2022 ANNUAL REPORT


U-Power
U-POWER
U-Power

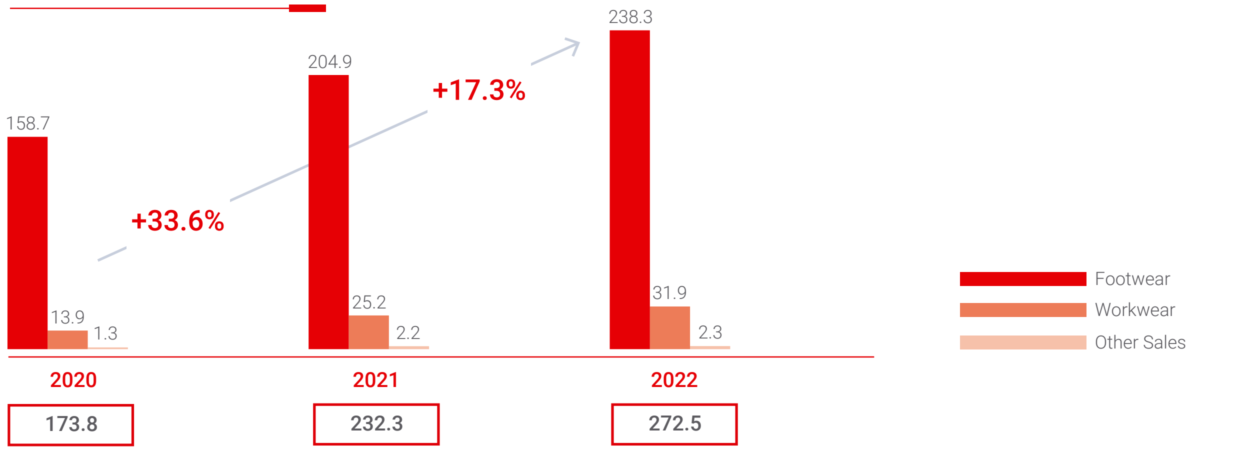
The year 2022 has shown the first signs of recovery at a macroeconomic level, albeit in a context characterised by the outbreak of war in Ukraine, the increase in the prices of raw materials and energy sources and the resulting constraints on economic activities, not to mention the continuing concerns over the health emergency.

FRANCO UZZENI
CHAIRMAN

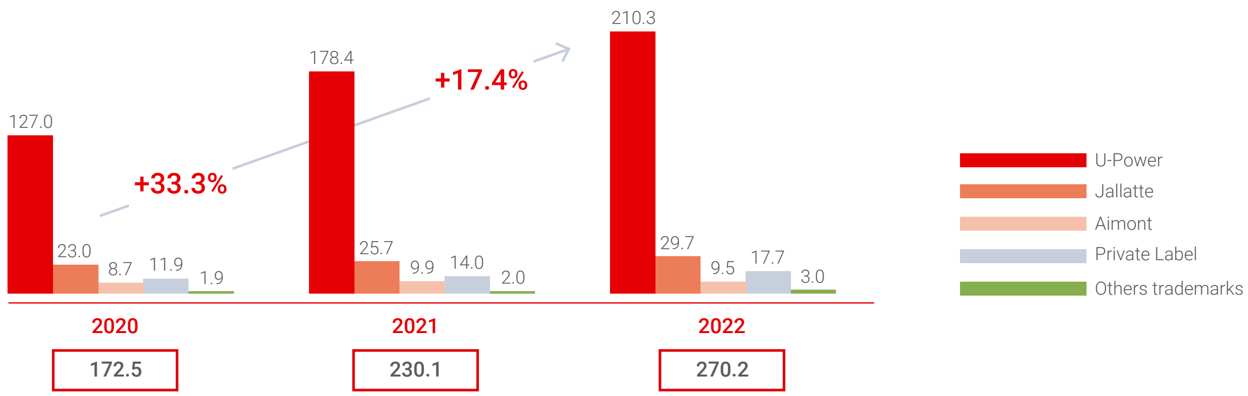
Franco Uzzeni

HIGHLIGHTS

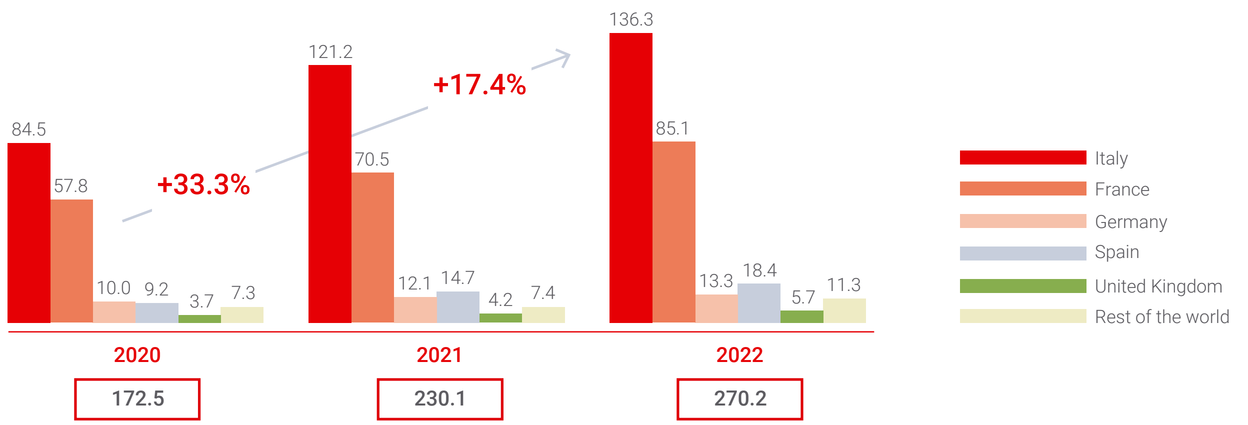
TOTAL REVENUES (€ million)



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



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



HIGHLIGHTS

EBITDA

74.6 MLN€

+26.8% VS 2021

EBIT

66.7 MLN€

+28.4% VS 2021

NET PROFIT

45.2 MLN€

+28.7% VS 2021

NET FINANCIAL POSITION

34.2 MLN€

18.1 MLN 2021

CASH FLOWS FROM OPERATING ACTIVITIES

40,1 MLN€

28 MLN€ 2021

LETTER OF STAKEHOLDERS

FRANCO UZZENI
CHAIRMAN

Dear Shareholder,

The year 2022 has shown the first signs of recovery at a macroeconomic level, albeit in a context characterised by the outbreak of war in Ukraine, the increase in the prices of raw materials and energy sources and the resulting constraints on economic activities, not to mention the continuing concerns over the health emergency.

“In the 2022 the U-Power Group grew further on all economic and financial indicators.

Against this backdrop, the U Power Group grew further on all economic and balance sheet indicators. Turnover increased by 17.4% to about €270 million, our operating margin amounted to almost €75 million with a turnover margin of 27.6% (25.6% in 2021), and net profit increased by more than 28% to over €45 million compared to 2021.

Operating cash generation amounted to €40 million.

The Consolidated Financial Statements for the year ended 31/12/2022 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 Statement of Cash Flows and the Notes to the Consolidated Financial Statements are submitted for your review and approval.

The Group’s consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Notes to the Consolidated Financial Statements provide the information relevant to the preparation of the aforementioned financial statements. In accordance with Article 2428 of the Italian Civil Code, this document provides information on the U-Power Group's income, equity, financial and operating situation. This report is drawn up with values expressed in thousands of Euro.

For the financial year ended 31/12/2022, the Company prepared the Consolidated Financial Statements of the group as it did not avail itself of the exemption option provided for in Article 27, paragraph 3 of Legislative Decree no. 127/1991.

Franco Uzzeni

~ 270 MLN €

+17.4% VS 2021

REVENUES

75 MLN €

EBITDA

45 MLN €

NET PROFIT

INDEX


GERARD BUTLER
BRAND AmBASSADOR

REPORT ON OPERATIONS

VALUES AND PURPOSE

U-POWER GROUP S.P.A. is a company that is always evolving, a company projected towards continuous reinvention and development, while always 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 our full value. We are convinced that positive thinking is not an illusion, but a concrete way to face life with a smile, confident in ourselves and strong in our abilities.”

This explains our philosophy of life: don’t worry, be happy!”

STRIVING FOR EXCELLENCE

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

LEVERAGING CREATIVITY

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

BELIEVING IN TOMORROW

We always look at challenges with an eye to the future, continuing to search for 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 different voices. We live of multiplicity and dialogue with all generations.

PURSUING SUSTAINABLE SUCCESS

We strive for excellence with a responsibility to preserve the environment and resources for future generations.

THE COMPANY

The structure of the Group as of 31/12/2022 is shown below:

U-POWER GROUP S.P.A.

Italy

Parent company providing centrally managed services such as marketing, management control, treasury and IT and holding the interests of:

100%
U-Logistics S.r.l.

Italy

Company that manages all logistics activities connected with order processing and product deliveries

100%
Jallatte 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

Group's main company that markets finished products using the logistics services provided by U-Logistics; the company also handles all raw material procurement and R&D for the manufacture of footwear; U Group, also operates through branches in France, Spain, Germany and the UK

100%
Martek S.a.r.l.

Tunisia

Tunisian production site that manufactures footwear with raw materials purchased from Group subsidiaries

100%
Lupos Gmbh

Germany

Company no longer active, put into liquidation.

Legend

Holding · Manufacturing · Sales · Logistics

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

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 the protection and individual safety in the working environments of operators belonging mainly, but not only, to different sectors of industry, agriculture and commerce that are highly regulated in terms of safety standards (such as the chemical industry, building, construction in general, services), as well as the marketing of workwear.

In Safety Footwear - with the exception of the production of Basic Safety Footwear, which accounts for a small portion of total revenues and 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 5,350 employees.
R&D activities are conducted globally at the Group's two R&D centres located in Italy (Trani and Paruzzaro).
R&D activities are oriented towards the constant search for and identification of raw materials, materials and production components and/or production techniques capable of improving and enhancing the quality and technological standards of products.

Product development encompasses several phases including: conceptualisation and design of models, prototyping, model creation, control and testing activities for conformity to product reference standards, up to final approval of the new model.

The ability to innovate and develop safe and technologically advanced products is in fact the strong point of U-Power's strategy, which then directly manages production in its factories in Tunisia and France. For lower-end footwear and workwear, the company's decision is to use directly selected, coordinated and regularly audited Asian manufacturers.

The main footwear production plant is a 100,000 square metre state-of-the-art facility in Tunisia with a local workforce of about 5,200 employees where the group produces medium/high-end products (87% of the pairs produced). The group also has a sales and production facility in France (~ 6% of production). For basic products, production is outsourced to selected Asian manufacturers (~ 7% of total production).
In Technical Clothing, on the other hand, the Group handles the R&D, industrialisation and marketing of Technical Clothing garments, outsourcing their production to third-party manufacturers located in APAC countries.

The Group markets its own-brand products and, to a lesser extent, third-party ("Private Label") products, through Business to Business ("B2B") sales.
The Group's customers are represented by (i) operators of large-scale retail trade ("Distributors") and (ii) small and medium-sized retailers, such as hardware shops and work shops ("Retailers"), through which products are sold to end users (such as artisans, small entrepreneurs, workers in medium-sized and large enterprises), mainly operating in the European market.
Sales take place mainly through sales agents who deal with thousands of Resellers and Distributors.

The Group's proprietary brands are mainly the following:

U-Power® — Jallatte® créateur de bien-être — AiMONT STYLE & STORY

These brands cover almost all product ranges, from 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 recognisability of its brands and models, timeliness and quality of customer service, including a capillary distribution system in the markets in which it operates, are characteristics that are believed to represent some of the keys to the Group's European expansion.

Harmony trousers (Ag) – Wall Gilet (Ag) – Christal T-Shirt (Ls) - Egon Red Premium Range

THE HISTORY OF THE GROUP

A long lasting successful History

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.

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.

2000 2005

Consolidation

Group Jal

- 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.

Creation of U-Group

U-Invest Group

- 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.

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.

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 2022 turnover reaches approximately 270 million euros, +17,4% compared to 2021.

THE STRATEGY

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

- Consolidation of leadership position in key markets
- Development in markets with high growth potential (Germany, UK and other European areas)
- Product expansion into complementary market niches
- Entry into the market for work gloves and helmets.

These objectives are considered achievable through products with consistently 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 it conducts its business, by the contribution it makes to society as a whole and by its compliance with its commitments.

In fact, the company believes that the quality of its products is something that must go beyond technical aspects: a quality product must be a product made in a responsible manner that respects human and workers' rights and the environment. The ever-increasing integration of economic decisions and the assessment of their social and environmental impacts underpin U-POWER's ability to create long-term value for all stakeholders.

In 2020, the company began a process that led to the preparation of a Sustainability Report drawn up in accordance with GRI standards.

FCS - CRITICAL SUCCESS FACTORS OF THE U-POWER GROUP

The key elements of U-Power's 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 product purchased, with respect to the origin of production/source of the product
- Technological and design content of safety footwear in relation to different "occasions of use", differentiated in relation to destination markets/countries
- Quality of service towards the customer/distributor: ability to guarantee very short delivery/order fulfilment times and "refill" of the customer's assortment (in terms of breadth and depth of range)
- Well-diversified portfolio of complementary brands with a wide range of products
- Highly diversified customer base.

CONTEXTUAL CONDITIONS AND BUSINESS DEVELOPMENT

The Group's reference market is that of personal protective equipment (PPE) and, in particular, the safety footwear and workwear segments.
In the past, growth was largely driven by the introduction of uniform occupational safety standards throughout Europe and compliance with strict regulations requiring the use of safety shoes in the workplace.

Demand for safety shoes is expected to grow as a result of increased awareness among authorities and safety officers in industries including manufacturing, pharmaceuticals, oil and gas, construction, transport and chemicals.
In addition, the growth of a highly skilled and more specialised industrial and manufacturing workforce in Europe, the do-it-yourself trend for manual labour and artisans/self-employed workers are pushing for greater investment in research and development for high-performance, price-competitive, functional and fashionable safety footwear, in turn stimulating a larger segment of end consumers beyond employers.

Similar to what has been observed for safety footwear, stricter European occupational safety regulations, together with innovation in fit and user comfort, have contributed to the demand for Technical Workwear products.

Europe is the Group's main geographical area of operation, where it generated about 96% of its revenues in 2022.

Solid growth is expected in the short term, thanks to the post-pandemic economic recovery and EU stimulus packages. Growth is expected to slow down from 2025 onwards, due to the stabilisation of the economy and the diminishing stimulus effect.
The safety footwear market in the EU, worth €3.2 billion in 2022, is expected to grow at a CAGR of +6.1% between 22-27, almost in line with historical performance.
Adjacent markets, where U-power's presence is still limited, are also growing: protective clothing, hand, head and face protection and eye protection, worth €11 billion in 2022, with a projected single-digit CAGR between 22-27.
Source: BCG Boston Consulting Group PPE market study

Thanks to products with constantly innovative content and also through marketing and communication strategies aimed at developing brand awareness and strengthening customer loyalty, the Group believes it can consolidate its leadership position in key markets, strengthen its position in geographic areas characterised by significant demand levels but currently little covered, as well as consolidate the entry it has started in adjacent markets (i.e. apparel).

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

SIGNIFICANT EVENTS

From the closing date of the fiscal year 2021 to the date of this Report on Operations, the Group's business and operating performance has not been significantly impacted, nor have the previously defined strategies and future trends been affected.

REPORT ON OPERATIONS

The year 2022 was characterised by the war in Ukraine, which is affecting the economy of the European Union: energy prices have soared again, and there has been an increase in the cost of many raw materials, bringing inflation to record levels. Despite this, the Group's business was not affected, as exports to the countries involved in the war were unaffected, and the strategies implemented allowed for the recovery of any material price increases.

Also as regards Covid-19, thanks to the increasing vaccination campaigns, there was a gradual reduction in the negative effects induced by the pandemic without, however, reaching a total overcoming of it.

The main markets in which the Group operates are growing steadily: all end markets have already recovered to pre-covid levels and, as mentioned, growth is expected to continue until 2027 in all countries.

Therefore, also in 2022, there was growth in sales, margins, geographical diversification and widespread distribution of the U Power Group.

Revenues from contracts with customers as of 31 December 2022 amounted to €270.2 million, of which about €31.9 million related to workwear (about 12% of total group revenues).

Specifically, Group sales at 31 December 2022 increased by 17.4% over the same period of 2021 (with sales of Safety Footwear up 16.3% and Technical Apparel up 27%).
The Technical Clothing division increasingly represents an important strategic growth market for the Group, confirming its synergistic complementarity with the structural distribution of U-Power branded safety footwear.

In 2022, the Group generated a clearly improved result compared to the already excellent performance achieved in the same period of 2021, not only at the level of total sales, but also and above all at the level of margins generated (EBITDA).
Total production costs amounted to €197.9 million; the differential between costs and gross operating revenues (EBITDA) was therefore positive by about €74.6 million or 27.6% of total sales (25.6% in 2021).

In 2022, depreciation, amortisation and write-downs amounting to €7.8 million were recognised; financial expenses amounted to €0.8 million and basically refer to interest on debts to banks and factoring, which financed the normal course of business.
Taxes for the period amounted to about €20.3 million.
The period ended with a net profit of about €45.2 million.

During the period, the group confirmed its focus on the strategic strengthening of its proprietary brands, and this enabled it to increase sales, especially of medium-high-end products with better margins.
U-Power is the European leader in safety footwear for work, and has been able to transform a functional product into a consumer product, thanks to its undisputed design and unparalleled brand awareness.
In order to achieve these results, an effective media campaign has also been used: the marketing campaigns already undertaken in past years have continued and increased, and in fact, heavy advertising investments have been made in Italy and in the other European countries where the Group operates; in addition to the historic figure of Diletta Leotta, a new international brand ambassador has been added to the advertising campaigns for the last quarter of 2022: the actor Gerard Butler; the sponsorship contract for the Serie A football championship with AC Monza was also renewed, both for the jersey sponsor and for the naming of the new

stadium of AC Monza (U-Power Stadium); all this in order to obtain more and more notoriety for the U-Power brand.
Overall, marketing costs amounted to €20.4 million, equal to 7.5% of revenues from contracts with customers (in line with the planned advertising budget).

The most significant results were achieved with the Red Lion line, which uses, among other materials, an Infinergy insert with very high energy return, with technologies protected by international patents filed.
In addition to differentiating themselves from their competitors by their innovative and avant-garde design, their safety footwear is characterised by the high quality of the raw materials and components used. Quality is guaranteed both by processes and design solutions developed internally by the Group in its R&D centres, and by the use of high-performance 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 safety footwear).

The RED LEVE line was also launched in 2022: the lightest safety footwear ever produced by U-Power.
Furthermore, the use of high quality materials makes it possible to maintain a high safety standard while reducing the weight of the products, thus making 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 continued growth in the main European markets: Spain +27.9% compared to 2021, Italy +13.3%, France 22.6% and Germany +13.6% also compared to last year.

Similarly, the other brands acquired by the group at the end of 2013 achieved important and fully satisfactory results.
Jallatte has returned to being the absolute reference brand for the French market: integrated commercial policies and new products have significantly improved sales (+15.6% compared to 2021) and margins.

Aimont, suffers a little from the shift towards high-end products, but is perfectly placed as a complement to the Jallatte and U-Power collections.

Egon Red Premium Range

Ibis (Aimont) Flight Range

Service is an integral part in the creation of product value. The integration of logistics services into the Group has enabled an improvement in the quality of customer service, and has contributed to better margins. In order to be ever more efficient in the distribution of products and to be able to cope with the growth in volumes expected in the coming years, the Group has invested in a new state-of-the-art logistics facility.

It should be noted that the tax dispute of the subsidiary U Group against the Agenzia delle Entrate relating to the notice of assessment issued for the year 2007, for which the company had adhered, while the cassation trial was pending, to the process of was defined facilitated definition pursuant to Article 6 of Decree-Law No. 119 of 23 October 2018 in May 2019 in the amount of €139 thousand, is definitively extinguished following the declaration of the Court of Cassation of cessation of the matter in dispute which took place in March 2022. As a result of the completion of the procedure to settle the related litigation, the related lawsuits filed in relation to the notice of assessment issued for the year 2011, with which the Revenue Agency had disallowed the use of the tax losses adjusted with the notice of assessment relating to 2007, were extinguished.
A total of €35,000 in payables to be liquidated remained in the balance sheet.

ECONOMIC STANDING

To better understand the results of the Group's management, below is the reclassified Profit and Loss Account

PROFIT AND LOSS ACCOUNT

(Euro thousand)

Item	Fiscal year 2022	%	Fiscal year 2021	%
REVENUES FROM CONTRACTS WITH CUSTOMERS	**270,193**	**100.0%**	**230,067**	**100.0%**
+ Other revenues and income	2,272	0.8%	2,236	1.0%
- Consumption of raw materials	(91,073)	-33.7%	(77,452)	-33.7%
- Costs for services and use of third party assets	(67,046)	-24.8%	(59,867)	-26.0%
ADDED VALUE	**114,346**	**42.3%**	**94,984**	**41.3%**
- Personnel costs	(37,936)	-14.0%	(34,325)	-14.9%
- Other operating expenses	(1,848)	-0.7%	(1,870)	-0.8%
GROSS OPERATING MARGIN (EBITDA)	**74,562**	**27.6%**	**58,789**	**25.6%**
Amortisation, depreciation and write-downs	(7,833)	-2.9%	(6,816)	-3.0%
Operating earnings (EBIT)	**66,729**	**24.7%**	**51,973**	**22.6%**
+ Financial income and revaluation of financial assets	130	0.0%	41	0.0%
+ Exchange gains and (losses) on derivatives	(379)	-0.1%	(302)	-0.1%
- Financial expenses and write-down of financial assets	(944)	-0.3%	(761)	-0.3%
PRE-TAX INCOME	**65,536**	**24.3%**	**50,951**	**22.1%**
- Taxes on Income for the financial year	(20,335)	-7.5%	(15,838)	-6.9%
NET OPERATING INCOME	**45,201**	**16.7%**	**35,113**	**15.3%**

Total revenue increased by more than 17% compared to the same period of the previous year to €270.2 million (€230.1 million in 2021). This growth, thanks also to a careful cost containment policy, especially fixed overheads, resulted in an EBITDA of €74.6 million, i.e. an increase of about 27% compared to the previous year, with a 27.6% ratio to turnover. While depreciation and amortisation (€7.8 million) increased slightly due to new investments, EBIT also showed a positive trend compared to last year, reaching €66.7 million, an increase of 28% or €14.9 million compared to 2021.
Financial expenses remain largely stable, despite the increase in interest rates.
Pre-tax profit was about €65.5 million.
The tax rate for the period was 31%.
This brings the net profit to €45.2 million, an increase of 28.7% compared to 2021.

ALTERNATIVE ECONOMIC PERFORMANCE INDICATORS

In order to facilitate the understanding of the Group's economic and financial performance, the Directors have identified a number of alternative performance indicators ("Alternative Performance Indicators" or "APIs"). These indicators are also the tools that facilitate the Directors in identifying operational trends and making decisions about investments, allocation of resources and other operational decisions.

For a correct interpretation of these APIs, the following should be noted:

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

(ii) APIs are not required by IFRS and, although derived from consolidated financial statements, are not audited;

(iii) These APIs should be read in conjunction with the Group's financial information from the consolidated financial statements;

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

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

The following APIs have been selected because the Group believes that EBITDA, EBIT, ROE and ROI, together with other relative profitability indicators, illustrate changes in operating performance and provide useful information about the Group's ability to support its debt; these indicators are also commonly used by analysts and investors in assessing business performance.

The Group's alternative economic performance indicators for the periods ended 31 December 2022 and 2021 are presented below.

(Euro thousand)

	Note	2022	2021
EBIT	1	66,729	51,973
EBIT Margin	1	25%	23%
EBITDA	1	74,562	58,789
EBITDA Margin	1	28%	26%
ROE	2	43%	36%
ROI	3	48%	45%

NOTE 1 - EBIT, EBIT MARGIN, EBITDA, EBITDA MARGIN

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

The EBIT margin is calculated by the Group as the ratio of EBIT to revenue from contracts with customers.

EBITDA is defined as the sum of net profit for the year, plus income tax, foreign exchange gains (losses), financial income and expenses, investment income (expenses) and depreciation and amortisation.

The EBITDA margin is calculated by the Group as the ratio of EBITDA to revenue from contracts with customers.

The reconciliation of profit for the year to EBITDA for the periods ended 31 December 2022 and 2021 is presented below:

(Euro thousand)

	2022	% of total Revenue from contracts with customers	2021	% of total Revenue from contracts with customers	2022 vs 2021	2022 vs 2021 %
Operating profit	45,201	16.7%	35,113	15.3%	10,088	28.7%
+ income tax	20,335	7.5%	15,838	6.9%	4,497	28.4%
+ Other income and expenses	379	0.1%	302	0.1%	77	25.5%
+ Financial charges	944	0.3%	761	0.3%	183	24.0%
- Financial income	(130)	(0.0%)	(41)	(0.0%)	(89)	217.1%
EBIT	**66,729**		**51,973**		**14,756**	**28.4%**
EBIT Margin		**24.7%**		**22.6%**		
+ Amortisation, depreciation and write-downs	7,833	2,9%	6,816	3.0%	1,017	14.9
EBITDA	**74,562**		**58,789**		**15,773**	**26.8%**
EBITDA Margin		**27.6%**		**25.6%**		

EBITDA for the period ended 31 December 2022 amounted to €74,562 thousand, an increase of €15,773 thousand (+26.8%) compared to 31 December 2021; in terms of percentage of revenue, EBITDA increased from 25.6% in 2021 to 27.6% in 2022.

The increase in EBITDA recorded during the year is mainly due to the growth in the Group's revenues as a result, on the one hand, of the expansion of the product range offered, which, by specifically adapting to the different needs of end users, has allowed an expansion of the customer base, and, on the other hand, as a result of the valorisation and strategic strengthening of proprietary 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 a slight reduction in the incidence of the fixed cost structure with respect to revenues.

Robin Red Leve Range

NOTE 2 - ROE

ROE is the ratio of net profit for the year to shareholders' equity at the end of the reporting period. The calculation of this ratio for the periods ended 31 December 2022 and 31 December 2021 is detailed below.

(Euro thousand)

	2022	2021
Net profit	45,201	35,113
Shareholders' Equity	106,118	96,294
ROE - Net profit for the period / Shareholders' equity	**43%**	**36%**

ROE increased from 36% for the period ended 31 December 2021 to 43% for the period ended 31 December 2022, due to the effect of the improvement in profit for the period, compared to the previous period, net of dividends distributed.

NOTE 3 - ROI

ROI is the ratio of EBIT, as defined in Note 1, to net invested capital at the end of the reporting period. The calculation of this ratio for the periods ended 31 December 2022 and 2021 is detailed below.

(Euro thousand)

	2022	2021
EBIT	66,729	51,973
Net invested capital	140,282	114,371
ROI - EBIT / Net Invested Capital	**48%**	**45%**

ROI also benefited from the improved results compared to the previous year and amounted to 48%, an increase of 3 percentage points.

STATEMENT OF ASSETS AND FINANCIAL POSITION

In order to better understand the financial position of the Group, we hereby provide a reclassified Balance Sheet:

BALANCE SHEET

(Euro thousand)

ASSETS	Fiscal year 2022	%	Fiscal year 2021	%
CURRENT ASSETS	**204,403**	**73.5%**	**169,871**	**75.4%**
Immediate liquidity	**40,455**	**14.5%**	**29,420**	**13.1%**
Cash and cash equivalents	40,455	14.5%	29,420	13.1%
Deferred cash and cash equivalents	**82,861**	**29.8%**	**78,682**	**34.9%**
Short-term current receivables	82,861	29.8%	78,682	34.9%
Inventories	**81,087**	**29.2%**	**61,769**	**27.4%**
FIXED ASSETS	**73,715**	**26.5%**	**55,517**	**24.6%**
Intangible fixed assets	2,224	0.8%	2,998	1.3%
Tangible fixed assets	55,106	19.8%	34,853	15.5%
Right of use	3,515	1.3%	4,278	1.9%
Other non-current assets	1,981	0.7%	1,368	0.6%
Deferred tax assets	10,889	3.9%	12,020	5.3%
TOTAL ASSETS	**278,118**	**100.0%**	**225,388**	**100.0%**

The excellent performance in the period resulted in a considerable increase in cash and cash equivalents.

Short-term receivables in current assets mainly consist of trade receivables (in the amount of €74.6 million) as well as VAT receivables, advances to suppliers for the purchase of clothing from Asian manufacturers, and others.

The value of inventories, shown net of an obsolescence provision in the amount of €81.1 million, has increased compared to the end of the previous year and is closely correlated to the increase in sales; moreover, given the procurement difficulties between the end of 2021 and the beginning of 2022, it was deemed appropriate to increase inventories in order to avoid stock breakage, especially of clothing, for which procurement times are longer.

The item “Intangible fixed assets” mainly refers to the value of the U Power, Jallatte, Aimont and other minor trademarks relative to products marketed by the Group in the footwear and safety apparel sector.

As regards trademarks, considered by management as assets with a definite useful life and amortised over 10 years, no impairment indicators or indicators that would lead to the identification of a useful life different from the current one emerged during the year, based on future plans.
Please refer to the Explanatory Notes for more details.

The item ‘Tangible fixed assets’ is net of depreciation and write-downs and consists of:

- Land and buildings for €16.6 million: mainly consisting of industrial buildings located in Tunisia, warehouses located in Italy and buildings in Jallatte;
- Plant, machinery and equipment for €19 million, also mainly located in the Tunisian production plants;
- Assets under construction and advances in the amount of €18.4 million refers mainly to the expansion of the U-Logistics warehouse and its automation;
- Other assets in the amount of €1 million.

The balance sheet value, according to IFRS16, concerning rights of use and leases on property and machinery/equipment is EUR 3.5 million and is net of depreciation calculated during the year.

(Euro thousand)

LIABILITIES	Fiscal year 2022	%	Fiscal year 2021	%
CURRENT LIABILITIES	**124,462**	**44.8%**	**95,056**	**42.2%**
Current financial liabilities	33,554	12.1%	21,141	9.4%
Other short-term debt	90,908	32.7%	73,915	32.8%
CONSOLIDATED LIABILITIES	**47,538**	**17.1%**	**34,038**	**15.1%**
Long term debt	41,065	14.8%	26,356	11.7%
Non-Current Tax Liabilities	0	0.0%	1,211	0.5%
Provisions for risks and charges	5,469	2.0%	5,368	2.4%
Severance Indemnity	1,004	0.4%	1,103	0.5%
SHAREHOLDERS’ EQUITY	**106,118**	**38.2%**	**96,294**	**42.7%**
Group net equity	**106,118**	**38.2%**	**96,294**	**42.7%**
Capital	10,000	3.6%	10,000	4.4%
Reserves	13,605	4.9%	12,982	5.8%
Profit (losses) carried forward	37,312	13.4%	38,199	16.9%
Profit (loss) for the year	45,201	16.3%	35,113	15.6%
TOTAL LIABILITIES	**278,118**	**100.0%**	**225,388**	**100.0%**

Current financial liabilities consist of the portion due within one year of bonds in the amount of €13.7 million (bond worth €25 million at a variable rate subscribed on 29 June 2020 and maturing on 29 June 2023), bank loans in the amount of €19.1 million, and payables to leasing companies and for usage rights in the amount of €0.8 million.

With regard to the loans included in consolidated liabilities, it should be noted that they mainly consist of medium-/long-term bank loans amounting to approximately €38.4 million and payables on usage rights and leasing of €2.6 million.

Other payables due within one year include trade payables in the amount of €67.5 million, payables to the parent company in the amount of €6.2 million (mainly for dividends), tax payables in the amount of €8.7 million, other tax payables in the amount of about €1.9 million, and payables to employees and social security institutions in the amount of €6.3 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 subsidiary for about €2.4 million, as well as a provision for pension and indemnities towards employees of the French subsidiary for about €0.4 million and the indemnity for termination of agent relations for €2.4 million of the subsidiary U Group.

The termination indemnity 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 projecting the present value of the defined benefit obligation with the estimated benefits accrued by employees.

The table below shows the change in Net Financial Debt:

(Euro thousand)

Net financial debt	Fiscal year 2022	Fiscal year 2021	Change
Current financial liabilities	(33,554)	(21,141)	(12,413)
Long term debt	(41,065)	(26,356)	(14,709)
Cash and cash equivalents	40,455	29,420	11,035
	(34,164)	**(18,077)**	**(16,087)**

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)

	Net equity at 31 December 2022	2022 operating profit
As per the statement of financial position of U-Power Group s.p.a.	91,413	37,692
Surplus of shareholders' equity, including results for the year, over carrying value of investments	30,801	47,011
Consolidation adjustments	(16,096)	137
Elimination of dividends	-	(39,638)
As per consolidated financial statements	106,118	45,202

Christal T-Shirt (Bo) + Ares shorts (Dg) + Elvis Red Premium Range

ALTERNATIVE FINANCIAL AND EQUITY PERFORMANCE INDICATORS

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

For a correct interpretation of these APIs, the following should be noted:

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

(ii) APIs are not required by IFRS and, although derived from consolidated financial statements, are not audited;

(iii) These APIs must be read in conjunction with the Group's economic information from the consolidated financial statements;

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

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

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

- net financial debt, together with other balance sheet indicators of the composition of assets and liabilities and indicators of financial elasticity, allow a better assessment of the overall level of the Group's capital strength and its ability to maintain a situation of structural balance over time;
- net working capital, operating working capital, fixed assets and net invested capital allow for a better assessment of both the ability to meet short-term commercial commitments through current commercial assets, and the consistency between the structure of investments and that of financing sources in terms of time.

The Alternative Equity and Financial Performance Indicators for the periods ended 31 December 2022 and 31 December 2021 of the Group are presented below.

(Euro thousand)

	Note	2022	2021
Availability ratio	1	(1.93)	(1.93)
Net working capital	2	79,234	67,566
Net working capital	2	73,765	62,198
Net fixed capital	2	73,715	55,517
Net invested capital	2	140,282	114,371
Ratio - Net Invested Capital / Equity	2	1.32	1.19
Ratio - Net Financial Debt / EBITDA	3	0.46	0.31
Ratio - Fixed Assets / Invested Capital	4	44.8%	38.0%
Ratio - Equity / Capital Employed	5	0.76	0.84
Ratio - Financial charges / EBITDA	6	0.01	0.01
Trade receivables turnover ratio	7	3.6	3.4
Average days to collection of trade receivables	7	101	107
Trade payables turnover rate	8	2.6	2.6
Average days for payment of trade payables	8	139	143
Inventory turnover rate	9	3.8	4.1
Average days in inventories	9	96	90

Wall Gilet (Dg) + Galaxy sweatshirt (Dg) + Niko gloves (Vf) + Horizon trousers (Dg) + Robin Red Leve Range

NOTE 1 - AVAILABILITY RATIO

The availability ratio is defined as the ratio of: (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 2022 and 31 December 2021 is detailed below.

(Euro thousand)

	2022	**2021**
Trade receivables (A)	74,624	67,339
Other current assets (B)	8,157	11,331
Inventories (C)	81,087	61,769
Trade payables (E)	(67,549)	(58,044)
Other current liabilities (F)	(17,165)	(14,841)
Short-term non-financial payables (G) = (E) + (F)	(84,714)	(72,885)
Availability ratio (H) = (A+B+C) / G	**(1.93)**	**(1.93)**

The availability ratio as at 31 December 2022 was 1.93, in line with the value as at 31 December 2021.

NOTE 2 -NET WORKING CAPITAL, NET OPERATING CAPITAL, NET CAPITAL EMPLOYED AND NET INVESTED CAPITAL / EQUITY RATIO

The ratio of net invested capital to shareholders' equity, defined as the debt or leverage ratio, is given by the ratio of net invested capital to shareholders' equity.

Details of the calculation of Net Working Capital, Net Working Capital, Net Capital Employed and Net Capital Employed for the periods considered are shown below:

(Euro thousand)

	2022	2021	2022 vs 2021	2022 vs 2021 %
LOANS				
Net working capital	79,234	67,566	11,668	17.3%
Provisions for risks and charges	(5,469)	(5,368)	(101)	1.9%
Net working capital	73,765	62,198	11,567	18.6%
Intangible fixed assets	2,224	2,998	(774)	-25.8%
Property, plant and equipment	58,621	39,131	19,490	49.8%
Other non-current assets	1,981	1,368	613	44.8%
Deferred tax assets	10,889	12,020	(1,131)	-9.4%
Net fixed capital	73,715	55,517	18,198	32.8%
Liabilities for Employee Benefits	(1,004)	(1,103)	99	-9.0%
Payables to related parties	(6,194)	(1,030)	(5,164)	501.4%
Non-Current Tax Liabilities	-	(1,211)	1,211	
Net invested capital	**140,282**	**114,371**	**25,911**	**22.7%**
RESOURCES				
Shareholders' Equity	106,118	96,294	9,824	10.2%
Net financial debt	34,164	18,077	16,087	89.0%
Total sources	**140,282**	**114,371**	**25,911**	**22.7%**

The calculation of the Net Capital Employed / Equity Ratio is detailed below:

(Euro thousand)

	2022	2021
Net Capital Employed (A)	140,282	114,371
Net Assets (B)	106,118	96,294
Ratio - Net invested capital / Equity (C)=(A) / (B)	**1.32**	**1.19**

The ratio of net invested capital to shareholders' equity was 1.32 as at 31 December 2022, compared to 1.19 as at 31 December 2021. This ratio shows an increase of 0.13, due to an increase in net invested capital of €25.9 million, which is more than proportional to the increase in shareholders' equity (€9.8 million).

NOTE 3 - NET FINANCIAL INDEBTEDNESS/EBITDA RATIO

The ratio of net financial debt to EBITDA is the ratio of (i) net financial debt to (ii) EBITDA.
The calculation of this ratio for the periods ended 31 December 2022 and 31 December 2021 is detailed below:

(Euro thousand)

	2022	2021
Net financial debt (A)	34,164	18,077
EBITDA (B)	74,562	58,789
Ratio - Net financial debt (A) / EBITDA (C)=(A) / (B)	**0.46**	**0.31**

The ratio of net financial debt to EBITDA was 0.46 as at 31 December 2022 compared to 0.31 as at 31 December 2021.

NOTE 4 - FIXED ASSETS / NET INVESTED CAPITAL RATIO

The ratio of fixed assets to net invested capital is given by 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 2022 and 31 December 2021 is detailed below:

(Euro thousand)

	2022	2021
Fixed Assets (A)	62,826	43,497
Net invested capital (B)	140,282	114,371
Fixed Assets / Net Invested Capital (A / B)	**44.8%**	**38.0%**

The ratio of fixed assets to net invested capital was 44.8% as at 31 December 2022, compared to 38% as at 31 December 2021.

NOTE 5 - EQUITY/NET INVESTED CAPITAL RATIO

The ratio of shareholders' equity to invested capital, defined as the ratio of financial autonomy, is given by the ratio of (i) shareholders' equity to (ii) invested capital and indicates the company's ability to self-finance itself without resorting to external financing sources.

The calculation of this ratio for the periods ended 31 December 2022 and 31 December 2021 is detailed below:

(Euro thousand)

	2022	2021
Equity (A)	106,118	96,294
Net invested capital (B)	140,282	114,371
Equity / Net Invested Capital (A / B)	**0.76**	**0.84**

The ratio of equity to net invested capital was 0.76 as at 31 December 2022, compared to 0.84 as at 31 December 2021. This ratio shows a decrease of 0.09, due to (i) an increase in shareholders' equity of €9.8 million (due to profits earned, net of dividends distributed), less than proportional to (ii) the increase in invested capital of €28.9 million.

NOTE 6 - FINANCIAL EXPENSES/EBITDA RATIO

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

The calculation of this ratio for the periods ended 31 December 2022 and 31 December 2021 is detailed below:

(Euro thousand)

	2022	2021
Financial charges (A)	944	761
EBITDA (B)	74,562	58,789
Financial expenses / EBITDA (A / B)	**0.01**	**0.01**

The ratio of net financial debt to EBITDA is stable at 0.01.

NOTE 7 - TRADE RECEIVABLES TURNOVER RATIO AND AVERAGE DAYS TO COLLECTION

The trade receivables turnover ratio is calculated as the ratio of revenues to trade receivables at the reporting date.
The average days to collection of trade receivables is calculated as the ratio of trade receivables at the reporting date to revenues from contracts with customers for the period 31 December 2021 - 31 December 2022 multiplied by 365.

Details of the receivables turnover ratio and the development of average collection times as of 31 December 2022 and 31 December 2021 are shown below:

(Euro thousand)

	2022	2021
Revenue from contracts with customers (A)	270,193	230,067
Trade receivables (B)	74,624	67,339
Trade receivables turnover ratio (A/B)	**3.6**	**3.4**
Average collection days of trade receivables (B/A)*365	**101**	**107**

Note: The determination and trend 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 trade relations, is not applied homogeneously in all subsidiaries.

The turnover ratio of trade receivables was 3.6 as at 31 December 2022, compared to 3.4 as at 31 December 2021.
The average days to collection of trade receivables was 101 as at 31 December 2022 and 107 as at 31 December 2021.
The above ratios show an increase of 0.2 and a decrease of 6 days, respectively.

NOTE 8 - TRADE DEBT TURNOVER INDEX AND AVERAGE DAYS TO PAY

The debt turnover ratio is calculated as the ratio of (i) the sum of costs for raw materials and consumables and costs for services to (ii) trade payables at the reporting date.
Average days to pay trade payables is calculated as the ratio of (i) trade payables at the reporting date and (ii) the sum of costs for raw materials and consumables and costs for services for the period 31 December 2021 - 31 December 2022, multiplied by 365.
Details of the debt turnover ratio and the trend in average payment times as of 31 December 2022 and 31 December 2021 are shown below:

(Euro thousand)

	2022	2021
Raw materials and consumables consumption	110,391	88,151
Costs for services	67,046	59,867
subtotal (A)	177,437	148,018
Trade payables (B)	67,549	58,044
Trade payables turnover ratio (A/B)	**2.6**	**2.6**
Average payment days of trade payables (B/A)*365	**139**	**143**

Note: The determination and trend 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 trade relations, is not applied homogeneously in all subsidiaries.

The trade payables turnover ratio was 2.6 at 31 December 2022, as at 31 December 2021.
The average payment days for trade payables was 139 as of 31 December 2022 compared to 143 as of 31 December 2021.

NOTE 9 - INVENTORY TURNOVER RATE AND AVERAGE DAYS IN STOCK

The inventory turnover ratio is calculated as the ratio of revenues from contracts with customers for the period 31 December 2021 - 31 December 2022 to inventories at the reference date.

The following table details the calculation of the inventory turnover ratio and average days in inventory for the periods ended 31 December 2022 and 31 December 2021:

(Euro thousand)

	2022	2021
Revenue from contracts with customers (A)	270,193	230,067
Opening inventories (B1)	61,769	51,070
Period-end inventories (B2)	81,087	61,769
Average inventories (B) = (B1+B2)/2)	71,428	56,420
Inventory turnover rate (A/B)	**3.8**	**4.1**
Average days of inventories (B/A) * 365	**96**	**90**

Wink Jacket (RI) + U-Power Flex gloves (Grey /Black) + Fluo T-Shirt (VF)

Note: The determination and trend 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 trade relations, is not applied homogeneously in all subsidiaries.

This index is mainly influenced by the increase in revenues, and the increase in inventories. The average days of turnover were 90 as at 31 December 2021 and 96 as at 31 December 2022.

The inventory turnover ratio decreased from 4.1 as at 31 December 2021 to 3.8 as at 31 December 2022.

The above ratios show a decrease of 0.3 and an increase of 6 days, respectively, which are mainly attributable to the increase in inventories.

DISCLOSURES PURSUANT TO ART. 2428 OF THE ITALIAN CIVIL CODE

The following is a more detailed analysis of the information as specifically required by Article 2428 of the Civil Code.

RESEARCH AND DEVELOPMENT

In a highly competitive market context, the Group's success depends on its ability to maintain and increase market shares through the launch of innovative products with high quality standards, which consequently guarantee higher levels of profitability.
The Group has two R&D laboratories in Italy: one located in Paruzzaro (NO) and the other in Trani (BT) that develop new models and collections every year.
R&D activities are oriented, on the one hand, towards the constant search and identification of raw materials, materials and production components and/or production techniques capable of improving and enhancing the quality and technological standards of the products (as well as determining the absence of defects), also in relation to the evolving needs of customers and reference regulatory parameters, and, on the other, to the constant innovation of models and style of the products offered on the market, according to the target - geographical area and production sector (industry; agriculture; tertiary services, with respective sub-markets by nature and type of activity) of reference. A large part of strategic development is based on R&D activities aimed at product development, the conception and definition of new models with a high technological and qualitative level, also capable of preventing the risks of musculoskeletal disorders, as well as guaranteeing the safety of end users by pursuing a development that is attentive to social, environmental and economic issues. Design and the study of trends are priorities in the conception and realisation of new concepts and models. Moreover, given the importance of the ergonomic aspects necessary to provide answers to problems of safety and well-being at work, the Group's R&D activity has recently also focused on an in-depth analysis of ergonomic workstations and work processes, which are the primary conditions for the well-being of workers during their professional activity.

The expenses incurred for research and development have been considered as operating costs and charged entirely to the profit and loss account as they do not meet all IAS 38 capitalisation requirements.

TRANSACTIONS WITH PARENT COMPANIES AND RELATED PARTIES

Transactions with parent companies (including indirectly) and related parties at year-end were conducted at market value and are summarised below:

	Receivables	Payables	Revenues	Costs
FIN REPORTER S.r.l. (parent company)	80	6,194	0	172
PFU S.r.l. (related company)	-	-	-	-
Total amount	**134**	**7,773**	**19**	**1,127**

Payables to the parent company are mainly due to dividend payables.

INFORMATION ON THE ENVIRONMENT AND PERSONNEL

It should be noted that the company conducts its business in compliance with environmental and occupational health and safety regulations pursuant to Italian Legislative Decree no. 81/2008.
It is noted that no significant information is currently present. This information will be provided whenever there are concrete, tangible and significant environmental impacts, such as to generate potential financial and income consequences for the Company.

In relation to personnel, it should be noted that during the year

- no serious accidents occurred in the workplace;
- there were no charges relating to occupational diseases on employees or former employees and/or other causes for which group companies were declared liable.

With reference to the working environment, it should be noted that during the 2022 financial year:

- there were no damages caused to the environment for which group companies were found guilty;
- no sanctions or penalties have been imposed on group companies for environmental crimes or damage.

Elvis Red Premium Range

MAIN RISK FACTORS TO WHICH THE COMPANY IS EXPOSED

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

A) MARKET RISK

Market risk refers to the performance of the market for personal protective equipment, and in particular safety shoes and technical workwear in which the Group operates.
The Group has implemented policies aimed at increasing penetration in reference markets and actions to rationalise and strengthen the sales structure, achieving an increase in sales both at a national and European level. It should be noted that the outlet markets of the company's products and the uncertain conditions that characterise them are constantly monitored.

B) CREDIT RISK

The Group is exposed to credit risk mainly arising from commercial relations with its customers and, in particular, due to any delays or failure to fulfil its payment obligations within the agreed terms and conditions. In this case, there are no particular risks, although it should be noted that there are still delays in the collection of receivables, as has occurred historically, and should be considered physiological.
However, the exposure to customers is divided among a large number of customers operating in different product sectors and geographic markets.
The financial soundness of the main customers is in any case regularly monitored 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 obtain adequate financial resources necessary for operations and for the repayment of debts, including financial debts, as well as for the development of industrial and commercial activities, is deemed to be under control. Liquidity risk is limited thanks to the credibility the Group enjoys in the reference financial markets.

As far as financing from the credit system is concerned, the Group currently has an adequate amount of credit availability to be used in the event of the need to finance working capital; however, further actions are in progress to increase and improve financing lines.
Liquidity risk management is based above all on the strategy of containing debt, self-financing and maintaining financial balance.

D) INTEREST RATE RISK

The risk of interest rate fluctuations is mainly related to medium-/long-term loans negotiated at variable rates. Consequently, any fluctuations in interest rates could have a negative impact on the Group's income statement and balance sheet.
The Group's approach to interest rate risk management is to hedge the risk through interest rate swap contracts, which are recognised in the balance sheet at fair value. The Group's approach to interest rate risk management is therefore prudent.

E) RISKS ASSOCIATED WITH FOREIGN EXCHANGE RATES

The Group is subject to exchange rate risk mainly arising from transactions related to operating costs denominated in currencies other than the Euro. In particular, the Group incurs costs in USD and CNY for the purchase of raw materials and in TND (Tunisian Dinars) for the cost of personnel of the Tunisian subsidiary.
The Group's policy does not provide for the assumption of risks of a speculative nature, but actions that may limit undesirable fluctuations are nevertheless evaluated: financial risks related to exchange rate fluctuations are constantly monitored and the Group, if necessary, activates specific hedges by signing various forward currency purchase and sale contracts. During the year, it was not deemed appropriate to hedge against exchange rate fluctuations.

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

The Group is exposed to risks related to the economic, social and financial consequences of the COVID-19 pandemic, the evolution of which is still uncertain. The current context of the market in which the Group operates, shows signs of consolidation of the economic recovery underway, also as a result of the gradual relaxation of the restrictive measures adopted at national and international level to deal with the COVID-19 emergency. However, it cannot be ruled out that the overall economic scenario could experience further deterioration in the future, with reference to a possible resurgence of the pandemic.

The Group is closely following developments related to the spread of COVID-19 and has immediately taken all the necessary organisational, control and prevention measures recommended by the various governmental and health institutions.

However, the Group did not report any delays in product delivery or failure to fulfil customer orders, thanks to the availability of sufficient product stocks to cover its commitments.

Willow fleece shirt (Rm) + Horizon trousers (Ag) + Ben Red Leve Range

OUTLOOK

The continuation of the war in Ukraine and the spread of the Coronavirus, together with increasing inflation, rising energy, transport and raw material costs, make the European economic trend, the U-Power Group's main market, uncertain.

Notwithstanding this, with reference to the impacts, including potential ones, on revenues, costs, investments and expected cash flows deriving not only from the geo-political situation, but also from possible cost increases (first and foremost transport costs), the Group, as of today, does not see any evidence that would lead it to foresee significant negative effects on its 2023 results.

During 2023, the Group intends to continue its growth in the Safety Footwear and Technical Workwear market at a higher rate than the reference market average and strengthen its position through the following strategic actions:

- continuous product innovation with the launch of new collections, which will allow it to increase its market share and margins in the segments with greater added value;
- further growth of the commercial presence in key markets (Italy, France and Spain) and expansion in Germany and the UK, based on the implementation of a network of small and medium-sized local distributors;
- increased brand awareness through new marketing initiatives;
- Further thrust on existing apparel products, with entry into the helmet and protective gloves segments in all major European countries.

Hence, clear growth prospects, driven by consolidation in the core geographic markets, expansion in those not yet reached, and further focus on workwear, with entry into the helmets and protective gloves segments offering further revenue opportunities.

Also in 2023, the Group will maintain its focus on the strategic strengthening of its proprietary brands, increasing its marketing campaigns and also benefiting from the services of an international testimonial: the actor Gerard Butler has been engaged for the advertising campaigns of the coming years.

We believe that this will enable us to further increase the notoriety of the Group's brands at an international level and consequently increase sales, especially of medium-high-end products with better margins.

In the last quarter of the next financial year, the new automated warehouse will also come into operation, which will allow a further improvement in the timing and quality of service to our customers.

The Group therefore expects the current year to confirm its leadership position on the outlet markets, supported by the technological prominence and Italian design of its collections, with a view to continually enhancing the value of the brands it markets.

In carrying out its activities, the Company intends to pursue purposes of common benefit, operating in a responsible, sustainable and transparent manner towards people, the territory, the environment and other stakeholders, with the aim of generating measurable social value and creating the conditions for maintaining satisfactory and sustainable economic results over time.

These forecasts on future trends are however, by their very nature, subject to a high degree of uncertainty related to the evolution of the pandemic and also the developments of the conflict in Ukraine, however it should be noted that the Group's presence in the countries affected by the conflict is totally marginal. However, both the geo-political and pandemic aspects will be closely monitored. As of today, the Group does not see any evidence of significant negative effects on its 2023 results.

OTHER INFORMATION

Pursuant to Article 2428 paragraphs 3 and 4 of the Italian Civil Code, it should be noted that the company does not hold, nor did it hold during the year, any treasury shares and shares or quotas of parent companies.

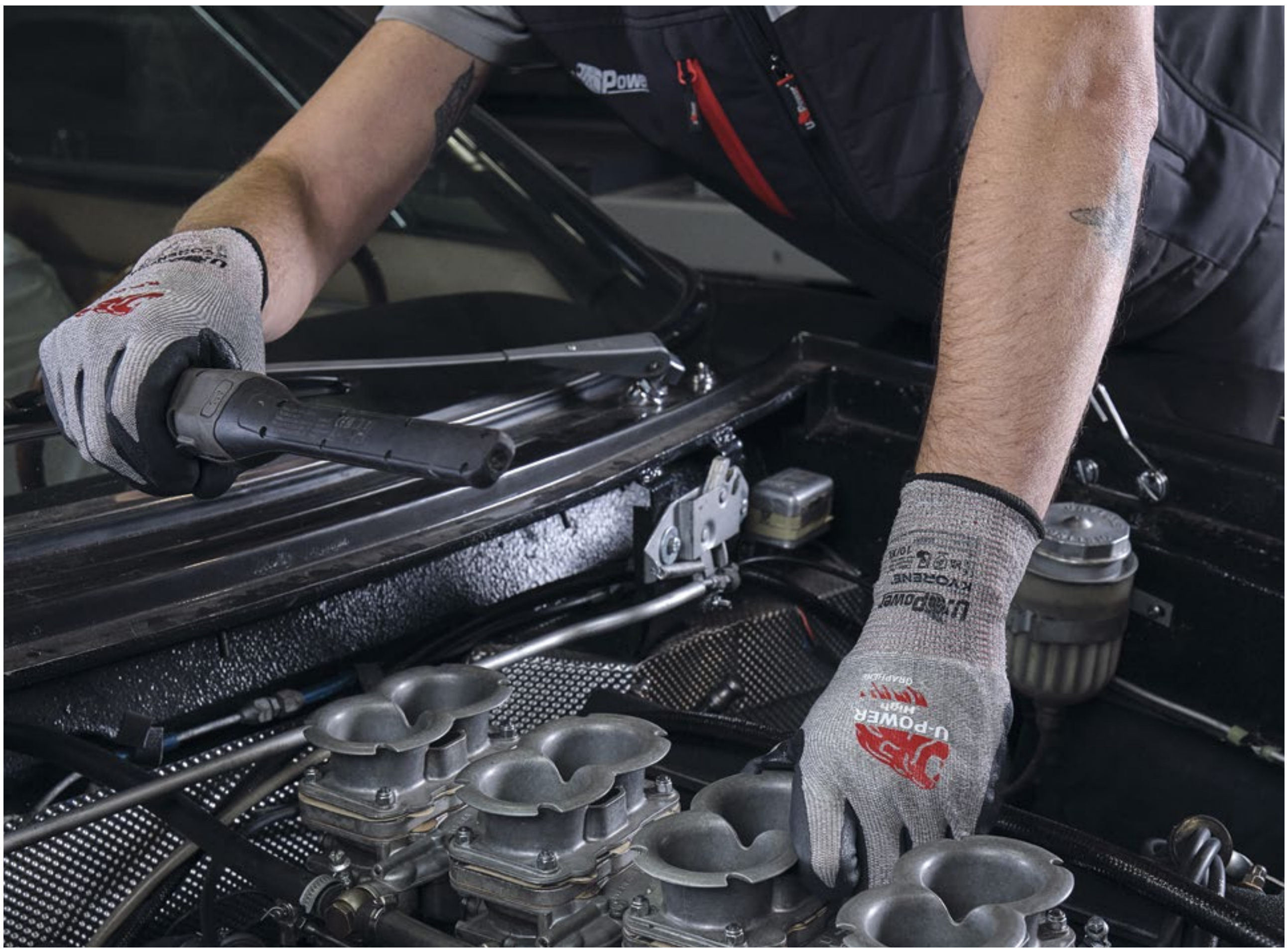
It should also be noted that the Italian subsidiary U-Group has representative offices in France, Germany, Spain and the United Kingdom.

* * * * *

Paruzzaro, 1 March 2023

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

U-Power High gloves



CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

BALANCE SHEET ASSETS

(amounts in Euro thousand)

	NOTES	31.12.2022	31.12.2021
NON-CURRENT ASSETS			
Intangible fixed assets	6	2,224	2,998
Property, plant and equipment	7	55,106	34,853
Right of use	8	3,515	4,278
Deferred tax assets	9	10,889	12,020
Other non-current assets	10	1,981	1,368
Total non-current assets		**73,715**	**55,517**
CURRENT ASSETS			
Inventories	11	81,087	61,769
Trade receivables	12	74,624	67,339
Receivables from related parties	13	80	12
Tax receivables	14	82	189
Other current assets	15	8,075	11,142
Cash and cash equivalents and short-term deposits	16	40,455	29,420
Total current assets		**204,403**	**169,871**
TOTAL ASSETS		**278,118**	**225,388**

BALANCE SHEET LIABILITIES

(amounts in Euro thousand)

	NOTES	31.12.2022	31.12.2021
NET EQUITY	17		
Share capital		10,000	10,000
Other reserves		5,005	4,382
Capital contributions reserves		8,600	8,600
Retained earnings		37,312	38,199
Profit of the year		45,201	35,113
Total net equity of the Group		**106,118**	**96,294**
Third-party equity		-	-
Total shareholders' equity		**106,118**	**96,294**
NON-CURRENT LIABILITIES			
Severance and other employee-related provisions	18	1,004	1,103
Provisions for liabilities and charges	19	5,469	5,368
Non-Current Tax Liabilities		-	1,211
Non-current financial liabilities	20	41,065	26,356
Total non-current liabilities		**47,538**	**34,038**
CURRENT LIABILITIES			
Current financial liabilities	20	33,554	21,141
Trade payables	21	67,549	58,044
Payables to related parties	37	6,194	1,030
Current tax liabilities	22	8,710	6,672
Other current liabilities	23	8,455	8,169
Total current liabilities		**124,462**	**95,056**
TOTAL LIABILITIES		**172,000**	**129,094**
TOTAL NET EQUITY AND LIABILITIES		**278,118**	**225,388**

CONSOLIDATED STATEMENT OF PROFIT/(LOSS) FOR THE YEAR AS AT 31 DECEMBER 2022

(amounts in Euro thousand)

	NOTES	31.12.2022	31.12.2021
Revenue from contracts with customers	24	270,193	230,067
Other revenues and income	25	2,272	2,236
Total Revenues and Income		**272,465**	**232,303**
Purchases of Raw Materials and Changes in Inventory	26	(91,073)	(77,452)
Personnel costs	27	(37,936)	(34,325)
Costs for services	28	(67,046)	(59,867)
Other costs and charges	29	(1,848)	(1,870)
Depreciation	30	(6,990)	(6,283)
Write-downs	31	(843)	(533)
Operating profit		**66,729**	**51,973**
Financial income	32	130	41
Financial expenses	33	(944)	(761)
Other financial income/(expenses), net	34	(379)	(302)
Profit before tax		**65,536**	**50,951**
Income tax	35	(20,335)	(15,838)
Group Profit for the year		**45,201**	**35,113**
Profit for the year of minority interests		-	-
Total profit for the year		**45,201**	**35,113**
No. of shares making up the share capital		**100,000,000**	**100,000,000**
Basic earnings per share - €		**0.45**	**0.35**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME AS AT 31 DECEMBER 2022

(amounts in Euro thousand)

	NOTES	2022	2021
Profit of the year	**17**	**45,201**	**35,113**
Other comprehensive income			
Other items of other comprehensive income that will be subsequently reclassified to profit/loss for the year: (Net of taxes)			
Change in fair value of cash flow hedge derivatives	20	436	151
Total other comprehensive income components that will be subsequently reclassified to profit/(loss) for the year net of taxes		**436**	**151**
Other comprehensive income components that will not be subsequently reclassified to profit/(loss) for the year net of taxation			
(Loss)/profit from revaluation of defined benefit plans		187	(24)
Total other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year after tax		**187**	**(24)**
Total other comprehensive income after tax		**623**	**127**
Total comprehensive profit/(loss) after tax of the Group		**45,824**	**35,240**
Total comprehensive profit/(loss) after tax of third parties		**-**	**-**
Total overall profit/(loss) net of taxes		**45,824**	**35,240**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021 AND 31 DECEMBER 2022

(amounts in Euro thousand)

	Share capital	Other reserves	Capital contributions reserves	Retained earnings	Profits and losses for the financial year	Total Group Equity	Third-party Equity	Total shareholders' equity
NOTES	17	17	17	17	17	17	17	17
Balance as at 01 January 2021	**10,000**	**4,188**	**8,600**	**22,359**	**33,007**	**78,154**	**-**	**78,154**
Allocation of profit 2020	-	67	-	32,940	(33,007)	-	-	-
2021 Dividends	-	-	-	(17,100)	-	(17,100)	-	(17,100)
Profit of the year	-	-	-	-	35,113	35,113	-	35,113
Other income statement items	-	127	-	-	-	127	-	127
Balance as at 31 December 2021	**10,000**	**4,382**	**8,600**	**38,199**	**35,113**	**96,294**	**-**	**96,294**
Allocation of profit 2021	-	-	-	35,113	(35,113)	-	-	-
2022 Dividends	-	-	-	(36,000)	-	(36,000)	-	(36,000)
Profit of the year	-	-	-	-	45,201	45,201	-	45,201
Other income statement items	-	623	-	-	-	623	-	623
Balance as at 31 December 2022	**10,000**	**5,005**	**8,600**	**37,312**	**45,201**	**106,118**	**-**	**106,118**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2022

(amounts in Euro thousand)

	NOTES	2022	2021
Operating Activities			
PROFIT FROM OPERATING ACTIVITIES AFTER TAX		**45,201**	**35,113**
Adjustments to reconcile pre-tax profit with net cash flows:			
Amortisation, depreciation and impairment of intangible assets	*6-30*	*1,135*	*1,063*
Depreciation and impairment of property, plant and equipment	*7-30*	*4,933*	*4,147*
Amortisation and impairment of rights of use	*8-30*	*922*	*1,073*
Financial income	*32*	*(130)*	*(41)*
Financial expenses	*33*	*944*	*761*
Other financial income/expenses, net	*34*	*379*	*302*
Income tax	*35*	*20,335*	*15,838*
Impairment of current assets	*31*	*843*	*533*
Subtotal operating assets		**74,562**	**58,789**
Net change in employee severance indemnity and pension funds	*18*	*126*	*52*
Net change in provisions for risks and charges	*19*	*101*	*316*
Interest paid		*(633)*	*(891)*
Income tax paid		*(19,544)*	*(13,833)*
Impact of exchange rate changes	*34*		*(352)*
Changes in working capital			
(Increase)/decrease in inventories	*11*	*(19,318)*	*(10,699)*
(Increase)/decrease in trade receivables	*12*	*(8,088)*	*(16,362)*
(Increase)/decrease in other non-financial assets		*2,944*	*(5,570)*
Increase/(decrease) in trade payables	*21*	*535*	*16,227*
Increase/(decrease) in other non-financial liabilities		*459*	*338*
NET CASH FLOWS FROM OPERATING ACTIVITIES		**31,144**	**28,015**
Investment assets:			
Net investments in intangible fixed assets	*6*	*(361)*	*(131)*
Net investments in tangible fixed assets	*7*	*(16,706)*	*(10,935)*
(Increase)/ decrease) of financial assets		*63*	*15*
NET CASH FLOWS FROM INVESTMENT ASSETS		**(17,004)**	**(11,051)**
Financing activities			
Increase in non-current loans	*20*	*49,000*	*13,000*
(Repayment) of non-current loans	*20*	*(20,148)*	*(17,951)*
(Repayment)/increase in current loans	*20*	*(1,957)*	*(3,482)*
Dividends paid to shareholders of the Parent Company	*17*	*(30,000)*	*(17,100)*
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(3,105)**	**(25,533)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**11,035**	**(8,569)**
Net cash and cash equivalents at the beginning of the period	16	29,420	37,989
Net cash and cash equivalents at the end of the period		**40,455**	**29,420**

SUMMARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

The U-POWER GROUP is active in the research, development and design ("R&D"), production and marketing of certain personal protective equipment ("PPE"), intended for the individual protection and safety in the workplaces of operators belonging to different sectors of industry and commerce as well as agriculture, including highly regulated sectors (such as the chemical industry, construction, agriculture, services).

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

The Group's consolidated financial statements include:

Name	Registered office	Type of control	Currency	Functional currency	% of equity	
					2022	2021
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 Suarl	Tunisia	Direct	TND	EUR	100%	100%
Jallatte SAS	France	Direct	EUR	EUR	100%	100%

The Tunisian companies used the Euro as their functional currency.
The subsidiary U Group S.r.l. has branches in France, Spain, Germany and England.
It should be noted that the subsidiary Lupos G.mb.H. is no longer active and has been put into liquidation.

The scope of consolidation remains unchanged from the previous year.

The ultimate parent company

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

2. BASIS OF PREPARATION AND CHANGES IN GROUP ACCOUNTING PRINCIPLES

2.1 DRAFTING PRINCIPLES

The Group's consolidated financial statements 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 prepared in accordance with the historical cost convention, except for investment property, certain office buildings (classified under property, plant and equipment), derivative financial instruments, financial assets represented by equities or bonds in the portfolio, and contingent consideration, which are recognised at fair value.
The carrying amount of assets and liabilities that are the subject of fair value hedges and would otherwise be recorded at amortised cost is adjusted for changes in fair value attributable to the hedged risks.
The consolidated financial statements consist 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 statement of cash flows and the notes to the financial statements.
The Company has chosen, from the various options permitted by IAS 1, to present balance sheet items according to the distinction 'current/non-current' and the income statement by classifying costs by nature. The cash flow statement has instead been prepared using the indirect method.
The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, unless otherwise indicated.
The Group has prepared the financial statements on the assumption that it will continue to operate as a going concern.

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

The standards and interpretations listed below were adopted after 1 July 2021 and are effective for annual periods beginning after 1 January 2022. Not all standards and changes listed have had an impact on these illustrative financial statements.

The following new standards and amendments became effective from 1 January 2022:
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective.

2.3. CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of U-Power S.p.A. and its subsidiaries at 31 December 2022.

Control is achieved when the Group is exposed to or entitled to variable returns from its relationship with the entity being invested in and, in the meantime, can affect those 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 (i.e. it has valid rights that give it the current ability to direct the relevant activities of the investee entity);
- the exposure to or rights to variable returns arising from the relationship with the entity being invested in;
- the ability to exercise its power over the invested entity to affect the number of its returns.

Generally, there is a presumption that most voting rights involve control. To support this presumption and when the Group holds less than a majority of the voting (or similar) rights, the Group considers all relevant facts and circumstances to determine whether it controls the investee, including:
- Contractual arrangements with other holders of voting rights;
- Rights under contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of an investee if facts and circumstances indicate that there have been changes in one or more of the three elements relevant to the definition of control. Consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenues and expenses of the subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

Profit or loss and each component of comprehensive income are allocated to the owners of the parent and non-controlling interests, even if this means that the non-controlling interests have a negative balance. When necessary, appropriate adjustments are made to the financial statements of subsidiaries to ensure compliance with the group's accounting policies. All assets and liabilities, equity, revenues, expenses and intra-group cash flows relating to transactions between group entities are eliminated in full consolidation.

Changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for in equity.

If the Group loses control of a subsidiary, it must derecognise the related assets (including goodwill), liabilities, non-controlling interests and other components of shareholders' equity, and any gain or loss is recognised in profit or loss. Any retained interest 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 as at the date of acquisition and the amount of the minority stake in the acquisition. For each business combination, the Group defines whether to measure the minority stake in the acquisition at fair value or in proportion to the share of the minority stake in the net identifiable assets of the acquisition. Acquisition costs are expensed during the year and classified under administrative expenses. The Group determines that it has acquired a business activity when the integrated set of assets and goods includes at least one production factor and one substantial process which, together, significantly contribute to the ability to generate an output. The acquired process is considered substantial if it is crucial for the ability to continue to generate an output and the acquired production factors include an organised workforce that has the necessary skills, knowledge or experience to carry out that process or to significantly contribute to generating an output and is considered unique or scare or cannot be replaced at no cost, without effort or significant delays for the ability to generate an output. When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other relevant conditions existing as at the acquisition date. This includes verifying whether an embedded derivative should be separated from the primary contract. Any potential consideration to be recognised is recorded by the buyer at fair value as at the date of acquisition. The potential consideration classified as equity not subject to remeasurement and its subsequent payment is accounted for with the balancing entry of shareholders' equity. The change in fair value of contingent consideration classified as an asset or liability, such as a financial instrument within the scope of IFRS 9 Financial Instruments, shall be recognised in profit or loss following IFRS 9. Contingent consideration that is not within the scope of IFRS 9 is measured at fair value at the balance sheet date, and changes in fair value are recognised in profit or loss. Goodwill is initially recognised at cost, represented by the excess of the total amount paid and the amount recorded for minority interests, compared with the identifiable net assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total amount of 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 as at the date of acquisition. 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, as of the date of acquisition, to each cash-generating unit of the Group which is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to said 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 disposal. 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 expected to be generated, or is held for sale or consumption, in the normal course of business;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months after the reporting period; or
- consists of cash or cash equivalents unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in its normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.
Assets and liabilities for pre-paid and deferred tax are classified as non-current assets and liabilities.

2.4.3. Fair value valuation

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.
The 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 assessment assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market of the asset or liability;

or

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

The main market or the most advantageous market must be accessible to the Group.
The fair value of an asset or liability is assessed 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 assess the 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 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the valuation date;
- Level 2 - Inputs other than the listed prices included in Level 1, observable directly or indirectly for the asset or liability;
- Level 3 - valuation techniques for which the input data are 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 valuation is classified.
For assets and liabilities recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers between levels of the hierarchy have occurred by reviewing the categorisation (based on the lowest level input that is significant to the fair value measurement in its entirety) at each reporting date.
For the purposes of fair value disclosures, the Group determines the classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as illustrated above.
Information on the fair value of financial instruments and non-financial assets measured at fair value is disclosed in Note 7.

2.4.4. Revenues from Contracts with Customers

The Group is engaged in the supply of safety footwear and technical apparel.
Revenues 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 the Group expects to receive in exchange for those goods or services. The Group has generally concluded that it acts as a principal for the majority of arrangements from which revenues are derived because it usually controls the goods and services before they are transferred 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 apparel

Revenues from the sale of safety footwear and technical apparel are recognised when control of the goods passes to the customer, generally upon delivery of the goods to the customer's home. The usual terms of trade extend from 30 to 120 days from shipment.

In determining the price of the sale transaction for safety footwear and technical apparel, the Group considers the effects of variable consideration, such as volume discounts, and estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

Contractual balances - trade receivables

A receivable is recorded if the consideration is unconditionally owed by the customer (i.e., it is only necessary that the time elapses for the payment of the consideration to be obtained). Please refer to the section on principles 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 expected to recover from or pay to the tax authorities. The tax rates and regulations used to calculate the amount are enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates its taxable income.

Current income taxes relating to items recognised directly in equity are also recognised in equity and not in the profit/(loss) statement for the period. Management periodically assesses the position taken in the tax return in cases where tax rules are subject to interpretation and, where appropriate, makes provisions.

Deferred taxes

Deferred taxes are calculated by applying the liability method to temporary differences between the tax bases of assets and liabilities and their corresponding carrying amounts at the balance sheet date.

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 is not a business combination and, at the time of the transaction, affects neither the financial statement result nor the tax result;
- the reversal of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures can be controlled, and it is probable that it will not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unutilised tax credits and losses carried forward, to the extent that it is probable that sufficient future taxable profit will be available to allow the utilisation of deductible temporary differences and tax credits and losses carried forward, except where:

- the deferred tax asset associated with the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the financial statement result nor the tax result;
- in the case of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that they will reverse in the foreseeable future and that there will be sufficient taxable income to allow for the recovery of such temporary differences.

The carrying amount 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 profit will be available in the future to allow all or part of that credit to be utilised. Unrecognised deferred tax assets are reviewed at each balance sheet date. They are recognised to the extent that it becomes probable that taxable profit will be sufficient to allow the recovery of those deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when those assets are realised, or those liabilities are settled, taking into account tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes relating to items recognised outside the income statement are also recognised outside the income statement. Therefore, in equity or the statement of comprehensive income, consistently with the item they relate.

Deferred tax assets and deferred tax liabilities are offset where there is a legal right to offset current tax assets and current tax liabilities, and the deferred taxes relate to the same taxpayer and taxing authority.

Tax benefits acquired as a result of a business combination, but which do not meet the criteria for separate recognition at the acquisition date, are recognised at a later date when new information on changes in facts and circumstances is obtained. The adjustment is recognised as a reduction of goodwill (up to

the amount of goodwill), if recognised during the measurement period, or in profit or loss, if recognised subsequently.
The Group offsets deferred tax assets and deferred tax liabilities if and only if there is a legal right to offset current tax assets and current tax liabilities and the deferred tax assets and liabilities relate to income taxes owed to the same taxation authority by the same or different taxpayers who intend to settle the current tax assets and liabilities on a net basis or realise the asset and settle the liability simultaneously, with respect to each future period in which the deferred tax assets and liabilities are expected to be settled or recovered.

Indirect Taxes
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 which case it is recognised as part of the purchase cost of the asset or part of the cost recognised in the income statement;
- trade receivables and payables include the applicable indirect tax.

The net amount of indirect taxes to be recovered from or paid to the Treasury is included in the balance sheet as a receivable or payable.
It should be noted that the parent company, together with the other resident companies of the group, has opted for group VAT settlement; the adoption of the consolidated VAT system makes it possible to aggregate the VAT settlements for credit or debit of the parent company with those of the consolidated Italian companies.

2.4.6. Currency conversion

The consolidated financial statements are presented in euros, 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 gain or loss reclassified to profit or loss upon disposal of a foreign subsidiary represents the amount that arises from using this method.

2.4.6.1. Tunisian Companies Included in the Scope of Consolidation

The Tunisian companies have decided to use the Euro as their functional currency as indicated by IAS 21.
IAS 21 defines the functional currency as the currency of the primary economic environment in which the entity operates, i.e. the environment in which the entity generates and uses its cash. IAS 21 outlines a number of factors and indicators that an entity should consider in determining its functional currency.
Management believes that the euro currency more closely represents the economic effects of underlying events, transactions and conditions based on the following indicators:
- Influence of 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 settled);
- Country whose competitive forces and regulations mainly determine the selling prices of goods and services;
- Influence of labour, material procurement and other costs of providing goods and services (which in most cases will coincide with the currency in which these costs are denominated and settled).

2.4.7. Dividends

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

2.4.8. Property, plant and equipment

Property, plant and equipment are recognised at historical cost, less accumulated depreciation and accumulated impairment losses. This cost includes costs for the replacement of part of machinery and plant at the time they are incurred, if they meet the recognition criteria. Where it is necessary to replace significant parts of plant and equipment on a regular basis, the Group depreciates them separately based on their specific useful lives. Similarly, in the case of major overhauls, the cost is included in the carrying amount of the plant or machinery as in the case of replacement, where the criterion for recognition is met. All other repair and maintenance costs are recognised in profit or loss when incurred. The present value of the cost of dismantling and removing the asset at the end of its useful life is included in the cost of the asset if the criteria for recognition 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 machinery	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 carrying amount of an item of property, plant and equipment and any significant components initially recognised are derecognised on disposal (i.e. when the acquirer obtains control) or when no future economic benefits are expected from their use or disposal. The gain or loss arising on derecognition of the asset (calculated as the difference between the asset's carrying amount and the net consideration) is recognised in profit or loss when the item is derecognised.
The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each financial year-end and, where appropriate, adjusted prospectively.

2.4.9. Leases

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

The Group as 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 lease payments and the right-of-use asset representing the right to use the underlying asset.

i) Right-of-use assets
The Group recognises right-of-use assets on the lease commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets comprises the amount of recognised lease liabilities, initial direct costs incurred and lease payments made on or before the commencement date net of any incentives received. Lease assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the asset consisting of the right of use or the end of the lease term, whichever is earlier, as follows:
- Land and buildings from 3% to 10%
- Plant, machinery and industrial 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 right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee shall depreciate the right-of-use asset 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 Section 2.3.15 Impairment of Non-Financial Assets.

ii) Right of Use Liabilities
At the lease inception date, the Group recognises lease liabilities by measuring them at the present value of the lease payments due but unpaid 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 expected to be paid as security for the residual value. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the option will be exercised by the Group and lease termination penalty payments if the lease term takes into account the Group's exercise of its lease termination option.
Variable lease payments that are not index- or rate-dependent are recognised as expenses in the period (unless incurred to produce inventories) in which the event or condition giving rise to the payment occurs.
In calculating the present value of payments due, the Group uses the marginal borrowing rate at the commencement date if the implied interest rate is not readily determinable. After the commencement date, the amount of the lease liability increases to reflect interest on the lease liability and decreases to reflect payments made. In addition, the carrying amount of the lease liability is restated in the event of any changes to the lease or for the revision of the contractual terms for the change in payments; it is also restated for changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine such payments.
The Group's leasing liabilities are included in the item Financial liabilities (see Note 21).

iii) Short-term leases and leases of low-value assets
The Group applies the exemption for the recognition of short-term leases related to machinery and equipment (i.e., leases that have a term of 12 months or less from the commencement date and do not contain an option to purchase). The Group has also applied the exemption for leases relating to low-value assets in respect of leases relating to office equipment whose value is considered low. Lease payments related to short-term leases and low-value asset leases are recognised as expenses 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 substantial period of time before it is available for use are capitalised on the cost of the asset. All other financial expenses are recognised as an expense in the period in which they are incurred. Financial charges are made up of interest and other costs incurred by an entity in connection with obtaining loans.

2.4.11. Intangible fixed assets

Intangible assets acquired separately are initially recognised at cost, whilst those acquired through business combinations are recognised at fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally produced intangible assets, except for development costs, are not capitalised and are recognised in the year's income statement in which they are 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 for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or in the manner in which the future economic benefits associated with the asset will be realised are recognised through changes in the period or method of amortisation, as appropriate, and are considered changes in accounting estimates. The amortisation rates 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 indefinite useful lives are not amortised, but are tested annually for impairment, both at the individual and cash-generating unit level. The assessment of the indefinite useful life is reviewed annually to determine whether this allocation continues to be sustainable, otherwise, the change from indefinite to finite useful life is applied on a prospective basis. Please note that the Group does not have any intangible assets with indefinite useful lives.

An intangible asset is eliminated at the time of disposal (i.e., on the date on which the buyer obtains control of it) or when no future economic benefits are expected from its use or disposal. Any profit or loss resulting 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 Group's trademarks, partly corresponding to the purchase cost, and partly arising from the allocation of the initial positive cancellation difference generated upon first-time consolidation within the limit of the current value of these assets and, in any case, for values not exceeding their recoverable value, including deferred tax assets and liabilities recognised against allocated capital gains. Trademarks are amortised on a straight-line basis over a period of 10 years, corresponding, on the basis of appraisals prepared by specialists, to the year of production and marketing of the products to which they refer.

This item also includes software recognised at purchase cost and amortised on a straight-line basis over a period of five years.

Research and development costs

Research costs are charged to the profit and loss account of the year in which they are incurred. Development costs incurred in connection with 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 its ability and intention to use or sell it;
- the manner in which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably estimate the cost attributable to the asset during development.

After initial recognition, development assets are measured at cost less accumulated amortisation or accumulated impairment losses. Amortisation of the asset begins when the development is completed and the asset is available for use. Development assets are amortised over a period of five years. During the development year, the asset is subject to an annual impairment test.

The Group recognised no development costs in the financial years 2022 and 2021.

2.4.12. Financial Instruments - Recognition and Measurement

A financial instrument is any contract 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 measurement

Upon initial recognition, financial assets are classified, as appropriate, according to subsequent measurement methods, i.e. at amortised cost, at fair value through OCI and at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model the Group uses to manage them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value, through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as illustrated in paragraph (2.3.4) Revenue from Contracts with Customers.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it must generate cash flows that depend solely on principal and interest on the amount of principal 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., the cash flow from the sale of the asset to the buyer) are subject to the following conditions SPPI) are classified and measured at fair value through profit or loss.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will arise from collecting contractual cash flows, the sale of financial assets or both.

Financial assets classified and measured at amortised cost are held as part of a business model whose objective is to own financial assets to collect contractual cash flows. In contrast, financial assets that are classified and measured at fair value through OCI are held as part of a business model whose objective is to collect contractual cash flows and sell financial assets.

The purchase or sale of a financial asset that requires delivery within a period generally established by regulation or market convention (a so-called standardised sale or regular way trade) is recognised on the trade date, i.e. the date on which the Group has committed to purchase or sell the asset.

Subsequent evaluation

For subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income with the reclassification of accumulated gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without a reversal of accumulated gains and losses on derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

In the Group, the first and fourth types are present.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. When the asset is derecognised, modified, or revalued, gains and losses are recognised in profit or loss.

Financial assets at fair value through profit or loss.

Financial instruments at fair value with changes recognised in profit or loss are recognised in the statement of financial position at fair value and net changes in fair value recognised in profit or loss.

This category includes derivative instruments.

The embedded derivative contained in a hybrid non-derivative contract, financial liability or host non-financial contract is separated from the host contract and accounted for as a separate derivative if: its economic characteristics and associated risks are not closely related to those of the host contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss. A restatement only occurs if there is a change in the terms of the contract that significantly alters the otherwise expected cash flows or a reclassification of a financial asset to a category other than fair value through profit or loss.

Cancellation

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the first instance (eg removed from the Group statement of financial position) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Group has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and (a) has transferred all the risks and rewards of ownership of

the financial asset substantially, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of it.

In cases where the Group has transferred rights to receive cash flows from an asset or has entered into an arrangement under which it retains the contractual rights to receive the cash flows from the financial asset. Still, it assumes a contractual obligation to pay the cash flows to one or more recipients (pass-through). Therefore, it assesses how it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all risks and rewards or has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its continuing involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and associated liability are measured to reflect the rights and obligations that remain with the Group.

Impairment

The Group recognises an expected credit loss ('ECL') write-down for all financial assets represented by debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due following the contract. All cash flows that the Group expects to receive are discounted to approximate the original effective interest rate. Expected cash flows will include cash flows arising from the enforcement of collateral held or other credit guarantees that are integral to the contractual terms.

Expected losses are recognised in two stages. For credit exposures for which there has been no significant increase in credit risk since initial recognition, credit losses arising from estimated 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, expected losses that relate to the remaining life of the exposure must be recognised in full, regardless of when the event of default is expected to occur ('Lifetime ECL').

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected losses. Therefore, the Group does not monitor changes in credit risk, but recognises the expected loss in full at each reporting date. The Group has defined a matrix system based on historical information, revised to consider prospective elements with reference to 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 through OCI, the Group applies the simplified approach allowed for low credit risk assets. At each balance sheet date, the Group assesses whether the debt instrument is considered to have low credit risk using all available information that can be obtained without undue cost or effort. In making this assessment, the Group monitors the creditworthiness of the debt instrument. In addition, the Group assumes that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset to be in default when contractual payments have been past due for 180 days. In some cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to recover the contractual amounts in full before taking into account credit guarantees held by the Group. A financial asset is derecognised when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial detection and assessment

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, as loans and borrowings, or as derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value plus, in the case of mortgages, loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, mortgages and loans, including overdrafts and derivative financial instruments.

Subsequent evaluation

For subsequent measurement, financial liabilities are classified into two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (loans and loans).

Only the second type is present in the Group.

Financial liabilities at amortised cost (loans and loans).

This is the most relevant category for the Group. After initial recognition, loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is extinguished and through the amortisation process.

Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that form part of the effective interest rate. Amortisation at the effective interest rate is included in financial charges in the statement of profit/(loss).

This category generally includes interest-bearing loans and receivables. See Note 21 for more information.

Cancellation
A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. When an existing financial liability is exchanged for another financial liability of the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability, accompanied by the recognition of a new liability, with any difference between the carrying amounts recognised in the statement of profit or loss.

iii) Clearing of financial instruments
A financial asset and a financial liability may be offset and the net balance presented in the statement of financial position if there is a present legal right to offset the recognised amounts and there is an intention to settle the net balance or to realise the asset and settle the liability simultaneously.

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 the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
At the inception of a hedging transaction, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.
The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedging relationship meets hedge effectiveness requirements (including analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). The hedging relationship meets the eligibility criteria for hedge accounting if it satisfies 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 outweigh the changes in value resulting from the hedging relationship;
- the hedge 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 that quantity of the hedged item.

With respect to the cash flow hedge transaction, the Group recognises the portion of the gain or loss on the hedged instrument related to the effective portion of the hedge in other comprehensive income in the cash flow hedge reserve, while the ineffective portion is recognised directly in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

2.4.14. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost is calculated using the weighted average cost method.
The cost of inventories includes the transfer, from other comprehensive income, of profits and losses from qualified cash flow hedging transactions related to the purchase of raw materials.
Net realisable value is the estimated normal selling price in the normal course of business, less estimated completion costs and estimated costs to realise the sale.
If obsolete or slow-moving inventories are recognised, they are written down on the basis of their possible use or realisation. The original value is reinstated in the year in which the reasons for a previous write-down no longer apply.

2.4.15. Impairment of non-financial assets

At each balance sheet date, the Group assesses whether indicators of asset impairment exist. In this case, or in cases where an annual impairment test is required, the Group estimates the recoverable amount. The recoverable amount is the higher of the fair value of the asset or cash-generating unit, less costs to sell, and its value in use. The recoverable amount is determined for each individual asset, except when that asset generates cash flows that are largely independent of those generated by other assets or groups of assets. If the carrying amount of an asset is greater than its recoverable amount, the asset is impaired and written down to its recoverable amount accordingly.
In determining value in use, the Group discounts estimated future cash flows to present value using a pre-tax discount rate that reflects market assessments of the present value of money and the risks specific to the asset. Recent market transactions are considered when determining the fair value less costs to sell. An appropriate valuation model is used if such transactions cannot be identified.

The Group bases its impairment tests 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 three-year period. To project future cash flows beyond the third year, a long-term growth rate is calculated.
Impairment losses on continuing transactions are recognised in the profit/(loss) statement for the year in the cost categories consistent with the function of the asset that caused the impairment loss.
For assets other than goodwill, at each balance sheet date the Group assesses whether there is any indication of the reversal (or reduction) of previously recognised impairment losses and, if such indication exists, estimates the recoverable amount of the asset or CGU. The value of a previously impaired asset may be reinstated only if there has been a change in the assumptions underlying the calculation of the determined recoverable amount since the last impairment loss was recognised. The reversal may not exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised in prior periods. This recovery is recognised in profit/(loss) for the period.
Intangible assets with indefinite useful lives are tested for impairment at least annually at the cash-generating unit level and when circumstances indicate that an impairment loss may occur.

2.4.16. Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits include cash on hand and demand and short-term deposits with maturities of three months or less, which are not subject to significant risks related to changes in value.
For presentation 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 cash management.

2.4.17. Liabilities and charges

Provisions for risks and charges are made when the Group has a present obligation (legal or constructive) due to a past event. An outflow of resources will probably be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group considers that a provision for risks and charges will be partly 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 the provision, if any, is presented in the statement of profit or loss net of the amount recognised for compensation.
If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liabilities. When the liability is discounted, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.18. Pension funds and other post-employment benefits

The Employee Severance Indemnity Reserve (TFR), which is mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is in the nature of deferred compensation and is related to the length of the working life of employees and the salary received.
As a result of the Supplementary Pension Reform, the TFR quotas accrued up to 31 December 2006 will continue to remain with the company, configuring a defined benefit plan (obligation for accrued benefits subject to actuarial valuation), while the quotas accruing from 1 January 2007 (with the exception of employees of companies with less than 50 employees) as a result of the choices made by the employees, are allocated to supplementary pension schemes or transferred by the company to the treasury fund managed by INPS, being configured as defined contribution plans (no longer subject to actuarial valuation) from the moment the choice is formalised by the employee.
For benefits subject to actuarial valuation, the liability relating to the employee severance indemnity must be calculated by projecting the amount already accrued to the future moment of termination of employment and then discounting the amount to the balance sheet date using the actuarial 'Projected Unit Credit Method'. The discount rate used to determine the liability is that relating to the "Composite" interest rate curve of securities issued by AA-rated corporate issuers.
From an accounting point of view, through the actuarial valuation, the interest cost, which is the notional charge that the company would incur by asking the market for a loan of an amount equal to the severance indemnity fund, is recognised in the income statement under the item "Financial charges/income", and the current service cost, which defines the amount of the rights accrued during the year by employees only for those Group companies with less than 50 employees and which therefore have not transferred the amounts accrued since 1 January 2007 to the supplementary pension fund, is recognised in the item "labour cost". Actuarial gains and losses that reflect the effects of changes

in the actuarial assumptions used are recognised directly in equity without ever going through the income statement and are shown in other comprehensive income.
Please note that the subsidiaries in France and Tunisia do not have TFRs.

2.4.19. Earnings per share (basic and diluted)

Basic earnings per share is obtained as the ratio of the Group's result resulting from the consolidated financial statements to the weighted average number of shares outstanding during the year, net of any treasury shares held.
Diluted earnings per share correspond to basic earnings per share as there are no instruments with a potential dilutive effect.

3. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

The preparation of the Group's financial statements requires management to make discretionary judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could lead to outcomes that will require a significant adjustment to the carrying amount of these assets and/or liabilities in the future.

Estimates and Assumptions

The following are the main assumptions concerning the future and other major causes of measurement uncertainty that, at the reporting date, present a material risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group has based its estimates and assumptions on parameters available at the time the consolidated financial statements were prepared. However, current circumstances and assumptions about future events may change due to changes in the market or events beyond the Group's control. Such changes are reflected in the assumptions when they occur.

Impairment of Non-Financial Assets and Useful Life of Fixed Assets

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The calculation of value in use is based on a discounted cash flow model. The cash flows are derived from the budget of the next 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 business included in the cash-generating unit being measured. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for extrapolation.
Considering the positive results achieved and the positive growth trend, the Group did not identify any impairment indicators at 31 December 2022 and therefore did not perform an impairment test. It should also be noted that there is no goodwill or intangible assets with an indefinite useful life. See notes 2.3.8, 2.3.9 and 2.3.13 for a summary of the useful life of intangible assets, tangible assets and rights of use as estimated by the directors.

Taxes

Deferred tax assets related to unutilised tax losses are recognised to the extent that it is probable that there will be a taxable profit in the future that will allow the losses to be utilised. Significant estimation by management is required to determine the amount of tax assets that may be recognised based on the level of future taxable profits, the timing of their occurrence and the applicable tax planning strategies.
The Group has unused tax loss carry-forwards related to the subsidiary Jallatte. In line with company budgets, these losses are deemed to be fully recoverable and therefore deferred tax assets have been recognised in full.
Significant management judgement is required to assess the likelihood of the 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 effect at the time of their reversal. However, if it becomes apparent that the Group will not be able to recover all or part of the recognised deferred tax assets in future years, the resulting adjustment will be recognised in the income statement of the year in which this 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 position where it is not probable that its position will be accepted, the effects of this uncertainty

must be reflected in the accounting for income taxes.
The Group's Tunisian subsidiaries are subject to a tax dispute, the risk of which has been recognised in Taxes for the year with a balancing entry Taxes payable 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 valuations require various assumptions to be made that may differ from actual future developments. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually. The discount rate is the parameter most subject to change. In determining the appropriate discount rate, the directors use as a benchmark the interest rate of bonds (corporate bonds), in currencies consistent with the currencies of the defined benefit obligations, that 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 basket of bonds from which the discount rate is calculated, as they do not represent a high quality bond category. The mortality rate is based on available country-specific mortality tables. These tables tend to vary only in response to a change in demographic assumptions. Future wage 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 by reference to prices in an active market, fair value is determined using various valuation techniques, including the discounted cash flow model. The inputs into this model are taken from observable markets where possible, but where this is not possible, some degree of estimation is required to define fair value. The estimates include considerations of variables such as liquidity risk, credit risk and volatility. Changes in assumptions about these elements could have an impact on the fair value of the financial instrument recognised.

Inventory obsolescence provision

The Group usually makes forecasts in relation to the realisable value of obsolete, excess 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 inventories may differ from the estimated value due to the uncertainty surrounding the conditions underlying the estimates adopted.

Lease - Estimated marginal funding rate

The Group cannot easily determine the implicit interest rate of the lease and therefore uses the marginal financing rate to measure the lease liability. The marginal lending rate is the interest rate the lessee would have to pay for a loan, with a similar term and with similar security, required to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The marginal financing rate therefore reflects what the group would have to pay, and this requires estimation when observable data do not exist or when rates need to be adjusted to reflect the terms and conditions of the lease. The group estimates the marginal financing rate using observable data (such as market interest rates) if available.

Significant judgement in determining the lease term of contracts containing an extension option - the Group as lessee

The Group determines the lease term as the non-cancellable exercise of the lease to which are added both the periods covered by the lease extension option where there is reasonable certainty of exercising that option and the periods covered by the lease termination option where there is reasonable certainty of not exercising that option.
The Group has the option, for some of its leases, to extend the lease or to terminate it early. The Group applies its judgement in assessing whether there is a reasonable certainty of exercising the renewal options. That said, the Group considers all factors noted that may result in an economic incentive to exercise the renewal options or to terminate the lease. After the commencement date, the Group revises its estimates of the lease term in the event of a significant event or significant change in circumstances within its control that may affect the ability to exercise (or not exercise) the renewal or early termination option (e.g. investment in leasehold improvements or significant specific changes to the leased asset).
The group has included the renewal exercise as part of the term of leases relating to plant and equipment with a short non-cancellable lease term (e.g. three to five years). The

group usually exercises its renewal option for these leases as there would be a negative impact on its operations if alternative assets were not available. Renewal options for plant and machinery leases with a longer non-cancellable contractual term (e.g. 10-15 years) have not been included for the definition of the lease term as there is no reasonable certainty of their exercise. In addition, renewal options for vehicle leases are not included in determining the lease term because the group does not usually use these assets for a period longer than five 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

Partly as a result of recent observations by the European Securities and Markets Authority (ESMA) on the importance of climate change issues, as well as evolutions in the regulatory environment at EU level, the U-Power Group has undertaken initial qualitative assessments of the potential risks, both physical and transitional, arising from climate change. In this context, initial assessments lead us to believe that the Group is not particularly exposed, in the short term, to physical risks related to climate change, considering the nature of its business and the geographical location of its production sites. As far as transitional risks are concerned, the preliminary analysis carried out by the Group focused in particular on certain aspects, such as changing consumer preferences (an aspect managed with the creation of the U-Green line's 'offset emissions' models).
Although the IAS/IFRS standards do not explicitly refer to climate-related issues, these impacts are taken into account by the Group in the application of international accounting standards when significant, assessing their effects, both in the application of individual accounting standards and on the Group's ability to continue as a going concern. In this context, it should be noted that for the Group, no significant impacts have been noted from the application of the individual standards and no doubts or uncertainties have arisen relative to events or conditions that could call into question the ability to operate as a going concern.

The Spread of Coronavirus

The current context of the market in which the Group operates, shows signs of consolidation of the ongoing economic recovery, also as a result of the gradual easing of the restrictive measures, adopted at a national and international level at the time, to deal with the COVID-19 emergency. However, it cannot be ruled out that the overall economic scenario could experience further deterioration in the future, with reference to a possible resurgence of the pandemic. The Group did not, however, report any delays in the delivery of raw materials and finished products, nor any delays in production, nor any consequent failure to fulfil customer orders.

Russia-Ukraine Conflict

Lastly, the war conflict between the nation-states of Ukraine and Russia has generated a situation of uncertainty since the early months of the year that still does not allow the effects that it may produce to be outlined in the short term. In this context, it should be noted that for the Group, no significant impacts were recorded, since the Group is not present in Russia and Ukraine with its own production plants, research centres or representative offices.
With reference to the indirect impacts of the conflict on revenues, costs, investments and expected cash flows, and to possible cost increases (primarily transport costs), the Group has not revealed any significant impacts to date. In particular, the Group was not impacted by the increase in the cost of energy, as most of its production takes place in Tunisia, where the cost of energy has remained constant to date.

4. PRINCIPLES ISSUED BUT NOT YET IN FORCE

Below are the standards and interpretations that had already been issued but were not yet in force at the date of preparation of the Group's consolidated financial statements. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

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

During 2020 and 2022, 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 amendments clarify:
- What is meant by a right of subordination of maturity;
- That the right of subordination must exist at the end of the reporting period;
- Classification is not impacted by the probability with which the entity will exercise its right of subordination;
- Only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability not impact its classification.

The amendments will be effective for financial years beginning on or after 1 January 2024, and shall be applied retrospectively. The Group is currently assessing the impact the changes will have on the current situation and whether it will be necessary to renegotiate existing loan agreements, as well as the current IASB activities.

Definition of Accounting Estimates - 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 policies and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Earlier application is permitted provided that this fact is disclosed. The changes are not expected to have a material impact on the Group.

Accounting Standards Disclosures - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'materiality' accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023, early application is permitted. Since the amendments to PS 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy disclosures, no effective date is required for these amendments.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Deferred tax relating to assets and liabilities arising from a single transaction - Amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12, narrowing the scope of the initial recognition exception included in IAS 12, which will no longer have to be applied to those transactions that give rise to taxable and deductible temporary differences in equal measure.

The amendments are to be applied to transactions that occur after or at the beginning of the comparative period presented. Additionally, at the beginning of the comparative period presented, deferred tax assets (if sufficient taxable income exists) and deferred tax liabilities will have to be recognised for all deductible and taxable temporary differences associated with leases and restoration provisions.

The Group is currently assessing the impact of these changes.

5. FAIR VALUE VALUATION

The following table shows the comparison, by individual class, between the carrying amount and the fair value of the financial instruments held by the Group, excluding those whose carrying amount reasonably approximates fair value, with an indication of the relative hierarchy required by the standard:

(amounts in Euro thousand)

	31 December 2022				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss.					
Unicredit securities	1,193	1,193	1,193		
Total	**1,193**	**1,193**	**1,193**	-	-
Financial liabilities at amortised cost					
Bonds	(13,717)	(13,717)		(13,717)	
Floating rate loans	(46,668)	(46,668)		(46,668)	
Fixed rate loans	(10,812)	(10,812)		(10,812)	
Total	**(71,197)**	**(71,197)**	-	**(71,197)**	-
Financial derivatives					
Effective hedging derivatives	495	495		495	
Derivatives not designated as hedges	12	12		12	
Total	**507**	**507**	-	**507**	-

(amounts in Euro thousand)

	31 December 2021				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss.					
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 loans	(12,392)	(12,392)		(12,392)	
Fixed rate loans	(10,689)	(10,689)		(10,689)	
Total	**(44,205)**	**(44,205)**	-	**(44,205)**	-
Financial derivatives					
Effective hedging derivatives	(78)	(78)		(78)	
Derivatives not designated as hedges	(14)	(14)		(14)	
Total	**(92)**	**(92)**	-	**(92)**	-

Management has 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 carrying value as a result of the short-term maturities of these instruments.

6. INTANGIBLE FIXED ASSETS

Intangible assets, as detailed in the table below, amounted to €2,224,000 as of 31 December 2022.

Concessions, licences, and trademarks	(amounts in Euro thousand)
Historical cost	
As at 01 January 2022	12,783
Increases	321
Divestments	(1,496)
As at 31 December 2022	11,648
Accumulated depreciation	
As at 01 January 2022	(9,785)
Depreciation for the year	(1,135)
Divestments	1,496
As at 31 December 2022	(9,424)
Net book value	
As at 01 January 2022	2,998
As at 31 December 2022	2,224

Below is the comparative table for 2021:

Concessions, licences, and trademarks	(amounts in Euro thousand)
Historical cost	
As at 01 January 2021	12,688
Increases	140
Divestments	(47)
As at 31 December 2021	12,783
Accumulated depreciation	
As at 01 January 2021	(8,758)
Depreciation for the year	(1,063)
Increases	-
Divestments	36
As at 31 December 2021	(9,785)
Net book value	
As at 01 January 2021	3,930
As at 31 December 2021	2,998

The item "Concessions, licences, trademarks and similar rights" mainly refers to the value of the U Power, Jallatte, Aimont, and Lupos trademarks, relating to products marketed by the Group in the footwear and safety clothing sector.
The value of the Aimont, Lupos and other minor trademarks, totalling €1,092 thousand, corresponds to the purchase and/or registration value net of amortisation already sustained.

The value recorded in the financial statements of the U-Power and Jallatte brands is respectively €340,000 and €488,000 net of amortisation for the year.
As regards trademarks, considered by management as assets with a defined useful life and amortised over 10 years, no impairment indicators or indicators that would lead to a useful life different from the current one emerged during the year, based on future plans.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, as detailed in the table below, amounted to €55,106 thousand as of 31 December 2022.

(amounts in Euro thousand)

	Land and Buildings	Plant and Machinery & Industrial and Commercial Equipment	Fixed Assets Work in progress and advances	Other assets	Total
Historical cost					
As at 01 January 2022	22,241	42,486	271	2,816	67,814
Increases	604	6,420	18,156	485	25,665
Divestments	(663)	(448)	-	(16)	(1,127)
As at 31 December 2022	22,182	48,458	18,427	3,285	92,352
Accumulated depreciation					
As at 01 January 2022	(5,046)	(26,009)		(1,906)	(32,961)
Depreciation for the year	(739)	(3,847)		(347)	(4,933)
Divestments	213	424		11	648
As at 31 December 2022	(5,572)	(29,432)		(2,242)	(37,246)
Net book value					
As at 01 January 2022	17,195	16,477	271	910	34,853
As at 31 December 2022	16,610	19,026	18,427	1,043	55,106

Below is the comparative table for 2021:

(amounts in Euro thousand)

	Land and Buildings	Plant and Machinery & Industrial and Commercial Equipment	Fixed Assets Work in progress and advances	Other assets	Total
Historical cost					
As at 01 January 2021	16,419	37,944	237	2,449	57,049
Increases	5,822	4,337	284	641	11,084
Divestments	-	205	(250)	(274)	(319)
As at 31 December 2021	22,241	42,486	271	2,816	67,814
Accumulated depreciation					
As at 01 January 2021	(4,523)	(22,661)		(1,800)	(28,984)
Depreciation for the year	(524)	(3,349)		(274)	(4,147)
Divestments	1	1		168	170
As at 31 December 2021	(5,046)	(26,009)		(1,906)	(32,961)
Net book value					
As at 01 January 2021	11,896	15,283	237	649	28,065
As at 31 December 2021	17,195	16,477	271	910	34,853

The item "Land and buildings" mainly consists of buildings located in Tunisia, the value of which as at 31 December 2022 was €10,414 thousand, buildings used as warehouses located in Italy for €5,632 thousand, and buildings at Jallatte. Fixed assets under construction and advances mainly relate to the expansion of the U-Logistics warehouse and its automation.

Most of the Plant, machinery and equipment are located in the Tunisian production facilities for €17,778 thousand; partly in the modelling plant located in Italy for €504 thousand; partly in the logistics plant of the subsidiary U-Logistics for €381 thousand, and only marginally in the production plant of the French subsidiary Jallatte for €363 thousand. The increases for the year are mainly due to the acquisition of plant and machinery for the factories located in Tunisia. Industrial and commercial equipment mainly consists of moulds and production equipment located in the Tunisian subsidiaries.
The item 'Other Assets' mainly comprises computer equipment, office furniture and means of transport.

No impairment indicators or indicators that would lead to a useful life different from the current one emerged during the year on the basis of future plans.

8. RIGHT OF USE

The application of IFRS16 concerning rights of use and leasing contracts, expresses in the balance sheet a value of €3,515,000 and is net of depreciation calculated during the year.

Details are shown in the table below:

(amounts in Euro thousand)

	Right of Use - Buildings	Right of use - Industrial and commercial equipment	Right of Use - Cars	Total
Historical cost				
As at 01 January 2022	3,519	2,978	1,049	7,546
Increases	-	135	37	172
Decreases	-	(120)	(262)	(382)
As at 31 December 2022	3,519	2,993	824	7,336
Accumulated depreciation				
As at 01 January 2022	(655)	(2,094)	(519)	(3,268)
Depreciation for the year	(331)	(389)	(202)	(922)
Divestments	-	120	249	369
As at 31 December 2022	(986)	(2,363)	(472)	(3,821)
Net book value				
As at 01 January 2022	2,864	884	530	4,278
As at 31 December 2022	2,533	630	352	3,515

Below is the comparative table for 2021:

(amounts in Euro thousand)

	Right of Use - Buildings	Right of use - Industrial and commercial equipment	Right of use - Cars	Total
Historical cost				
As at 01 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 depreciation				
As at 01 January 2021	(1,036)	(1,841)	(529)	(3,406)
Depreciation for the year	(574)	(335)	(164)	(1,073)
Divestments	955	82	174	1,211
As at 31 December 2021	(655)	(2,094)	(519)	(3,268)
Net book value				
As at 01 January 2021	4,954	845	206	6,005
As at 31 December 2021	2,864	884	530	4,278

9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Details of deferred tax assets and deferred tax liabilities are provided:

(amounts in Euro thousand)

	31.12.2022			31.12.2021		
	Amount of temporary differences	Rate	Tax effects	Amount of temporary differences	Rate	Tax effects
Derivatives	-	24.00%	-	92	24.00%	22
Inventory write-downs	6,715	24.00%	1,611	3,565	24.00%	856
Provision for credit losses	147	24.00%	35	147	24.00%	35
Jallatte tax losses	18,093	25.00%	4,523	22,013	25.00%	5,503
Temporary differences services	120	24.00%	29	94	24.00%	23
Losses on foreign exchange conversions	114	24.00%	27	167	24.00%	40
Severance Indemnity Adjustment (ifrs)	-	24.00%	-	218	24.00%	52
FISC	456	27.90%	127	456	27.90%	127
Trademark and patent revaluation	22,513	27.98%	6,299	25,245	27.95%	7,056
Consolidation entries	2,137	27.90%	596	1,501	27.90%	419
Subtotal deferred tax assets			**13,248**			**14,133**
Derivatives	507	24.00%	122	-	24.00%	-
Depreciation rate of intangible assets	827	27.90%	231	1,654	27.90%	461
Conversion gains	51	24.00%	12	138	24.00%	33
Leases	23	27.90%	6	12	27.90%	3
Severance Indemnity Adjustment (ifrs)	63	24.00%	15	-	24.00%	-
Taxation of profit reserves to be distributed by subsidiaries	15,713	10.00%	1,570	12,087	10.00%	1,208
Dividends declared by subsidiaries and not collected	3,359	12.00%	403	3,392	12.00%	407
Subtotal deferred taxes			**2,359**			**2,113**
Total net deferred tax assets			**10,889**			**12,020**

The main amount of deferred tax assets relates to the tax relevance of the revaluation of the 'Energizer Safety Shoe' patent and the U-Power brand carried out by the parent company in its financial statements for the year prepared in accordance with the OIC accounting standards pursuant to Law No. 126/20, which resulted in the recognition of deferred tax assets at the consolidated level and which are reduced by the tax benefit obtained.
The item Jallatte tax losses is reduced on the basis of their utilisation in consideration of Jallatte's profits.
The amount related to consolidation entries mainly refers to the elimination of intercompany profits in inventories at the end of the period.
The subtotal for deferred taxes is mainly made up of provisions for withholding taxes of the Tunisian companies and taxes on dividends to be distributed by them, as well as deferred taxes generated as a result of the allocation to brands of the differences generated on first-time consolidation on the French (Jallatte) and Italian (U Group and U-Logistics) subsidiaries, and leasing entries.
Management has positively assessed, based on the business plans drawn up, 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.
Deferred tax assets are reported net of deferred tax liabilities, as they relate to income taxes levied by the same tax jurisdiction and the time horizon for the absorption of temporary differences between deferred tax assets and deferred tax liabilities is consistent.

10. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets amounted to €1,981 thousand. Equity investments in other companies, which are not significant, are not consolidated and are valued at cost, which is considered similar to fair value. The item also includes derivative financial instruments (both hedging and non-hedging) in the amount of €507 thousand, and securities issued by Unicredit Spa in the total amount of €1,193 thousand, in addition to the usual security deposits.
Please refer to Note 5 for information on fair value. The securities are pledged in favour of Unicredit as part of the Mini-Bond issued by the company during the 2020 financial year.

11. INVENTORIES

The breakdown of inventories at the end of the year is shown below.

(amounts in Euro thousand)

Inventory	31 December 2022	31 December 2021	Change
Raw materials, consumables and supplies	21,766	19,588	2,178
Work in progress and semi-finished products	13,473	9,852	3,621
Finished products and goods	45,848	32,329	13,519
Total	**81,087**	**61,769**	**19,318**

The value of inventories is stated net of an obsolescence provision, the amount of which is shown in the table below:

(amounts in Euro thousand)

	Inventory obsolescence provision
As at 01 January 2022	10,257
Net change for the period	3,792
As at 31 December 2022	14,049

The increase in the value of inventories as of 31 December 2022 is closely related to the increase in sales: the group reacted by increasing not only finished product levels, but also semi-finished products and raw materials in order to increase production; furthermore, given the procurement difficulties that occurred between the end of 2021 and the beginning of 2022, it was deemed appropriate to increase inventories in order to avoid stock breakages, especially in clothing, which would result in longer procurement times.

12. TRADE RECEIVABLES

Receivables from customers as of 31 December 2022 amounted to €74,525 thousand, net of the relative allowance for doubtful accounts of €1,996 thousand. This item consists entirely of receivables due within the next 12 months.
The table below provides a breakdown of trade receivables by geographic area:

(amounts in Euro thousand)

	31 December 2022	31 December 2021
Italian Clients	52,055	50,264
EU Clients	20,944	16,200
Non-EU Clients	1,625	875
Total	**74,624**	**67,339**

The table below details the concentration of trade receivables as of 31 December 2022 and 31 December 2021:

(amounts in Euro thousand)

	31 December 2022	inc. %	31 December 2021	inc. %
First customer	2,164	2.90%	2,032	3.0%
First five customers	6,980	9.35%	5,620	8.3%
First ten customers	10,266	13.76%	7,928	11.8%
Total trade receivables	**74,624**	**100.0%**	**67,339**	**100.0%**

The following table shows the breakdown of the Group's trade receivables as at 31 December 2022 and 31 December 2021 by due date:

(amounts in Euro thousand)

	31 December 2022	inc %	31 December 2021	inc %
Due	72,497	97.15%	64,485	95.76%
Due within 30 days	2,102	2.82%	1,826	2.71%
Due within 30 days and within 60 days	803	1.08%	746	1.11%
Due within 60 days and within 90 days	86	0.12%	164	0.24%
Due over 90 days	1,102	1.48%	1,583	2.35%
Provision for bad debts	(1,966)	-2.64%	(1,465)	-2.18%
Total trade receivables	**74,525**		**67,339**	

Changes in the provision for bad debts are shown below:

(amounts in Euro thousand)

	Provision for bad debts
As at 01 January 2021	941
Utilisation in 2021	(38)
Allocation in 2021	562
As at 01 January 2022	1,465
Utilisation in 2022	(116)
Allocation in 2022	617
As at 31 December 2022	1,966

13. RECEIVABLES FROM RELATED PARTIES

Please refer to point 37 of this note for details on these receivables.

14. TAX RECEIVABLES

Tax receivables as of 31 December 2022 amounted to €82,000.
The item mainly refers to advances and receivables from the Italian tax authorities for taxes generated by the foreign branches of U Group srl.

15. OTHER CURRENT ASSETS

(amounts in Euro thousand)

	31 December 2022	31 dicembre 2021
VAT credit	1,974	555
Other tax receivables	347	749
Guarantee deposits	54	214
Advances to Suppliers	2,314	7,008
Other receivables	3,386	2,616
Total	**8,075**	**11,142**

The item 'Advances to suppliers' is mainly composed of advances for the purchase of clothing from Asian suppliers; the decrease is due to the reduction in orders opened with these suppliers compared to the previous year, also considering the sharp increase in stock during the year.
The item 'Sundry Receivables' mainly refers to receivables from the Tunisian National Social Security Fund, as well as deferrals related to marketing costs in the amount of approximately €1 million.

16. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Below is a breakdown of this item at the end of the year and the composition of cash and cash equivalents, based on the currency in which it is denominated.

(amounts in Euro thousand)

	31 December 2022	31 December 2021
Bank deposits	40,434	29,404
Cash	21	16
Total	**40,455**	**29,420**

(amounts in Euro thousand)

	31 December 2022	Incidence %	31 December 2021	Incidence %
EUR	40,017	98.9%	29,064	98.8%
TND	137	0.3%	96	0.3%
GBP	294	0.7%	254	0.9%
USD	7	0.0%	6	0.0%
Total cash equivalents	**40,455**		**29,420**	

The balance represents cash and cash equivalents and the existence of cash and cash equivalents fully available at the end of the financial year. There are no restrictions or constraints on the use of cash and cash equivalents, with the exception of a current account pledged for €3,951 thousand in favour of Unicredit as part of the Mini-Bond issued by the company during the 2020 financial year.

Please refer to the cash flow statement for details of the changes.

17. NET EQUITY

At the balance sheet date, the share capital, fully subscribed and paid-in, amounted to €10,000 thousand.
The breakdown of shareholders' equity as of 31 December 2022 and 31 December 2021 is shown below:

(amounts in Euro thousand)

	as at 31 December		Change	
	2022	2021	2022 vs 2021	2022 vs 2021 %
Share capital	10,000	10,000	0	0.0%
Other reserves	5,005	4,382	623	14.2%
Capital contributions reserves	8,600	8,600	0	0.0%
Retained earnings	37,312	38,199	(887)	-2.3%
Profit of the year	45,201	35,113	10,088	28.7%
Group net equity	106,118	96,294	9,824	10.2%
Third-party equity	-	-	-	-
Total shareholders' equity	**106,118**	**96,294**	**9,824**	**10.2%**

Group shareholders' equity as of 31 December 2022 amounted to €106,118 thousand (€96,294 thousand as of 31 December 2021), showing an increase of €9,824 thousand, which is attributable to the combined effect of (i) the profit for the year 2022 amounting to €45,201 thousand, (ii) the distribution of dividends for €36,000 thousand, (iii) the change in cash flow hedge reserves for €436 thousand relative to hedging derivative contracts entered into by the Group.

The composition of Other reserves at 31 December 2022 and 31 December 2021 is detailed below, with the relative changes occurring during the year:

(amounts in Euro thousand)

	as at 31 December		Change	
	2022	2021	2022 vs 2021	2022 vs 2021 %
Legal reserve	2,000	2,000	-	0.0%
Share premium reserve	3,517	3,517	-	0.0%
Actuarial profit and loss reserves	63	(124)	187	-150.8%
FTA reserve	(951)	(951)	-	0.0%
Cash flow hedging reserve	376	(60)	436	-727%
Total other reserves	**5,005**	**4,382**	**623**	**14.2%**

The item Other reserves, for the years ended 31 December 2022 and 31 December 2021, shows a balance of €5,005 thousand and €4,382 thousand, respectively.

For the purposes of the Group's capital management, it has been defined as including the issued share capital, the share premium reserve and all other capital reserves attributable to the shareholders of the parent company. The main objective of capital management is to maximise shareholder value. The Group manages the capital structure and makes adjustments according to economic conditions and financial covenant requirements. In order to maintain or adjust the capital structure, the Group may adjust dividends paid. The Group controls capital using a gearing ratio, which is the ratio of net financial debt to equity. The Group's policy is to keep this ratio below 0.7.

(amounts in Euro thousand)

Capital management	31 December 2022	31 December 2021
Non-current financial liabilities	41,065	26,356
Current financial liabilities	33,554	21,141
(Cash and cash equivalents and short-term deposits)	(40,455)	(29,420)
Net financial debt (A)	**34,164**	**18,077**
Shareholders' equity (B)	**106,118**	**96,294**
Gearing ratio (A/B)	**0.32**	**0.19**

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

There were no breaches of covenants related to interest-bearing loans and borrowings.

No changes were made to capital management objectives, policies and procedures during the years ended 31 December 2022 and 31 December 2021.

18. SEVERANCE AND OTHER EMPLOYEE-RELATED PROVISIONS

The provision refers to severance indemnities of the group's Italian companies and the changes during the year were as follows:

(amounts in Euro thousand)

As at 01 January 2021	1,014
Allocations	149
Use	(97)
Interest	6
Actuarial Profits and Losses	31
As at 31 December 2021	1,103
Allocations	164
Use	(37)
Interest	21
Actuarial Profits and Losses	(246)
As at 31 December 2022	1,004

The valuation of TFR for IAS purposes follows the method of projecting the present value of the defined benefit obligation with the estimated benefits accrued by employees.

Following the changes introduced by Law No. 296 of 27 December 2006 ("2007 Budget Law") and subsequent implementation Decrees and Regulations, the severance indemnities accrued up to 31 December 2006 will continue to remain with the company, configuring a defined benefit plan (obligation for accrued benefits subject to actuarial valuation), while the portions accruing from 1 January 2007, as a result of the choices made by employees during the year, will be allocated to complementary pension schemes or transferred by the company to the treasury fund managed by INPS, configuring themselves as defined contribution plans (no longer subject to actuarial valuation) from the moment the choice is formalised by the employee.

The determination of the TFR is therefore the result of the application of an actuarial model based on various assumptions, both demographic and economic. The table below shows the economic technical bases used:

	%
Discount rate	3.77
Annual inflation rate	2.30
Annual post-employment benefit increase rate	3.225
Annual rate of real salary increase	1.00

The following tables provide information on:

- sensitivity analysis for each relevant actuarial assumption at the end of the financial year, showing the effects that would have occurred as a result of changes in actuarial assumptions that were reasonably possible at that date, in absolute terms
- indication of the contribution for the next financial year;
- indication of the average financial duration of the obligation for defined benefit plans;
- expected disbursements under the plan.

SENSITIVITY ANALYSIS OF KEY EVALUATION PARAMETERS

	(amounts in Euro thousand)
Turnover rate +1%	1,010
Turnover rate -1%	998
Inflation rate +0.25%	1,022
Inflation rate -0.25%	986
Discount rate +0.25%	982
Discount rate -0.25%	1,027

SERVICE COST AND DURATION

Service Cost pro future year	151
Duration of the plan	15.1

ESTIMATED FUTURE DISBURSEMENTS

Years	(amounts in Euro thousand)
1	89
2	67
3	102
4	77
5	82

19. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for risks and charges are detailed below:

(amounts in Euro thousand)

	31 December 2022	31 December 2021
Provision for pensions and similar obligations	3,047	2,958
Other provisions for risks	2,422	2,410
Total non-current provisions for risks and charges	**5,469**	**5,368**

The provision for pensions and similar obligations mainly refers to the indemnity for termination of agent relationship for €2,400 thousand of the subsidiary U Group, the TFM of the parent company for €272 thousand and the pension fund and indemnity to employees of the French branch for about €375 thousand.

The item other provisions mainly refers to the provision for employee contributions of the Tunisian subsidiary for about €2.4 million.

Changes in the provisions during the year were as follows:

(amounts in Euro thousand)

	Provision for pensions and similar obligations	Other provisions for risks	Total
As at 01 January 2021	**2,274**	**2,778**	**5,052**
Utilisation in 2021	-	(400)	(400)
Allocation in 2021	684	-	684
Exchange rate effect	-	32	32
As at 01 January 2022	**2,958**	**2,410**	**5,368**
Utilisation in 2022	(98)	-	(98)
Allocation in 2022	187	33	219
Exchange rate effect	-	20	20
As at 31 December 2022	**3,047**	**2,422**	**5,469**

20. FINANCIAL LIABILITIES

Financial liabilities are detailed below:

(amounts in Euro thousand)

	31 December 2022	31 December 2021
Bonds payable to banks	13,717	7,529
Payables to banks	19,057	12,712
Payables for rights of use	780	900
Total current financial liabilities	**33,554**	**21,141**
Bonds payable to banks	-	13,595
Payables to banks	38,423	9,387
Payables for rights of use	2,642	3,282
Financial derivatives	-	92
Total non-current financial liabilities	**41,065**	**26,356**
Total financial liabilities	*74,619*	*47,497*

(amounts in Euro thousand)

	Payables to banks and bonds	Payables for rights of use	Financial derivatives
As at 01 January 2022	**43,223**	**4,182**	**92**
Cash flows	27,974	(932)	
of which increases	*49,000*		
of which decreases	*(21,026)*		
Change in fair value			*(92)*
New right-of-use contracts		172	
As at 31 December 2022	**71,197**	**3,422**	**-**
of which current	32,774	780	-
of which non-current	38,423	2,642	-

20.1. PAYABLES TO BANKS AND BONDS

Below are details of bank debts broken down by nature:

(amounts in Euro thousand)

Company	Obligation	Description	Currency	Date taken out	Expiry date	Initial loan in Euros	Residual to be repaid in Euros	Interest rate	Due date of instalments
U-POWER GROUP S.P.A.	BPER	Unsecured loan	Euro	28/09/2021	28/09/2024	4,000	2,339	Variable Euribor 3M - hedging	Monthly
U-POWER GROUP S.P.A.	Unicredit	Unsecured mortgage	Euro	25/02/2022	31/08/2023	5,000	5,000	0.7% - fixed	Quarterly
U-Group S.r.l	Banco Desio	Unsecured mortgage	Euro	25/07/2019	10/08/2023	1,000	296	0.95% - fixed	Monthly
U-Group S.r.l	BNL Mediocredito	Medium-Long Term Loan	Euro	12/09/2020	09/09/2026	5,000	3,750	Euribor 3M + 90 bps - hedged	Quarterly
U-Group S.r.l.	Intesa San Paolo	Unsecured loan	Euro	27/09/2021	27/03/2023	6,000	1,503	0.52% fixed	Monthly
U-Group S.r.l.	BNL	Minimal cycle loan	Euro	29/09/2021	29/09/2023	3,000	1,500	0.4% - fixed	Quarterly
U-Group S.r.l.	Banco Desio	Unsecured mortgage	Euro	12/05/2022	10/06/2025	3,000	2,507	1.2% fixed	Monthly
U-Group S.r.l.	BPM	Unsecured mortgage	Euro	15/07/2022	30/07/2027	10,000	9,206	Euribor 3M + 90 bps	Monthly
U-Group S.r.l.	Deutsche Bank	Unsecured mortgage	Euro	19/07/2022	19/07/2028	10,000	10,000	Euribor 3M+0.9%	Quarterly
U-Group S.r.l.	Credem	Unsecured mortgage	Euro	15/09/2022	09/09/2027	6,000	6,000	Euribor 3M+0.95%	Monthly
Medium-long term bank loan							**56,374**		
U-Group S.r.l.	Banco Desio	Pre-paid SBF	Euro	27/09/2018	Withdrawal	1200	1,000	N.A.	N.A.
Other	Other	Advance Lines	Euro				106	N.A.	N.A.
Current Bank Financing							**372**		
Bank loans							**57,480**		
Bonds							13,717		
Bank loan and Bonds							**71,197**		

The balance of payables to banks and for bonds as of 31 December 2022 totalled €71,197 thousand, up €27,974 thousand compared to 31 December 2021, and expresses the actual debt for principal, interest and accessory charges accrued and due to banks.
The increase is due to the taking out of new loans for €49 million (necessary to meet the investments for the expansion and automation of the warehouse located in Italy), which are partially offset by loan repayments.
It should be noted that 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 €5,000 thousand. Specifically:

- Pledge on securities recorded as financial fixed assets in the amount of €1,193 thousand.
- Pledge on sums deposited on current account with Unicredit Spa with a balance as of 31 December 2022 of €3,951 thousand.

The debt security was recognised in the item 'Bonds - due within 12 months'.
The book value was determined on the basis of the amortised cost criterion.

It should also be noted that the aforementioned contracts provide for compliance with certain economic/financial covenants; the verification of compliance with the financial covenants takes place annually after the approval of the financial statements and it is confirmed that no violations of these covenants have occurred.

It should be noted that there are undrawn credit lines for about Euro 43 million.

20.2 PAYABLES FOR RIGHTS OF USE

This item refers to payables for rights of use and leasing recorded in the balance sheet as required by IFRS 16.
See Note 8 for further details.

20.3. DERIVATIVE FINANCIAL INSTRUMENTS

To hedge outstanding loans, the company has entered into hedging derivative contracts in the form of Interest Rate Swaps. These transactions qualify as cash flow hedges of existing loans, falling within the scope of hedge accounting. For more details on derivative financial instruments, please refer to Note 5.

21. TRADE PAYABLES

Trade payables are recognised net of trade discounts; cash discounts are instead recognised at the time of payment. The nominal value of these payables was adjusted, on the occasion of returns or allowances, to the extent corresponding to the amount defined with the counterparty.
This item consists entirely of payables due within the next 12 months.

The following table provides a breakdown by geographic area:

(amounts in Euro thousand)

	31 December 2022	31 December 2021
Suppliers in Italy	52,220	40,840
EU Suppliers	6,195	4,457
Non-EU Suppliers	9,134	12,747
Total	**67,549**	**58,044**

The following table shows the breakdown of the Group's trade payables as at 31 December 2022 and 31 December 2021 by due date:

(amounts in Euro thousand)

	31 December 2022	inc %	31 December 2021	inc %
Due	60,942	90.2%	54,625	94.1%
Due within 30 days	3,569	5.3%	1,862	3.2%
Due within 30 days and within 60 days	122	0.2%	580	1.0%
Due within 60 days and within 90 days	32	0.0%	8	0.0%
Due over 90 days	2,884	4.3%	969	1.7%
Total trade and other payables	**67,549**		**58,044**	

22. CURRENT TAX LIABILITIES

Current tax payables at year-end amounted to €8,710,000 and were directly related to the results of Group companies.

23. OTHER CURRENT LIABILITIES

The breakdown of the item at year-end is shown below.

(amounts in Euro thousand)

	31 December 2022	31 December 2021
VAT	41	101
Tax payables	97	163
Tax withholding	1,815	1,732
Payables to social security and welfare institutions	2,629	2,567
Payables to employees	3,705	3,380
Sundry payables	168	226
Total	**8,455**	**8,169**

24. REVENUE FROM CONTRACTS WITH CUSTOMERS

This item refers to the Group's typical revenues recognised "at point in time", entirely referable to the sale of Safety Footwear and Technical Clothing and is detailed as follows:

(amounts in Euro thousand)

	2022	Incidence %	2021	Incidence %	2022 vs 2021	2022 vs 2021 %
Safety Footwear	*238,252*	*88.2%*	*204,910*	*89.1%*	*33,342*	*16.3%*
of which U-Power brand	178,356	66.0%	153,264	66.6%	25,092	16.4%
of which Jallatte brand	29,706	11.0%	25,687	11.2%	4,019	15.6%
of which Aimont brand	9,519	3.5%	9,947	4.3%	-428	-4.3%
of which private label	17,709	6.6%	13,990	6.1%	3,719	26.6%
of which other sales/other brands	2,962	1.1%	2,023	0.9%	940	46.5%
Technical Clothing	*31,942*	*11.8%*	*25,157*	*10.9%*	*6,785*	*27.0%*
of which U-Power brand	31,942	11.8%	25,157	10.9%	6,785	27.0%
Total revenues from customer contracts	**270,193**	**100.0%**	**230,067**	**100.0%**	**40,126**	**17.4%**
Total U-Power brand	210,297	77.8%	178,420	77.6%	31,877	17.9%
Total Jallatte brand	29,706	11.0%	25,687	11.2%	4,019	15.6%
Total Aimont brand	9,519	3.5%	9,947	4.3%	-428	-4.3%
Total private labels	17,709	6.6%	13,990	6.1%	3,719	26.6%
Total other sales/other brands	2,962	1.1%	2,023	0.9%	940	46.5%
Total revenues from customer contracts	**270,193**	**100.0%**	**230,067**	**100.0%**	**40,126**	**17.4%**

Revenues from Safety Footwear increased from €204,910 thousand as of 31 December 2021 to €238,252 thousand as of 31 December 2022, showing an increase of €33,342 thousand (+16.3%); the improvements are due to the increase 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, but also from new lines such as the Red Leve, the lightest shoe ever of the group. Breakdown:

- U-Power brand revenues, for the product category Safety Footwear, amounted to €178,356 thousand for the year ended 31 December 2022, compared to €153,264 thousand for the year ended 31 December 2021, showing an increase of €25,092 thousand (+16.4%), mainly due to the continuous and constant shift of sales towards medium-high end models and collections, with a contemporary design and equipped with highly innovative and performing technical systems;
- Jallatte brand revenues amounted to €29,706 thousand for the year ended 31 December 2022, compared to €25,687 thousand for the year ended 31 December 2021, showing an increase of €4,019 thousand (+15.6%);
- Aimont brand revenues amounted to €9,519 thousand for the year ended 31 December 2022, compared to €9,947 thousand for the year ended 31 December 2021, a decrease of €428 thousand (-4.3%) compared to the previous year; sales of the brand decreased as a result of the shift towards the group's premium brands (U Power and Jallatte);
- private label revenues amounted to €17,709 thousand for the year ended 31 December 2022, compared to €13,990 thousand for the year ended 31 December 2021, an increase of €3,719 thousand (+26.6%);
- Revenues from other sales and other brands, mainly comprised revenues related to minority brands, including Auda and Lupos and amounted to €2,962 thousand for the year ended 31 December 2022, compared to €2,023 thousand for the year ended 31 December 2021, showing an improvement of €940 thousand (+46.5%).

Revenues from the U-Power brand in the Technical Apparel product category amounted to €31,942 thousand for the year ended 31 December 2022, compared to €25,157 thousand for the year ended 31 December 2021, showing an increase of €6,785 thousand (+27%), confirming the continuous growth trend of previous years, mainly due to the combined effect of the introduction of new items with an attractive design and the strengthening of the brand also through integrated advertising campaigns.

The breakdown of sales, in thousands of Euros, by geographic area is shown below:

(amounts in Euro thousand)

	2022	Incidence %	2021	Incidence %	2022 vs 2021	2022 vs 2021 %
Italy	136,290	50.4%	121,239	52.7%	15,051	12.4%
France	85,110	31.5%	70,480	30.6%	14,630	20.8%
Germany	13,327	4.9%	12,146	5.3%	1,181	9.7%
Spain	18,418	6.8%	14,664	6.4%	3,753	25.6%
United Kingdom	5,734	2.1%	4,150	1.8%	1,584	38.2%
Rest of the world	11,315	4.2%	7,388	3.2%	3,928	53.2%
Total revenues from customer contracts	**270,193**	**100.0%**	**230,067**	**100.0%**	**40,126**	**17.4%**

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

- Italy continues to be the Group's largest market, recording revenues of €136,290 thousand in the year ended 31 December 2022 (50.4% of the total) compared to €121,239 thousand in the year ended 31 December 2021 (52.7% of the total) with an increase of €15,051 thousand (+12.4%), due to the effect of the increase in sales of the U-Power brand, which, as described above, is the result of the consolidation of sales of medium-high-end models and collections and the strategic strengthening of the brand obtained through advertising investments and sponsorships;
- France is steadily the Group's second largest market, recording revenues of €85,110 thousand in the year ended 31 December 2022 (31.5% of the total), compared to €70,480 thousand in the year ended 31 December 2021, an increase of €14,630 thousand (+20.8%), contributed by the U-Power and Jallatte brands, demonstrating that the Group's strat-

egy already tested in Italy and focused on boosting sales under the U-Power brand, through medium-high-end models and collections and through advertising investments, allows for very significant increases in results.

- Spain is growing steadily and is now the Group's third largest market, recording revenues of €18,418 thousand in the year ended 31 December 2022 (6.8% of the total) compared to €14,664 thousand in the year ended 31 December 2021 (6.4% of the total) with an increase of €3,753 thousand (+25.6%), again due to the winning strategy based on the quality of the products, which are optimally advertised.
- The German market recorded revenues of €13,327 thousand in the year ended 31 December 2022 (4.9% of the total) compared to €12,146 thousand in the same period of 2021 with an improvement of €1,181 thousand (+9.7%), due to targeted actions such as those already carried out in Italy, France and Spain in order to improve the sales trend.
- The UK and Rest of the World also showed increases of €1,584 (+38.2%) and €3,928 (+53.2%) respectively.

25. OTHER REVENUES AND INCOME

Other revenues are broken down as follows:

(amounts in Euro thousand)

	2022	2021
Refunds on transport	395	367
Other revenue	1,877	1,869
Total	**2,272**	**2,236**

Other revenues amounted to €2,272,000 for the year ended 31 December 2022, and in line with €2,236,000 for the year ended 31 December 2021. Other income mainly includes sales of materials, gains on disposals and contingent assets due to the reversal of liabilities related to previous years.

26. PURCHASES OF RAW MATERIALS AND CHANGES IN INVENTORY

Costs for the purchase of raw materials and changes in inventories are detailed below:

(amounts in Euro thousand)

	2022	2021
Raw material purchases	76,468	61,326
Purchase of finished products	28,164	22,233
Other purchases	5,759	4,593
Change in raw materials inventory	(2,177)	(4,935)
Change in finished goods inventory	(17,141)	(5,765)
Total	**91,073**	**77,452**

The increase in purchases is directly related to the growth in sales and inventory quantities.
Please refer to Note 11 for a comment on the change in inventories.

The table below shows purchases and the change in inventories broken down by currency, compared to the years ended 31 December 2022 and 2021.

(amounts in Euro thousand)

	2022	% of total	2021	% of total
EUR	63,971	70.2%	54,767	70.7%
TND	2,552	2.8%	2,307	3.0%
USD	21,398	23.5%	17,165	22.2%
CNY	3,091	3.4%	3,108	4.0%
GBP	61	0.1%	105	0.1%
Total Purchases of Raw Materials and Changes in Inventory	**91,073**	**100.00%**	**77,452**	**100.00%**

As the proportion of procurement costs, expressed in currencies other than the Euro, in the total procurement costs is approximately 30%, the Group's costs were not significantly influenced by exchange rate movements.

The amount in GBP refers to duties on imports into the UK, which were introduced after Brexit, purchases in USD and CNY occur for procurement from Eastern countries.

27. PERSONNEL COSTS

Personnel costs are detailed below:

(amounts in Euro thousand)

	2022	2021
Wages and salaries	31,191	28,225
Social security costs	6,571	5,945
Employee severance indemnity	174	155
Total	**37,936**	**34,325**

The following table shows the amounts of personnel costs broken down by reference currency, compared to the total amount of these costs for the years ended 31 December 2022 and 2021.

(amounts in Euro thousand)

	2022	% of total personnel costs	2021	% of total personnel costs
EUR	12,812	33.8%	12,853	37.4%
TND	24,720	65.2%	21,054	61.3%
GBP	404	1.1%	418	1.2%
Total personnel costs	**37,936**	**100.0%**	**34,325**	**100.0%**

Personnel costs are mainly related to the costs of the production subsidiaries in Tunisia.
In both Tunisia and the European companies, new employees were hired during the year, which, together with contractual increases for employees at the Tunisian plants, led to an increase in the related costs.

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

(amounts in Euro thousand)

	2022	2021
Executives	19	18
Employees and Managers	146	160
Manual workers	5,189	4,870
Total	**5,354**	**5,048**

28. COSTS FOR SERVICES

Costs for services are detailed below:

(amounts in Euro thousand)

	2022	inc % revenue	2021	inc % revenue	2022 vs 2021
Marketing	20,353	7.5%	17,163	7.5%	3,190
Agent commissions	12,117	4.5%	11,842	5.1%	275
Transport	15,091	5.6%	12,087	5.3%	3,004
Other expenses	3,436	1.3%	3,024	1.3%	412
Logistics	4,865	1.8%	3,844	1.7%	1,021
Utilities	3,207	1.2%	2,426	1.1%	781
Consultancy	2,851	1.1%	5,622	2.4%	(2,771)
Technical expertise	2,181	0.8%	1,534	0.7%	647
Banking expenses	731	0.3%	594	0.3%	137
Travel and transfer expenses	672	0.2%	546	0.2%	126
Maintenance	962	0.4%	676	0.3%	286
Insurance companies	580	0.2%	509	0.2%	71
Total	**67,046**	**24.8%**	**59,867**	**26.0%**	**7,179**

Costs for services increased over the same period last year by about €7,179 thousand.
The most significant increases (+€4,025,000) refer to transport and logistics costs and are caused by both the increase in transport prices and the trend in sales and the improvement in customer service, also with more parcelled shipments, which had a significant impact on costs 2022.

Marketing is up in absolute terms and in line with the budget and last year at 7.5% of revenue.
Costs for agent commissions are substantially in line with last year, the decrease as a percentage of sales is due to the fact that many agents did not reach the planned bonus for 2022.
The decrease in Consultancy is attributable to the non-recurrence of costs for the listing process, incurred in 2021.

29. OTHER COSTS AND CHARGES

Other costs and expenses are detailed below:

(amounts in Euro thousand)

	2022	2021
Other expenses	577	629
Taxes and indirect taxes	555	667
Losses on receivables	-	24
Provisions for risks and charges	-	4
Costs for use of third-party assets	716	546
Total	**1,848**	**1,870**

Other expenses consist mainly of out-of-period expenses and costs for gifts and samples.

30. DEPRECIATION

The table below provides details of the Group's depreciation and amortisation for the years ended 31 December 2022 and 2021.

(amounts in Euro thousand)

	2022	2021
Amortisation of tangible assets	4,933	4,147
Amortisation of intangible assets	1,135	1,063
Amortisation of right of use	922	1,073
Total amortisation	**6,990**	**6,283**

Depreciation and amortisation is in line with the previous year, see notes 6, 7 and 8 for more details.

31. WRITE-DOWNS

(amounts in Euro thousand)

	2022	2021
Bad debt provision	843	533
Total write-downs	**843**	**533**

32. FINANCIAL INCOME

Financial income for the year amounts to €130,000 and refers mainly to interest income.

33. FINANCIAL EXPENSES

Financial expenses are detailed below:

(amounts in Euro thousand)

	2022	2021
Interest and other financial expenses from other companies: interest expense	849	579
Interest on leasing	74	176
Interest on staff severance pay	21	6
Total	**944**	**761**

34. OTHER FINANCIAL INCOME/EXPENSES, NET

Other net income/expenses are detailed below:

(amounts in Euro thousand)

	2022	2021
Net profits/losses on exchange rates	255	352
Revaluation of financial assets	(27)	(50)
Write-downs of financial assets	151	-
Total	**379**	**302**

Foreign exchange differences relate both to actual gains/losses realised during the year and to unrealised gains/losses recognised at the exchange rate at the balance sheet date.
Assets and liabilities in foreign currencies mainly concern the Tunisian subsidiaries, as well as transactions in sterling relating to the UK market and transactions in usd and cny relating to the import of basic safety footwear and workwear from Eastern markets.
The item also includes write-downs and revaluations of financial assets related to derivative instruments not recognised under hedge accounting.

35. INCOME TAX

Income taxes, calculated using the weighted average expected annual tax rate, are detailed below:

(amounts in Euro thousand)

	2022	2021
Current taxes	19,400	14,617
Current deferred and pre-paid taxes	935	1,221
Total	**20,335**	**15,838**

The following table presents a reconciliation of the Group's effective tax expense for the years ended 31 December 2022 and 2021.

(amounts in Euro thousand)

	2022		2021	
Earnings before taxes	**65,536**		**50,951**	
Theoretical tax charge	14,663	22.37%	11,714	22.99%
French subsidiary losses (net DTA)	-980	-1.50%	-272	-0.53%
Dividends and non-distributable profits	1,954	2.98%	1,109	2.18%
Brand revaluation	977	1.49%	978	1.92%
Tax risks	1,826	2.79%	-1,817	-3.57%
Other permanent differences	289	0.44%	2,723	5.35%
IRAP	1,605	2.45%	1,403	2.75%
Effective tax burden	**20,334**	**31.03%**	**15,838**	**31.08%**

The tax burden is confirmed at 31%.

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

In order to improve the comprehensibility of the impact of financial instruments on the Group's financial position, results of operations and cash flows, some qualitative information is provided below to facilitate the understanding of the Group's exposure to the various types of risks on financial instruments in place and the related management policies.

Assets are exposed to various types of risk including credit risk, liquidity risk, foreign exchange risk and interest rate risk.

CREDIT RISK

Credit risk is understood as the risk of potential losses arising from the non-performance of obligations undertaken by both commercial and financial counterparties. This risk may be associated with situations of counterparty default originating from both technical-commercial factors (e.g. disputes on the nature/quality of the product, on the interpretations of contractual clauses, etc.) and from the circumstance that one of the parties causes a financial loss to the

other party by failing to fulfil the obligation. This risk is recognised with reference to trade receivables, cash and cash equivalents, financial instruments, deposits with banks and other financial institutions.
The Group makes limited recourse to assigning receivables without recourse to factor companies.
The type of clientele to which the Group's products are aimed allows it to assess credit risk as average.
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 made to customers with a high level of reliability and characterised by a high economic-financial solidity, taking into account their financial position, past experience and other factors.

LIQUIDITY RISK

Liquidity risk is understood as the risk that an entity will have difficulty meeting its obligations associated with financial and commercial liabilities on the agreed terms and deadlines.
The prudent management of liquidity risk arising from the Group's normal operations, which allows it to maintain an adequate level of liquidity, allows the Group to assess 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 debt, please refer to the tables in Note 20.
It should also be noted, as reported in Note 20.1, that there are undrawn credit lines.

INTEREST RATE RISK

The Group is exposed to risks connected to the trend of interest rates related to financial debt, which it uses, in particular, through medium/long-term financing contracts characterised by variable interest rates.
In the year under review, the Group signed and activated hedging contracts against the risk of interest rate fluctuations on medium/long-term financing contracts.
The Group monitors the exposure to interest rate risk and proposes appropriate hedging strategies to contain the exposure within the limits defined by the Group Finance, Administration and Control Department, resorting to entering into the aforementioned derivative contracts if necessary.
The following is a sensitivity analysis in which the effects on the consolidated net result deriving from an increase/decrease in interest rates of 50 basis points with respect to the point interest rates as of 31 December 2022, and 31 December 2021 and a situation of constancy of other variables, excluding the effects of the hedging derivative instruments, are represented:

(amounts in Euro thousand)

	2022		2021	
Change	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**
Euro (Euribor)	(302)	302	0	163

The sensitivity analysis as of 31 December 2022, and 31 December 2021 for the financial indebtedness of U-POWER GROUP S.P.A. is reported below, showing the potential effects of interest rate changes on an annual basis, including the effects of hedging derivatives:

(amounts in Euro thousand)

	2022		2021	
Change	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**
Euro (Euribor)	(203)	203	0	15

The potential impacts shown above are calculated by taking the liabilities representing the most significant portion of the debt at the reference date and calculating, on this amount, the potential effect of the change in interest rates on an annual basis.
The liabilities subject to this analysis include variable-rate financial payables and derivative financial instruments whose value is affected by changes in interest rates.

FOREIGN EXCHANGE RATE RISK

The Group operates internationally and is therefore exposed to the exchange rate risk generated by changes in the countervalue of trade and financial flows in currencies other than the currencies of account of the individual companies.

The following table shows the amounts and percentage incidences of revenues broken down by reference currency, compared to the total amount of revenues for the years ended 31 December 2022 and 2021.

(amounts in Euro thousand)

	2022	inc %	2021	inc %
EUR	**265,451**	**98.2%**	**226,755**	**99%**
GBP	4,742	1.8%	3,306	1%
USD	-	0.0%	6	0%
Total Revenues and Income	**270,193**	**100%**	**230,067**	**100%**

Since the incidence of revenues, expressed in currencies other than the Euro, on total revenues and income is not significant, the Group's revenues were not affected by exchange rate trends.
The following table shows the amounts of total raw material purchases and changes in inventories broken down by reference currency, compared to the amount of revenues from contracts with customers for the years ended 31 December 2022 and 2021.

(amounts in Euro thousand)

	2022	% on revenue from contracts with customers	2021	% on revenue from contracts with customers
EUR	63,971	23.7%	54,767	23.8%
TND	*2,552*	*0.9%*	*2,307*	*1.0%*
USD	21,398	7.9%	17,165	7.5%
CNY	3,091	1.1%	3,108	1.4%
GBP	61	0.0%	105	0.0%
Total Purchases of Raw Materials and Changes in Inventory	**91,073**	**33.7%**	**77,452**	**33.7%**

Since the incidence of purchase costs, expressed in currencies other than the Euro, on total purchase costs is not too significant, the Group's costs were not significantly affected by exchange rate trends.

The following table shows the amounts of personnel costs broken down by reference currency, compared to the amount of revenues from contracts with customers for the years ended 31 December 2022 and 2021.

(amounts in Euro thousand)

	2022	% on revenue from contracts with customers	2021	% on revenue from contracts with customers
EUR	12,812	4.7%	12,853	5.6%
TND	24,720	9.1%	21,054	9.2%
GBP	404	0.1%	418	0.2%
Total personnel costs	**37,936**	**14.0%**	**34,325**	**14.9%**

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

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

The following table shows, with reference to the main monetary assets and liabilities, the amounts, as of 31 December 2022 and 31 December 2021, of the exposures in currencies other than the reporting currency of each of the Group's companies, with the incidence of the same on the total of the respective items:

(amounts in Euro thousand)

	Al 31 December 2022										
	EUR	% incidence on total	TND	% incidence on total	USD	% incidence on total	GBP	% incidence on total	CNY	% incidence on total	Total
Trade receivables	73,688	98.7%	0	0.0%	1	0.00%	934	1.3%	*0*	*0.0%*	**74,624**
Trade payables	63,048	93.3%	1,940	2.9%	2,000	3.0%	154	0.2%	*407*	*0.6%*	**67,549**

(amounts in Euro thousand)

	Al 31 dicembre 2021										
	EUR	% incidence on total	TND	% incidence on total	USD	% incidence on total	GBP	% incidence on total	CNY	% incidence on 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**

The following is a sensitivity analysis in which the effects on the net result, and consequently also on the consolidated shareholders' equity, resulting from an increase/decrease in the exchange rates of foreign currencies compared to the actual exchange rates as of 31 December 2022 and 31 December 2021 are represented.

Within the scope of the sensitivity analyses illustrated below, the effect was determined without taking the tax effect into account.

(amounts in Euro thousand)

	Al 31 December 2022					
	-5.00%	5.00%	-10.00%	10.00%	-15.00%	15.00%
TND	601	(544)	1,269	(1,038)	2,015	(1,489)
USD	31	(24)	62	(47)	97	(68)
GBP	(55)	48	(114)	92	(181)	133
CNY	3	(3)	6	(5)	10	(7)
Total	**580**	**(522)**	**1,223**	**(998)**	**1,941**	**(1,432)**

(amounts in Euro thousand)

	Al 31 dicembre 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)**

Commitments for investments

During the financial year 2022, the development of the new logistics hub in Italy, which also includes the automation of U-Logistics' warehouse, was started; this investment commitment of approximately EUR 20 million will be completed during 2023.

Guarantees

There are no guarantees not already accounted for in the financial statements.

Contingent liabilities

There are no contingent liabilities other than those shown in the balance sheet.

37. RELATED PARTY DISCLOSURES

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

(amounts in Euro thousand)

	Receivables	Payables	Revenues	Costs
Fin Reporter S.r.l. (parent company)	80	6,194	0	172
Total	**80**	**6,194**	**0**	**172**

Payables to the parent company Fin Reporter mainly refer to dividend payables, costs mainly refer to building lease rentals.

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

38. SEGMENT REPORTING

IFRS 8 - Operating Segments requires that operating segments be identified on the basis of the internal reporting system that top management uses to allocate resources and assess performance. With regard to their economic and financial characteristics, the products distributed by the Company do not differ significantly from each other in terms of the nature of the product, nature of the production process, distribution channels, geographical distribution, and type of clientele. Therefore, the subdivision required by the accounting standard is, in light of the requirements of paragraph 12 of the standard, unnecessary because it is considered of little information for the reader of the financial statements.

39. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

No significant events occurred after the end of the financial year that could have an impact on these financial statements. The Group continues to monitor developments in the spread of the Coronavirus very closely and takes all necessary organisational, control and prevention measures. Developments in the conflict in Ukraine are also being closely monitored, however it should be noted that the Group's presence in the countries affected by the conflict is totally marginal, both in terms of revenues and raw material supplies.

* * * * *

Paruzzaro, 01 March 2023

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


U-Power

Building a better
working world

U-Power Group S.p.A.

Consolidated financial statements as at 31 December 2022

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 2022, 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 2022, 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.

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.

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 2022, 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 2022 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 2022 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, 3 March 2023

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 2022

BALANCE SHEET ASSETS

(amounts in Euro)

	31.12.2022	31.12.2021
A) SUBSCRIBED CAPITAL, UNPAID		
B) FIXED ASSETS		
I - Intangible fixed assets	22,243,071	25,734,055
II - Tangible fixed assets:	956,815	136,975
III - Financial fixed assets	75,953,418	70,315,392
Total fixed assets (B)	**99,153,304**	**96,186,422**
C) CURRENT ASSETS		
II - Receivables		
Due within the next financial year	20,255,455	15,605,999
Deferred tax assets	455,024	255,395
Total receivables (II)	20,710,479	15,861,394
IV - Cash and cash equivalents	6,871,909	6,684,473
Total current assets (C)	**27,582,388**	**22,545,867**
D) ACCRUALS AND DEFERRALS	**43,181**	**66,346**
TOTAL ASSETS	**126,778,873**	**118,798,635**

BALANCE SHEET LIABILITIES

(amounts in Euro)

	31.12.2022	31.12.2021
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	2,000,000
VI - Other reserves:	8,915,399	8,915,399
VII - Reserve for hedging of expected cash flows	193,857	(59,100)
VIII -Profits (losses) carried forward	1,937,312	9,764,535
IX - Profit (loss) for the financial year	37,691,671	28,172,777
Total shareholders' equity (A)	**91,413,155**	**89,468,527**
B - PROVISIONS FOR LIABILITIES AND CHARGES	**739,216**	**633,947**
C) EMPLOYEES SEVERANCE INDEMNITY	**90,015**	**72,277**
D) PAYABLES		
Due within the next financial year	33,488,990	11,317,154
Due after 12 months	1,003,997	17,267,730
Total debt (D)	**34,492,987**	**28,584,884**
E - ACCRUALS AND DEFERRALS	**43,500**	**39,000**
TOTAL LIABILITIES	**126,778,873**	**118,798,635**

PROFIT AND LOSS ACCOUNT

(amounts in Euro)

	2022	2021
A) PRODUCTION VALUE		
1) Rfrom sales and services;	7,711,635	8,465,339
5) Other revenues and income:	154,980	33,761
Total production value	**7,866,615**	**8,499,100**
B) COSTS OF PRODUCTION		
6) For raw and subsidiary materials, consumables and goods	-	-
7) For services	3,089,916	6,062,755
8) For use of third-party assets	107,042	284,448
9) For personnel		
a) Salaries and wages	898,097	985,669
b) Social security costs	305,148	348,600
c) Employee severance indemnity	26,065	21,244
Total personnel costs	1,229,310	1,355,513
10) depreciation and amortization:		
a) amortisation and depreciation of intangible fixed assets;	3,730,611	3,673,452
b) amortisation and depreciation of tangible assets	43,493	37,538
Total depreciation and amortisation	3,774,104	3,710,990
14) Miscellaneous operating costs.	104,615	294,503
Total production costs	**8,304,987**	**11,708,209**
difference between value and cost of production (A-B)	**(438,372)**	**(3,209,109)**
C) FINANCIAL INCOME AND BORROWING COSTS		
15) income from equity investments		
From subsidiaries	39,638,057	34,854,219
16) Other financial income		
a) from non-current receivables		
from parent companies	-	-
from subsidiaries	1,483,998	996,084
b) from securities included in financial fixed assets Equity investments	4,800	17,800
d) other income:		
other	82,005	236
Total other financial income	1,570,803	1,014,120
17) interest and other financial charges		
due from affiliated companies	-	-
other	360,388	396,259
Total interest and other financial charges	360,388	396,259
17-bis) gains and losses on foreign exchanges	273,065	24,778
Total financial income and charges (C) (15+16-17+-17-bis)	**40,575,407**	**35,496,858**

Profit and loss account follows >>

<< Profit and loss account continued

PROFIT AND LOSS ACCOUNT

(amounts in Euro)

	2022	2021
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES:		
18) Revaluations:		
b) of financial fixed assets other than equity investments	-	2,262,741
d) of financial derivatives	27,232	21,210
19) Write-downs:		
a) of equity investments	-	2,700,000
b) of financial fixed assets other than equity investments	149,830	-
d) of derivative financial instruments	1,627	-
Total value adjustments to financial assets and liabilities (D) (18-19)	**(124,225)**	**(416,049)**
Income before taxes (A-B+-C+-D)	**40,012,810**	**31,871,700**
20) Income tax for the year: current, deferred and pre-paid		
Current taxes	2,540,015	3,575,879
Taxes relating to previous financial years	-	-
Current deferred and pre-paid taxes	218,876	123,044
Income from tax consolidation	-	-
Total current, deferred and prepaid income taxes for the year	**2,321,139**	**3,698,923**
21) Profit (loss) for the year	**37,691,671**	**28,172,777**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022 PREPARED IN ABBREVIATED FORM PURSUANT TO ARTICLE 2435-BIS OF THE ITALIAN CIVIL CODE

NOTES TO THE FINANCIAL STATEMENTS AS AT 31.12.2022 PREPARED IN ABBREVIATED FORM PURSUANT TO ART. 2435-BIS OF THE ITALIAN CIVIL CODE

1. COMPANY INFORMATION

U-Power Group S.p.a. is a joint-stock company, registered and domiciled in Italy.
Its registered office is located in Paruzzaro (NO), via Borgomanero 50.

2. MAIN ACCOUNTING PRINCIPLES

2.1. FOREWORD

The financial statements for the year ended 31 December 2022, of which these notes are an integral part pursuant to Article 2423, paragraph 1 of the Italian Civil Code, correspond to the results in the accounting records duly kept and are prepared in accordance with Articles 2423, 2423 ter, 2424, 2424 bis, 2425, 2425 bis of the Italian Civil Code, in accordance with the principles of preparation in accordance with Article 2423 bis, and the valuation criteria set forth in Article 2426 of the Italian Civil Code.
The financial statements for this year have been prepared in abridged form in accordance with the provisions of Art. 2435-bis of the Italian Civil Code, as the prerequisites set forth in Paragraph 1 of the aforementioned Article have been met. Consequently, these notes to the financial statements omit the information required by paragraph 1, number 10 of Art. 2426 and provide 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.

In addition, these notes provide the information required by numbers 3) and 4) of Art. 2428 of the Italian Civil Code. and therefore no report on operations was prepared pursuant to paragraph 7 of Article 2435 bis 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 results of operations, in accordance with Article 2423 bis of the Italian Civil Code, the following steps have been taken:
- evaluate the individual items according to prudence and in anticipation of a normal business continuity;
- only include profits actually generated during the year;
- determine income and costs on an accrual basis, and regardless of their financial manifestation;
- include all risks and losses on an accrual basis, even if they become known after the end of the financial year;
- consider separately, for the purposes of the relative valuation, the heterogeneous elements included in the various items of the financial statements;
- keeping the valuation criteria adopted unchanged from the previous year.

The following financial statement postulates of OIC 11 par. 15:
a) prudence;
b) going concern perspective;
c) substantial representation;
d) competence;
e) consistency of accounting policies;
f) relevance;
g) comparability.

2.2.1. Business continuity perspective

As far as this principle is concerned, the valuation of the items in the financial statements was carried out on a going concern basis 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 closing date of the financial statements), to produce income.
In the forward-looking assessment of the going concern assumption, no significant uncertainties have emerged, nor have reasonable alternatives to discontinuing operations been identified.

The financial statements are prepared in euros. These notes have been drawn up in thousands of euros.

2.2.2. Exceptional cases pursuant to Article 2423, Paragraph 5 of the Civil Code

There were no exceptional events that made it necessary to resort to derogations under the Article.

2.2.3. Changes in accounting standards

There were no changes in accounting principles during the financial year.

2.2.4. Correction of significant errors

No material errors committed in previous years emerged during the financial year.

2.2.5. Comparability and Adjustment Issues

Asset and liability items belonging to more than one balance sheet heading have been specifically referred to.
Pursuant to Article 2423 ter, paragraph 5 of the Civil Code, no problems arose with the comparability and adjustment of the current year's items with those of the previous year.

2.3. EVALUATION CRITERIA APPLIED

The criteria applied in the valuation of financial statement items, set out below, comply with the provisions of Art. 2426 of the Italian Civil Code.
The valuation criteria pursuant to Art. 2426 of the Civil Code are consistent with those used in preparing the financial statements for the previous year.

2.3.1. Intangible assets

Intangible assets are recorded, to the extent 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 possibility of utilisation of the asset.

In particular, industrial patents and intellectual property rights are amortised on the basis of their presumed useful life, which in any case does not exceed that established by licence agreements.

Trademarks are amortised over their estimated useful life, which is estimated to be 18 years.

Fixed assets whose value at the closing date of the financial year is permanently lower than the residual cost to be amortised are recorded at this lower value; this value is not maintained if the reasons for the adjustment cease to exist in subsequent years.

Recognition and valuation of items included in the category of intangible fixed assets has been carried out with the consent of the Board of Statutory Auditors, where required by the Civil Code.

2.3.2. Tangible fixed assets

Property, plant and equipment are recognised at the date on which the risks and rewards connected with the assets acquired are transferred and are recognised, to the extent of their recoverable value, at purchase or production cost net of the related accumulated depreciation, including all directly attributable ancillary costs and charges, indirect costs relating to internal production, as well as charges relating to the financing of internal production incurred during the period of manufacture and up to the time the asset can be used.
Pursuant to OIC 26 paragraph 33, acquisitions with deferred payment on terms other than those normally prevailing in the market are recognised at the value corresponding to the debt determined in accordance with OIC 19.
Costs incurred on existing assets to expand, modernise and improve their structural elements, as well as those incurred to increase their suitability for the purposes for which they were acquired, and extraordinary maintenance in accordance with the provisions of OIC 16 paragraphs 49 to 53, have been capitalised only in the presence of a significant and measurable increase in production capacity or useful life.
For these assets, depreciation has been applied on a unitary basis to the new book value, taking into account the remaining useful life.
The cost of fixed assets whose use is limited in time is systematically amortized each year on the basis of economic-technical rates determined in relation to the residual useful life.

All assets, including those temporarily not in use, have been depreciated, with the exception of those whose useful life is not exhausted, which consist of land, non-instrumental buildings and works of art.
Based on the provisions of OIC 16 par. 60, where the value of buildings also incorporates the value of the land on which they stand, the value of the building has been separated.
Depreciation starts when the assets are available and ready for use.
Rates have been applied that reflect the result of the technical depreciation plans, confirmed by the company's realities, and reduced by 50% for acquisitions during the financial year, as the conditions set forth in OIC 16 par. 61 exist for the latter.
Depreciation schedules, in accordance with OIC 16 par. 70, are revised in the event of a change in residual useful life.
Obsolete assets and those that will no longer be used or usable in the production cycle, on the basis of OIC 16 par. 80 are not depreciated and are valued at the lower of net book value and recoverable value.
The rates applied are specified below:
Other assets:

- furniture and fixtures: 12%
- Electronic office equipment 20%
- motor vehicles: 25%

2.3.3. Equity investments

Equity investments are classified as either fixed assets or current assets on the basis of their intended use.
Initial recognition is at purchase or acquisition cost, including ancillary costs.
Long-term investments are valued by attributing to each investment the cost specifically incurred.
Pursuant to Article 2426, point 3 of the Civil Code, the cost was adjusted because of impairment losses, defined and determined on the basis of OIC 21 paras. 31 to 41.
If the conditions that had determined an impairment in previous years no longer exist, a reversal will be made, determined on the basis of OIC 21 par. 42 and 43.

Investment Securities
Investment securities are recorded at estimated realisable value based on market trends.

2.3.4. Financial derivatives

Derivative financial instruments are recorded at fair value corresponding to market value, if any, or at the value resulting from valuation models and techniques that ensure a reasonable approximation to market value. Financial instruments for which these methods could not be used are valued at purchase price.
The current value is charged to the assets side of the balance sheet, under the specific item of financial fixed assets or current assets depending on their intended use, or to the liabilities side under the specific item of provisions for risks and charges.
Cash flow hedge derivatives have a balancing entry in an equity reserve, or, for the ineffective portion, in the income statement.
Changes in the fair value of speculative derivatives and hedging the price of an underlying asset (so-called fair value hedges) are recognised in the income statement.

2.3.5. Receivables

Receivables are classified as fixed assets or current assets on the basis of their allocation/origin with respect to ordinary activities and are entered at their estimated realisable value.
The subdivision of the amounts due within and beyond 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 modification of the original maturity, the realistic capacity of the debtor to fulfil the obligation within the contractual terms and the time horizon in which, reasonably, it is believed to be able to claim the credit.
Pursuant to OIC 15 paragraph 84 it should be noted that the amortised cost criterion has not been adopted in the valuation of receivables.
Receivables are shown in the financial statements net of the recognition of a bad debt provision to cover receivables deemed uncollectible, as well as the generic risk relating to the remaining receivables, based on estimates made on the basis of past experience, of the trend in the seniority indices of overdue receivables, the general economic situation, sector and country risk, as well as events occurring after the end of the financial year which have an impact on the values as at the date of the financial statements.

The item 'Tax assets' includes certain and determined amounts deriving from receivables for which a right of realization has arisen by way of repayment or compensation.
The item 'Prepaid tax' includes deferred tax assets determined on the basis of deductible temporary differences or carrying forward of tax losses, applying the estimated rate in force at the time 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 have been recorded based on the matching principle of accounting and include revenues/costs for the period, but payable in subsequent years, and revenues/costs incurred by the end of the year, but for subsequent years. Therefore, only those portions of costs and revenues that are common to two or more financial years, the amount of which varies over time, are recognised.

At the end of the year, it was verified that the conditions that determined the initial recognition have been met, making the necessary valuation adjustments to financial assets if necessary, taking into account not only the temporal element but also the potential recovery.

Deferred income represent income deferred to one or more years and, as such, normally do not pose any valuation problems and are valued at nominal value.

Accrued liabilities, similar to payables, were valued at their nominal value.

For the deferred charges, a valuation was carried out with respect to the future economic benefit related to the deferred costs, making a value adjustment if this benefit was lower than the value adjustments to financial assets.

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 liabilities that are certain, related to negative income components pertaining to the financial year, but which will materialise in the following financial year.

The estimation process is performed and/or adjusted at the balance sheet date on the basis of past experience and any useful information available.

In accordance with OIC 31 par. 19, since the classification criterion by nature of the costs must prevail, provisions for risks and charges are entered under the items of the management activity to which the transaction refers (characteristic, accessory or financial).

2.3.9. Provisions for taxation, incl. deferred taxes

These include probable tax liabilities arising from non-definitive assessments and ongoing litigation, and deferred tax liabilities determined on the basis of taxable temporary differences, applying the estimated tax rate in effect at the time these differences are expected to reverse.

2.3.10. Employee severance indemnities

The Employee severance indemnitiy is recorded in compliance with the provisions of current legislation and corresponds to the effective commitment of the Company to individual employees at the balance sheet date, minus any advances paid.

2.3.11. Payables

The subdivision of the amounts due within and after the financial year is carried out with reference to the contractual or legal expiry, also taking into account facts and events that may lead to a change in the initial due date.

Payables are specified under liabilities on the basis of their nominal value, considered representative of their settlement value.

Pursuant to OIC 19 paragraph 86 it should be noted that the amortised cost criterion has been adopted in the valuation of payables.

In initial recognition, the carrying value is represented by the nominal value of the debt net of transaction costs (e.g. investigations, commissions, issue expenses, etc.).

At year-end, the value of debt measured at amortised cost is equal to the present value of future cash flows discounted at the effective interest rate.

This criterion has not been applied to payables for which the effect is insignificant compared to the value determined pursuant to par. 54-57.

Payables arising from acquisitions of assets are recorded at the time the risks, charges and benefits are transferred; those relating to services are recognized at the time the service is performed; financial and other assets are recognized at the time when the obligation to the counterparty arises.

Tax payables include liabilities for certain and calculated taxes, as well as withholding taxes as substitute, and not yet paid on the balance sheet date, and, where offsetting is permitted, are recorded net of advance payments, withholdings, and tax receivables.

2.3.12. Foreign Currency Values

Monetary assets and liabilities denominated in foreign currencies are recorded at the spot exchange rate on the closing date of the financial year, with related exchange rate gains and losses recognised in the profit and loss account. Any net gain resulting from the exchange rate adjustment is recorded, for the portion not absorbed by any loss for the year, in a special non-distributable reserve until generated.

2.3.13. Costs and Revenues

They are stated in accordance with the principle of prudence and accrual basis accounting.

With reference to ‘Revenues from sales and services’, it should be noted that adjustments to revenues, pursuant to OIC 12 par. 50, are deducted from the item revenues, with the exception of those referring to previous years and deriving from corrections of errors or changes in accounting principles, recognised, pursuant to OIC 29, if of a significant amount, in the opening balance of shareholders' equity.

2.4. OTHER INFORMATION

The specific sections of the notes to the financial statements illustrate the criteria used to implement Article 2423, paragraph 4, in the event of non-compliance with recognition, measurement, presentation and disclosure requirements, when such non-compliance would have an insignificant effect on the true and fair view.

The principles and recommendations published by the Italian Accounting Body (OIC) have been observed, supplemented, where lacking, by generally accepted international standards (IAS/IFRS and USGAAP) in order to give a true and fair view of the financial position and results of operations for the year.

3. FIXED ASSETS

Fixed assets amounted to €99,153 thousand (€96,186 thousand in the previous year).

The composition and changes of the individual items are as follows:

(amounts in Euro thousand)

	Intangible assets	Tangible fixed assets	Financial fixed assets	Total intangible assets
Valore di inizio esercizio				
Costo	2,324	209	73,000	75,533
Ammortamenti (Fondo ammortamento)	*4,588*	*72*	-	*4,660*
Rivalutazioni	27,998		44	28,042
Svalutazioni	-		2,729	2,729
Valore di bilancio	**25,734**	**137**	**70,315**	**96,186**
Changes during the year				
Increases	240	868	5,795	6,903
Decreases	-	-	(6)	(6)
Decreases for transfers and divestments (book value)	-	(5)	-	(5)
Write-downs during the year	-		(151)	(151)
Revaluations during the year	-		-	-
Depreciation for the year	(3,731)	(43)	-	(3,774)
Total changes	**(3,491)**	**820**	**5,638**	**2,967**
End-of-year value				
Cost	2,564	1,065	78,789	82,418
Depreciation (accumulated depreciation)	8,319	108	-	8,427
Revaluations	27,998	-	-	27,998
Write-downs	-	-	2,836	2,836
Carrying amount	**22,243**	**957**	**75,953**	**99,153**

3.1. INTANGIBLE ASSETS

Intangible assets amounted to €22,243 thousand as at 31 December 2022 and mainly refer to the Aimont, Lupos and U Power - Don't worry be happy brands. The increases for the year mainly refer to the filing of patent and ornamental model applications at EU and international level.

The company availed itself of the possibility provided for in Article 110 of Legislative Decree 104/2020 to revalue, in the financial statements for the financial year 2020, the company's assets resulting from the financial statements for the financial year in progress as at 31 December 2019.
The company also availed itself of the option to attribute tax relevance to the higher value attributed to the assets at the time of the revaluation by paying a substitute tax on income tax and regional tax on production activities equal to 3 per cent.

The company revalued the notional trademarks and industrial patents as shown in the table below (to the unit of Euro):

NOTIONAL TRADEMARKS

(amounts in Euro)

Description	Registrations	Historical cost	Accumulated depreciation 31.12.2019	Net book balance 31.12.2019	Actual economic value	Revaluation amount
U-Power - Don't worry be happy	17880035 and 1503415	3,057	3,057	-	21,000,000	21,000,000

INDUSTRIAL PATENT

(amounts in Euro)

Description	Registrations	Historical cost	Accumulated depreciation 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 aforesaid intangible assets as resulting from an expert's appraisal. The value of the assets thus determined was compared with the residual to be amortised of the assets themselves. The entire revaluation amounting to €27,998,000 was recognised as an increase to the historical cost and as a balancing entry a net equity reserve called 'Revaluation reserve DL. 104/2020' net of the substitute tax due of 3% amounting to €840 thousand.

The company also availed itself of the option, re-proposed by Article 110, paragraph 3 of Legislative Decree 104/2020, to frank the reserve recognised as a contra-entry to the revaluation by applying the 10% substitute tax, to be paid in three equal annual instalments.

Enfranchisement releases the reserve from the tax suspension regime, transforming it into a profit reserve freely distributable to shareholders. The allocation of the franked reserves to shareholders therefore does not generate taxable income for the company.

Depreciation 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 Article 1, paragraphs 622-624 of the Budget Law 2022 (Law No. 234/2021) amended (retroactively) the tax regime of the revaluation of trademarks, providing for the period over which the greater value recorded is amortised to be increased to 50 years.

This change resulted in the recognition of advance taxation on the temporary difference generated between the statutory amortisation calculated over 18 years and the fiscal amortisation calculated over 50 years. For further details, please refer to section 13.1.

3.2. TANGIBLE FIXED ASSETS

Tangible fixed assets amounted to €957,000 as of 31 December 2022. Increases in the year mainly refer to the cost, inclusive of accessory charges, incurred for the purchase of a commercial building located in Paruzzaro (NO) and to advances incurred for extraordinary maintenance works still underway to date. The cost relative to the building was recognised in the item Land and Buildings, while advances were recognised in the item Tangible fixed assets in progress.

Pursuant to the provisions of paragraph 61 of OIC16 (depreciation starts from the moment the fixed asset is available and ready for use), it should be noted that the cost relating to the commercial building has not been depreciated.

The item also includes furniture and fittings, electronic office machinery, and cars.

3.3. FINANCIAL FIXED ASSETS

Financial fixed assets amounted to €75,953 thousand and are broken down as follows:

- Equity investments in subsidiaries for €37,651 thousand (€37,651 thousand as of 31 December 2021);
- Long-term receivables in the amount of €36,842 thousand (€31,315 thousand as of 31 December 2021).
- Other securities for €1,193 thousand (€1,350 thousand as of 31 December 2021);
- Derivative financial instruments receivable for €267 thousand.

The composition and changes of the individual items are as follows:

(amounts in Euro thousand)

	Equity investments in subsidiaries	Receivables non-current	Other securities	Financial derivatives assets
Value at the beginning of the financial year				
Cost	40,380	31,315	1,306	-
Revaluations		-	44	-
Write-downs	2,729	-	-	-
Carrying amount	**37,651**	**31,315**	**1,350**	**-**
Changes during the year				
Increases	-	5,527	-	267
Revaluations	-	-	-	-
Write-downs	-	-	151	-
Decreases	-	-	6	-
Total changes	**-**	**5,527**	**157**	**267**
End-of-year value				
Cost	40,380	36,842	1,300	267
Revaluations	-	-		-
Write-downs	2,729	-	107	-
Carrying amount	**37,651**	**36,842**	**1,193**	**267**

3.3.1. Equity investments

Equity investments included in financial fixed assets amounted to €37,651 thousand, unchanged from 31 December 2021.

The following table shows the data of the subsidiaries in relation to shareholders' equity and the result of the financial statements for the last financial year approved or to be approved:

(amounts in Euro)

Company Name	City, if in Italy, or foreign State	Tax Code (for Italian companies)	Capital in Euro	Profit (Loss) for the year in Euro	Net equity in Euro	Equity share held in euros	Interest held %	Carrying value or corresponding receivables
U GROUP SRL	Paruzzaro	02041920030	119,000	31,714,172	38,229,159	38,229,059	100	10,974,357
MARTEK SARL	Tunisia		13,122,605	9,242,992	25,066,744	25,066,744	100	19,854,368
JALLATTE SAS	France		100,000	5,973,294	6,309,546	6,309,546	100	4,762,112
U-LOGISTICS SRL	Paruzzaro	02557020035	110,000	96,832	1,184,093	1,184,093	100	2,059,871
LUPOS GMBH	Germany		25,000	(16,591)	390,980	390,980	100	0
Total								**37,650,708**

It should be noted that the dissolution and liquidation of the subsidiary Lupos GmbH took place in 2021.

3.3.2. Non-current receivables

The following table shows the breakdown of receivables by maturity date, pursuant to Art. 2427, paragraph 1, point 6, of the Italian Civil Code:

(amounts in Euro thousand)

Description	Value at the beginning of the financial year	Net changes during the year	End-of-year value	Due within the Financial Year	Due after the financial year	Due after more than 5 years
Non-current receivables from subsidiaries	31,315	5,527	36,842	36,842	-	-
Non-current receivables from parent companies	-	-	-	-	-	-
Total non-current receivables	**31,315**	**5,527**	**36,842**	**36,842**	**-**	**-**

Long-term receivables amounted to €36,842 thousand as at 31 December 2022 and refer to financial current account relations with U Group Srl for €18,742 thousand, with U Logistics Srl for €14,600 thousand and with Jallatte sas for €3,500 thousand.

3.3.3. Other Securities

Other Securities included in financial fixed assets amounted to €1,193 thousand (€1,350 thousand as of 31 December 2021).

Securities in the portfolio amounted to a total of €1,300 thousand, to which a fair value as of 31 December 2022 of €1,193 thousand was attributed. Recognition at fair value led to the recognition of a negative component of €150 thousand, which was recognised under item D19 Write-down, b) fixed assets not constituting equity investments.

These securities are the subject of the pledge contract signed with Unicredit Spa, which will be discussed in section 8. Payables.

3.3.4. Financial derivatives assets

The item Derivative financial instruments receivable for €255,000 refers to the MTM value as of 31 December 2022 of hedging derivatives in the form of Interest Rate Swaps entered into by the company, to hedge the cash flows of the debt security discussed below. The valuation was made on the basis of the provisions of OIC 32.

The difference of €12 thousand refers to the MTM value as of 31.12.2022 of the speculative derivative underwritten with BPER Banca (formerly UBI Banca spa).

3.4. FINANCIAL LEASE TRANSACTIONS

Below is the information concerning financial leasing transactions, pursuant to Art. 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 unexpired instalments	Accrued interest expense	Historical cost	Provision for depreciation at beginning of year	Depreciation	Net book value
Unicredit Leasing - vehicle	86,882	7,599	213,855	26,732	53,464	133,659
Audi Financial Service - vehicle	13,678	4,985	33,503	4,188	8,376	20,939

4. RECEIVABLES

The following table shows the breakdown of receivables by maturity date, pursuant to Art. 2427, paragraph 1, point 6, of the Italian Civil Code:

(amounts in Euro thousand)

	Value at the beginning of the financial year	Changes during the Financial Year	End-of-year value	Due within the Financial Year	Due after the financial year	Due after more than 5 years
Loans to subsidiaries recorded under current assets	12,991	5,337	18,328	-	-	-
Loans to parent companies recorded in current assets	1,779	(1,779)	-	-	-	-
Tax Receivables included under Current Assets	248	1,044	1,292	-	-	-
Prepaid Tax Assets included under Current Assets	255	200	455	-	-	-
Receivables from Others included under Current Assets	588	47	635	-	-	-
Total Receivables included under Current Assets	**15,861**	**4,849**	**20,710**		**-**	**-**

Receivables from subsidiaries include:

- receivables from the company Martek Sarl for dividends to be collected for €3,359 thousand and for royalties and services for €3,249 thousand;
- receivables from the companies U Group Srl for royalties and services for €5,401 thousand, for interest accrued on loans/accounts receivable for €1,118 thousand, for the transfer of the debit results of the monthly VAT settlements within the scope of group VAT for €1,112 thousand, for the transfer to the parent company of the taxable amounts, following the exercise of the group taxation option pursuant to Article 117 et seq. of the Consolidated Income Tax Act, for €3,004 thousand;
- receivables from the companies U Logistics Srl for interest accrued on loans/accounts receivable for €362;
- receivables from the companies Jallatte sas for royalties and services for €719 thousand and for accrued interest on loans/relationships of cc for €4 thousand.

Tax receivables refer to the credit balance resulting from the annual group VAT settlement of €1,292.

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

5. NET EQUITY

Existing net equity at year-end amounted to €91,413,000 (€89,469,000 in the previous year).

The following schedules show the changes during the year in the individual items making up Net Equity:

(amounts in Euro thousand)

	Capital	Share Premium Reserve	Revaluation reserve	Legal Reserve	Other reserves	Reserve for the hedging of expected cash flows	Profit (loss) carried forward	Profit (loss) for the year	Total net assets
Balance at 01.01.2021	**10,000**	**3,517**	**27,158**	**1,933**	**8,915**	**(169)**	**6,807**	**20,125**	**78,286**
Allocation operating result	-	-	-	67	-	-	2,958	(3,025)	0
Increases			-		-	110			110
Dividends	-	-	-	-	-	-	-	(17,100)	(17,100)
Change in cash flow hedge reserve	-	-	-	-	-		-	-	-
Result for the year 2021	-	-	-	-	-	-	-	28,173	28,173
Balance at 31.12.2021	**10,000**	**3,517**	**27,158**	**2,000**	**8,915**	**(59)**	**9,765**	**28,173**	**89,469**
Allocation operating result		-		-	-	-	4,173	(4,173)	-
Increases				-		252			252
Dividends		-		-	-		(12,000)	(24,000)	(36,000)
Change in cash flow hedge reserve		-		-	-		-	-	-
Result for the year 2022		-		-	-	-	-	37,692	37,692
Balance at 31.12.2022	**10,000**	**3,517**	**27,158**	**2,000**	**8,915**	**193**	**1,938**	**37,692**	**91,413**

5.1. AVAILABILITY AND USE OF NET EQUITY ENTRIES

The information required under article 2427, paragraph 1 number 7-bis of the Italian Civil Code regarding the specification of the net equity items with reference to their origin, possibility of use and distributability, as well as their use in previous years, can be deduced from the tables below:

(amounts in Euro thousand)

	Amount	Origin/Nature	Possibility of use	Available share	Summary of uses during the three previous years to hedge losses	Summary of uses during 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 payment	8,600	CAPITAL	A/B/C	8,600	0	0
Reserve for gains on foreign currency conversion	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 the hedging of expected cash flows	193	OTHER NATURE		0	0	0
Retained earnings	3,882	Profits	A/B/C	3,882	0	12,250
Total	55,665			45,472	0	12,250
Non-distributable amount				0	0	0
Remaining distributable share				45,472	0	0

Key:
A = share capital increase
B = hedging of losses
C = shareholder distribution
D: for other statutory restrictions

5.2. RESERVE FOR THE HEDGING OF EXPECTED CASH FLOWS

The information required by Article 2427-bis, paragraph 1, letter b-quater) of the Italian Civil Code concerning the specification of movements during the year is summarised in the table below:

(amounts in Euro thousand)

Expected cash flow hedging reserve	
Value at the beginning of the financial year	(59)
Changes during the year	
Increase due to change in fair value	332
Decrease due to change in fair value	-
Impact on income statement	-
Deferred tax effect	80
End-of-year value	**193**

This reserve was recognised, in accordance with OIC 32, net of deferred tax effects totalling €64 thousand. The tax effect was recognised in the item Deferred Tax Provision.

6. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for risks and charges are detailed below:

(amounts in Euro thousand)

	31 December 2022	31 December 2021
Provision for financial instrument risks	0	91
Provision for TFM directors	272	136
Deferred tax provision	467	407
Total	**739**	**634**

The item Provision for risks on financial instruments payable included the MTM value of hedging derivatives in the form of Interest Rate Swaps entered into by the company to hedge the cash flows of the debt security. This item was reduced to zero following the positive change in fair value as of 31 December 2022 recognised in the item Derivative financial instruments assets.

For more details, please refer to section 21.

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

7. EMPLOYEE SEVERANCE INDEMNITIES

Employee severance indemnities are recognised as a liability for a total of €90 thousand (€72 thousand in the previous year). The composition and changes of the individual items are as follows:

(amounts in Euro thousand)

Provision for Employee severance indemnities	
Value at the beginning of the financial year	72
Changes during the year	
Provisions	26
Use	8
Other Changes	-
End-of-year value	90

8. PAYABLES

Below are the data relating to the breakdown of payables by due date, pursuant to Article 2427, paragraph 1, point 6, of the Italian Civil Code:

(amounts in Euro thousand)

	Value at the beginning of the financial year	Changes during the Financial Year	End-of-year value	Due within the Financial Year	Due after the financial year	Due after more than 5 years
Bonds	21,124	(7,407)	13,717	13,717	-	-
To banks	3,669	3,674	7,343	6,339	1,004	-
Payables to other lenders	-		-	-	-	-
Trade payables	775	(434)	341	341	-	-
Due to subsidiaries	208	1,296	1,504	1,504	-	-
Payables to Parent Companies	-	6,025	6,025	6,025	-	-
Tax payables	2,630	2,774	5,404	5,404	-	-
Payables to social security institutions	132	(14)	118	118	-	-
Other payables	47	(6)	41	41	-	-
Total payables	**28,585**	**5,908**	**34,493**	**33,489**	**1,004**	**-**

The item Bonds - due within 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 €25,000 thousand, at the following conditions:

- issue and redemption price at maturity: at par
- maturity date: 29.06.2023
- repayment: according to a quarterly amortisation plan with a constant principal amount of €1,875 thousand and payment of an amount of €11,875 thousand at maturity.
- variable interest rate benchmarked to the 3-month Euribor rate.

Following the transformation into a joint-stock company in 2021, the provisions dictated for bonds issued by joint-stock companies pursuant to law apply to the loan.
During this financial year, a total of €7,500,000 was repaid.
The book value was determined on the basis of the amortised cost criterion.
It should be noted that the bond loan is 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 €5,000 thousand. Specifically:

- Pledge on securities recorded as financial fixed assets for €1,193 thousand.
- Pledge on sums deposited on current account with Unicredit Spa with a balance as of 31 December 2022 of €3,951 thousand.

Amounts due to banks include:

a) the loan signed on 28.09.2021 for a total amount of €4,000 thousand with BPER Banca spa, at the following conditions:
- maturity date: 3 years (28.09.2024)
- repayment method: monthly instalments of constant amount, the first one due on 28.10.2021
- variable interest rate linked to the 3-month Euribor rate
- residual debt as of 31.12.2022 within 12 months €1,335 thousand, beyond 12 months €1,004 thousand.

b) the loan signed on 25.02.2022 for a total amount of €5,000 thousand with UNICREDIT spa, at the following conditions:
- maturity date: 18 months (31.08.2023)
- repayment method: interest quarterly instalments in arrears, the first one expiring on 31.05.2022, principal on 28.02.2023 €1,500 thousand and on 31.08.2023 €3,500 thousand.
- fixed interest rate
- residual debt at 31.12.2022 within 12 months €5,000 thousand

These payables were recorded at nominal value. As required by OIC 19, the amortised cost criterion was not applied as the effects would have been insignificant.

Payables to subsidiaries include:

- payables to the company Martek Sarl for interest of €59 thousand
- payables to the company U Group Srl for re-debiting services for €2 thousand;
- payables to the company U Logistics Srl for €1,428 thousand for the transfer of the results of the monthly credit settlements within the scope of group VAT and for €15 thousand for the transfer to the parent company of taxable income, following the exercise of the group taxation option pursuant to Article 117 et seq. of the Consolidated Income Tax Act.

Payables to parent companies refer to payables to Fin Reporter srl, of which €6,000 thousand to dividends resolved during the year and not yet paid and €25 thousand to payables for services.

Tax payables refer:

- for €182 thousand to payables to the Treasury for withholding taxes on income from employment, self-employment and collaboration;
- for €280 thousand to the third and last annual instalment relating to the substitute tax payable for the tax recognition of the higher values attributed at the time of revaluation
- for €930 thousand to the third and last annual instalment relative to the substitute tax payable for the franking of the revaluation reserve as better specified in paragraph 3.1;
- for €72 thousand to the liability for the IRAP balance;
- for €3,940 thousand to the liability for the IRES balance resulting from the consolidated taxation.

It should be noted that during the year, the company opted as consolidating company for group taxation pursuant to Article 117 et seq. of the Consolidated Income Tax Act. The companies included in the consolidation area are U Group Srl and U Logistics.
The adoption of tax consolidation allows the positive or negative taxable amounts of the parent company itself to be aggregated with those of the resident consolidated companies that jointly exercised the option.

Payables due to social security institutions refer to payables due to INPS on salaries and wages for the month of December, accrued holiday and leave entitlements, as well as payables due to Previndai and Fasi.

Other payables refer to payables to employees for accrued holiday and leave entitlements.

Pursuant to Art. 2427, subsection 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 with regard to payables secured by collateral on corporate assets, please refer to the above.

9. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amounted to €7,712 thousand and refer to services provided centrally by the parent company for group companies for €3,480 thousand, royalties on trademarks for €2,522 thousand, and royalties on patents for €1,710 thousand.
In relation to the provisions of Art. 2427, Paragraph 1, No. 13 of the Italian Civil Code, it should be noted that there are no revenues of exceptional magnitude or incidence.

10. COSTS FOR SERVICES

Costs for services amounting to €3,090 thousand include costs for services and consultancy services performed by third-party companies in favour of group companies.
In relation to the provisions of Art. 2427, paragraph 1, number 13 of the Italian Civil Code, it should be noted that there are no costs of exceptional size or incidence.

11. NET FINANCIAL INCOME AND CHARGES

11.1 INCOME FROM PARTICIPATIONS AND OTHER FINANCIAL INCOME

Income from equity investments amounting to €39,638,000 refers to dividends resolved by subsidiaries during the year, specifically:

- €24,200 thousand resolved by U Group Srl;
- €6,000 thousand resolved by Jallatte Sas;
- €9,438 thousand from Martek Sarl.

Other financial income mainly refers to interest income accrued on loans and current account financial relations with group companies.

11.2. INTERESTS AND OTHER FINANCIAL CHARGES

The item financial expenses, amounting to €360 thousand, mainly refers to interest expense accrued on loans subscribed by the company; for further details, please see section 7.

12. EXCHANGE GAINS/LOSSES

The following table shows the breakdown of exchange rate gains and losses resulting from year-end valuation compared to those actually achieved:

(amounts in Euro thousand)

	Achieved	From valuation	Total
Foreign currency rate gains	-	-	-
Gains and losses on foreign exchange	244	29	273
Total	**244**	**29**	**273**

Achieved exchange losses 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. Foreign exchange valuation losses refer to the conversion into Euro of the amount in Tunisian Dinars of the dividends resolved and not yet paid by the subsidiary Martek Sarl.

13. INCOME TAX, CURRENT, DEFERRED AND PRE-PAID

The items are structured as follows:

(importi in Euro migliaia)

	Current taxes	Taxes relating to previous financial years	Deferred taxes	Deferred tax assets	Contingent Tax liabilities
IRES (Corporate Income Tax)	1.892	-	(1)	176	460
IRAP (Regional Income Tax)	188	-	-	42	-
Total	**2.080**	**-**	**(1)**	**218**	**460**

Contingent liabilities refer to the portion of foreign taxes that cannot be transferred to group taxation, as they refer to income (dividends) that only partially contribute to the formation of the company's taxable income.

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

The tables below, separately for IRES and IRAP, summarise the movements for the year, resulting from increases for temporary differences arising during the year and decreases for temporary differences reversed in the 'deferred tax provision' items.

Deferred IRES taxes (24%) were recognised on the exchange difference recognised as of 31 December 2022 on dividends resolved and not yet collected (€3 thousand). The difference of €64 thousand refers to the tax effect on derivative financial instruments in place as of 31 December 2022.

(amounts in Euro thousand)

	IRES (Corporate Income Tax)	TOTAL
1. Inital amount	407	407
2. Increases		
2.1. Deferred taxes arising in the year	(4)	(4)
2.2. Other increases	64	64
3. Decreases	60	60
3.1. Deferred taxes cancelled in the year	-	-
3.2. Other decreases	-	-
4. Final amount	467	467

Deferred tax assets were recognised for IRES (24%) and IRAP (5.57%) on the temporary difference generated between the civil law amortisation of the brand revaluation value calculated over 18 years (€1,167 thousand) and the fiscal amortisation calculated over 50 years (€420 thousand); the amount of the corresponding deferred tax assets was €221 thousand.

The decrease of €22 thousand refers to the tax effect related to derivative financial instruments in place as of 31 December 2022.

(amounts in Euro thousand)

	IRES (Corporate Income Tax)	IRAP (Regional Income Tax)	TOTAL
1. Inital amount	213	42	255
2. Increases			
2.1. Pre-paid taxes arising in the year	192	42	234
2.2. Other increases	-	-	-
3. Decreases			
3.1. Pre-paid taxes cancelled in the year	12	-	12
3.2. Other decreases	22	-	22
4. Final amount	361	84	455

14. COMMITMENTS AND RISKS

COMMITMENTS FOR INVESTMENTS

There are no commitments for investments.

RISKS

The company's risks, as it operates exclusively with subsidiaries, correspond to the risks to which the Group is subject. Please refer to the report on operations in the consolidated financial statements.

LEGAL DISPUTES

There are no ongoing legal disputes.

GUARANTEES

The company has provided guarantees in favour of subsidiaries for a total amount of €41,753 thousand.

CONTINGENT LIABILITIES

There are no unrecognised contingent liabilities.

15. RELATED PARTY DISCLOSURES

The following is a summary of information concerning transactions with related parties, pursuant to Art. 2427, item 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 were significant transactions, concluded at market conditions.

The following table sets out the main transactions according to their nature and intercompany balances at the end of the year.

(amounts in Euro thousand)

	Receivables	Payables	Revenues	Costs	Dividends
Finreporter Srl - Parent Company	-	6,025	-	21	-
Martek Sarl	6,608	59	1,449	-	9,438
U Group Srl	29,376	2	6,659	3	24,200
Jallatte Sas	4,223	-	726	-	6,000
Lupos Gmbh	-	-	-	-	-
U Logistics Srl	14,962	1,443	362	-	-
	55,169	**7,529**	**9,196**	**24**	**39,638**

16. EMPLOYMENT DATA

Information concerning personnel is shown below, pursuant to Art. 2427, paragraph 1, point 15, of the Italian Civil Code:

Categories	Average number
Executives	5
Managers	-
Office workers	8
Total	**13**

17. REMUNERATION OF CORPORATE BODIES AND AUDITORS

The following table provides information on directors, statutory auditors and auditors pursuant to Art. 2427, item 16 and pursuant to Art. 2427, item 16bis of the Civil Code:

(amounts in Euro thousand)

	Remuneration to directors	Fees to statutory auditors	Auditors' Fees	Total directors' compensation and auditors' fees
Value	1,440	50	25	1,515

18. AGREEMENTS NOT RECORDED IN 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 shown in the balance sheet that expose the company to significant risks or benefits.

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

With reference to Article 1 paragraph 125 of Law 124/2017, it is noted that the company has not received any subsidies.

20. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Pursuant to Article 2427, paragraph 1 number 22-quater of the Italian Civil Code, no significant events occurred after the end of the financial year.
The company continues to monitor developments in the spread of the Coronavirus very closely and takes all necessary organisational, control and preventive measures.
Developments in the conflict in Ukraine are also closely monitored, however, it should be noted that the presence of group companies in the countries affected by the conflict is totally marginal, both in terms of revenues and raw material supplies.

21. FINANCIAL DERIVATIVES

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: O.T.C. Derivative
Purpose: hedging of interest rate variation on loan - IRS protected payer
Notional value 800,000
Initial/maturity date 28.06.2018/30.06.2023
Underlying financial risk: interest rate variation risk
Liability hedged: Debt security subscribed by Unicredit spa on 29.06.2020 of EUR 25,000,000
MTM value: 7,017.75 - recognised in Derivative financial instruments assets

Contract: UNICREDIT SPA UTI MMX23951230

Type of contract: O.T.C. Derivative
Purpose: hedging of interest rate variation on loan - IRS protected payer
Notional value 250,000
Initial/maturity date 31.12.2018/30.06.2023
Underlying financial risk: interest rate variation risk
Liability hedged: Debt security subscribed by Unicredit spa on 29.06.2020 of EUR 25,000,000
MTM value: 2,267.25 - recognised in Derivative financial instruments assets

Contract: UNICREDIT SPA UTI MMX26663722

Type of contract: O.T.C. Derivative
Purpose: hedging of interest rate variation on loan - IRS protected payer
Notional value 12,700,000
Initial/maturity date 29.06.2020/29.06.2023
Underlying financial risk: interest rate variation risk
Liability hedged: Debt security subscribed by Unicredit spa on 29.06.2020 of EUR 25,000,000
MTM value: 176,883.35 - recognised in Derivative financial instruments assets

Contract: BPER BANCA no. 2021/0007947 of 28.09.2021

Type of contract: O.T.C. Derivative
Purpose: hedging interest rate variation on loan - - IRS
Notional value 2,338,508.13
Initial/maturity date 28.09.2021/30.09.2024
Underlying financial risk: interest rate variation risk
Liability hedged: BPER Banca loan signed on 28.09.2021 of euro 4,000,000
MTM value: 68,907.44 - recognised in Derivative financial instruments assets

Contract: BPER BANCA No. 2021/0002306 ex UBI BANCA No. 171736 of 15.11.2018

Type of contract: O.T.C. Derivative
Purpose: hedging interest rate variation on loan - - IRS
Notional value 967,479.02
Initial/maturity date 15.11.2018/15.11.2023
Underlying financial risk: interest rate variation risk
Speculative derivative for early extinction of hedged liability
MTM value: 12,002.90 - recognised in Derivative financial instruments receivable

22. INFORMATION ON THE OBLIGATION TO PREPARE THE CONSOLIDATED ANNUAL REPORT

It should be noted that the company has prepared the consolidated financial statements for the year ending 31.12.2022 as it did not take advantage of the exemption option provided for in Article 27, paragraph 3 of Legislative Decree no. 127/1991.

23. INFORMATION PURSUANT TO ARTICLE 2428, PARAGRAPH 3, NO. 3 AND 4

Pursuant to paragraph 7 of Article 2435-bis of the Italian Civil Code, it is noted that the company does not hold, nor did it hold during the year, any treasury shares and shares or quotas of parent companies.

24. PROPOSAL FOR ALLOCATION OF THE OPERATING RESULT

Pursuant to Article 2427, subsection 1, number 22-septies of the Italian Civil Code, we propose the allocation of the profit for the year of €37,691,670.69 as follows
Profit carried forward €37,691,670.69.

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

Paruzzaro, 01 March 2023

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

U-Power Group S.p.A.

Financial statements as at 31 December 2022

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 2022, 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 2022, 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.
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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 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, 3 March 2023

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

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