using observable data (such as market interest rates) if available.

Significant judgement in determining the lease term of agreements containing an extension option – the Group as lessee

The Group determines the lease term as the non-cancellable period of the lease to which the periods covered by the lease extension option must be added, if there is reasonable certainty of exercising this option, and the periods covered by the lease termination option where there is reasonable certainty that this option will be not exercised.

The Group has the possibility, for some of its leases, to extend the lease or to terminate it early. The Group applies its judgement in assessing whether there is reasonable certainty of exercising the renewal options. Having said that, the Group considers all the factors identified that could lead to an economic incentive to exercise the renewal options or to conclude the agreement. After the effective date, the Group revises the estimates regarding the duration of the lease in the event that a significant event or change occurs in circumstances that are under its control and that may affect the ability to exercise (or not to exercise) the option of renewal or early cancellation (for example, investments in improvements to the leased assets or significant specific changes to the leased asset).

The Group has included the renewal period as part of the lease term for plant and machinery with a short non-cancellable contractual period (e.g. three to 5 years). The group usually exercises its renewal option for these leases as there would be negative impacts on its operations if alternative assets were not available. The renewal options for plant and machinery leases with a longer non-cancellable contractual period (e.g. 10-15 years) were not included for the definition of the lease term as there is no reasonable certainty of their exercise. In addition, vehicle lease renewal options are not included in the lease term determination as the group typically does not use these assets for more than 5 years and therefore does not exercise any renewal options. Finally, periods covered by early cancellation options are included in the lease term only when it is reasonably certain that they will not be exercised.

Climate change

Also following the recent observations of the European Financial Instruments and Markets Authority (ESMA) on the importance of aspects linked to climate change, as well as the evolution of the regulatory context at EU level, the U-Power Group has launched the first assessments qualitative with respect to the potential physical and transitional risks deriving from climate change. In this context, the first assessments mentioned above lead us to believe that the Group is not particularly exposed, in the short term, to the physical risks associated with climate change, in consideration of the nature of its business and the geographical location of its production sites. With regard to transitional risks, while acknowledging that a more detailed analysis is necessary, it can be said that the Group is paying due attention to some of them, such as for example the changed preferences of consumers (an aspect managed with the creation of models of the U-Green line with "compensated emissions").

4. PRINCIPLES ISSUED BUT NOT YET IN FORCE

The principles and interpretations which, at the date of preparation of the consolidated financial statements of the Group, had already been issued but were not yet in force are illustrated below. The Group intends to adopt these principles and interpretations, if applicable, when they come into force.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The changes clarify:

- What is meant by the right to postpone the deadline;
- That the right of postponement must exist at the end of the financial year;
- The classification is not impacted by the likelihood with which the entity will exercise its right of subordination;

- Only if an embedded derivative in a convertible liability is itself an equity instrument does the expiry of the liability have no impact on its classification.

The amendments will be effective for the financial years starting on 1 January 2023 or later, and must be applied retrospectively. The Group is currently evaluating the impact that the changes will have on the current situation and if it becomes necessary to renegotiate existing loan agreements, as well as the current assets of the IASB.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB published the amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments aim to replace the references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change in the requirements of the standard. The Board also added an exception to the IFRS 3 valuation principles to avoid the risk of potential "next day" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately. At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets will not be impacted by the update of the references to the Framework for the Preparation and Presentation of Financial Statements. These changes have not had any impact on the Group's consolidated financial statements but could have an impact on future years should the Group carry out business combinations.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB published Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any revenue from product sales during the period in which that asset is brought to the place or conditions necessary for it to be able to operate in the manner for which it was designed by management. Instead, an entity records the revenues from the sale of such products, and the costs of producing those products, in the income statement. The amendment will be effective for financial years starting on or after 1 January 2022 and must be applied retrospectively to the items of property, plant and equipment made available for use on or after the start date of the period prior to the period in which the entity applies this change for the first time. No material impacts are expected for the Group with reference to these changes.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB published amendments to IAS 37 to specify which costs must be considered by an entity in assessing whether a contract is onerous or loss-making. The amendment provides for the application of an approach called "directly related cost approach". Costs that refer directly to a contract for the supply of goods or services include both incremental costs and costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly recharged to the counterparty on the basis of the agreement. The amendments will be effective for the financial years starting on 1 January 2022 or later. The Group will apply these amendments to contracts for which it has not yet satisfied all its obligations at the beginning of the year in which it will apply these amendments for the first time.

IFRS 9 Financial Instruments – Fees in the '10 per cent 'test for de-recognition of financial liabilities

As part of the 2018-2020 annual improvement process of IFRS standards, the IASB has published an amendment to IFRS 9. This amendment clarifies the fees that an entity includes in determining whether the conditions of a new or modified financial liability are substantially different from under the terms of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the borrower or lender on behalf of others. An entity applies this modification to financial liabilities that are modified or exchanged after the date of the first period in which the entity first applies the modification. The amendment will be effective for the financial years starting on or after 1 January 2022, early application is permitted. The Group will apply this modification to financial liabilities that are modified or exchanged after the date of the first period in which the entity first applies the modification. No material impacts are expected for the Group with reference to this amendment.

Definition of accounting estimate – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes

in accounting estimates and changes in accounting principles and correction of errors. In addition, they clarify how entities use measurement and input techniques to develop accounting estimates. The amendments are effective for financial years starting on or after 1 January 2023 and apply to changes in accounting principles and changes in accounting estimates that occur starting from the beginning of that period or subsequently. Early application is permitted provided this fact is disclosed. The changes are not expected to have a significant impact on the Group.

5. FAIR VALUE MEASUREMENT

The following table shows the comparison, by individual class, between the book value and the fair value of the financial instruments held by the Group, excluding those whose book value reasonably approximates the fair value, with an indication of the relative hierarchical scale envisaged by the standard:

	31 December 2021				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets at fair value reported in the Income Statement					
Unicredit Securities	1,343	1,343	1,343		
Total	**1,343**	**1,343**	**1,343**	-	-
Financial liabilities at amortised cost					
Bonds	(21,124)	(21,124)		(21,124)	
Floating rate borrowings	(12,392)	(12,392)		(12,392)	
Fixed rate borrowings	(10,689)	(10,689)		(10,689)	
Total	**(44,205)**	**(44,205)**	-	**(44,205)**	-
Derivative financial instruments					
Effective hedging derivatives	(78)	(78)		(78)	
Derivatives not designated as hedges	(14)	(14)		(14)	
Total	**(92)**	**(92)**	-	**(92)**	-

	31 December 2020				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets at fair value reported in the Income Statement					
Unicredit securities	1,315	1,315	1,315		
Total	**1,315**	**1,315**	**1,315**	-	-
Financial liabilities at amortised cost					
Bonds	(24,751)	(24,751)		(24,751)	
Floating rate borrowings	(15,956)	(15,956)		(15,956)	
Fixed rate borrowings	(9,714)	(9,714)		(9,714)	
Total	**(50,421)**	**(50,421)**	-	**(50,421)**	-
Derivative financial instruments					
Effective hedging derivatives	(277)	(277)		(277)	
Derivatives not designated as hedges	(35)	(35)		(35)	
Total	**(312)**	**(312)**	-	**(312)**	-

Management verified that the fair value of cash and cash equivalents and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximates the book value as a result of the short-term maturities of these instruments.

6. INTANGIBLE ASSETS

Intangible assets, as detailed in the table below, amounted to Euro 2,998 thousand as at 31 December 2021.

	Concessions, licences, and trademarks
Historical cost	
As at 1 January 2021	12,688
Increases	140
Disposals	(47)
As at 31 December 2021	12,783
Accumulated amortisation	
As at 1 January 2021	(8,758)
Depreciation for the year	(1,063)
Increases	-
Disposals	36
As at 31 December 2021	(9,785)
Net book value	
As at 1 January 2021	3,930
As at 31 December 2021	2,998

The comparative table for 2020 is provided below:

	Concessions, licences and trademarks
Historical cost	
As at 1 January 2020	12,529
Increases	162
Disposals	(3)
As at 31 December 2020	12,688
Accumulated amortisation	
As at 1 January 2020	(7,721)
Depreciation in the year	(1,033)
Increases	(7)
Disposals	3
As at 31 December 2020	(8,758)
Net book value	
As at 1 January 2020	4,808
As at 31 December 2020	3,930

The item “Concessions, licences, trademarks and similar rights” refers mainly to the value of the U-Power, Jallatte, Aimont, and Lupos trademarks, relating to the products sold by the Group in the safety footwear and clothing sector.
The value of the Aimont and Lupos trademarks and other minor trademarks, totalling Euro 1,183 thousand, corresponds to the purchase and/or net value of the amortisation already incurred.
The value of the U-Power and Jallatte trademarks reported in the financial statements amounts, respectively, to Euro

680 thousand and Euro 975 thousand, net of amortisation for the year.
As regards trademarks, considered by management as assets with definite useful life and amortised over 10 years, no indicators of impairment or indicators that could identify a different useful life from the current one emerged during the period, based on future plans.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, as detailed in the table below, amounted to Euro 34,853 thousand as at 31 December 2021.

	Land and buildings	Plant and equipment & Industrial and commercial equipment	Other assets	Total
Historical cost				
As at 1 January 2021	16,419	38,181	2,449	57,049
Increases	5,822	4,621	641	11,084
Disposals	-	(45)	(274)	(319)
As at 31 December 2021	22,241	42,757	2,816	67,814
Accumulated amortisation				
As at 1 January 2021	(4,523)	(22,661)	(1,800)	(28,984)
Depreciation for the year	(524)	(3,349)	(274)	(4,147)
Disposals	1	1	168	170
As at 31 December 2021	(5,046)	(26,009)	(1,906)	(32,961)
Net book value				
As at 1 January 2021	11,896	15,520	649	28,065
As at 31 December 2021	17,195	16,748	910	34,853

The comparative table for 2020 is provided below:

	Land and buildings	Plant and equipment & Industrial and commercial equipment	Other assets	Total
Historical cost				
As at 1 January 2020	16,348	33,614	2,188	52,150
Increases	71	4,407	421	4,899
Reclassifications	-	159	(159)	-
As at 31 December 2020	16,419	38,180	2,449	57,049
Accumulated amortisation				
As at 1 January 2020	(3,854)	(19,423)	(1,573)	(24,850)
Depreciation in the year	(669)	(3,239)	(226)	(4,134)
As at 31 December 2020	(4,523)	(22,661)	(1,800)	(28,984)
Net book value				
As at 1 January 2020	12,494	14,191	614	27,300
As at 31 December 2020	11,897	15,519	650	28,065

"Land and buildings" increased by around Euro 5.3 million, principally following the purchase by the subsidiary U-Logistics of the buildings used as warehouses, for a total of Euro 5.8 million, which were previously leased. The remainder is mainly composed of buildings located in Tunisia, whose value as at 31 December 2021 was equal to Euro 11,360 thousand, and the buildings of Jallatte.
The majority of plant, machinery and equipment is located in the Tunisian production facilities for a value of Euro 15,001 thousand, partly for the modelling department located in Italy for Euro 820 thousand, partly in the logistics plant of the subsidiary U-Logistics for Euro 567 thousand and, only to a marginal degree, in the production facility of the French subsidiary Jallatte for Euro 303 thousand. The increases in the period are due primarily to the acquisitions of plant and equipment for the facilities in Tunisia. Industrial and commercial equipment relate predominantly to moulds and production equipment in the Tunisian subsidiaries.
The item "Other tangible assets" mainly includes IT material, office furniture and vehicles.

No indicators of impairment or indicators that could identify a different useful life from the current one emerged during the financial year, based on future plans.

8. RIGHTS OF USE ASSETS

With the application of IFRS 16 concerning rights of use and lease agreements, the statement of financial position included a value of Euro 4,278 thousand, net of amortisation calculated for the period.

Details are provided in the table below:

	Right of use – Properties	Right of use – Industrial and commercial equipment	Right of use – Cars	Total
Historical cost				
As at 1 January 2021	5,990	2,686	735	9,411
Increases	2,464	418	564	3,070
Decreases	(4,559)	(126)	(250)	(4,935)
As at 31 December 2021	3,519	2,978	1,049	7,546
Accumulated amortisation				
As at 1 January 2021	(1,036)	(1,841)	(529)	(3,406)
Depreciation for the year	(574)	(335)	(164)	(1,073)
Disposals	955	82	174	1,211
As at 31 December 2021	(655)	(2,094)	(519)	(3,268)
Net book value				
As at 1 January 2021	4,954	845	206	6,005
As at 31 December 2021	2,864	884	530	4,278

The comparative table for 2020 is provided below:

	Right of use – Properties	Right of use – Industrial and commercial equipment	Right of use – Cars	Total
Historical cost				
As at 1 January 2020	6,199	2,632	937	9,768
Increases	3,829	58	49	3,936
Disposals	(4,037)	(5)	(251)	(4,293)
As at 31 December 2020	5,990	2,686	735	9,411
Accumulated amortisation				
As at 1 January 2020	(1,231)	(1,504)	(563)	(3,299)
Depreciation in the year	(645)	(341)	(202)	(1,188)
Disposals	840	5	237	1,081
As at 31 December 2020	(1,036)	(1,840)	(528)	(3,406)
Net book value				
As at 1 January 2020	4,967	1,128	374	6,469
As at 31 December 2020	4,954	846	207	6,005

The decrease in the item relating to the right of use for properties is the direct result of the purchase of the building described in note 7. The remainder mainly refers to the offices used by the other European companies.

9. DEFERRED TAX ASSETS AND LIABILITIES

Details of deferred tax assets and liabilities are provided below:

	31.12.2021			31.12.2020		
	Amount of temporary differences	Rate	Tax effect	Amount of temporary differences	Rate	Tax effect
Derivatives	92	24.00%	22	312	24.00%	75
Inventory write-down	3,565	24.00%	856	2,825	24.00%	678
Provisions for losses on receivables	147	24.00%	35	147	24.00%	35
Tax losses – Jallatte	22,013	25.00%	5,503	25,830	25.00%	6,458
Temporary differences in services provided	94	24.00%	23	412	24.00%	99
Exchange losses from translation	167	24.00%	40	70	24.00%	17
IFRS adjustment of TFR (employee severance indemnity)	218	24.00%	52	198	24.00%	47
TAX AUTH.	456	27.90%	127	457	27.90%	128
Revaluation of trademarks and patents	25,245	27.95%	7,056	27,998	27.90%	7,811
Consolidation entries	1,501	27.90%	419	3,113	27.90%	868
Subtotal deferred tax assets			14,133			16,216
Amortisation of intangible assets	1,654	27.90%	461	2,635	27.90%	735
Gains from translation	138	24.00%	33	52	24.00%	12
Leasing	12	27.90%	3	7	27.90%	2
Taxation of retained earnings to be distributed by subsidiaries	12,087	10.00%	1,208	12,052	17.00%	2,049
Dividends resolved by subsidiaries and uncollected	3,392	12.00%	407	1,137	12.00%	136
Subtotal deferred tax liabilities			**2,113**			**2,935**
Total net deferred tax assets			**12,020**			**13,281**

The main amount of deferred tax assets refers to the tax relevance of the revaluation of the patent concerning "*Energising safety shoe*" and of the U-Power trademark carried out by the parent company in its financial statements drawn up in accordance with the OIC accounting standards pursuant to Law 126/20 and which led to the recognition of deferred tax assets at consolidated level and which are reduced by the tax benefit obtained.
The item Jallatte tax losses decreased due to their use in consideration of the profits of Jallatte.

The amount relating to the consolidation entries refers mainly to the elimination of intercompany profits present in inventories at period-end.
The subtotal of the provision for deferred tax liabilities is composed primarily of provisions for withholdings at source of the Tunisian companies and taxes on dividends that will be distributed by said companies, plus deferred taxes generated as a result of the allocation to trademarks of the differences generated during the phase of first-time consolidation on the French (Jallatte) and Italian (U Group and U-Logistics) branches, and leasing entries.

Management has positively assessed, based on the business plans prepared, the recoverability of deferred tax assets, considering all possible evidence, both negative and positive, based on the timing and amount of future taxable income, future tax planning strategies and the tax rates in force at the time of their reversal.
The amounts relating to deferred tax assets are shown net of deferred liabilities, as they refer to income taxes applied by the same tax jurisdiction and the time horizon of absorption of the temporary differences between deferred tax assets and liabilities is homogeneous.

10. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets amounted to Euro 1,368 thousand. Non-significant equity investments in other companies are not consolidated and are valued at cost, considered similar to fair value. The item includes Bonds issued by Unicredit S.p.A. for a total amount of Euro 1,343 thousand, in addition to the usual security deposits and minor equity investments. For all information on fair value, please refer to note 5. The bonds are subject to pledge in favour of Unicredit as part of the Mini-bond issued by the company in 2020.

11. INVENTORIES

The composition of inventories at the date of the end of the year is reported below.

Inventories	31 December 2021	31 December 2020	Change
Raw, ancillary and consumable materials	19,588	14,654	4,934
Work in progress and semi-finished products	9,852	8,500	1,352
Finished products and goods	32,329	27,916	4,413
Total	61,769	51,070	10,699

The value of inventories is shown net of a provision for obsolescence, whose amount is highlighted in the table below:

	Provision for inventory write-down
As at 1 January 2021	10,326
Reduction	(69)
As at 31 December 2021	10,257

The increase in the value of inventories as at 31 December 2021 is closely related to the increase in sales: the group reacted by increasing not only the levels of finished products, but also semi-finished products and raw materials in order to increase production.

12. TRADE RECEIVABLES

Receivables due from customers as at 31 December 2021 totalled Euro 67,339 thousand, net of the associated bad debt provision of Euro 1,465 thousand. This item is composed entirely of receivables due within the next financial year.

The table below shows the breakdown of receivables due from customers by geographical area:

	31 December 2021	31 December 2020
Italian customers	50,264	38,702
EU customers	16,200	12,039
Non-EU customers	875	769
Total	67,339	51,510

The following table breaks down the concentration of trade receivables as at 31 December 2021 and 31 December 2020:

	31 December 2021	% inc.	31 December 2020	% inc.
Top customer	2,032	3.0%	1,096	2.1%
Top five customers	5,620	8.3%	3,310	6.4%
Top ten customers	7,928	11.8%	5,343	10.4%
Total trade receivables	**67,339**	**100.0%**	**51,510**	**100.0%**

The breakdown of the Group's trade receivables as at 31 December 2021 and 31 December 2020 by maturity is shown below:

	31 December 2021	% inc.	31 December 2020	% inc.
Falling due	64,485	95.76%	49,959	97.0%
Past due within 30 days	1,826	2.71%	731	1.4%
Past due within 30 days and 60 days	746	1.11%	579	1.1%
Past due within 60 days and 90 days	164	0.24%	149	0.3%
Past due after 90 days	1,583	2.35%	1,034	2.0%
Bad debt provision	(1,465)	-2.18%	(941)	-1.8%
Total trade receivables	**67,339**		**51,510**	

The movement in the bad debt provision is reported below:

	Bad debt provision
As at 1 January 2020	836
Utilisation – 2020	(199)
Provision – 2020	303
As at 1 January 2021	941
Use in the period – 2021	(38)
Allocation in the period – 2021	562
As at 31 December 2021	1,465

13. RECEIVABLES FROM RELATED PARTIES

Please refer to point 37 of these notes for details on the receivables in question.

14. TAX RECEIVABLES

Tax credits at 31/12/2021 amount to Euro 189 thousand.
The item mainly refers to IRAP (Regional Business Tax) advances paid by companies with head offices in Italy and to the receivables from the Italian tax authorities for taxes generated by the foreign branches of U Group S.r.l.

15. OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
VAT credits	555	493
Other tax credits	749	434
Security deposits	214	59
Advances to suppliers	7,008	2,554
Other receivables	2,616	2,036
Total	**11,142**	**5,576**

'Advances to suppliers' is mainly composed of advances for the purchase of workwear from Asian suppliers.
'Other Receivables' mainly refer to receivables due from the Tunisian National Social Security Fund. The increase in the period is primarily due to advances paid to employees of the Tunisian subsidiary.

16. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

The breakdown of the item at the date of the end of the year is reported below together with the breakdown of cash and cash equivalents, according to the currency in which it is denominated.

	31 December 2021	31 December 2020
Bank deposits	29,404	37,981
Cash	16	8
Total	**29,420**	**37,989**

	31 December 2021	% Incidence	31 December 2020	% Incidence
EUR	29,064	98.8%	37,778	99.4%
TND	96	0.3%	35	0.1%
GBP	254	0.9%	175	0.5%
USD	6	0.0%	1	0.0%
Total cash and cash equivalents	**29,420**		**37,989**	

The balance represents the cash and cash equivalents and the existence of cash and assets fully available at the date of year-end. There are no restrictions or constraints on the use of cash and cash equivalents, with the exception of a current account pledged for Euro 3,951 thousand in favour of Unicredit as part of the Mini-Bond issued by the company in 2020.
The reduction compared to the closing date as at 31 December 2020 is due to the net effect of:

- repayments of financial payables for approximately Euro 21.4 million;
- opening of new loans for Euro 13 million;
- payment of the logistics property acquired by U-Logistics as described in note 7;
- dividend payments to the parent company.

Please refer to the statement of cash flows for details of the movements that occurred.

17. SHAREHOLDERS' EQUITY

At the date of year-end, the fully subscribed and paid-in share capital amounted to Euro 10,000 thousand.

Shareholders' equity as at 31 December 2021 and 31 December 2020 is broken down below:

(Amounts in Euro thousands)

	as at 31 December		Change	
	2021	2020	2021 vs 2020	2021 vs 2020 %
Share capital	10,000	10,000	-	0.0%
Other reserves	4,382	4,188	194	4.6%
Capital contributions reserves	8,600	8,600	-	0.0%
Retained earnings	38,199	22,359	15,840	70.8%
Profit for the year	35,113	33,007	2,106	6.4%
Group Shareholders' Equity	96,294	78,154	18,140	23.2%
Minority interest	-	-	-	-
Total Shareholders' Equity	**96,294**	**78,154**	**18,140**	**23.2%**

Group equity as at 31 December 2021 amounted to Euro 96,294 thousand (Euro 78,154 thousand as at 31 December 2020), marking an increase of Euro 18,140 thousand, attributable to the combined effect of (i) the profit for 2021 amounting to Euro 35,113 thousand, (ii) the distribution of dividends of Euro 17,100 thousand and (iii) the change in cash flow hedge reserves for Euro 151 thousand relating to the hedging derivative contracts signed by the Group.

The item Other reserves as at 31 December 2021 and 31 December 2020, with the related changes during the period, is broken down below:

(Amounts in Euro thousands)

	as at 31 December		Change	
	2021	2020	2021 vs 2020	2021 vs 2020 %
Legal reserve	2,000	1,933	67	3.5%
Premium reserve	3,517	3,517	-	0.0%
Retained earnings and actuarial losses	(124)	(100)	(24)	24.0%
FTA reserve	(951)	(951)	-	0.0%
Hedging reserve	(60)	(211)	151	-72%
Total other reserves	**4,382**	**4,188**	**194**	**4.6%**

The item Other reserves recorded a balance of Euro 4,382 thousand and Euro 4,188 thousand, respectively, for the periods ended as at 31 December 2021 and 31 December 2020.

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve and all other capital reserves attributable to the shareholders of the parent company.

The primary objective of capital management is to maximise shareholder value. The Group manages the capital structure and makes adjustments based on the economic conditions and the requirements of financial covenants. In order to maintain or adjust the capital structure, the Group could intervene on the dividends paid. The Group controls equity using a gearing ratio, consisting of the ratio of net financial indebtedness to shareholders' equity. The Group's policy is to keep this ratio below 0.7.

Capital management	2021	2020
Non-current financial liabilities	26,356	35,779
Current financial liabilities	21,141	21,203
(Cash and cash equivalents and short-term deposits)	(29,420)	(37,989)
Net financial indebtedness (A)	**18,077**	**18,993**
Shareholders' equity (B)	**96,294**	**78,154**
Gearing ratio (A/B)	**0.19**	**0.24**

In order to achieve this objective, the Group's capital management aims, among other things, to ensure that the covenants, linked to interest-bearing financing and loans, which define the capital structure requirements, are respected. Violations of the covenants would allow banks to request immediate repayment of loans and financing.

There were no violations in the covenants linked to interest-bearing financing and loans.
During the periods ended as at 31 December 2021 and 31 December 2020, no changes were made to the objectives, policies and procedures for the capital management.

18. EMPLOYEE SEVERANCE INDEMNITY AND OTHER PROVISIONS RELATING TO PERSONNEL

The provisions refer to severance indemnity for the Italian companies of the Group, and the changes during the year were as follows:

As at 1 January 2020	923
Provisions	160
Utilisations	(89)
Interest	7
Actuarial gains and losses	13
As at 31 December 2020	1,014
Provisions	149
Utilisations	(97)
Interest	6
Actuarial gains and losses	31
As at 31 December 2021	1,103

The measurement of Employee severance indemnity for IAS purposes follows the method of projection of the present value of the defined benefit obligation with the estimate of the benefits accrued by personnel.
Following the amendments introduced by Law no. 296 of 27 December 2006 ("2007 Finance Bill") and subsequent decrees and implementing regulations, amounts of employee severance indemnity accrued up to 31 December 2006 will continue to remain with the company as they represent a defined benefit plan (obligation for benefits accrued subject to actuarial evaluation), while amounts accruing from 1 January 2007, due to the decisions made by the employees during the year, will be allocated to forms of complementary pension or transferred from the company to the treasury provision managed by INPS (Italian National Social Security Institution), as they represent, from the moment the decision is formalised by the employee, defined contribution plans (no longer subject to actuarial evaluation).
The determination of the severance pay is therefore the result of the application of an actuarial model based on various hypotheses, both of a demographic and economic type. The economic technical bases used are shown in the table below:

	%
Discount rate	0.99
Annual inflation rate	1.75
Annual rate of increase in severance pay	2.81
Real annual wage increase rate	1.00

The following tables show the information regarding:
- sensitivity analysis for each relevant actuarial hypothesis at the end of the year, showing the effects that would have occurred following changes in the reasonably possible actuarial hypotheses at that date, in absolute terms;
- indication of the contribution for the following year;
- indication of the average financial duration of the obligation for defined benefit plans;
- disbursements envisaged by the plan.

SENSITIVITY ANALYSIS OF THE MAIN VALUATION PARAMETERS

Turnover rate + 1%	1,085
Turnover rate – 1%	1,125
Inflation rate +0.25%	1,128
Inflation rate – 0.25%	1,079
Discount rate +0.25%	1,072
Discount rate – 0.25%	1,135

SERVICE COST AND DURATION

Service Cost profuturo	174
Duration of the plan	17.9

ESTIMATED FUTURE DISBURSEMENTS

Years	
1	75
2	56
3	61
4	71
5	80

19. PROVISION FOR RISKS AND CHARGES

The item 'Provisions for risks and charges' is detailed hereunder:

	31 December 2021	31 December 2020
Provision for pension and similar obligations	2,958	2,274
Other provisions for risks	2,410	2,778
Total non-current provisions for risks and charges	**5,368**	**5,052**

The employees severance benefit and similar obligations mainly refer to the compensation for the termination of agent contracts of the subsidiary U Group for Euro 2,350 thousand, of the parent company TFM for Euro 136 thousand, and the pension and indemnity provision for employees of the French branch amounting to about Euro 469 thousand.

Other provisions refer mainly to the fund risks on employee contributions of the Tunisian branch for around Euro 2.4 million. Notes that the provisions of Euro 400 thousand for the pending lawsuit of the French company Jallatte was reversed, as the proceedings were concluded in favour of the company.

The movement of the provisions during the period was as follows:

	Provision for pension and similar obligations	Other provisions for risks	Total
As at 1 January 2020	**1,718**	**2,919**	**4,637**
Utilisation – 2020	(65)	-	(65)
Provision – 2020	621	-	621
Exchange rate effect	-	(141)	(141)
As at 1 January 2021	**2,274**	**2,778**	**5,052**
Utilisation – 2021	-	(400)	(400)
Allocation in the period – 2021	684	-	684
Exchange rate effect	-	32	32
As at 31 December 2021	**2,958**	**2,410**	**5,368**

Payables for non-current taxes

Non-current tax payables for the year amount to Euro 1,211 and refer to taxes due beyond the following year, relating to the substitute tax for trademark and patent revaluations, and the related tax on the release of the revaluation reserve pursuant to Italian Law 126/20, equal to 10% of the reserve itself.

20. FINANCIAL LIABILITIES

Financial liabilities are detailed below:

	31 December 2021	31 December 2020
Bank bonds	7,529	3,627
Payables to banks	12,712	16,432
Payables for rights of use	900	1,144
Total current financial liabilities	**21,141**	**21,203**
Bank bonds	13,595	21,125
Payables to banks	9,387	9,237
Payables for rights of use	3,282	5,105
Derivative financial instruments	92	312
Total non-current financial liabilities	**26,356**	**35,779**
Total financial liabilities	*47,497*	*56,982*

	Payables due to banks and bonds	Payables for rights of use	Derivative financial instruments
As at 1 January 2021	50,421	6,249	312
Cash flows	(7,197)	(2,347)	
of which increases	13,000		
of which decreases	(20,197)		
Change in fair value			*(220)*
New contracts for rights of use		280	
As at 31 December 2021	43,223	4,182	92
of which current	20,241	900	-
of which non-current	22,982	3,282	92

20.1 PAYABLES DUE TO BANKS AND BONDS

Bank payables are broken down by nature below:

Company	Institute	Description	Currency	Start date	Expiry date	Initial loan in Euro	Balance to be repaid in Euro	Interest rate	Instalment maturity
U-POWER GROUP S,P,A,	BPER	Unsecured Loan	Euro	28/09/21	28/09/24	4000	3,668	3M Euribor variable	Monthly
U-Group S,r,l	Banco Desio	Unsecured loan	Euro	25/07/19	10/08/23	1,000	546	0.95% fixed	Monthly
U-Group S,r,l	Banco BPM	Unsecured Loan	Euro	22/10/19	30/12/22	1,000	336	0.9% – fixed	Quarterly
U-Group S,r,l,	BNL Mediocredito	Medium/ long-term Loan	Euro	12/09/20	09/09/26	5,000	4,750	3M Euribor + 90 bps – hedging	Quarterly
U-Group S,r,l,	Banco BPM	Unsecured Loan	Euro	22/04/20	30/06/22	2,000	803	1.05% – fixed	Quarterly
U-Group S,r,l,	Intesa San Paolo	Unsecured Loan	Euro	27/09/21	27/03/23	6,000	6,000	0.52% – fixed	Monthly
U-Group S,r,l,	BNL	Mini mortgage production cycle	Euro	29/09/21	29/09/23	3,000	3,000	0.4% – fixed	Quarterly
Medium/long-term bank loan							**19,103**		
U-Group S,r,l,	Banco Desio	Advances subject to collection	Euro	27/09/18	By revocation	1,200	1,160	n/a	n/a
U-Group S,r,l,	Credem	Advances subject to collection	Euro	24/10/19	By revocation	2,500	800	n/a	n/a
U-Group S,r,l,	BPER	Advance flows	Euro			1,000	1,000	n/a	n/a
Other	Other	Advance lines	Euro				36	n/a	n/a
Current bank loan							**2,996**		
Bank Loan							**22,099**		
Bonds							**21,124**		
Bank loan and Bonds							**43,223**		

The balance of payables due to banks and bonds as at 31 December 2021 totalled Euro 43,223 thousand, a reduction of Euro 7,197 thousand compared to the close as at 31 December 2020, also due to the early repayment of mortgages, and represents the actual payable in principal, interest and additional charges accrued and due to banks.
It should be noted that the debt securities are guaranteed by a pledge contract on financial assets (securities and amounts deposited on current accounts) owned by the Company for a total value of at least Euro 5,000 thousand. More specifically:

- Pledge on securities recorded as financial assets for Euro 1,343 thousand;
- Pledge on amounts deposited in a current account with Unicredit S.p.A. with a balance as at 31 December 2021 of Euro 3,951 thousand.

The debt security was recorded under "Bonds – expiring within and after 12 months".
The book value was determined on the basis of the amortised cost criterion.
It should also be noted that the aforementioned contracts are subject to economic/financial parameters; a check is performed annually following approval of the financial statements to ensure the financial covenants are met, and it is confirmed that no violation of these covenants occurred.
It should be noted that there are unused credit lines for approximately Euro 30 million.

20.2 PAYABLES FOR RIGHTS OF USE

The item refers to payables relating to rights of use and leasing recognised in the financial statements, as required by IFRS 16.

20.3 DERIVATIVE FINANCIAL INSTRUMENTS

In order to hedge the loans in place, the company stipulated hedging derivatives in the form of Interest Rate Swaps. These transactions are cash flow hedges of the loans in place, falling within the scope of hedge accounting.
For more details relating to derivative financial instruments, please refer to note 5.

21. TRADE PAYABLES

Payables due to suppliers are recorded net of trade discounts; cash discounts are instead recognised at the moment of payment. The nominal value of these payables has been adjusted, at the time of returns or rebates, to the extent corresponding to the amount defined with the counterparty.
This item is composed entirely of payables expiring within the next financial year.

The table below shows the breakdown by geographical area:

	31 December 2021	31 December 2020
Italian Suppliers	40,840	30,552
EU Suppliers	4,457	3,415
Non-EU Suppliers	12,747	7,848
Total	**58,044**	**41,815**

The breakdown of the Group's trade payables as at 31 December 2021 and 31 December 2020 by maturity is shown below:

	31 December 2021	% inc.	31 December 2020	% inc.
Falling due	54,625	94.1%	38,581	92.3%
Past due from 0 to 3 months	1,862	3.2%	1,570	3.8%
Past due from 3 to 9 months	580	1.0%	60	0.1%
Past due from 9 to 12 months	8	0.0%	562	1.3%
Past due after 12 months	969	1.7%	1,042	2.5%
Total trade payables	**58,044**		**41,815**	

22. PAYABLES FOR CURRENT TAXES

Non-current tax payables at the end of the year amounted to Euro 6,672 thousand and are directly related to the results of the Group companies.

23. OTHER CURRENT LIABILITIES

The breakdown of the item at the date of the end of the year is reported below.

	31 December 2021	31 December 2020
VAT	101	312
Tax payables	163	150
Tax withholdings	1,732	2,660
Payables due to social security and welfare institutions	2,567	2,087
Payables due to employees	3,380	2,537
Other payables	226	95
Total	**8,169**	**7,841**

24. REVENUES FROM CONTRACTS WITH CUSTOMERS

The item refers to the typical revenues of the Group, recognised at point in time, referring entirely to the sale of Safety Footwear and Workwear and is detailed as follows:

	2021	% Incidence	2020	% Incidence	2021 vs 2020	2021 vs 2020 %
Safety footwear	204,910	89.1%	158,674	92.0%	46,236	29.1%
of which U-Power trademark	153,264	66.6%	113,141	65.6%	40,123	35.5%
of which Jallatte trademark	25,687	11.2%	23,010	13.3%	2,677	11.6%
of which Aimont trademark	9,947	4.3%	8,743	5.1%	1,204	13.8%
of which private label	13,990	6.1%	11,861	6.9%	2,128	17.9%
of which other sales/other trademarks	2,023	0.9%	1,919	1.1%	104	5.4%
Safety workwear	25,157	10.9%	13,862	8.0%	11,295	81.5%
of which U-Power trademark	25,157	10.9%	13,862	8.0%	11,295	81.5%
Total revenues from contracts with customers	**230,067**	**100.0%**	**172,536**	**100.0%**	**57,531**	**33.3%**
Total U-Power trademark	178,420	77.6%	127,003	73.6%	51,417	40.5%
Total Jallatte trademark	25,687	11.2%	23,010	13.3%	2,677	11.6%
Total Aimont trademark	9,947	4.3%	8,743	5.1%	1,204	13.8%
Total private label	13,990	6.1%	11,861	6.9%	2,128	17.9%
Total other sales/other trademarks	2,023	0.9%	1,919	1.1%	104	5.4%
Total revenues from contracts with customers	**230,067**	**100.0%**	**172,536**	**100.0%**	**57,531**	**33.3%**

Revenues from Safety Footwear increased from Euro 158,674 thousand as at 31 December 2020 to Euro 204,910 thousand as at 31 December 2021, marking an increase of Euro 46,236 thousand (+29.1%). note that the first half of 2020 was harshly impacted by the lockdowns due to the COVID-19 pandemic; despite this, we believe that the improvements are also due to the rise in sales of products with cutting-edge technologies adopted by the Group, such as the Infinergy insert with very high energy return used, for example, in the Red Lion line. More specifically:

- Revenues from the U-Power trademark, for the Safety Footwear product category, amounted to Euro 153,264 thousand for the year ended as at 31 December 2021, compared to Euro 113,141 thousand in the year closed as at 31 December 2020, marking an increase of Euro 40,123 thousand (+35.5%), primarily due to the continuous and constant shifting of sales to medium/high-end models and collections, with contemporary design and equipped with highly innovative and high-performing technical systems;
- The revenues of the Jallatte brand amounted to Euro 25,687 thousand for the year ended 31 December 2021, compared to Euro 23,010 thousand in the year ended 31 December 2020, showing an increase of Euro 2,677 thousand (+ 11.6%);
- Revenues of the Aimont brand amounted to Euro 9,947 thousand for the year ended as at 31 December 2021, compared to Euro 8,743 thousand for the period ended as at 31 December 2020, showing an improvement of Euro 1,204 thousand (+13.8%) on the previous period;
- Private label revenues amounted to Euro 13,990 thousand for the period ended as at 31 December 2021, compared to Euro 11,861 thousand for the period ended as at 31 December 2020, showing an increase of Euro 2,128 thousand (+17.9%);
- Revenues from other sales and other trademarks mainly include revenues related to minor trademarks, including Auda and Lupos, and amounted to Euro 2,023 thousand for the year ended as at 31 December 2021, compared to Euro 1,919 thousand for the period ended as at 31 December 2020, marking an increase of Euro 104 thousand.

Revenues of the U-Power trademark, for the Technical Clothing product category, amounted to Euro 25,157 thousand for the year ended as at 31 December 2021, compared to Euro 13,862 thousand for the year ended as at 31 December 2020, showing an increase of Euro 11,295 thousand (+81.5%), confirming the growth trend recorded in the previous year, mainly due to the combined effect of the introduction of new items with an attractive design and the strengthening of the trademark also through integrated advertising campaigns.

The breakdown of sales by geographical area, in thousands of Euro, is reported below.

	2021	% Incidence	2020	% Incidence	2021 vs 2020	2021 vs 2020 %
Italy	121,239	52.7%	84,450	48.9%	36,789	43.6%
France	70,480	30.6%	57,819	33.5%	12,662	21.9%
Germany	12,146	5.3%	9,991	5.8%	2,155	21.6%
Spain	14,664	6.4%	9,206	5.3%	5,458	59.3%
United Kingdom	4,150	1.8%	3,749	2.2%	401	10.7%
Rest of the world	7,388	3.2%	7,321	4.2%	67	0.9%
Total revenues from contracts with customers	**230,067**	**100.0%**	**172,536**	**100.0%**	**57,531**	**33.3%**

As regards the analysis of revenues from contracts with customers by geographical area:

- Italy continued to be the Group's main market, recording revenues of Euro 121,239 thousand in the year ended as at 31 December 2021 (52.7% of the total) compared to Euro 84,450 thousand in the period ended as at 31 December 2020 (48.9% of the total), marking an increase of Euro 36,789 thousand (+43.6%), due to the certain effect of the post-Covid recovery, but also to rising sales of the U-Power brand which, as described above, is the result of the consolidation of the sale of medium/high-end models and collections and the strategic strengthening of the trademark through advertising investments and sponsorships;
- France continues to represent the Group's second-largest market, recording revenues of Euro 70,480 thousand in the period ended as at 31 December 2021 (30.6% of the total)

compared to Euro 57,819 thousand obtained in the period ended as at 31 December 2020, an increase of Euro 12,662 thousand (+21.9%);

- The German market recorded revenues of Euro 12,146 thousand in the year 2021 (5.3% of the total), compared to Euro 9,991 thousand in 2020, marking an increase of Euro 2,155 thousand (+21.6%), also due to the effect of the lockdowns in the first half of 2020. Nonetheless, targeted initiatives have been put in place like those implemented in Italy, France, and Spain, in order to improve the trend for the year and subsequent years;
- Spain has greatly improved and is now the Group's third-largest market, recording revenues of Euro 14,664 thousand in the year ended as at 31 December 2021 (6.4% of the total) compared to Euro 9,206 thousand in the year 2020 (5.3% of the total), marking an increase of Euro 5,458 thousand (+59.3%), proof that the Group's strategy already tested in Italy and focused on the strengthening of sales of the U-Power brand through medium/high-end models and collections and through advertising investments, is enabling the Group to record highly significant increases in results.

25. OTHER REVENUES AND INCOME

Other income came to Euro 2,236 thousand, and is broken down as follows:

	2021	2020
Transport reimbursements	367	278
Other revenues	1,869	1,004
Total	2,236	1,282

Other revenues and income amounted to Euro 2,236 thousand for the period ended as at 31 December 2021, compared to Euro 1,282 thousand in the year ended as at 31 December 2020. The item other revenues mainly includes the reversal of provisions for risks of the subsidiary Jallatte, as described in note 19, of Euro 400 thousand, an indemnity of Euro 350 thousand received for the transfer of the customer portfolio to a new sales agent, capital gains from disposals, lease income and contingent assets due to the cancellation of liabilities relating to previous years.

26. PURCHASES OF RAW MATERIALS AND CHANGE IN INVENTORIES

The item Costs of purchases of raw materials and changes in inventories is detailed as follows:

	2021	2020
Purchase of raw materials	61,326	47,433
Purchase of finished products	22,233	12,929
Other purchases	4,593	3,151
Change in inventory of raw materials	(4,935)	(112)
Change in inventory of finished products	(5,765)	(3,683)
Total	77,452	59,718

The increase in purchases is directly related to the growth in sales.
For comments on the change in inventories, please refer to note 11.

The table below shows purchases and changes in inventories broken down by reference currency, for the periods ended as at 31 December 2021 and 2020.

	2021	% of the total	2020	% of the total
EUR	54,767	70.7%	45,261	75.8%
TND	2,307	3.0%	1,876	3.1%
USD	17,165	22.2%	12,580	21.1%
CNY	3,108	4.0%	-	-
GBP	105	0.1%	1	0.0%
Total purchases of raw materials and change in inventories	**77,452**	**100.00%**	**59,718**	**100.00%**

Since the incidence of purchase costs, expressed in currencies other than the Euro, on the total purchase costs is less than 30%, the costs of the Group were not significantly affected by the exchange rate trend.

The amount in GBP refers to duties on imports into the UK, introduced after Brexit, the increase in trade payables in GBP is attributable to advances paid for major purchases from Eastern countries.

27. PERSONNEL COSTS

The item 'Personnel costs' is detailed as follows

	2021	2020
Wages and salaries	28,225	23,250
Social security costs	5,945	4,992
Employee severance indemnity	155	165
Total	**34,325**	**28,407**

The following table shows the amounts of personnel costs broken down by reference currency, compared to the total amount of these costs for the periods ended as at 31 December 2021 and 2020.

	2021	% su total costi personale	2020	% su total costi personale
EUR	12,853	37.4%	10,578	37.2%
TND	21,054	61.3%	17,591	61.9%
GBP	418	1.2%	238	0.8%
Total personnel expenses	**34,325**	**100.0%**	**28,407**	**100.0%**

Personnel costs are mainly related to the costs of the production affiliates in Tunisia.
New staff were hired in Tunisia and in the European companies during the year, which led to an increase in the associated costs, together with contractual increases for the employees of the Tunisian plants.

The following table indicates the number of employees, broken down by category at the end of the year:

	2021	2020
Executives	18	15
White-collar employees and Middle Managers	160	128
Blue-collar workers	4,870	4,208
Total	**5,048**	**4,351**

28. COSTS FOR SERVICES

Cost of services is detailed as follows:

	2021	2020
Marketing	17,163	11,725
Agent commissions	11,842	8,651
Transport	12,087	7,311
Other expenses	3,024	2,201
Logistics	3,844	2,777
Utilities	2,426	2,208
Advisory services	5,622	2,162
Technical advisory services	1,534	1,888
Bank charges	594	616
Travel and transfer expenses	546	372
Maintenance	676	615
Insurance	509	476
Total	**59,867**	**41,002**

Cost of services increased by roughly Euro 18,865 thousand compared to the same period of the previous year.
It should be noted that the increase in consulting costs is mainly due to the expenses incurred for the listing process that was undertaken during the year; as this process has stopped for the time being, the related costs were fully expensed in the period. These exceptional and non-recurring costs amount to approximately Euro 2.5 million.
The most significant increases (for Euro 5.4 million) refer to marketing expenses which amount to Euro 17.1 million and which represent 7.5% of revenues from agreements with customers, in consideration of the significant investments in sponsorship and advertising, in order to strengthen brand awareness and leadership in the markets where the group is present.
There are also strong increases in agent commissions, logistics, and transport and are directly related to increased sales to customers.
Agent commissions increased due to both the increase in turnover and the effect of the shifting of product sales towards the higher end bracket, which involve higher commissions and also as a result of achieving the annual bonuses set for agents.
The trend in sales, and the improvement in the service offered to customers, also with shipments split into more batches, also influenced the trend in logistics and transport costs; the latter also underwent very high price increases during 2021.

29. OTHER COSTS AND EXPENSES

Other operating expenses are detailed below:

	2021	2020
Other expenses	629	438
Indirect taxes and duties	667	765
Losses on receivables	24	94
Provisions for risks and charges	4	90
Cost for use of third-party assets	546	512
Total	**1,870**	**1,899**

The item other expenses is mainly composed of contingent liabilities and costs for gifts and samples.

30. DEPRECIATION AND AMORTISATION

The table below shows the details of the Group's depreciation, amortisation and write-downs in the periods ended as at 31 December 2021 and 2020.

	2021	2020
Depreciation of property, plant and equipment	4,147	4,134
Amortisation of intangible assets	1,063	1,033
Amortisation of the right of use	1,073	1,188
Total depreciation and amortisation	**6,283**	**6,355**

The amount of depreciation is in line with the previous period, please refer to notes 6, 7, and 8 for more details.

31. WRITE-DOWNS

	2021	2020
Write-down on receivables	533	352
Total write-downs	**533**	**352**

32. FINANCIAL INCOME

Financial income for the year amounted to Euro 41 thousand, and mainly refers to interest income.

33. FINANCIAL EXPENSES

Financial expenses are detailed below:

	2021	2020
Interest and other financial expenses from other companies: interest expense	579	964
Interest on leasing	176	237
Interest on post-employment benefits	6	7
Total	**761**	**1,208**

The reduction in debt and the conditions obtained following the restructuring of the indebtedness carried out in the second half of 2020 brought about a reduction in bank interest expense also in the current year.

34. OTHER FINANCIAL INCOME AND EXPENSE

Other financial income and expenses are detailed below:

	2021	2020
Net gains/losses on exchange	352	(39)
Revaluation of financial assets	(50)	(24)
Write-down of financial assets	-	44
Total	**302**	**(19)**

The exchange differences relate to both actual gains/losses realised during the year and gains/losses recorded at the exchange rate in force at the date of close of the financial statements still not realised.
Assets and liabilities in currency mainly concern the Tunisian affiliates, plus the transactions in GBP relating to the UK market and transactions in USD and CNY relating to the importing from Asian markets of basic safety footwear and workwear.
The item also includes write-downs and revaluations of financial assets relating to derivative instruments not recognised under hedge accounting.

35. INCOME TAX

	2021	2020
Current taxes	14,617	13,267
Deferred tax liabilities and deferred tax assets	1,221	(11,277)
Total	**15,838**	**1,990**

The increase in current taxes is tied to the improvement in group profit and the increase in the tax rate envisaged for Tunisian affiliates.

The table below shows the reconciliation of the effective tax burden of the Group in the periods ended as at 31 December 2021 and 2020.

	2021		2020	
Profit before taxes	**50,951**		**22,979**	
Theoretical tax burden	11,714	22.99%	4,533	19.73%
Losses of French subsidiaries (net DTAs)	-272	-0.53%	-851	-3.70%
Dividends and non-distributable profits	1,109	2.18%	1,029	4.48%
Trademark revaluation	978	1.92%	-	-
Tax risks	-1,817	-3.57%	0	0.00%
Other permanent differences	2,723	5.35%	-112	-0.49%
IRAP	1,403	2.75%	592	2.58%
Actual tax burden	**15,838**	**31.08%**	**5,191**	**22.59%**

The tax burden includes, among other things, the substitute tax on the release of the revaluation reserve pursuant to Law 126/20 equal to 10% of the reserve itself; the directors decided to recognise the related charge in the income statement. The tax burden, net of the aforementioned tax, would be 31%.

36. INFORMATION ON THE FINANCIAL RISKS THE GROUP IS EXPOSED TO

To make the impact of financial instruments on the equity and financial position, result of operations and the cash flows of the Group easier to understand, some qualitative information is provided below to facilitate the understanding of the Group's exposure to the various types of risks on the financial instruments in place and the related management policies.

The activities are exposed to various types of risk, including the credit risk and liquidity risk, the exchange rate risk and the interest rate risk.

CREDIT RISK

Credit risk is the risk of potential losses deriving from the non-fulfilment of obligations undertaken by both commercial and financial counterparties. This risk can be associated with situations of default of the counterparty originating both from technical-commercial factors (e.g. disputes on the nature/quality of the product, on the interpretation of contractual clauses, etc.) and from the circumstance that

one of the parties causes a loss to the other party by not fulfilling the obligation. This risk arises with respect to trade receivables, cash and cash equivalents, financial instruments, deposits with banks and other financial institutions.
The type of customers targeted by the Group's products allows the Group to assess the credit risk as medium.
In procedural terms, the credit positions claimed by the Group are periodically monitored to verify compliance with the contractual terms envisaged for payment. The Group has procedures in place to ensure that product sales are carried out to customers with high reliability and high economic-financial strength, taking into account their financial position, past experience and other factors.

LIQUIDITY RISK

Liquidity risk is defined as the risk that an entity may have difficulty in meeting the obligations associated with financial and commercial liabilities within the pre-set terms and due dates.
The prudent management of the liquidity risk, originating from the usual operating activities of the Group that allows an adequate level of cash and cash equivalents to be maintained, enables the Group to assess the liquidity risk as low.
As regards the reconciliation between the liabilities shown in the statement of financial position and the cash flows, as well as the maturity dates of the financial indebtedness, please refer to the tables in note 20.
note should also be taken, as detailed in Note 20.1, of the unused credit lines.

INTEREST RATE RISK

The Group is exposed to risks related to interest rate trends linked to financial indebtedness, which it uses, in particular, through medium/long-term loan agreements at floating interest rates.
In the period under review, the Group entered into and activated contracts to hedge against the risk of interest rate fluctuations on medium/long-term loan agreements.
The Group monitors the exposure to the interest rate risk and proposes suitable hedging strategies to contain the exposure within the limits defined by the Group's Finance, Administration and Control Department, by entering into the above derivative contracts, if necessary.
A sensitivity analysis is presented below, which shows the effects on the consolidated net result deriving from an increase/decrease in interest rates of 50 basis points compared to the specific interest rates as at 31 December 2021 and 2020 with other variables remaining constant, excluding the effects of hedging derivatives:

	2021		2020	
Change	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**
Euro (Euribor)	0	163	0	181
Total	**0**	**163**	**0**	**181**

The sensitivity analysis as at 31 December 2021 and 31 December 2020 for the financial indebtedness of U-POWER GROUP S.P.A. is shown below, which illustrates the potential effects deriving from changes in the interest rate on an annual basis, including the effects of hedging derivatives:

	2021		2020	
Change	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**
Euro (Euribor)	0	15	0	33
Total	**0**	**15**	**0**	**33**

The potential impacts reported above are calculated by taking as a reference the liabilities that represent the most significant part of the debt at the reference date and by calculating, on this amount, the potential effect deriving from the change in interest rates on an annual basis.
The liabilities subject to this analysis include floating-rate financial payables and derivative financial instruments whose value is affected by changes in interest rates.

EXCHANGE RATE RISK

The Group is present at international level and is therefore exposed to exchange rate risk generated by changes in the value of trade and financial flows in currencies other than the reporting currencies of the individual companies.

The following table shows the amounts and percentage incidences of revenues from agreements with clients in foreign currency, broken down by reference currency, compared to the total amount of revenues for the years ended as at 31 December 2021 and 2020.

	2021	inc %	2021	inc %
EUR	226,755	**99%**	169,540	**98%**
GBP	3,306	1%	2,996	2%
USD	6	0%	-	0%
Total revenues and income	**230,067**	**100%**	**172,536**	**100%**

Since the incidence of revenues, expressed in currencies other than the Euro on the total revenues and income is not significant, the revenues of the Group were not affected by the exchange rate trend.

The following table shows the amounts of the total purchases of raw materials and changes in inventories broken down by reference currency, compared to the amount of revenues from contracts with customers for the periods ended as at 31 December 2021 and 2020.

	2021	% of revenues from contracts with customers	2020	% of revenues from contracts with customers
EUR	54,767	23.8%	45,261	26.1%
TND	2,307	1.0%	1,876	1.1%
USD	17,165	7.5%	12,580	7.2%
CNY	3,108	1.4%	-	-
GBP	105	0.0%	1	0.0%
Total purchases of raw materials and change in inventories	**77,452**	**33.7%**	**59,718**	**34.4%**

Since the incidence of purchase costs, expressed in currencies other than the Euro, on the total purchase costs is insignificant, the costs of the Group were not significantly affected by the exchange rate trend.

The following table shows the amounts of personnel costs broken down by reference currency, compared to the amount of revenue from contracts with customers for the periods ended as at 31 December 2021 and 2020.

	2021	% of revenues from contracts with customers	2020	% of revenues from contracts with customers
EUR	12,853	5.6%	10,578	6.1%
TND	21.054	9,2%	17.591	10,2%
GBP	418	0.2%	238	0.1%
Total personnel expenses	**34,325**	**14.9%**	**28,407**	**16.5%**

The Group therefore believes that the currency balance appears to be balanced, and consequently, during the period under analysis, it did not subscribe financial instruments to hedge the risk of fluctuations in exchange rates with reference to commercial transactions.
In detail, the main exchange rates that affect the Group concern:

- Euro / British Pound Sterling: in relation to commercial transactions carried out by companies operating in the Eurozone on the British market and vice versa;
- Euro / Tunisian Dinar: in relation to commercial transactions carried out by companies operating in the Eurozone on the Tunisian market and vice versa;
- Euro / US Dollar: in relation to commercial transactions carried out by companies operating in the Eurozone on the Asian market and vice versa;
- Euro / Chinese Renminbi: in relation to commercial transactions carried out by companies operating in the Eurozone on the Asian market and vice versa.

The following table shows, with reference to the main monetary assets and liabilities, the amounts, as at 31 December 2021 and 31 December 2020, of the exposures in currencies other than the reporting currency of each of the Group companies, with their impact on the total of the respective items:

Amounts in Euro thousands

	As at 31 December 2021										
	EUR	% incidence on the total	TND	% incidence on the total	USD	% incidence on the total	GBP	% incidence on the total	CNY	% incidence on the total	Total
Trade receivables	66,665	99.0%	-53	-0.1%	37	0.00%	689	1.0%	*0*	0.0%	**67,339**
Trade payables	49,666	85.6%	2,486	4.3%	5,208	9.0%	147	0.3%	*537*	0.9%	**58,044**

Amounts in Euro thousands

	As at 31 December 2020								
	EUR	% incidence on the total	TND	% incidence on the total	USD	% incidence on the total	GBP	% incidence on the total	Total
Trade receivables	51,097	99.2%	(52)	-0.1%	-	0.0%	464	0.9%	**51,510**
Trade payables	38,072	91.0%	1,676	4.0%	2,028	4.8%	38	0.1%	**41,815**

A sensitivity analysis is presented below, which shows the effects on the net result, and consequently also on the consolidated shareholders' equity, deriving from an increase/decrease in the exchange rates of foreign currencies compared to the effective exchange rates as at 31 December 2021 and 31 December 2020.
As part of the sensitivity analyses illustrated below, the effect was determined without taking into account the tax effect.

Amounts in Euro thousands

	As at 31 December 2021					
	-5,00%	5,00%	-10,00%	10,00%	-15,00%	15,00%
TND	660	(597)	1,394	(1,140)	2,414	(1,636)
USD	33	(30)	69	(57)	110	(82)
GBP	(31)	28	(65)	53	(104)	77
CNY	(36)	33	(77)	63	(122)	90
Total	**626**	**(566)**	**1,321**	**(1,081)**	**2,098**	**(1,551)**

Amounts in Euro thousands

	As at 31 December 2020					
	-5,00%	5,00%	-10,00%	10,00%	-15,00%	15,00%
TND	645	(583)	1,361	(1,114)	2,162	(1,598)
USD	21	(19)	45	(37)	72	(53)
GBP	(29)	27	(62)	51	(99)	73
Total	**637**	**(576)**	**1,344**	**(1,100)**	**2,135**	**(1,578)**

Investment commitments

There are no investment commitments.

Guarantees

There are no guarantees not already represented in the financial statements.

Contingent liabilities

There are no contingent liabilities other than those resulting from the financial statements.

37. DISCLOSURE ON RELATED PARTIES

Note 1 reports information relating to the Group structure, including details on the subsidiaries and the parent company. All transactions are regulated at arm's length, taking into account the characteristics of the goods and services provided. The following table provides the total amount of the transactions with related parties during the period:

Amounts in Euro thousands

	Receivables	Payables	Revenues	Costs
Fin Reporter S.r.l. (parent company)	3	**1,030**	-	169
PFU S.r.l. (related company)	9	-	4	-
Total	**12**	**1,030**	**4**	**169**

Payables due to the parent company Fin Reporter mainly refer to the tax consolidation and payable dividends.

The company is not subject to management and coordination activities by other entities.

38. SEGMENT REPORTING

IFRS 8 – Operating segments requires operating segments to be identified on the basis of the internal reporting system that the company's top management uses to allocate resources and assess performance. The products distributed by the Company do not present, with regard to their economic and financial characteristics, elements that are significantly different from each other in terms of the nature of the product, the nature of the production process, distribution channels, geographical distribution or type of customer. Therefore, the subdivision required by the accounting standard is, in light of the requirements of paragraph 12 of the standard, not necessary because it is considered to be of limited disclosure for the reader of the financial statements.

39. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

No significant events occurred after the end of the year that could impact these financial statements.
The Group continues to monitor the developments in the spread of the Coronavirus closely and adopts all the necessary organisational, control and prevention measures. The developments of the recent conflict in Ukraine will also be carefully monitored, however it should be Noted that the presence of the Group in the countries affected by the conflict is totally marginal.

* * * * *

Paruzzaro, 25 February 2022

The Chairman of the Board
of Directors
(Pier Franco Uzzeni)

U-Power Group S.p.A.

Consolidated financial statements as at 31 December 2021

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholder of
U-Power Group S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of U-Power Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 U-Power Group S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance 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 with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company U-Power Group S.p.A. or to cease operations, or have no realistic alternative but to do so.

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Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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The statutory audit committee is responsible, within the terms provided by the law, for overseeing 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 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 have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming 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;
- we have evaluated 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;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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 have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of U-Power Group S.p.A. are responsible for the preparation of the Report on Operations of U-Power Group as at 31 December 2021, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit 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 U-Power Group as at 31 December 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of U-Power Group as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milano, 4 March 2022

EY S.p.A.
Signed by: Gabriele Grignaffini, Auditor

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

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

BALANCE SHEET ASSETS

(amounts in Euro)

	31.12.2021	31.12.2020
A) SUBSCRIBED CAPITAL UNPAID	-	-
B) FIXED ASSETS		
I – Intangible assets	25,734,055	29,332,380
II – Tangible assets	136,975	98,669
III – Financial fixed assets	70,315,392	56,978,968
Total fixed assets (B)	**96,186,422**	**86,410,017**
C) CURRENT ASSETS		
II – Loans		
Due within the next financial year	15,605,999	9,251,657
Deferred tax assets	255,395	143,066
Total receivables (II)	15,861,394	9,394,723
IV – Cash and cash equivalents	6,684,473	16,721,553
Total current assets (C)	**22,545,867**	**26,116,276**
D) ACCRUALS AND DEFERRALS	66,346	39,715
TOTAL ASSETS	118,798,635	112,566,008

BALANCE SHEET LIABILITIES

(amounts in Euro)

	31.12.2021	31.12.2020
A) SHAREHOLDERS' EQUITY		
I – Share capital	10,000,000	10,000,000
II – Share premium reserve	3,517,000	3,517,000
III – Revaluation reserve	27,157,916	27,157,916
IV – Legal reserve	2,000,000	1,933,115
VI – Other reserves	8,915,399	8,915,399
VII – Reserve for expected cash flow hedges	(59,100)	(169,238)
VII – Retained earnings (losses)	9,764,535	6,806,527
IX – Profit (loss) for the year	28,172,777	20,124,893
Total shareholders' equity (A)	**89,468,527**	**78,285,612**
B) PROVISIONS FOR RISKS AND CHARGES	633,947	593,921
C) EMPLOYEE SEVERANCE INDEMNITY	72,277	76,954
D) PAYABLES		
Due within the next financial year	11,317,154	9,108,801
Payable after the next financial year	17,267,730	24,480,720
Total payables (D)	**28,584,884**	**33,589,521**
E) ACCRUALS AND DEFERRALS	39,000	20,000
TOTAL LIABILITIES	118,798,635	112,566,008

INCOME STATEMENT

(amounts in Euro)

	31.12.2021	31.12.2020
A) VALUE OF PRODUCTION		
1) Revenue from sales and services	8,465,339	5,787,241
5) Other income	33,761	382
Total value of production	**8,499,100**	**5,787,623**
B) PRODUCTION COSTS		
6) For raw materials, consumables and goods	-	-
7) For services	6,062,755	3,920,792
8) For use of third party assets	284,448	250,562
9) For personnel		
a) Wages and salaries	985,669	620,083
b) Social security costs	348,600	192,282
c) Employee severance indemnity	21,244	14,141
Total personnel expenses	1,355,513	826,506
10) Depreciation, amortisation and write-downs:		
a) Amortisation of intangible assets	3,673,452	156,219
b) Depreciation of tangible assets	37,538	21,741
Total amortisation, depreciation and write-downs	3,710,990	177,960
14) Sundry operating expenses	294,503	213,496
Total production costs	**11,708,209**	**5,389,316**
Difference between value and costs of production (A-B)	**(3,209,109)**	**398,307**
C) FINANCIAL INCOME AND CHARGES:		
15) income from equity investments		
From subsidiaries	34,854,219	22,072,783
16) other financial income:		
a) from receivables recorded under fixed assets		
from parent companies	0	0
from subsidiaries	996,084	792,784
b) from securities recorded under financial assets which do not constitute equity investments	17,800	250
d) income other than the above		
other	236	86
Total other financial income	1,014,120	793,120
17) interest and other financial charges		
towards subsidiaries	-	-
other	396,259	761,445
Total interest and other financial charges	396,259	761,445
17-bis) exchange gains and losses	24,778	325,475
Total financial income and charges (C) (15+16-17+-17-bis)	**35,496,858**	**21,778,983**

Income Statement follows >>

<< Income Statement continued

INCOME STATEMENT

(amounts in Euro)

	31.12.2021	31.12.2020
D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES:		
18) Revaluations:		
b) of financial fixed assets that do not constitute equity investments	2,262,741	14,883
d) from derivative financial instruments	21,210	8,795
19) Write-downs:		
a) of equity investments	2,700,000	200,000
b) of financial fixed assets that do not constitute equity investments	0	78,243
d) of derivative financial instruments	0	43,607
Total value adjustments to financial assets and liabilities (D) (18-19)	**(416,049)**	**298,172**
Profit (loss) before tax (A-B+-C+-D)	**31,871,700**	**21,879,118**
20) Income taxes for the year, current, deferred and prepaid		
Current taxes	3,575,879	2,167,201
Taxes relating to previous years	-	-
Deferred tax liabilities and deferred tax assets	123,044	(412,976)
Income from tax consolidation	-	-
Total income taxes for the year, current, deferred and prepaid	**3,698,923**	**1,754,225**
21) PROFIT (LOSS) FOR THE YEAR	**28,172,777**	**20,124,893**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021 PREPARED IN ABBREVIATED FORM PURSUANT TO ARTICLE 2435-BIS OF THE ITALIAN CIVIL CODE

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021 PREPARED IN ABBREVIATED FORM PURSUANT TO ARTICLE 2435-BIS OF THE ITALIAN CIVIL CODE

1. CORPORATE INFORMATION

U-Power Group S.p.a. is a joint-stock company registered and domiciled in Italy.
The registered office is in Paruzzaro (NO), in via Borgomanero 50.
It should be noted that, on 11.03.2021, by means of deed of notary Zabban, the company approved the transformation from a limited liability company to a joint-stock company with the consequent change of the company name to the current U-Power Group S.p.a..

The financial statements for this year have been prepared in condensed form in compliance with the provisions of article 2435-bis of the Italian Civil Code, as the conditions set forth in paragraph 1 of the aforementioned article have been met. Consequently, in these explanatory notes, the indications set forth in paragraph 1, number 10 of article 2426 and the information required by paragraph 1 of article 2427 limited to the items specified in paragraph 5 of article 2435 bis of the Italian Civil Code, have been omitted.
In addition, these explanatory notes contain the information required by numbers 3) and 4) of article 2428 of the Italian Civil Code and therefore the management report was not prepared pursuant to paragraph 7 of article 2435-bis of the Italian Civil Code.

2. MAIN ACCOUNTING STANDARDS

2.1. INTRODUCTION

The financial statements as at 31 December 2021, of which these explanatory notes form an integral part pursuant to article 2423, first paragraph of the Italian Civil Code, correspond to the results of the accounting records duly kept and are drawn up in compliance with articles 2423, 2423-ter, 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code, according to the drafting principles compliant with the provisions of Italian Civil Code article 2423-bis and the measurement criteria pursuant to article 2426 of the Italian Civil Code.

2.2. DRAFTING PRINCIPLES

In order to prepare the financial statements with clarity and provide a true and fair view of the financial position and the economic result, in accordance with the provisions of article 2423-bis of the Italian Civil Code, steps were taken to:

- assess the individual items prudently and with a view towards the company continuing as a going concern;
- include only the profits actually realised during the year;
- determine the income and costs on an accruals basis and regardless of their financial manifestation;
- understand all risks and losses for the period, even if they become known after the end of the year;
- consider separately, for the purposes of the relative measurement, the heterogeneous elements included in the various items of the financial statements;

- keep the same measurement criteria adopted as the previous year.

The following financial statements assumptions as per OIC 11 paragraph 15 were also complied with:
a) prudence;
b) the company continuing as a going concern;
c) substantial representation;
d) competence;
e) consistency in the measurement criteria;
f) relevance;
g) comparability.

2.2.1. Company continuing as a going concern

With regard to this standard, the measurement of the financial statement items was carried out on the basis of the company continuing as a going concern and therefore taking into account the fact that the company constitutes a functioning economic complex, destined, at least for a foreseeable future period of time (12 months from the date of the reporting date), to the production of income.
In the forward-looking assessment of the going concern assumption, no significant uncertainties emerged, nor were reasonable alternatives to the termination of business identified.

The financial statements are drawn up in units of Euro. These explanatory notes have been drawn up in thousands of Euro.

2.2.2. Exceptional cases pursuant to article 2423, paragraph 5 of the Italian Civil Code

There were no exceptional events that made it necessary to use the exceptions set forth in the article.

2.2.3. Changes in accounting standards

There were no changes in accounting standards during the year.

2.2.4. Correction of significant errors

There were no significant errors committed in previous years.

2.2.5. Comparability and adaptation issues

The asset and liability items belonging to more than one balance sheet item were specifically mentioned.

Pursuant to article 2423-ter, fifth paragraph of the Italian Civil Code, no problems arose regarding the comparability and adjustment of the items for the current year with those relating to the previous year.

2.3. MEASUREMENT CRITERIA APPLIED

The criteria applied in the measurement of the financial statement items, shown below, comply with the provisions of article 2426 of the Italian Civil Code.
The measurement criteria pursuant to article 2426 of the Italian Civil Code are compliant with those used in the preparation of the financial statements of the previous year.

2.3.1. Intangible assets

Intangible assets are recorded, within the limit of their recoverable value, at purchase or internal production cost, including all directly attributable accessory charges, and are systematically amortised on a straight-line basis in relation to the residual useful life of the asset.

In particular, industrial patent rights and intellectual property rights are amortised on the basis of their presumed duration of use, in any case not exceeding that established by the license agreements.

Trademarks are amortised on the basis of their presumed useful life, estimated at 18 years.

Fixed assets whose value at the end of the year is permanently lower than the residual cost to be amortised are recorded at said lower value; this is not maintained if the reasons for the adjustment no longer apply in subsequent years.

The recognition and measurement of the items included in the category of intangible assets was carried out with the consent of the Board of Statutory Auditors, where this is provided for by the Italian Civil Code.

2.3.2. Tangible assets

Tangible assets are recognised on the date on which the risks and benefits associated with the assets acquired are transferred and are recognised, within the limit of the recoverable value, at purchase or production cost net of the related accumulated depreciation, including all costs and directly attributable accessory charges, indirect costs relating to internal production, as well as charges relating to the financing of internal manufacturing incurred during the manufacturing

period and up to the moment in which the asset can be used. Pursuant to OIC 26 paragraph 33, acquisitions with deferred payment at conditions different from those normally applied on the market are recorded at the value corresponding to the payable determined pursuant to OIC 19.
Costs incurred on existing assets for expansion, modernisation and improvement of structural elements, as well as those incurred to increase their compliance with the purposes for which they were acquired, and extraordinary maintenance in compliance with the provisions of OIC 16, paragraphs 49 to 53, were capitalised only in the presence of a significant and measurable increase in production capacity or useful life.
For these assets, depreciation was applied on a uniform basis on the new carrying amount, taking into account the residual useful life.
The cost of fixed assets whose use is limited in time is systematically depreciated each year on the basis of economic-technical rates determined in relation to the residual possibility of use. All assets, including those temporarily not used, were depreciated, with the exception of those whose usefulness is not exhausted, and which consist of land, non-operating buildings and works of art.
On the basis of the provisions of OIC 16, paragraph 60, if the value of the buildings also incorporates the value of the land on which they stand, the value of the building was separated.
Depreciation starts from the moment the assets are available and ready for use.
The rates that reflect the result of the technical depreciation plans were applied, confirmed by the companies and reduced by 50% for the acquisitions during the year, as the conditions envisaged by OIC 16 paragraph 61 exist for the latter.
The depreciation plans, in compliance with OIC 16 paragraph 70, are reviewed in the event of a change in the residual possibility of use.
Obsolete assets and those that will no longer be used or usable in the production cycle, based on OIC 16, paragraph 80, were not depreciated and were measured at the lower of the net carrying amount and the recoverable value.
The rates applied are specified below:
Other assets:

- furniture and furnishings: 12%
- electronic office machines: 20%
- vehicles: 25%

2.3.3. Equity investments

Equity investments are classified under fixed assets or current assets based on their designation.
Initial recognition is made at purchase or acquisition cost, including accessory costs.
Non-current equity investments were measured by attributing the cost specifically incurred to each equity investment.
Pursuant to article 2426, point 3 of the Italian Civil Code, the cost was adjusted since there were impairment losses, defined and determined on the basis of OIC 21 paragraphs 31 to 41.
If the conditions that had determined an adjustment in previous years no longer apply, a reversal will be carried out on the basis of OIC 21 paragraphs 42 and 43.

Non-current securities
Non-current securities are recognised at the presumed realisable value based on market trends.

2.3.4. Derivative financial instruments

Derivative financial instruments are recorded at fair value corresponding to the market value, if any, or to the value resulting from measurement models and techniques to ensure a reasonable approximation to the market value. Financial instruments for which it was not possible to use these methods are measured on the basis of the purchase price.
The recognition of the current value is recognised in the balance sheet assets, in the specific item of financial fixed assets or current assets depending on the designation, or in the liabilities in the specific item included among the provisions for risks and charges.
Cash flow hedge derivatives are offset by a shareholders' equity reserve, or, for the ineffective part, the income statement.
Changes in the fair value of speculative derivatives and those hedging the price of an underlying asset (so-called fair value hedge) are recognised in the income statement.

2.3.5. Receivables

Receivables are classified under non-current assets or current assets on the basis of their designation/origin with respect to ordinary assets, and are recorded at their estimated realisable value.
The breakdown of amounts payable within and after the financial year is carried out with reference to the contractual or legal maturity, also taking into account facts and events that may determine a change in the original maturity, the realistic capacity of the debtor to fulfil the obligation within the contractual terms and the time horizon in which it is reasonably expected to be able to claim the receivable.
Pursuant to OIC 15 paragraph 84, note that the amortised cost criterion was not adopted in the measurement of the receivables.
Receivables are shown in the financial statements net of the

recognition of a bad debt provision to cover bad debts, as well as the general risk relating to the remaining receivables, based on estimates made on the basis of past experience, of the trend of the seniority indices of the past due receivables, the general economic situation, sector and country risk, as well as events occurring after the end of the year that have an impact on the values at the balance sheet date.

The item "Tax receivables" includes certain and determined amounts deriving from receivables for which a right of realisation through reimbursement or set-off has arisen.
The item "Deferred tax assets" includes deferred tax assets determined on the basis of deductible temporary differences or the carrying forward of tax losses, applying the estimated rate in force at the time when these differences are deemed to be reversed.

2.3.6. Cash and cash equivalents

Cash and cash equivalents are stated at their nominal value.

2.3.7. Accruals and deferrals

Accruals and deferrals were recognised on an accruals basis and contain the revenues / costs pertaining to the year and payable in subsequent years and the revenues / costs incurred by the end of the year, but pertaining to subsequent years.
Therefore, only the portions of costs and revenues common to two or more years, the amount of which varies over time, are recorded.
At the end of the year, it was verified that the conditions that led to the initial recognition were met, making the necessary value adjustments, if it was the case, taking into account not only the time element but also the potential recoverability.
Accrued income, similar to receivables for the financial year, was measured at the estimated realisable value, with a write-down in the income statement if this value was lower than the carrying amount.
Accrued liabilities, similar to payables, were measured at nominal value.
For deferred charges, the future economic benefit related to the deferred costs was measured, by making a value adjustment if this benefit was lower than the amount deferred.

2.3.8. Provisions for risks and charges

Provisions for risks represent liabilities related to situations existing at the balance sheet date, but whose occurrence is only probable.
Provisions for charges represent certain liabilities, related to negative income components pertaining to the financial year, but which will become manifest in the following year.
The estimate process is carried out and/or adjusted at the reporting date on the basis of past experience and every useful element available.
In compliance with OIC 31, paragraph 19, as the criterion of classification by nature of costs must prevail, allocations to provisions for risks and charges are recorded among the items of the management activity to which the operation refers (characteristic, accessory or financial).

2.3.9. Provisions for taxes, including deferred

It includes the liabilities for probable taxes, deriving from non-final assessments and pending disputes, and the liabilities for deferred taxes calculated on the basis of the taxable temporary differences, applying the estimated rate in force at the time when these differences are expected to be reversed.

2.3.10. Employee severance indemnity

Employee severance indemnity is recorded in compliance with the provisions of current legislation and corresponds to the actual commitment of the Company towards the individual employees at the reporting date, less the advances paid.

2.3.11. Payables

The breakdown of the amounts payable within and after the financial year is carried out with reference to the contractual or legal maturity, also taking into account facts and events that may determine a change in the original maturity.
Payables are indicated under liabilities on the basis of their nominal value, considered representative of their settlement value.
Pursuant to OIC 19 paragraph 86, note that the amortised cost criterion was adopted in the measurement of payables.
In the initial recognition, the carrying amount is represented by the nominal value of the payable net of transaction costs (e.g. preliminary investigation, commissions, issue costs, etc.).
At the end of the year, the value of payables measured at amortised cost is equal to the present value of future cash flows discounted at the effective interest rate.
This criterion was not applied to payables for which the effect is irrelevant with respect to the value determined pursuant to paragraphs 54-57.
Payables arising from acquisitions of assets are recognised at the time the risks, charges and benefits are transferred; those relating to services are recognised at the time the ser-

vice is provided; financial and other types at the time the obligation to the counterparty arises.
Tax payables include liabilities for certain and determined taxes, as well as withholdings operating as substitutes and not yet paid at the balance sheet date, and, where offsetting is allowed, they are recognised net of advances, withholding taxes and tax receivables.

2.3.12. Currency values

Monetary assets and liabilities denominated in foreign currencies are recognised at the spot exchange rate at the end of the year, with the related exchange gains and losses recognised in the income statement.
Any net gains deriving from the adjustment to exchange rates are recorded, for the part not absorbed by any loss for the year, in a special reserve that cannot be distributed until the moment of realisation.

2.3.13. Costs and revenues

They are stated according to the principle of prudence and accruals.
With reference to "Revenues from sales and services", it should be noted that adjustments to revenues, pursuant to OIC 12 paragraph 50, are recorded as a reduction of the item revenues, with the exception of those referring to previous years and deriving from corrections, errors or changes in accounting standards, recognised, pursuant to OIC 29, if of a significant amount, on the opening balance of the shareholders' equity.

2.4. OTHER INFORMATION

The specific sections of the explanatory notes illustrate the criteria with which article 2423, fourth paragraph, are implemented in the event of non-compliance with regard to recognition, measurement, presentation and disclosure, when their observance has irrelevant effects on the true and fair representation.
The standards and recommendations published by the Italian Accounting Body (OIC) were complied with, supplemented, where missing, by generally accepted international standards (IAS/IFRS and USGAAP) in order to provide a true and fair view of the equity and financial situation, and the economic result for the year.

3. FIXED ASSETS

Fixed assets amount to Euro 96,186 thousand (Euro 86,410 thousand in the previous year).

The breakdown and changes in the individual items are as follows:

	Intangible assets	Tangible assets	Financial fixed assets	Total fixed assets
Value at the beginning of the year				
Cost	2,249	133	59,028	61,410
Amortisation/Depreciation (accumulated amortisation/depreciation)	*915*	*34*	-	*949*
Revaluations	27,998		15	28,013
Write-downs	-		2,064	2,064
Carrying value	**29,332**	**99**	**56,979**	**86,410**
Changes during the year				
Increases	75	77	16,006	16,158
Decreases	-	-	(2,034)	(2,034)
Decreases due to sales and disposals (of the carrying amount)	-	(1)	-	(1)
Write-downs made during the year	-		(2,700)	(2,700)
Revaluations carried out during the financial year	-		2,064	2,064
Amortisation/depreciation for the year	(3,673)	(38)	-	(3,711)
Total changes	**(3,748)**	**38**	**13,336**	**9,776**
Value at the end of the year				
Cost	2,324	209	73,000	75,533
Amortisation/Depreciation (accumulated amortisation/ depreciation)	4,588	72	-	4,660
Revaluations	27,998		44	28,042
Write-downs	-		2,729	2,729
Carrying value	**25,734**	**137**	**70,315**	**96,186**

3.1. INTANGIBLE ASSETS

Intangible assets amounted to Euro 25,734 thousand as at 31 December 2021 and mainly refer to the Aimont, Lupos and U Power – Don't worry be happy brands. The increases in the year refer mainly to the submission of patent applications and ornamental designs at EU and international level.

The company made use of the possibility provided for by art. 110 of Legislative Decree 104/2020 to proceed with the revaluation, in the financial statements relating to the 2020 financial year, of the business assets reported in the financial statements for the year ended as at 31 December 2019.
The company also availed of the right to attribute tax relevance to the higher value attributed to the assets at the time of revaluation by means of the payment of a substitute tax for income taxes and the regional tax on production activities of 3%.
In particular, the company revalued the figurative trademarks and industrial patents as shown in the table below (in Euro):

FIGURATIVE MARKS

Description	Registration	Historical cost	Accumulated amort. 31.12.2019	Net book balance 31.12.2019	Actual economic value	Revaluation amount
U-Power – Don't worry be happy	17880035 e 1503415	3,057	3,057	-	21,000,000	21,000,000

INDUSTRIAL PATENT

Description	Registration	Historical cost	Accumulated amort. 31.12.2019	Net book balance 31.12.2019	Actual economic value	Revaluation amount
Energising safety shoe	201700075302	9,113	6,965	2,148	7,000,000	6,997,852

The revaluation was determined having regard to the actual economic value of the aforementioned intangible assets as resulting from a specific appraisal prepared by an expert. The value of the assets thus determined was compared with the residual value to be amortised of the assets. The entire revaluation of Euro 27,998 thousand was recorded as an increase in the historical cost and as a counter-entry, a shareholders' equity reserve was recognised called "*Revaluation reserve – Law Decree 104/2020*" net of the 3% substitute tax of Euro 840 thousand.

The company also made use of the option proposed by art. 110, paragraph 3, Decree Law 104/2020, to release the reserve recorded as a counter-entry of the revaluation by applying the substitute tax of 10%, to be paid in three equal annual instalments. The amount of the substitute tax of Euro 2,800 thousand was recognised under item E20 – Income taxes for the year.

The reserve is thus released from the tax suspension regime and becomes a profit reserve freely distributable to shareholders. The allocation of the released reserves to the shareholders does not therefore generate taxable material for the company.
In these financial statements, amortisation was calculated on the higher values recorded following the revaluation. In particular, trademarks were amortised on the basis of their presumed useful life, estimated at 18 years. It should be noted that art. 1, paragraphs 622-624 of the 2022 Budget Law (Law 234/2021) modified (retroactively) the tax regime for the revaluation of trademarks, providing for an increase to 50 years of the period in which to amortise the higher value recorded.
This change entailed the recognition of prepaid taxes on the temporary difference generated between the statutory depreciation calculated over 18 years and the tax depreciation determined over 50 years. For further details, please refer to paragraph 13.1.

3.2. TANGIBLE ASSETS

Tangible assets amounted to Euro 137 thousand as at 31 December 2021 and include electronic office equipment and cars. The increases in the year refer for Euro 77 thousand to the purchase of electronic office machines and cars.

3.3. FINANCIAL FIXED ASSETS

Financial fixed assets amount to Euro 70,315 thousand and are broken down as follows:
- Equity investments in subsidiaries for Euro 37,651 thousand (Euro 37,651 thousand as at 31 December 2020);
- Other securities for Euro 1,350 thousand (Euro 1,321 thousand as at 31 December 2020);
- Non-current receivables for Euro 31,315 thousand (Euro 18,007 thousand as at 31 December 2020).

3.3.1. Equity investments

Equity investments included in financial fixed assets amount to Euro 37,651 thousand (unchanged with respect to the previous year).

Other securities included in financial fixed assets amounted to Euro 1,350 thousand (Euro 1,321 thousand in the previous year).

The securities in the portfolio amounted to Euro 1,300 thousand, to which a fair value of Euro 1,350 thousand was attributed as at 31 December 2021. The recognition at fair value, adding to the amount already recognised in the previous year, led to the registration of a positive component of Euro 29 thousand which was recorded under item D18 Revaluation, b) of fixed assets that do not constitute equity investments.

These securities are the subject of the Pledge agreement signed with Unicredit Spa, which will be discussed in paragraph 8. Payables.
The breakdown and changes in the individual items are as follows:

	Equity investments in subsidiaries	Other securities
Value at the beginning of the year		
Cost	37,680	1,306
Revaluations		15
Write-downs	29	-
Carrying value	**37,651**	**1,321**
Changes during the year		
Increases due to acquisitions	2,700	-
Revaluations	-	29
Write-downs	2,700	
Decreases	-	-
Total changes	**-**	**29**
Value at the end of the year		
Cost	40,380	1,306
Revaluations	-	44
Write-downs	2,729	-
Carrying value	**37,651**	**1,350**

The table below shows the data of the subsidiaries relating to the shareholders' equity and the result for the last year financial statements, approved or in the process of being approved:

(amounts in Euro)

Name	City, if in Italy, or foreign country	Tax Code (for Italian companies)	Capital in Euro	Profit (loss) for the last year in Euro	Shareholders' equity in Euro	Shareholders' equity stake held in Euro	Shareholding in %	Carrying amount or corresponding receivable
U-Group SRL	Paruzzaro	02041920030	119,000	24,269,846	30,364,953	30,364,953	100	10,974,357
MARTEK SARL	Tunisia		13,122,605	8,759,387	25,261,809	25,261,809	100	19,854,368
JALLATTE SAS	France		100,000	5,812,771	6,336,253	6,336,253	100	4,762,112
U-LOGISTICS SRL	Paruzzaro	02557020035	110,000	129,265	1,087,262	1,087,262	100	2,059,871
LUPOS GMBH	Germany		25,000	(62,334)	407,571	407,571	100	0
Total								**37,650,708**

Note should be taken of the corporate restructuring during the year, which led to:
a) Merger by incorporation of Belbis Sarl and Granbis Sarl into Martek Sarl
b) Merger by incorporation of Altek Europe Srl into U-Group Srl

It should be pointed out that the year 2021 saw the effects of the winding-up and placement into liquidation of the subsidiary Lupos GmbH, and in order to recapitalise it, a share capital payment of a total amount of Euro 2,700 thousand was made. This payment enabled the existing loan of Euro 2,034 thousand to be settled, with a subsequent reversal of the same amount of the related bad debt provision. The write-back was recognised in the income statement under item D18 Revaluations, b) of financial fixed assets that do not constitute equity investments.

The write-down of the investee Lupos Gmbh was also integrated for an amount of Euro 2,700 thousand. This amount was recognised as an increase to the existing bad debt provision and as a contra-entry to the income statement item D19 Write-downs, b) of equity investments.

3.3.2. Non-current receivables

The data relating to the breakdown of receivables by payment due date, pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code are shown below:

Description	Value at the beginning of the year	Net changes during the year	Value at the end of the year	Portion falling due during the year	Portion falling due after the year	Of which residual duration of more than 5 years
Non-current receivables from subsidiaries	18,007	13,308	31,315	31,315	-	-
Non-current receivables from parent companies	0	0	-	-	-	-
Total non-current receivables	**18,007**	**13,308**	**31,314**	**31,315**	**-**	**-**

The non-current receivables amounted to Euro 31,315 thousand as at 31 December 2021 and refer to current account transactions with U-Group Srl for Euro 25,715 thousand and with U-Logistics Srl for Euro 5,600 thousand.

3.4. FINANCIAL LEASING TRANSACTIONS

Information on financial leasing transactions is provided below, pursuant to article 2427, paragraph 1, number 22 of the Italian Civil Code with reference to the individual contracts in place:

(amounts in Euro)

Description	Current value of instalments not yet due	Accrued interest expense	Historical cost	Accumulated dep./amort. – beginning of year	Depreciation/ Amortisation	Net book value
Unicredit – car	161,470	7,726	213,855	0	26,732	187,123
Audi Financial Service	24,173	971	33,503	0	4,188	29,315
Volkswagen bank – car	4,182	539	28,437	17,772	7,109	3,556

4. RECEIVABLES

The data relating to the breakdown of receivables by payment due date, pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code are shown below:

(amounts in Euro)

	Value at the beginning of the year	Change during the year	Value at the end of the year	Portion falling due during the year	Portion falling due after the year	Of which with a residual duration of more than 5 years
Receivables from subsidiaries recorded under current assets	8,634	4,357	12,991	12,991	-	-
Receivables from parent companies recorded under current assets	-	1,779	1,779	1,779	-	-
Tax receivables recorded under current assets	-	248	248	248	-	-
Deferred tax assets recorded under current assets	143	112	255	255	-	-
Receivables from others recorded under current assets	617	(29)	588	588	-	-
Total receivables recorded under current assets	**9,394**	**6,467**	**15,861**	**15,861**	**-**	**-**

Receivables due from subsidiaries refer to:

- receivables from the company Martek Sarl for dividends to be collected for Euro 3,388 thousand;
- receivables from the companies U-Group Srl, Jallatte Sas, Martek Sarl, U-Logistics Srl for royalties and services for a total amount of Euro 8,415 thousand;
- receivables from the companies U-Group Srl, U-Logistics Srl and Lupos GmbH for interest accrued on loans and current accounts totalling Euro 1,005 thousand;
- receivables due from U-Group Srl (Euro 183 thousand) for the transfer of the results of the monthly payments due as part of the group VAT.

Receivables due from parent companies refer to the credit deriving from participation in the tax consolidation scheme.

Tax receivables include the credit balance resulting from the annual group VAT payment of Euro 132 thousand as well as the IRAP (regional business tax) credit balance of Euro 116 thousand.

Deferred tax assets refer mainly to deferred tax assets calculated on the temporary difference generated by the different tax treatment of the amortisation calculated on the higher value recorded for the revaluation.

5. SHAREHOLDERS’ EQUITY

The *shareholders’ equity* existing at the end of the financial year amounted to Euro 89,469 thousand (Euro 78,286 thousand in the previous year).

The following tables show the changes during the year in the individual items that make up Shareholders’ equity:

	Capital	Share premium reserve	Revaluation reserve	Legal reserve	Other reserves	Reserve for expected cash flow hedges	Retained earnings (losses)	Profit (loss) for the year	Total Shareholders’ Equity
Balance as at 1.1.2020	**10,000**	**3,517**	**-**	**1,212**	**8,600**	**(197)**	**5,388**	**14,428**	**42,948**
Profit allocation	-	-	-	721	38	-	13,669	(14,428)	0
Increases			27,158		277				27,435
Dividends	-	-	-	-	-	-	(12,250)		(12,250)
Change in cash flow hedge reserve						28	-	-	28
Result for the year 2021	-	-		1,212	-	(197)	5,388	20,125	78,286
Balance as at 31.12.2020	**10,000**	**3,517**	**27,158**	**1,933**	**8,915**	**(169)**	**6,807**	**20,125**	**78,286**
Profit allocation	-	-		67		-	2,958	(3,025)	0
Increases	-			-		110			110
Dividends	-	-		-	-	-	-	(17,100)	(17,100)
Change in cash flow hedge reserve	-	-		-	-		-	-	
Profit for the year 2020	-								
Balance as at 31.12.2021	**10,000**	**3,517**	**27,158**	**2,000**	**8,915**	**(59)**	**9,765**	**28,173**	**89,469**

5.1. AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY ITEMS

The information required by article 2427, paragraph 1, number 7-bis of the Italian Civil Code relating to the specification of the shareholders' equity items with reference to their origin, possibility of use and distribution, as well as their use in previous years, can be inferred from the tables below:

	Amount	Origin/nature	Possibility of use	Amount available	Summary of uses made in the three previous years – to cover losses	Summary of uses made in the three previous years – for other reasons
Capital	10,000	CAPITAL		0	0	0
Share premium reserve	3,517	PROFITS	A/B/C	3,517	0	0
Revaluation reserve	27,158	OTHER NATURE	A/B/C	27,158	0	0
Legal reserve	2,000	PROFITS	A/B/C	2,000	0	0
Other reserves				0	0	0
Capital contribution payments	8,600	CAPITAL	A/B/C	8,600	0	0
Exchange gains reserve	38	PROFITS	A/B/C	38	0	0
IAS/OIC conversion reserve	277	OTHER NATURE		0	0	0
Total other reserves	8,915			8,638	0	0
Reserve for expected cash flow hedges	(59)	OTHER NATURE		0	0	0
Retained earnings	11,264	PROFITS	A/B/C	11,264	0	14,250
Total	62,795			52,577	0	14,250
Non-distributable portion				0	0	0
Residual distributable portion				52,577	0	0

Key:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders
D: for other statutory requirements

5.2. RESERVE FOR EXPECTED CASH FLOW HEDGES

The information required by article 2427-bis, paragraph 1, number 1, letter b-quater) of the Italian Civil Code relating to the specification of the movements during the year are summarised in the table below:

Reserve for expected cash flow hedges	
Value at the beginning of the year	(169)
Changes during the year	
Increase due to change in fair value	(16)
Decrease due to change in fair value	124
Release to the income statement	
Deferred tax effect	2
Value at the end of the year	**(59)**

This reserve was recognised, pursuant to OIC 32, net of deferred tax effects for a total of Euro 16 thousand. The tax effect for the year of Euro 2 thousand was recognised in the item Deferred tax assets.

6. PROVISIONS FOR RISKS AND CHARGES

The item Provisions for risks and charges is detailed hereunder:

	31 December 2021	31 December 2020
Provision for risks of financial instruments payable	91	257
TFM (severance indemnity) fund for directors	136	-
Provision charges for Lupos Gmbh losses	-	*200*
Provision for deferred taxes	407	137
Total	**634**	**594**

The item Provision for risks of financial instruments payable includes, for Euro 78 thousand, the MTM value as at 31 December 2021 of hedging derivatives in the form of Interest Rate Swaps entered into by the company, to hedge the cash flows of the debt security which will be discussed below. The measurement was carried out on the basis of the provisions of OIC 32.

The difference of Euro 13 thousand refers to the MTM value as at 31 December 2021 of the speculative derivative subscribed with BPER Banca (former UBI Banca spa)

For further details, please refer to paragraph 21.

For a comment on deferred taxes, please refer to paragraph 13.1.

7. EMPLOYEE SEVERANCE INDEMNITY

The employee severance indemnity is recorded under liabilities for a total of Euro 72 thousand (Euro 77 thousand in the previous year).

The breakdown and movements in the individual items are as follows:

Employee severance indemnity	
Value at the beginning of the year	77
Changes during the year	
Provision	21
Utilisations	26
Other Changes	-
Value at the end of the year	72

8. PAYABLES

The data relating to the breakdown of payables by due date, pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code are shown below:

	Value at the beginning of the year	Change during the year	Value at the end of the year	Portion falling due during the year	Portion falling due after the year	Of which with a duration of more than 5 years
Bonds	24,751	(3,627)	21,124	7,406	13,718	-
Payables to banks	5,175	(1,506)	3,669	1,330	2,339	-
Payables due to other lenders	30	(30)	-	-		
Payables to suppliers	1,162	(387)	775	775	-	-
Payables to subsidiaries	1,070	(862)	208	208	-	-
Payables to parent companies	36	(36)	-	-	-	-
Tax payables	1,237	1,393	2,630	1,419	1,211	-
Payables due to social security institutions	107	25	132	132		
Other payables	21	26	47	47	-	-
Total payables	**33,589**	**(5,004)**	**28,585**	**11,317**	**17,268**	**-**

The item *Bonds – maturing within and beyond 12 months* refers to the debt security issued on 29.06.2020 and fully subscribed by UniCredit (qualified investor subject to prudential supervision), for a total principal amount of Euro 25,000 thousand, under the following conditions:
- issue price and price of redemption at maturity: at par
- maturity date: 29 June 2023
- repayment: according to a quarterly amortisation plan with constant capital of Euro 1,875 thousand and payment of Euro 11,875 thousand at maturity
- floating interest rate linked to the 3-month Euribor rate.

Following the transformation into a joint-stock company, the provisions laid down in relation to bonds issued by joint-stock companies pursuant to the law will be applied.
During the current financial year the total amount of Euro 3,750 thousand was repaid.
The book value was determined on the basis of the amortised cost criterion.
It should be noted that the debt securities are guaranteed by a pledge contract on financial assets (securities and amounts deposited on current accounts) owned by the Company for a total value of at least Euro 5,000 thousand. More specifically:
Pledge on securities recorded as financial fixed assets for Euro 1,350 thousand.
Pledge on amounts deposited in a current account with Unicredit Spa with a balance as at 31 December 2021 of Euro 3,951 thousand.

Payables to banks include the loan signed on 28.09.2021 for a total amount of Euro 4,000 thousand with BPER Banca spa, under the following conditions:
- maturity: 3 years (28.09.2024)
- repayment methods: constant monthly instalments, first expiring on 28.10.2021
- floating interest rate linked to the 3-month Euribor.

This payable was recorded at nominal value. As envisaged by OIC 19, the amortised cost criterion was not applied as the effects would have been irrelevant.

Payables to subsidiaries mainly include:
- payables to the company Martek Sarl *(former Belbis Sarl)* for interest of Euro 59 thousand;
- payables to U-Group Srl for the charge-back of services for Euro 5 thousand;
- payables to the company U-Logistics Srl (Euro 144 thousand) for the transfer of the results of the monthly payments to credit as part of the group VAT.

Tax payables refer for:

- Euro 208 thousand for the payable to the tax authorities for withholdings on income from employment, self-employment and collaboration;
- Euro 560 thousand (Euro 280 thousand due beyond one year) to the two annual instalments relating to the payable for the substitute tax due for the purposes of tax recognition of the higher values attributed at the time of revaluation;
- for Euro 1,862 thousand (Euro 931 thousand due beyond one year) to the two residual annual instalments relating to the payable for the substitute tax due for the release of the revaluation reserve as better specified in paragraph 3.1.

Payables to social security institutions refer to payables for INPS (national social security institute) on December salaries, holiday and leave payments, as well as payables due to Previndai and Fasi.

The *Other payables* refer to the payable to employees for holiday accruals and leave.

Pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code, it should be noted that there are no payables with a duration of more than five years, while in relation to payables secured by collateral on company assets, please refer to the above.

9. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amounted to Euro 8,465 thousand and refer to the provision of services carried out centrally by the parent company for the group companies for Euro 4,565 thousand, royalties on trademarks for Euro 2,226 thousand and royalties on patents of Euro 1,674 thousand.
In relation to the provisions of article 2427, paragraph 1, number 13 of the Italian Civil Code, it should be noted that there are no revenues of exceptional size or impact.

10. COSTS FOR SERVICES

Costs for services amounted to Euro 6,063 thousand and refer mainly to services and consultancy provided by third party companies in favour of group companies.

This item also includes the costs incurred for admission to the listing process that the company had started during the year. Given the suspension and the impossibility of foreseeing its recovery, the decision was taken to allocate these costs, for a total of Euro 2,453 thousand, entirely to the income statement.
In relation to the provisions of article 2427, paragraph 1, number 13 of the Italian Civil Code, it should be noted that there are no costs of exceptional size or impact.

11. FINANCIAL INCOME AND CHARGES

11.1. INCOME FROM EQUITY INVESTMENTS AND OTHER FINANCIAL INCOME

The item income from equity investments, which amounts to Euro 34,854 thousand, refers to dividends resolved by the subsidiaries during the year, in particular:

- Euro 22,400 thousand resolved by U-Group Srl;
- Euro 5,000 thousand resolved by Jallatte Sas;
- Euro 7,454 thousand by the company Martek Sarl.

The item other financial income refers primarily to interest income accrued on loans and current account financial transactions with the group companies.

11.2. INTEREST AND OTHER FINANCIAL CHARGES

The item financial charges, amounting to Euro 396 thousand, refers mainly to interest expense accrued on loans taken out by the company; for further details, please refer to paragraph 7.

12. GAINS AND LOSSES ON EXCHANGE RATES

Information on the breakdown of exchange gains and losses arising from the year-end measurement with respect to what was actually realised is provided below:

	Realised	From measurement	Total
Foreign exchange gains	37	-	37
Foreign exchange losses	-	13	13
Total	**37**	**13**	**24**

Realised exchange gains refer to the conversion into Euro of the amount in Tunisian dinars of the dividends resolved and paid during the year by the subsidiary Martek Sarl. Exchange losses from valuation refer to the conversion into Euro of the amount in Tunisian dinars of the dividends resolved and not paid during the year by the subsidiary Martek Sarl.

13. INCOME TAXES FOR THE YEAR, CURRENT, DEFERRED AND PREPAID

The breakdown of the individual items is as follows:

	Current taxes	Taxes relating to previous years	Deferred taxes	Deferred tax assets	Contingent tax liabilities
IRES	481	-	270	(147)	294
IRAP	2	-	-	-	-
Total	**483**	**-**	**270**	**(147)**	**294**

The company opted, along with the parent company Fin Reporter Srl and the other resident group companies, to use group taxation in accordance with article 117 et seq. of the TUIR (Consolidated Act on Income Statement); the adoption of tax consolidation allows the consolidating parent company to aggregate the positive or negative taxable amounts of the parent company with those of the consolidated companies.
The item contingent tax liabilities refers to the portion of foreign taxes that are not transferable to group taxation as they refer to income (dividends) that only partially contribute to the formation of the company's taxable income.
It should be noted that in item E20 the amount of Euro 2,800 thousand was recognised, equal to the substitute tax of 10% due on the release of the revaluation reserve.

13.1 BREAKDOWN AND MOVEMENTS IN DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

The tables below, separately for IRES and IRAP, summarise the changes during the year deriving from the increases for the temporary differences that arose during the year and from the decreases for the temporary differences repaid of the items "Provision for deferred taxes".
Deferred IRES taxes (24%) were recognised on the portion of dividends resolved during the year and not yet collected (Euro 407 thousand), and the portion of deferred IRES taxes referred to the portion of dividends collected during the year was reversed (Euro 136 thousand).

	IRES	TOTAL
1. Initial amount	136	136
2. Increases		
2.1. Deferred taxes arising during the year	407	407
2.2. Other increases	0	0
3. Decreases	0	0
3.1. Deferred taxes cancelled during the year	136	136
3.2. Other decreases	0	0
4. Final amount	407	407

Deferred tax assets for IRES (24%) and IRAP (5.57%) were recognised on the temporary difference generated between the statutory amortisation of the brand revaluation value calculated over 18 years (Euro 1,167 thousand) and the tax amortisation calculated in 50 years (Euro 420 thousand). The amount of the corresponding deferred tax assets is equal to Euro 221 thousand.

The difference of Euro 34 thousand mainly refers to the tax effect relating to the derivative financial instruments in existence as at 31.12.2021.

	IRES	IRAP	TOTAL
1. Initial amount	143	-	143
2. Increases			
2.1. Deferred tax assets arising during the year	191	42	233
2.2. Other increases	4	-	4
3. Decreases			
3.1. Deferred tax assets cancelled during the year	81	-	81
3.2. Other decreases	44	-	44
4. Final amount	213	42	255

14. COMMITMENTS AND RISKS

INVESTMENT COMMITMENTS

There are no investment commitments.

RISKS

Please refer to the report on operations of these financial statements.

LEGAL DISPUTES

There are no pending legal disputes.

GUARANTEES

The company has provided guarantees in favour of subsidiaries for a total amount of Euro 25,044 thousand.

CONTINGENT LIABILITIES

There are no contingent liabilities that have not been recognised in the financial statements.

15. DISCLOSURE ON RELATED PARTIES

The information concerning transactions with related parties is summarised below, pursuant to article 2427, point 22-bis of the Italian Civil Code.
During the year, transactions were carried out with Group companies and with the parent company Fin Reporter Srl; these are significant transactions entered into at market conditions.
The following table shows the main transactions according to their nature and the intercompany balances at the end of the year.

	Receivables	Payables	Revenues	Costs	Dividends
Finreporter Srl – Parent company	1,779			20	
Martek Sarl	5,186	59	1,799		7,454
U-Group Srl	32,554	5	6,705	179	22,400
Jallatte Sas	775		775		5,000
Lupos GmbH	75		75		
U-Logistics Srl	5,715	144	106		
	46,084	**208**	**9,460**	**199**	**34,854**

16. EMPLOYMENT DATA

Information on personnel is provided below, pursuant to article 2427, paragraph 1, number 15 of the Italian Civil Code:

Categories	Average number
Executives	8
Middle managers	1
Employees	6
Total	**15**

17. FEES PAID TO CORPORATE BODIES AND AUDITORS

Information regarding directors, statutory auditors and auditors pursuant to article 2427, point 16 and pursuant to article 2427 point 16-bis of the Italian Civil Code is provided below:

	Remuneration to directors	Remuneration to statutory auditors	Remuneration to auditors	Total remuneration to directors and statutory auditors
Value	1,440	50	22	1,512

18. AGREEMENTS NOT RESULTING FROM THE BALANCE SHEET

Pursuant to article 2427, paragraph 1, number 22-ter of the Italian Civil Code, it should be noted that there are no agreements not resulting from the balance sheet that would expose the company to significant risks or benefits.

19. INFORMATION PURSUANT TO ARTICLE 1 PARAGRAPH 125 OF LAW OF 4 AUGUST 2017, NO. 124

With reference to article 1, paragraph 125 of Law 124/2017, it should be noted that the company has not received any grants.

20. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Pursuant to article 2427, paragraph 1, number 22-quater of the Italian Civil Code, there were no significant events after the close of the year.

21. DERIVATIVE FINANCIAL INSTRUMENTS

For each category of derivative financial instruments, information is provided below, pursuant to article 2427 bis, paragraph 1, point 1 of the Italian Civil Code:

Contract: UNICREDIT SPA UTI MMX23365850

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loan – payer protected IRS
Notional value 2,400,000
Starting date / expiry: 28.06.2018 / 30.06.2023
Underlying financial risk: interest rate change risk
Liability hedged: Debt security signed by Unicredit Spa on 29 June 2020 for Euro 25,000,000
MTM value: (14,007.00) – recognised in the Provision for risks of financial instruments payable

Contract: UNICREDIT SPA UTI MMX23951230

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loan – payer protected IRS
Notional value 750,000
Starting date / expiry: 31.12.2018 / 30.06.2023
Underlying financial risk: interest rate change risk
Liability hedged: Debt security signed by Unicredit Spa on 29 June 2020 for Euro 25,000,000
MTM value: (3,852.37) – recognised in the Provision for risks of financial instruments payable

Contract: UNICREDIT SPA UTI MMX23365822

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loan – payer protected IRS
Notional value 10,000,000
Starting date / expiry: 28.06.2018 / 28.06.2022
Underlying financial risk: interest rate change risk
Liability hedged: Debt security signed by Unicredit Spa on 29 June 2020 for Euro 25,000,000
MTM value: (41,027.92) – recognized in the Provision for risks of financial instruments payable

Contract: UNICREDIT SPA UTI MMX26663722

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loan – payer protected IRS
Notional value 8,100,000
Starting date / expiry: 29.06.2020 / 29.06.2023
Underlying financial risk: interest rate change risk
Liability hedged: Debt security signed by Unicredit Spa on 29 June 2020 for Euro 25,000,000
MTM value: (11,149.36) – recognised in the Provision for risks of financial instruments payable

Contract: BPER BANCA no. 2021/0007947 of 28.09.2021

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loan – IRS
Notional value: 3,668,291
Underlying financial risk: interest rate change risk
Liabilities hedged: BPER Banca loan signed on 28.09.2021 for Euro 4,000,000
MTM value: (7,726.81) – recognised in the Provision for risks of financial instruments payable

Contract: BPER BANCA no. 2021/UBI BANCA no. 171736 of 15.11.2018

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loan – IRS
Notional value 1,996,162
Underlying financial risk: interest rate change risk
Speculative derivative for early repayment of the hedged liability
MTM value: (13,602.77) – recognised in the Provision for risks of financial instruments payable

22. INFORMATION ON THE OBLIGATION TO PREPARE THE CONSOLIDATED FINANCIAL STATEMENTS

The Company prepared the consolidated financial statements for the year ended on 31 December 2021 as it did not apply the right of exemption envisaged by paragraph 3 of art. 27 Legislative Decree 127/1991.

23. INFORMATION PURSUANT TO ARTICLE 2428, PARAGRAPH 3, NOS. 3 AND 4

Pursuant to paragraph 7 of article 2435-bis of the Italian Civil Code, it should be noted that the company does not hold, nor did it hold during the year, treasury shares or shares of parent companies.

24. PROPOSED ALLOCATION OF PROFIT FOR THE YEAR

Pursuant to art. 2427, paragraph 1, number 22-septies of the Italian Civil Code, the allocation of the profit for the year of Euro 28,172,777.49 is proposed as follows:

Dividends	Euro	24,000,000.00
Retained earnings	Euro	4,172,777.49

The financial statements correspond to the results of the accounting records.

Paruzzaro, 25 February 2022

*The Chairman of the Board
of Directors*
(Pier Franco Uzzeni)

U-Power Group S.p.A.

Financial statements as at 31 December 2021

Independent auditor's report in pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholder of
U-Power Group S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of U-Power Group S.p.A. (the Company), which comprise the balance sheet as at 31 December 2021, the income statement for the year then ended, and explanatory notes.
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance for the year then ended in accordance with the Italian regulations 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 regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

EY S.p.A.
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Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
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Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consider this matter in forming 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;
- we have evaluated 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 have communicated 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.

Milan, 4 March 2022

EY S.p.A.
Signed by: Gabriele Grignaffini, Auditor

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