Annual Report 2022

EUROGROUP® LAMINATIONS

E-MOTION FOR THE PLANET

This document is an additional version of the official version compliant with Delegated Regulation (EU) 2019/815 of the European Commission (ESEF Regulation - European Single Electronic Format) published on the website at https://euro-group.it/ Investor Section

This is an English translation of the original Italian document "**Relazione finanziaria annuale al 31 dicembre 2022**". In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.

The Italian original is available on https://euro-group.it/ Investor Section

EXTRACT FROM THE NOTICE OF CALL SHAREHOLDERS' MEETING

(pursuant to Article 125-bis, paragraph 1, D. Lgs. 58/1998)

The Shareholders of EuroGroup Laminations S.p.A. ("**EuroGroup**" or the "**Company**") entitled to participate and exercise the right to vote are summoned to the Ordinary Shareholders' Meeting, which is held at the registered office of EuroGroup, in Via Stella Rosa n. 48, Baranzate (MI), on May 8, 2023 at 10:00, in a single call, to discuss and deliberate on the following

AGENDA

1. Separate and Consolidated Financial Statements as at December 31st, 2022.

- **1.1.** Approval of the Financial Statements of EuroGroup Laminations S.p.A. as at December 31st, 2022 and presentation of the Consolidated Financial Statements as at December 31st, 2022, accompanied by the Directors' Report on Operations for the financial year 2022, the Report of the Board of Statutory Auditors and the Independent Auditors' Reports; inherent and consequent resolutions. Presentation of the consolidated non-financial statement drawn up in accordance with Law Decree 254/2016. Related and consequent resolutions.
- **1.2.** Allocation of the result for the year ended December 31st, 2022. Related and consequent resolutions.

2. Report on the remuneration policy and on the fees paid in accordance with art. 123-ter, paragraphs 3-bis and 6, of Law Decree 58/98:

- **2.1.** Binding resolution on the first section regarding the remuneration policy prepared in accordance with art. 123-ter, paragraph 3, of Law Decree no. 58/1998;
- **2.2.** Non-binding resolution on the second section on fees paid prepared in accordance with art. 123-ter, paragraph 4, of Law Decree no. 58/1998.

Pursuant to art. 106, paragraph 4, of Decree-Law 17 March 2020, n. 18, converted, with amendments, by Law 24 April 2020, n. 27, as last extended by Decree-Law 29 December 2022, n. 198, converted, with amendments, by Law 24 February 2023, n. 14, the participation and the exercise of the right to vote in the Assembly of those entitled will take place exclusively through the representative designated pursuant to art. 135-undecies of the D. Lgs. 58/1998, to which must be conferred delegation; to the aforesaid representative designated they can also be conferred delegations or sub-delegations according to article 135-novies of the D. Lgs. n. 58/98, notwithstanding art. 135-undecies, paragraph 4, of the same decree. The Company has designated Computershare S.p.A. - with registered office in Milan, via Mascheroni n. 19, 20145 - as Designated Representative.
For information on the share capital, as well as those regarding the terms and conditions for (i) the participation in the Shareholders' Meeting and the exercise of the right to vote (please note that the record date is 26 April 2023); (ii) the conferral of proxies and/or sub-delegated to the **Designated Representative**; (iii) the exercise of the right to supplement the agenda, the right to table new motions for resolutions and the right to put questions on the agenda; (iv) the availability of documents relating to the items on the agenda and the related deliberative proposals, is referred to the full text of the notice of convocation which, together with the documentation relating to the Shareholders' Meeting, including the annual financial report, will be published in the terms of the law on the website of the Company www.euro-group.it (*Investitors/ Investors Overview/ Governance/ Shareholders' Meetings*) and available at the authorized storage mechanism 1info (www.1info.it).

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LETTER
to the shareholders'

Dear shareholders,

We submit to your attention the consolidated financial statements of EuroGroup Laminations S.p.A. (the "Group") as of December 31, 2022, and the separate financial statements of the parent company EuroGroup Laminations S.p.A. (the "Parent" or the "Company") as of December 31, 2022.

The parent company EuroGroup Laminations S.p.A. takes advantage of the option provided by Law Decree no. 32/2007, which allows companies required to prepare consolidated financial statements to present a single Management Report for both the separate financial statements and the consolidated financial statements. In the report illustrating the performance of the company during the 2022 financial year, greater emphasis has therefore been given, where appropriate, to issues relevant to the group of companies included in the consolidation area.

Financial year 2022 was an extremely positive year for our Group, which recorded a turnover of Euro 851.1 million, an increase of Euro 294.2 million compared to 2021, with a consequent improvement in terms of profitability (EBITDA of Euro 103.3 million, compared to Euro 59.8 million in the previous year); net of all other income components, 2022 ended with a consolidated net income of Euro 43.8 million, an increase of Euro 23.1 million compared to the previous year. The parent company EuroGroup Laminations S.p.A. in the financial year ended December 31, 2022, achieved a net income of Euro 2.2 million compared to Euro 5.0 million in the previous financial year.

The Group is the world leader in the design, production, and distribution of stators and rotors for electric motors and generators, and completed the listing on the Euronext Milan stock market, a regulated market organized and managed by Borsa Italiana S.p.A., in February 2023. The gross proceeds of the offer amounted to approximately Euro 432 million, including a capital increase of approximately Euro 250 million, and the market capitalization of the Company at the beginning of trading was approximately Euro 922 million. The offer was strongly received by institutional investors, with a wide geographical diversification resulting in demand several times higher than the total value of the offer. This response is related, among other things, to the Group's leadership position in exploiting some market trends, including global attention to sustainability and zero-carbon goals, the ongoing energy transition leading to increased use of renewable energies, a supportive regulatory framework for the adoption of electric vehicles combined with growing consumer acceptance of such vehicles, and increasingly stringent energy efficiency requirements for electric motors used in industrial applications. Electric motors, of which the Group produces the essential component, the motor core, represent the single largest source of electricity consumption worldwide.

On 14 February 2023, the European Parliament approved the agreement on cutting CO_2 emissions for cars and light commercial vehicles, in line with the EU's ambitious climate targets. The approved legislation requires new passenger cars and light commercial vehicles to produce no CO_2 emissions from 2035. The Company's Management is confident that this resolution will accelerate, as regards the European market, the transition to electric mobility, which is one of the Group's biggest growth factors in the coming years.

In recent decades, the Group has transformed itself from an Italian company to an European company and, since 2016, it has been a world leader in the production of the electric motor core. The Group's state-of-the-art production facilities are strategically located around the world to ensure proximity to key customers and the Group's unique and safe technology enables the production of high-quality electric motor cores. The expected organic growth will require continuing the investment plan identified by the Group's management, mainly aimed at expanding production capacity with consequent growth in the workforce.

With a unique set of competitive advantages in terms of innovation, technology, process, and scale built over 55 years of history, the Group is in the best position to take advantage of the energy transition wave and seize any future expansion opportunities in the markets where it operates, also thanks to the proceeds from the IPO.

Chief Executive Officer
Marco Stefano Arduini


Management report

Corporate bodies composition

Board of Directors

As of February 10, 2023, the start date of negotiations, the Board of Directors includes the following directors, who will remain in office until the approval of the financial statements as at December 31, 2025:

Name and Surname	Position
Sergio Iori	Non-executive chairman
Isidoro Guardalà	Executive Vice chairman
Marco Stefano Arduini	Chief Executive Officer
Gianluca Umberto Maria Bertocchi	Executive Director
Leonardantonio Franchini	Executive Director
Jean-Marc Pierre Gales	Non-executive Director
Roberto Francesco Quagliuolo	Non-executive Director
Alessandra Bianchi	Non-executive Director(1) (2)
Gunter Beitinger	Non-executive Director(1)
Maria Giovanna Calloni	Non-executive Director(1)

(1) Independent director in accordance with art. 147ter, paragraph 4, and of the art. 148, paragraph 3 of Law Decree February 24th, 1998 n. 58 and of the art. 2 of the Corporate Governance Code
(2) Lead Independent Director in accordance with the Corporate Governance Code

To support the internal control and risk management system of the Company, the Company has established, starting from the date of the start of trading, the Internal Audit function as indicated in Recommendation 36 of the Corporate Governance Code, outsourcing, with the favorable opinion of the Board of Statutory Auditors, the consultancy firm Protiviti S.r.l..
Since 10 February 2023 the following have also been established:

- a Control, Risk and Sustainability Committee, pursuant in accordance with articles 1 and 6 of the Corporate Governance Code composed of Alessandra Bianchi (Chairperson), Maria Giovanna Calloni and Roberto Quagliuolo;
- an Appointments and Remuneration Committee, in accordance with articles 4 and 5 of the Corporate Governance Code composed of Alessandra Bianchi (Chairperson), Maria Giovanna Calloni and Jean-Marc Pierre Gales;
- a Committee for Related Parties Transactions, in accordance with the Related Parties Regulation adopted by Consob with resolution no. 17221 of March 12, 2010, as subsequently amended with resolution no. 22144 on December 22nd, 2021 composed of Maria Giovanna Calloni (Chairperson), Alessandra Bianchi and Gunter Beitinger.

To support the internal control and risk management system of the Company, the Company has established, starting from the date of the start of trading, the Internal Audit function as indicated in Recommendation 36 of the Corporate Governance Code, outsourcing, with the favorable opinion of the Board of Statutory Auditors, to the consultancy firm Protiviti S.r.l..

Board of Statutory Auditors

The following table shows the members of the Company's Board of Statutory Auditors, in office from the start date of negotiations until the approval of the financial statements as at December 31, 2025:

Name and Surname	Position
Luigi Emilio Garavaglia	Chairman of the Board
Pietro Ebreo	Statutory Auditor
Maria Venturini	Statutory Auditor
Giancarlo Gandola	Alternate Auditor
Roberta Sironi	Alternate Auditor

Manager in charge for preparing the Company's accounting documents

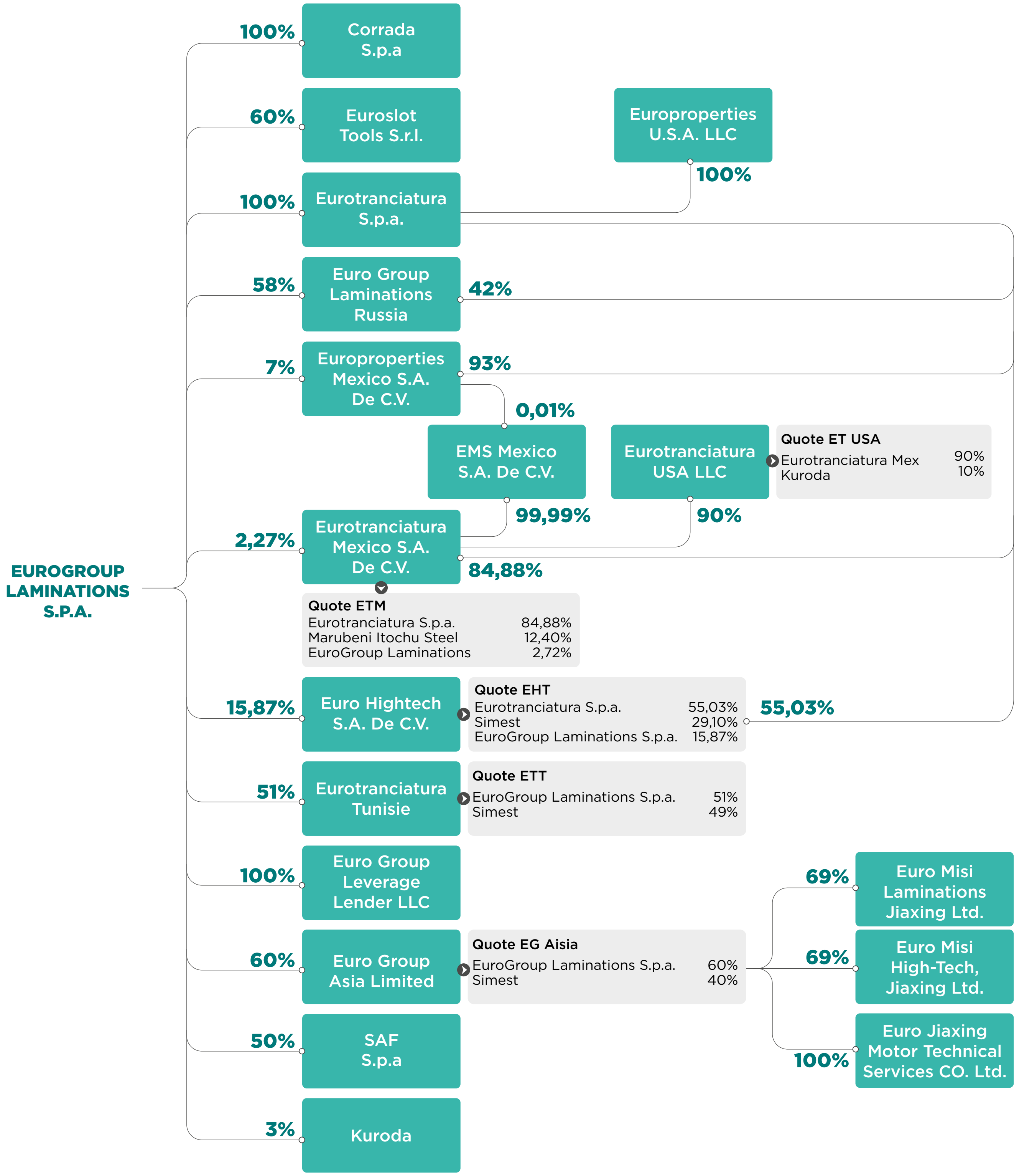
Isidoro Guardalà

Independent Auditor

Deloitte & Touche S.p.A., appointed by the Shareholders' Meeting on November 18, 2022, on the reasoned proposal of the Board of Statutory Auditors, for the nine-year period 2022-2030 and, therefore, until the approval of the Financial Statements as at December 31, 2030.

Group structure

The following graph illustrates the structure of the Group as at December 31, 2022, with an indication of the main subsidiaries of the Group and the equity investment held by the Company, directly or indirectly, in each of them.



The following table shows the consolidation area of the Group as at 31 December 2022.

The middle column indicates the percentage of consolidation.

Subsidiary	%	Jurisdiction
Eurotranciatura S.p.A.	100.00%	Italy
Corrada S.p.A.	100.00%	Italy
Euroslot Tools S.r.l.	60.00%	Italy
Eurotranciatura Tunisie S.a.r.l. (i)	100.00%	Tunisia
Euro Group Laminations Russia L.L.C.	100.00%	Russia
Eurotranciatura México S.A. de C.V.	87.60%	Mexico
Euro High Tech México S.A. de C.V. (ii)	100.00%	Mexico
Europroperties México S.A. de C.V.	100.00%	Mexico
Euro Group Leverage Lender L.L.C.	100.00%	United States
Euro Group Asia Ltd (iii)	100.00%	Hong Kong (China)
S.A.F. S.p.A.	50.00%	Italy
Europroperties USA L.L.C.	100.00%	United States
Euro Management Services México S.A. de C.V.	87.60%	Mexico
Eurotranciatura U.S.A. L.L.C.	78.84%	United States
Euro Misi Laminations Jiaxing Co. Ltd	69.00%	China
Euro Misi High Tech, Jiaxing Co Ltd	69.00%	China
Euro (Jiaxing) Motor Technical Services Co., Ltd.	100.00%	China

i. the Group holds 51% of the shares of Eurotranciatura Tunisie S.A.R.L., while the remaining 49% is held by another investor (Simest).

ii. the Group holds 70.90% of the shares of Euro High Tech Mexico, while the remaining 29.10% is held by another investor (Simest).

iii. The Group holds 60% of the shares of Euro-Group Asia Limited, while the remaining 40% is held by another investor (Simest).

Summary of **group results**

In thousands of Euro unless otherwise indicated	2022	2021
Revenues	851,112	556,904
EBIT	77,178	36,500
EBIT Margin	9.1%	6.6%
EBITDA	103,269	59,769
EBITDA Margin	12.1%	10.7%
Net Invested Capital	455,003	299,041
Net Working Capital	157,014	76,757
Return On Capital Employed (ROCE)	17.0%	11.8%
Return On Equity (ROE)	22.4%	14.0%
Net Debt Position	(259,377)	(151,714)
Gearing Ratio	1.3	1.0
Investment (CAPEX)	85,108	37,412

During 2022, revenues amounted to Euro 851.1 million, an increase of 52.8% compared to 2021 (Euro 556.9 million) and higher by 1.3%-3.8% than the range communicated during the IPO. Growth characterized both business units of the Group.

The EV & Automotive segment achieved revenues of Euro 317.9 million, a growth of 62.5% compared to 2021 (Euro 195.6 million), mainly due to an increase in volumes related to the growing demand for EV propulsion products. This result confirms the Group's leadership in the markets where it operates.

The Industrial segment recorded total revenues of Euro 533.2 million in 2022, up 47.6% compared to 2021 (Euro 361.3 million). The increase reflects not only the increase in selling prices related to the rise in raw material prices, but also an increase in sales volumes (net of sales interruption in Russia).

Even in terms of margin, the Group recorded a strong improvement compared to the previous year despite the tensions of the macroeconomic scenario. The EBITDA in 2022 was Euro 103.3 million, a significant increase (+72.8%) compared to 2021 (Euro 59.8 million), bringing the margin to 12.1% compared to 10.7% in 2021. This trend was mainly favored, in addition to an effect of operational leverage, also by the greater contribution of the EV & Automotive segment.

In 2022, the EBITDA of the EV & Automotive segment more than doubled compared to 2021, reaching Euro 42.4 million (Euro 20.6 million in 2021). The EBITDA of the Industrial segment also recorded strong growth, reaching Euro 60.9 million (Euro 39.2 million in 2021).

EBIT was Euro 77.2 million in 2022, more than double (+111.4%) compared to 2021 (Euro 36.5 million). The order portfolio of the EV & Automotive segment continues to grow, reaching an estimated value of Euro 5.8 billion as of February 28, 2023, with an additional order pipeline under discussion of approximately Euro 3.4 billion. These results further confirm the Group's solid long-term growth prospects and its contribution to decarbonization and the development of more sustainable mobility.

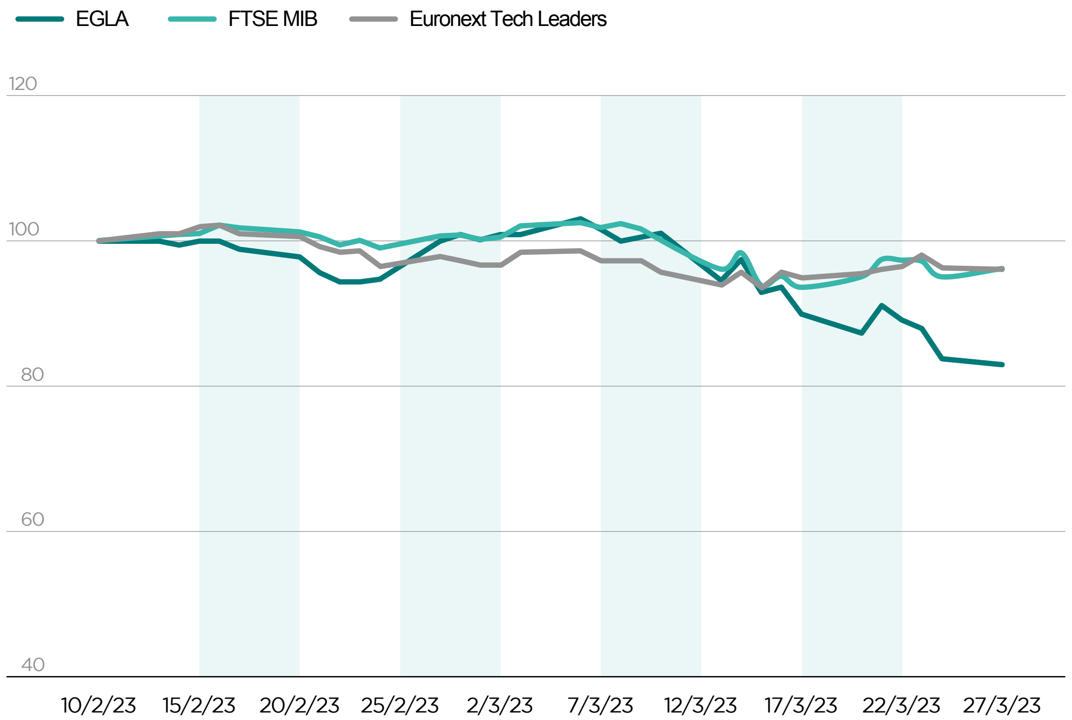
Net financial debt as of December 31, 2022 amounted to Euro 259.4 million, compared to Euro 151.7 million as of December 31, 2021. This figure does not include the effect of the Euro 250 million capital increase completed as part of the listing process, which was finalized after the end of the financial year.

Main **stock market indicators**

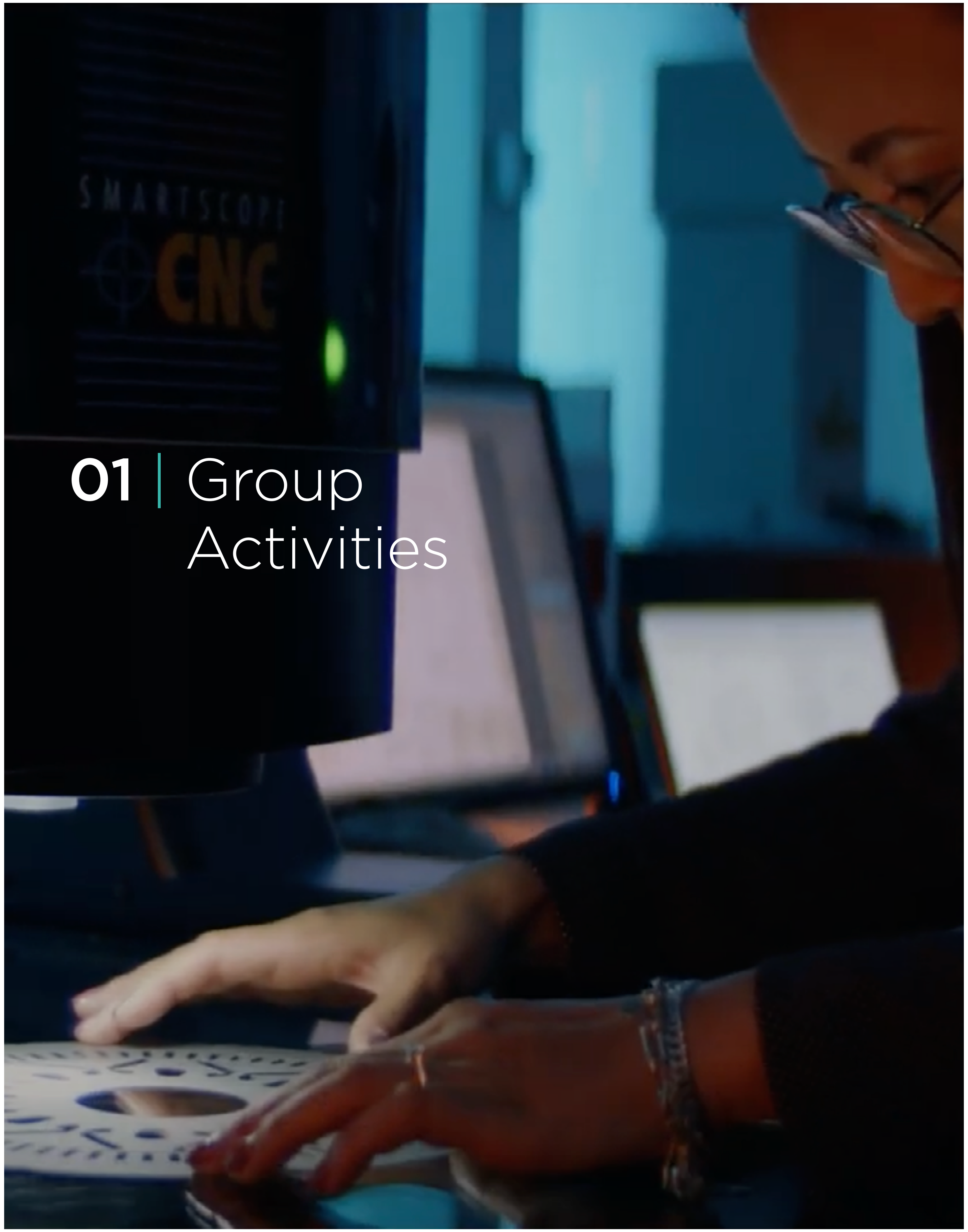
- Official price at the start of trading (February 10th, 2023) in Euro 5.50
- Minimum price for the period as at March 27, 2023 in Euro 4.56
- Maximum price for the period as at March 6, 2023 in Euro 5.67
- Market capitalization[1] at the start of trading (February 10th, 2023) in Euro 922 million
- N° of shares that compose a share capital, as at February 10, 2023, of Euro 167.693.345, divided into n. 94.016.319 of ordinary shares (ISIN IT0005527616) and n. 73.677.026 of multiple voting rights shares (ISIN IT0005527624)
- N° of shares outsdanding (free float) 74.339.367

EuroGroup Laminations share price trend vs. FTSE MIB and Euronext Tech Leaders (100 basis points)

The market performance of the EuroGroup Laminations share since February 10th, 2023, the start date of trading, is shown below.



[1] Market capitalization is calculated taking into account both ordinary and multi-vote shares issued or to be issued by the Company. For regulatory reasons, the market capitalization that will be shown on the Euronext Milan website will be different.



01 | Group Activities

EuroGroup Laminations is a world leader in the design, production, and distribution of stators and rotors for electric motors and generators. The stator is the fixed mechanical component of the motor that generates a magnetic field, into which the rotor (the rotating component) is inserted, allowing the rotation of the motor shaft. Considering the historical trends of the markets served by the Group and the performance of its products, the Group has solid foundations to lead the global energy transition, with an estimated order backlog of approximately Euro 5.8 billion[2] for the EV & Automotive segment and a further pipeline of orders under discussion of approximately Euro 3.4 billion[3].

The Group benefits from important trends, including: (i) increased global attention to sustainability and zero-carbon goals, (ii) an ongoing energy transition leading to greater use of renewable energies, (iii) favorable regulatory frameworks regarding the adoption of electric vehicles combined with growing consumer acceptance of such vehicles, (iv) increasing energy efficiency requirements for the Industrial segment, as well as the transition from hydraulic or pneumatic devices to electric devices.

The Group's activities are organized into two segments: (i) EV & AUTOMOTIVE, engaged in the design and production of motor cores (i.e., stators and rotors) for electric motors used for the propulsion of electric vehicles, as well as a wide range of non-propulsion automotive applications; and (ii) INDUSTRIAL, which designs and produces products used in various applications, including industrial, home automation, HVAC equipment, wind power, logistics, and pumps. The Group is also vertically integrated in the design and production of dies for cutting and dies for die casting used in the production of its own products, which are also sold to third parties.

The Group operates worldwide and serves customers in approximately 40 countries. In particular, it is present in 5 countries through 12 production facilities, 7 of which are in Italy and 5 abroad (Mexico, United States, China, and Tunisia). The activities of the Russian plant - which accounted for 1.4% of the Group's revenues for the fiscal year ended December 31, 2021 - have been suspended due to sanctions imposed against Russia in the context of the conflict between Russia and Ukraine. Since there are no forecasts regarding the resumption of activities, the Group recorded an impairment loss of Euro 4,946 thousand for the year 2022, of which Euro 3,965 thousand related to Property, Plant and Equipment and Euro 981 thousand related to Right of Use. As of the approval date of the budget project, the Group has no relationships with customers, suppliers, or other commercial partners in Russia.

The Group is organized into the following three geographical areas, each with its own production plants and offices: (i) EMEA, which generated 58.9% of the Group's revenues for the fiscal year 2022 (57.9% for the fiscal year ended December 31, 2021); (ii) North America, which generated 35.9% of the Group's revenues for the fiscal year 2022 (37.1% for the fiscal year ended December 31, 2021); and (iii) Asia, which generated 5.2% of the Group's revenues for the fiscal year 2022 (5.0% for the fiscal year ended December 31, 2021).

The group stands out from its competitors because (i) it represents a specialized operator in the rapidly growing sector of electric motors and generators, (ii) it is an undisputed leader in the global market for motor cores, a key component of any electric machine, (iii) it holds a unique set of competitive advantages in terms of innovation, technology, process, and scale built over 55 years of history, (iv) it has great visibility of future revenues thanks to multi-year relationships with customers, (v) it has positive profitability with clearly identified areas for further improvement, and (vi) it operates with a qualified and visionary team of managers, with the support of a proprietary structure always oriented towards growth.

[2] Backlog estimated as at 28 February 2023
[3] Pipeline of orders under discussion as at 28 February 2023

Group **history**

The Group has been operating for over 55 years in the production of stators and rotors with a wide range of applications and end markets.

Foundation and technological and market leadership in the Italian market

The Group began its activity in 1967 with the establishment of Eurotranciatura S.p.A. in Baranzate (Milan), a company that produces and sells laminated electrical steel rotors and stators for rotating electric machines (motors and generators), and continued in the 1980s with the opening of Alcast, an aluminum foundry specializing in the die-casting of rotor packs produced by Eurotranciatura S.p.A.

Growth and technological and market leadership in Europe

In 1987, the activity expanded with the acquisition of Corrada S.p.A., a company founded in 1933 that designs and produces dies for the stamping of laminations in electrical steel for motors, generators, transformers, and electric meters. In the 2000s, the Group began to expand its business in Europe by establishing relationships with new customers located in different European countries and further consolidating relationships with existing ones. This allowed the Group to improve its market share and significantly expand its customer base. During the same period, the Group began a partnership with SAF S.p.A., a company specialized in the production of laminations and stamped components for small electric collectors and induction motors, and started the activity of the Euroslot division, dedicated to the stamping of laminations of electrical steel for the production of large electric motors and generators.

Expansion and global leadership in market and technology

The Group's internationalization strategy continued in 2006 with the expansion into the North American market through the opening of the first production plant outside of Italy in Mexico, in North Africa in 2011, through the opening of a production plant in Tunisia, and in 2012 it began to expand into the Chinese market through the establishment of a joint venture, first only commercial and then productive, Euro Misi Laminations Jiaxing Co. Ltd, with the Japanese partner Marubeni-Itochu Steel Inc., one of the world's largest traders of electrical steel. Subsequently, in 2014, the Group started a partnership with Kuroda Precision Industries Ltd, a Japanese manufacturer of dies for electric motors and generators and purchased a production plant in the United States in the state of Tennessee. The Group also holds a 3% stake in the capital of Kuroda Precision Industries Ltd., a company listed on the Tokyo Stock Exchange. The growing internationalization has allowed the Group, inter alia, to diversify market risks in multiple geographic areas and consolidate its presence as an important international player.

As regards the dies segment, in 2010 Euroslot Tools S.r.l. was established, a company dedicated to the production and commercialization of composite dies, carving tools, and die-casting dies.

Leadership in the transition to electric vehicles and energy

An important turning point in the history of the Group was in 2016 when the production of stators and rotors for electric vehicle traction began, and the Group surpassed the two main competitors to become the world leader in the production and distribution of the so-called motor core[4]. After the "Dieselgate" scandal in 2015, the use of electric vehicles rapidly increased in all global markets. In 2016, the Group launched a new project for a leading OEM in the production and commercialization of electric drive vehicles in the United States.

[4] Source: data based on IHS market data of June 2022

In 2018, the acquisition of Galvanins S.r.l., a company specialized in the design and production of molds for cold working of sheet metal and the production of small, high-precision metal parts, was completed and later merged by incorporation into SAF S.p.A. in 2019.

In 2020, the French private equity fund Tikehau Capital entered the Group's share capital by acquiring a minority stake of 30%. The transaction was finalized through a capital increase to support growth, with a particular focus on expanding the electric mobility business in Italy and abroad.

Also in 2020, Marubeni Itochu Steel Inc. sold to Euro Group Asia Ltd., a sub-holding of the Group that manages operations in Asian markets, 9.32% of the share capital held by Marubeni in Euro Misi Laminations Jiaxing Co. Ltd. After the transfer, both Marubeni Itochu Steel Inc. and Euro Group Asia Co. Ltd. subscribed to a capital increase, as a result of which Euro Group Asia Co. Ltd. now holds 69% of Euro Misi Laminations Jiaxing Co. Ltd.

Furthermore, following changes made to the shareholder agreement relating to SAF S.p.A., on June 25, 2021, the Group acquired control of SAF S.p.A.

On March 11, 2022, Euro Group Asia Limited Co. Ltd. established the Chinese company Euro Misi High Tech, Jiaxing Co. Ltd, whose main purpose is to produce stators and rotors for the EV segment exclusively for Euro Misi Laminations Jiaxing in a new production site. The company is now 31% owned by Marubeni Itochu Steel Inc., thus replicating the ownership structure of Euro Misi Laminations Jiaxing Co. Ltd.

Distinctive factors characterizing the Group

Group specialized in the rapidly growing sector of electric motors and generators

The growth of the Group is supported by trends related to the energy transition, driven by regulation in the automotive and industrial markets, which are leading to significant growth in underlying reference markets and providing long-term visibility. In particular, the global transition to electric vehicles is supported by various government initiatives and trends. To reduce pollutant emissions and combat climate change, the largest countries in the world have adopted measures aimed at encouraging the use of electric vehicles. Since revenues from the EV Traction product line are concentrated in the automotive sector, the Group's future growth depends in part on consumer shifts towards alternatives to internal combustion engine vehicles, particularly electric vehicles.

The Group believes it is in a unique position to benefit from the wave of transition to electric drive motors, given the advantages it has gained so far. The Group is, in fact, the only supplier, directly or indirectly through its Tier-1 customers, of key platforms for 6 of the top 10 OEMs, according to aggregate production forecasts of Battery Electric Vehicles (BEV) in 2022-2028. Furthermore, about 80%[5] of the current Order Book will be supplied directly to OEMs. As for the industrial segment, the Group is strongly diversified in final markets, also thanks to the increase in requirements related to the energy transition.

[5] Group estimate based on interim data and IHS Markit| e-Motor forecast Data Cut | 2021-2028

Global leader in the design and production of the electric motor core

The Group is a world leader in the design, production, and distribution of motor cores for electric motors and generators. Leveraging its long-standing relationships with global OEM customers in the automotive industry and Tier 1 automotive component suppliers, and thanks to its significant know-how acquired over more than 55 years of history, the Group has achieved a market share of approximately 51% in Europe and North America in the E-traction segment.

The Group also benefits from strong synergies between its EV & Automotive and Industrial segments, sharing expertise, technology, and process automation. In particular, the Group's success is also supported by its ability to create and maintain strong relationships (with an average tenure of the top 5 customers exceeding 10 years) with major global industrial customers operating in all major end markets, including Energy, Pumps, HVAC, Logistics, Home and Industrial Applications.

The Group's global scale and vertical integration are believed to provide significant competitive advantages over key competitors, in order to seize growth opportunities in a high-potential and transforming sector. In particular, significant investments would be required to replicate the Group's installed capacity, as well as its relative flexibility and ability to meet the needs of the Group's customers. The Group's coverage of a diversified range of end markets, applications, and products further strengthens its leadership position.

Unique set of competitive advantages: innovation, technology, process, and scale

Over more than 55 years, the Group has acquired significant experience and know-how in the processes of steel laminations punching and production of the core part of electric motors and generators, with key innovations, technology, processes, and competitive advantages of scale, making it able to win and retain contracts and be chosen as a true development partner by customers.

Through the Research and Development department, the Group has developed several innovations, including: (i) in the assembly technology with glue thanks to the Glue Fastec® technology (developed by the strategic partner Kuroda, which holds the intellectual property rights and has granted the Group an exclusive license until 2030), which is the unparalleled bonding technology, a leader in North America and Europe with growing usage in Asia; and (ii) Corpack® technology, which reduces production costs and mechanical stresses. The Group has a long tradition of innovation, with over 50 patents on products and technologies, over 10 new products developed since 2017, and 9 new processes developed since 2020, and a detailed innovation roadmap for 2022-2024. In particular, the Group will focus on materials, including new electric steel alloys, assembly technologies, zero waste, industry 4.0, and product technologies, including glue, IoT, and other technologies. The Group›s customized products are often co-developed with customers, implying close interaction between the Group and their Research and Development departments, to identify the solutions that may best meet their needs. Additionally, the Group maintains collaborations with prestigious universities to further improve its processes and technologies.

The markets served by the Group are characterized by very demanding specifications for the core of the engine, including better insulation, lower noise, reduction of mechanical stress, and reduction of losses. Electric vehicle OEMs have even higher requirements, given their continuous commitment to improving the performance and efficiency of new motors. The Group is able to meet such demands thanks to the technological and production know-how acquired over the past decades.
The Group's global presence with 12 strategically located plants in 5 countries allows for efficient production organization, timely customer needs satisfaction, and new opportunities, as well as maximizing delivery speed thanks to proximity to target markets. The Group maintains strong bargaining power with a diversified and high-quality supplier base, being the world's largest volume purchaser of electrical steel, processing about 400,000 tonnes of electrical steel per year, and purchasing large volumes from major global suppliers, having developed long-term partnerships with many of them. As a result, the Group benefits from consolidated supply relationships for various types of electrical steel for automotive and industrial applications and believes it can offer better sales conditions to customers than its competitors. As already reported, replicating such a production and relationship infrastructure on a global scale would require significant investments, representing a high barrier to entry for potential competitors.

Strong revenues growth based on multi-year supply relationships

The Group's order book includes orders as the exclusive supplier for leading electric vehicle OEMs based on platforms with an average lifespan of between five and seven years. The order book is also well diversified in all regions. The Group has also initiated initiatives for order fulfillment, including an increase in production capacity through the expansion of its plants and the installation of new production lines. As for the Industrial segment, it is believed that it will continue to benefit in the coming years from its customers' growing propensity to outsource the production of a large quantity of components to the Group.

Group **Operations**

Group segments and product lines

As previously described, the Group is organized into two segments, each with its own portfolio of specific products and services: EV & Automotive and Industrial.

EV & AUTOMOTIVE SEGMENT

The EV & Automotive segment produces high-value-added stators and rotors for numerous automotive applications and is composed of two product lines:

EV TRACTION, which specifically deals with the production of stators and rotors used in electric vehicle traction systems. The stator is the fixed part of the electric motor that generates the magnetic field while the rotor is inserted into the stator and rotates the shaft. The stators and rotors (the core of the motor or "motor core") represent 15-20% of the overall cost of the electric motor. The products of the EV Traction product line are highly customized to meet customer needs. Thanks to its organizational structure and considerable know-how developed in 55 years of history, since 2016 the Group has been able to offer its customers dedicated solutions that extend along the entire value chain, from product development (which is often managed together with the customer in a joint co-development process) to post-sales support, where required. Furthermore, when requested by customers, the Group is able to offer them dedicated production lines for specific stators and rotors. The main customers of the Group's EV Traction product line are some of the major automobile manufacturers and the main Tier 1 suppliers of components for automobile manufacturer.

NON-TRACTION, which produces stators and rotors for a wide range of automotive applications connected to non-traction devices. Most of the Non-traction product line's products are intended for use on both traditional motor vehicles (gasoline, diesel, or other traditional fuels) and electric-powered vehicles, and therefore, in the Group's opinion, these products will not be negatively affected by the transition to the use of electric vehicles. The main products of the non-traction product line include, among others, stators and rotors used for the manufacture of starter motors, electric turbochargers, electric window lifters, windshield wiper motors, alternator stator cores, ventilation system motors, electric power steering motors, engine cooling motors, ABS system motors, electric power steering motors, and electric sunroof motors. The main customers of the Group include the main Tier 1 suppliers of components for automobile manufacturers.

The EV & Automotive segment's facilities cover a total area of approximately 65,100 square meters (19,800 in EMEA, 15,400 in North America, and 30,000 in Asia) and use 57 presses (26 in North America, 25 in EMEA, and 6 in Asia). This allows for the processing of approximately 141,000 tons of electrical steel per year (64,000 in EMEA, 72,000 in North America, and 4,500 in Asia).

The contractual relationships between the Group and customers in the EV & Automotive segment are governed by general conditions and framework agreements that regulate the main terms and conditions of each project. Framework agreements typically provide for a weekly estimate of the number of pieces to be delivered to the customer and also require the customer to notify the Group on a weekly basis of any deviations from the expected number of pieces. Although the forecasted number of pieces to be produced is not binding for customers, historically orders have been substantially consistent with the forecasts contained in the framework agreements. While the responsibility for product design remains with the customer, products are often designed jointly with customers. Therefore, the greater the number of pieces produced by a supplier, the greater the degree of production efficiency (in terms of production times and costs). The prices of supplied products are usually periodically redefined. Depending on the type and duration of the contract, the parties may agree on price adjustment mechanisms to partially offset the risk of volatility associated with raw material prices. In addition, some framework agreements require the Group to maintain a certain production capacity and provide for penalties in case of a violation of such obligation. It should be noted that with reference to the order portfolio of the EV & Automotive segment, customers are not contractually committed to specific volumes and the related contracts can be terminated, even if the Group is not in breach of such contracts. Furthermore, purchase orders are not binding and there are no guaranteed minimum quantities, so customers can reduce or cancel their orders.

INDUSTRIAL SEGMENT

The Industrial segment manufactures and sells products used in a variety of applications to customers in a variety of industries, including generators, fans, pumps, home automation, appliances, transportation, industrial motors, and power tools.

The Industrial segment is divided into the following product lines:

ENERGY which includes stators and rotors, including large ones, for use in power generation processes. The products are for the power generation industry including large generators and large power plants including wind farms, domestic, commercial and industrial backup generators. The Group's customers are represented by the main producers of generators for the energy production market.

HVAC (Heating, Ventilation and Air Conditioning) which includes stators and rotors for use in the manufacturing processes of ventilation and air handling systems and air conditioning/heating systems (heat pumps). The Group's customers are represented by the main manufacturers of air conditioning and air quality control systems.

PUMPS which includes stators and rotors intended for use in the manufacturing processes of pumps for water and other liquids for, among other uses, heating systems, water distribution systems, waste water collection systems and petroleum plants it's gas. The Group's customers are represented by the main manufacturers of various types of pumps.

HOME which includes stators and rotors used for the production of small and large appliances and home automation systems. Some products in the Home line are subject to slight seasonality, largely compensated by the global reach of the Group's customers' activities. The products of the Home line are used for the production, among other things, of electric shutters and gates, household appliances (including washing machines and dishwashers, food processors, mixers, etc.), solar and motorized awnings. The Group's customers are represented by the main manufacturers of household appliances, solar and motorized awnings and other applications (motorized gates, etc.).

LOGISTICS which includes stators and rotors for use in the manufacturing processes of motors used in cargo handling, particularly motors for forklift trucks (including self-driving forklift trucks) and gear motors for conveyor belts. The Group's customers are represented by companies active in the market for the production of motors for lift trucks and gearmotors for conveyor belts.

INDUSTRIAL APPLICATIONS which include all other stators and rotors manufactured by the Industrial product line for a wide variety of applications, including machine tools for working wood and other materials, electric motors for marine, railway and aerospace industries, motors for winches and lifts, earth moving machines and agricultural machines. The main customers of the Group are represented by global companies active in the production of these machines.

The strategy of the Industrial segment is based on the exploitation of the opportunities related to the energy transition and a growing electrification underway in various sectors, on product innovation aimed at consolidating the existing long-standing relationships with the main customers of the Group and on acquiring new customers, on geographical and product diversification and on increasing production efficiency aimed at improving profitability and competitiveness on the market.

The factories used by the Industrial segment cover a total area of approximately 149,900 square meters (100,200 in EMEA, 33,000 in North America and 16,800 in Asia) and operate 183 presses (48 in North America, 118 in EMEA and 17 in Asia) which allow the Group to process approximately 260,000 tons of electrical steel per year (168,800 in EMEA, 65,300 in North America and 25,600 in Asia). The Group sells industrial sector products through different types of contracts, including framework agreements that define the main terms and conditions of the individual purchase orders that customers must place. These agreements, which are common to large customers, generally include a forecast of the estimated number of pieces, which however is not binding on customers. Historically, the estimated number of pieces has been consistent with the provisions of the framework agreements. In other circumstances, typically with small and medium-sized customers, customer relationships are governed by annual and multi-year direct sales contracts.

GROUP BUSINESS MODEL

The Group's business is capital intensive and requires significant short-term investment for new projects, while revenues are generated over a longer period. The Group has developed a business model that allows it to play a key role in all the main phases of the product life cycle, from design to after-sales assistance. The following graph illustrates the main phases of the Group's business model.

The same customers increasingly require the Group's participation in the product development phase through co-development. This process requires that the Group's R&D function interfaces with the customer's similar internal R&D function to offer the process and product know-how suitable for improving the design and the innovative component of the product.

Obtaining orders/executing supply contracts

The Group sells both catalog products and customized products, which typically represent the majority of the Group's revenues. The products in the catalogue, sold exclusively by the Industrial segment and only in Europe, are mainly purchased by customers active in the household appliances and power tools sector. These products are purchased by customers based on their needs, usually in large quantities. The Group's catalog includes over 15,000 codes of stators and rotors based on proprietary moulds. Custom-made products, usually purchased for high supply volumes, are made using molds created ad hoc according to customer needs (with customers usually retaining ownership of the moulds). Purchase orders for such products are placed on the basis of detailed long-term delivery schedules. The most complex custom products are used for the production of high-tech electric motors. The manufacture of such products requires specific investments in dedicated shearing plants and the use of superior quality electrical steel. These products are generally designed together with customers, who purchase them through long-term contracts.

The collection of orders and the execution of contracts for customized products are characterized by a significant interaction and collaboration between the Group and the customers' engineering services in the phases of purchasing plants, equipment and raw materials, in the creation of dedicated moulds, the development of prototypes and samples and their validation, the methodical planning of production, based on the forecasts of the purchase orders and corrected in case of any changes in the number of parts to be delivered based on the customer's production needs.

Procurement of raw materials

The Group's main raw material is electrical steel, which represents at least 60% of the product cost. The quality and electrical resistance of electrical steel are determined by the silicon content. Through its centralized procurement function at the Italian headquarters, the Group purchases electrical steel from major suppliers worldwide and, according to management estimates, is the world's largest buyer of electrical steel, with long-term partnerships. In particular, the Group has developed relationships with many suppliers located in different geographical areas in order to ensure proximity to its plants, reduce delivery times and costs, as well as mitigate the effects of sanctions and import restrictions to some extent.

Among the other raw materials purchased by the Group are aluminum (used for the production of die-cast rotors), resin (used for overmolding processes), and for the EV & Automotive segment, glue and primer (used for bonding processes) and magnets (used for overmolding processes).

The Group maintains long-term relationships with its suppliers through the adoption of specific business strategies based on mutual trust, promoting interactions between its customers and steel producers to ensure that raw materials are suitable for customer needs. The co-design of new materials and processes with steel mills for specific projects allows the Group to strengthen both customer and electrical steel supplier relationships.

Thanks to its supply chain, the Group is able to support operations worldwide, based on both local supplies and imported materials, benefit from flexibility in terms of quantity and quality, have different alternatives in case of material shortages, and benefit from competitive and negotiating advantages thanks to supplier diversification, even for the same project. In addition, the Group is constantly looking for new suppliers to mitigate potential electrical steel shortages. The availability of high-quality raw materials from suppliers and the respect of delivery deadlines are key factors for the Group's ability to timely deliver products to its customers and, consequently, strengthen commercial relationships with them.

Regarding procurement, it should be noted that the sanctions imposed against Russia following the invasion of Ukraine have hindered and may continue to hinder the global procurement of raw materials and energy and have caused significant price increases. However, the contracts that the Group enters into with its customers contain price adjustment clauses linked to variations in raw material and energy prices that allow the Group to cope with increases in raw material and energy prices.

The Group has long-standing relationships with several trusted suppliers located in major geographical areas. It should be noted in particular that in 2012 the Group established a strategic partnership with Marubeni-Itochu Steel Inc., one of the world's leading electrical steel suppliers, for the supply of this component to the Group's plants located in Mexico and China. Marubeni-Itochu Steel Inc. holds a 12.40% stake in Eurotranciatura México SA de C.V. and a 31% stake in the Chinese companies Euro Misi Laminations Jiaxing Co. Ltd. and Euro Misi High Tech, Jiaxing Co Ltd.

Production

The Group's products are manufactured according to the following production process:

- **PRESSES:** Electric steel plates are sheared using specific presses that vary primarily according to speed (measured in number of strokes per hour) and die size. The useful life of the presses is approximately 20 years. For particularly complex products or projects, the Group installs specific production lines and presses for the customer. According to management, the Group is the largest operator in the sector by number of installed presses, with over 194 presses and 46 die-casting presses.

- **MOULDS:** to perform the desired shearing, specific molds are mounted on the presses, designed and manufactured according to the specific requests of the customer. The subsidiaries Corrada S.p.a. (which owns 39 patents, including the Corpack® *technology) and* Euroslot Tools S.r.l., together with the Japanese partner Kuroda Precision Industries Ltd., are dedicated to the production of molds for the production of stators and rotors in order to allow the Group to offer its customers end-to-end solutions. These companies and the technological partner, which, unlike their competitors, also produce molds for customers outside the Group, represent strategic centers of technical know-how for the entire Group. The integrated structure of the Group, which also includes the production of moulds, offers considerable advantages in fact customers have the opportunity to negotiate with a single company the supply of molds and the production of stators and rotors, production volumes are guaranteed, there is greater control over delivery times, the know-how acquired in the production of molds can be used to increase production efficiency and furthermore the sale of molds also to third parties allows the Group to be constantly updated on the most recent techniques and technologies available on the market.

- **PRODUCTION PROCESSES:** stators and rotors are produced through a shearing process carried out with specific machines. The laminations are then normally assembled into stator and rotor packs. The number of laminations in each package can vary based on various engine characteristics, including design, horsepower, size, and type of application.

Post sale services

The Group sells the products to its customers directly through its own logistics and commercial organization. In particular, although each plant has its own sales structure, relations with the main customers from all over the world are managed at a corporate level. Thanks to the recognized technological leadership and the wide range of solutions, the Group has developed long-term relationships with its customers, for which it often represents the preferred provider. Most of the Group's revenues derive, as previously described, from long-term contracts, based on indicative volumes and prices indexed to the prices of electric steel.

The Group's offer also includes after-sales services mainly consisting of the maintenance, for a certain period of time, of the dies used for the production of the product. If the customer needs spare parts and/or additional parts, the Group is able to restart production immediately.

02 | Macroeconomic scenario

Financial Year 2022 was a year that will be remembered in economics and history textbooks, especially for the Russian invasion of Ukraine, which disrupted an economic system that was still trying to stabilize from the pandemic. Nevertheless, the global economy continued to grow in 2022, but inflation and the energy crisis tempered initial ambitions. Energy costs, particularly in Europe, skyrocketed, and prices reached levels not seen since the 1980s.

In its latest economic forecasts, prior to the conflict, the International Monetary Fund ("IMF") estimated global growth of +4.4%, with the US leading at +4.0% followed closely by the Eurozone at +3.9%. The conflict disrupted the macroeconomic landscape and in April, the IMF downgraded its forecasts by almost one point for the global economy and the Eurozone, and over ten points for Russia, which was in recession due to international sanctions.

The actual figures showed that GDP in the Eurozone grew by +3.5%, by +2.1% in the US, and by +3% in China. Russia, after an initial period benefiting from high energy prices, between the replacement of gas contracts by the European Union and the price cap on oil, ended 2022 with a 2.1%[6] decline in GDP.

The main factor that dominated the global macroeconomic landscape in 2022 was the rate of price growth, which had not been so high in advanced countries for decades. The average inflation rate in OECD countries in 2022 was 9.4%, almost six times the average of 1.6% for the period 2013-2019. In particular, the Eurozone saw a strong increase in energy prices, mainly due to countermeasures taken by the Russian Federation in response to economic sanctions from Western countries following the invasion of Ukraine, and changes in energy supply policies by European countries.

Central bankers, hoping to curb prices, were forced to take action, with the Fed led by Jerome Powell carrying out the fastest rate hike ever and the ECB returning the cost of money to levels not seen since late 2008. This increased the cost of loans for companies and families, induced a slowdown in the economic cycle, and after two years of enthusiasm, financial markets posted their worst performances since the Lehman Brothers crisis.

However, the energy crisis has pushed investments in renewable sources with unprecedented acceleration.

The Italian economy continued to grow despite the record increase in prices and the war in Ukraine. After a first period in the first half of the year when it seemed that our country would experience a recession, in the following months, the Italian manufacturing system continued to grow at a good pace, registering the best industrial production among major European economies since the beginning of the year, with GDP growing by +3.7% in 2022.

This is a positive result, considering that in 2021 the Italian economy grew more than the European average, and that the difference between our country's energy imports and exports in 2022 exceeded Euro 100 billion, more than doubling compared to 2021. As the national GDP is calculated, this expenditure has caused the loss of several potential growth points and put the Italian trade balance into deficit, which had instead been characterized in recent years by export predominance.

[6] Figure reported by the state statistics institute Rosstat; it should be noted that this decrease is lower than that estimated by the main international institutions

03 | Group management performance

Group Income Statement

The table below shows the consolidated income statement for 2022 compared with the previous year.

Amounts in thousands of Euro	2022	2021
Revenues	851,112	556,904
Other revenues	5,270	2,211
Change in inventory	37,345	10,628
Purchase costs	(576,657)	(351,737)
Service costs	(98,714)	(71,522)
Personnel costs	(105,990)	(88,551)
Other operating costs	(4,942)	(2,091)
Result of equity-method investments	-	2,846
Impairment	(4,946)	-
Depreciation & Amortization	(26,091)	(23,269)
Operating result	**76,387**	**35,419**
Financial income	2,561	849
Financial charges	(14,117)	(7,676)
Foreign exchange gains/(losses)	(1,213)	1,081
Result before taxes	**63,618**	**29,673**
Income taxes	(19,840)	(8,982)
Profit for the year	**43,778**	**20,691**
Result attributable to the group	39,287	18,752
Result attributable to minorities	4,491	1,939
Earning and diluted earnings per share	6.43	3.07

Revenues for 2022 amount to Euro 851,112 thousand (Euro 556,904 thousand in 2021), an increase of Euro 294,208 thousand (increase of 52.8%) compared to the previous year.
The following table shows the breakdown of revenues by operating segment for 2022 compared with the data for the previous year:

					Change	
Amounts in thousands of Euro	2022	%	2021	%	2022 vs 2021	%
EV & Automotive	317,932	37.4%	195,596	35.1%	122,336	62.5%
Industrial	533,180	62.6%	361,308	64.9%	171,872	47.6%
Revenues	**851,112**	**100.0%**	**556,904**	**100.0%**	**294,208**	**52.8%**

The revenues of the EV & Automotive segment in 2022 amounted to Euro 317,932 thousand (Euro 195,596 thousand in 2021), an increase of Euro 122,336 thousand (increase of 62.5%) compared to the previous year. This increase is attributable to the higher volume of activity recorded in 2022 following the growing demand for EV traction products, supported by the favorable regulatory context worldwide and by the increase in sales prices which reflects the increase in raw material prices.
The revenues of the Industrial segment for 2022 amounted to Euro 533,180 thousand (Euro 361,308 thousand in 2021), an increase of Euro 171,872 thousand (increase of 47.6%) compared to the previous year. Also with reference to this segment, the increase reflects, net of the interruption of sales in Russia, the increase in sales prices related to the increase in raw material prices.
The Group's revenues are generated in three geographic areas: EMEA, North America and Asia. The breakdown of revenues by geographical area is shown below:

					Change	
Amounts in thousands of Euro	2022	%	2021	%	2022 vs 2021	%
EMEA	501,176	58.9%	322,340	57.9%	178,836	55.5%
of which in Italy	487,954	57.3%	303,000	54.4%	184,954	61.0%
North America	305,390	35.9%	206,866	37.1%	98,524	47.6%
of which Mexico	203,499	23.9%	140,669	25.3%	62,830	44.7%
of which United States	101,891	12.0%	66,197	11.9%	35,694	53.9%
Asia	44,546	5.2%	27,698	5.0%	16,848	60.8%
of which China	44,541	5.2%	27,698	5.0%	16,843	60.8%
Revenues	**851,112**	**100.0%**	**556,904**	**100.0%**	**294,208**	**52.8%**

Revenues in the EMEA area amount to Euro 501,176 thousand (Euro 322,340 thousand in 2021) and are up by 55.5%, mainly due to the growth attributable to the increase in sales prices, which reflects the increase of the prices of raw materials, and to an increase component in the quantities sold.

Revenues in the North America area amount to Euro 305,390 thousand (Euro 206,866 thousand in 2021) and show an increase of 47.6% mainly due to the increase in the volume of sales to an important customer, leader in the vehicle market electric.

Revenues in the Asia area amount to Euro 44,546 thousand (Euro 27,698 thousand in 2021) and are up by 60.8% mainly due to organic growth attributable to the success achieved with Western customers in China, which further increased the visibility of the Group in this geographical area previously dominated by regional operators.

Other revenues for 2022 amount to Euro 5,270 thousand (Euro 2,211 thousand in 2021), an increase of Euro 3,059 thousand (increase of 138.4%) compared to the previous year and mainly include bonuses for energy and gas and the Industry 4.0 contribution.

The **Change in inventories** amounted to Euro 37,345 thousand (Euro 10,628 thousand in 2021), an increase of Euro 26,717 thousand, an increase mainly due to the increase in demand and the order backlog which led to an increase in production and of delivery, and, consequently, to the increase of the inventories in order to avoid any interruption of the activity.

Purchase costs, net of the change in inventories of raw materials, amounted to Euro 576,657 thousand (Euro 351,737 thousand in 2021), an increase of 63.9%. This trend is due to the increase in the volume of purchases of raw materials, the increase in the price of the raw materials themselves, caused by the worldwide shortage of strategic materials such as electrical steel. This increase in costs was partially offset by an increase in income from the sale of scrap, equal to Euro 90,841 thousand in 2022 (Euro 77,146 thousand in 2021).

Services costs amount to Euro 98,714 thousand (Euro 71,522 thousand in 2021) and are up by Euro 27,192 thousand (increase of 38.0%) compared to the previous year mainly due to: (i) an increase in energy costs; (ii) an increase in maintenance costs mainly attributable to the increased maintenance activities carried out at the Mexican plants; (iii) higher legal, notary and administrative expenses, mainly related to the listing process; (iv) higher transport costs mainly attributable to higher sales volumes.

Personnel costs amount to Euro 105,990 thousand (Euro 88,551 thousand in 2021) and are up by Euro 17,439 thousand (increase of 19.7%) compared to the previous year. The increase in personnel costs is mainly attributable to (i) a higher number of employees, which rose from 2,400 in 2021 to 2,800 in 2022 and (ii) an increase in wages adjusted for inflation.

Other operating costs amounted to Euro 4,942 thousand (Euro 2,091 thousand in the 2021 fiscal year) and increased by Euro 2,851 thousand (an increase of 136.3%) compared to the previous fiscal year, mainly due to higher write-offs of receivables and provisions.

The **result of equity-method investments** does not show any value in the 2022 fiscal year, while in 2021 it amounted to Euro 2,846 thousand as it included the contribution resulting from the valuation according to the equity-method of SAF S.p.A., whose control was acquired during 2021. Since the acquisition of control, this company has been fully consolidated.

Durable **impairment losses** amount to Euro 4,946 thousand (no durable impairment losses in the 2021 fiscal year) and relate to the write-down of assets held by the Group in Russia. In fact, due to the conflict between Russia and Ukraine, the Group, which had suspended production at its subsidiary Euro Group Laminations Russia LLC at the end of 2021, deemed that it did not have sufficient evidence of the recoverability of the value of the Russian subsidiary's assets, in the context of continuing uncertainty and operational difficulties associated with the war and the cancellation of orders by the main local customer. Indeed, the continuation of the current crisis and the application of restrictive measures connected to it could force the Group to terminate existing partnerships or give up future business opportunities in Russia, or require it to obtain and operate within the limits of specific government authorizations, with a consequent negative effect on the equity of the Russian subsidiary. Consequently, since no recovery forecast is available, the Group recorded a write-down of Euro 4,946 thousand in the 2022 fiscal year, relating to the plants installed on site for Euro 3,965 thousand and to rights of use for Euro 981 thousand.

Depreciation amounted to Euro 26,091 thousand (Euro 23,269 thousand in the 2021 fiscal year) and increased by Euro 2,822 thousand (an increase of 12.1%) compared to the previous fiscal year. This increase is attributable to the increase in the value of the right of use, mainly related to commercial and industrial properties and equipment, as well as to investments in new machinery. Financial income amounted to Euro 2,561 thousand (Euro 849 thousand in the 2021 fiscal year) and increased by Euro 1,712 thousand (an increase of 201.6%) compared to the previous fiscal year mainly due to the positive adjustment of the fair value of derivative financial instruments.

Financial expenses amounted to Euro 14,117 thousand (Euro 7,676 thousand in the 2021 fiscal year) and increased by Euro 6,441 thousand (an increase of 83.9%) compared to the previous fiscal year mainly due to higher financial charges to other investors of Euro 4,226 thousand related to the conversion of financial liabilities to SIMEST S.p.A. and higher interest on financing. The gains (losses) on exchange amounted to Euro (1,213) thousand (Euro 1,081 thousand in the 2021 fiscal year) and deteriorated by Euro 2,294 thousand (a deterioration of 212.2%) compared to the previous fiscal year mainly due to the Euro/Dollar exchange rate trend.

Income taxes amounted to Euro 19,840 thousand (Euro 8,982 thousand in the 2021 fiscal year) and increased by Euro 10,858 thousand (an increase of 120.9%) compared to the previous fiscal year mainly due to the higher pre-tax profit recorded by the Group in the 2022 fiscal year.

Following the above-mentioned trends, the Net Profit for the year amounted to Euro 43,778 thousand (Euro 20,691 thousand in 2021) and represents an increase of Euro 23,087 thousand (a 111.6% increase) compared to the previous year. In the 2022 financial year, the Group's Net Profit amounted to Euro 39,287 thousand (Euro 18,752 thousand in 2021), while the Net Profit attributable to third parties amounted to Euro 4,491 thousand (Euro 1,939 thousand in 2021).

Statement of financial position of the Group

The following table shows the reclassified consolidated statement of financial position as at December 31, 2022 compared with the data as at December 31, 2021.

	Amounts in thousands of Euro	2022	2021	Change
A	Intangible assets	2,774	2,440	334
B	Tangible assets	206,550	145,507	61,043
C	Right of use	55,115	61,993	(6,878)
D	**Fixed assests A+B+C**	**264,439**	**209,940**	**54,499**
E	Other non-current non-financial assets and liabilities(1)	7,992	21,032	(13,040)
F	**Net fixed assets D+E**	**272,431**	**230,972**	**41,459**
G	Inventory	335,733	219,948	115,785
H	Trade Receivables	150,573	97,019	53,554
I	Trade Payables	(329,292)	(240,210)	(89,082)
J	**Net working commercial capital G+H+I**	**157,014**	**76,757**	**80,257**
K	Other receivables and current assets	57,722	28,990	28,732
L	Other current liabilities	(32,165)	(37,678)	5,513
M	**Net working capital J+K+L**	**182,571**	**68,069**	**114,502**
N	**Net invested capital F+M**	**455,002**	**299,041**	**155,961**
O	**Equity**	**195,625**	**147,327**	**48,298**
P	Medium-long term financial debts	190,778	134,997	55,781
Q	Liabilities for medium/long-term leased assets	41,202	47,568	(6,366)
R	Trade and other non-current liabilities(2)	113	1,508	(1,395)
S	**Medium-long term financial debt P+Q+R**	**232,093**	**184,073**	**48,020**
T	Liabilities for short-term leased assets	142,279	97,535	44,744
U	Short-term financial debt	7,192	7,768	(576)
V	Short-term financial credits	(5,684)	-	(5,684)
W	Cash and cash equivalents	(116,503)	(137,662)	21,159
X	**Short-term net financial debt T+U+V+W**	**27,284**	**(32,359)**	**59,643**
Y	**Net financial debt S+X**	**259,377**	**151,714**	**107,663**
Z	**Total Equity + Net financial debt O+Y**	**455,002**	**299,041**	**155,961**

(1) The item “Other non-current non-financial assets and liabilities” includes the balance sheet items “Deferred tax assets”, “Other non-current assets”, “Defined benefit plans”, “Provisions for risks and charges”, “Other non-current liabilities (net of debts to shareholders for dividends)”.
(2) The item “Trade and other non-current liabilities” includes the amount related to debts to shareholders for dividends declared but not yet distributed.

Fixed Assets increased from Euro 209,940 thousand as of December 31, 2021, to Euro 264,439 thousand as of December 31, 2022. This increase is mainly due to higher investments in tangible assets made in 2022 compared to the previous period.

Inventories amounted to Euro 335,733 thousand as of December 31, 2022, and Euro 219,948 thousand as of December 31, 2021. The increase in inventories is mainly due to (i) an increase in sales volumes and order backlog, which led to an increase in production; (ii) an increase in the price of raw materials; (iii) an increase in inventories to avoid any disruptions in operations. Trade receivables increased from Euro 97,019 thousand as of December 31, 2021, to Euro 150,573 thousand as of December 31, 2022. The increase in this item is attributable to an increase in business volume. Trade receivables are recorded net of the allowance for doubtful accounts, which amounted to Euro 8,765 thousand as of December 31, 2022. Trade payables amounted to Euro 329,292 thousand as of December 31, 2022, and Euro 240,210 thousand as of December 31, 2021. This item includes amounts due for the purchase of materials for production, debts for expenses incurred for the acquisition of assets, and debts for services received. The Group does not have any reverse factoring or supplier financing transactions in place.

The item “Other current assets and liabilities” amounted to Euro 57,722 thousand as of December 31, 2022, and Euro 28,990 thousand as of December 31, 2021. The increase of Euro 28,732 thousand is mainly due to an increase in the value-added tax receivable and other tax credits of Euro 18,383 thousand from December 31, 2021, to December 31, 2022, an increase in advances to suppliers of Euro 7,750 thousand, and an increase in other receivables of Euro 2,599 thousand from December 31, 2021, to December 31, 2022.

Current and non-current liabilities include the short-term and medium- to long-term portions of financial debt and leasing liabilities. Medium- to long-term financial debt increased from Euro 134,997 thousand to Euro 190,778 thousand as of December 31, 2022. Short-term financial debt amounted to Euro 7,192 thousand as of December 31, 2022, and Euro 7,768 thousand as of December 31, 2021.

The increase in medium- to long-term financial debt is due to new financing provided during the year.

Leasing liabilities consist of short-term and medium- to long-term portions. Leasing liabilities decreased by Euro 6,942 thousand due to lease payments made during the year.

The cash balance amounted to Euro 116,503 thousand as of December 31, 2022, and Euro 137,662 thousand as of December 31, 2021. For more details on the movement of cash balances during the year, please refer to the Statement of Cash Flows.

The item “Other non-current non-financial assets and liabilities” includes the balance sheet items “Prepaid taxes”, “Non-current financial assets and receivables”, “Other non-current assets”; “Defined benefit plans”, “Provisions for risks and charges”, “Deferred tax liabilities”, “Other non-current liabilities (net of debts to shareholders for dividends)” and decreases from Euro 21,032 thousand as of December 31, 2021, to Euro 7,993 thousand as of December 31, 2022. The decrease is mainly due to the decrease in the item “Other non-current liabilities” from Euro 8,398 thousand as of December 31, 2021, to Euro 4,972 thousand as of December 31, 2022. This decrease is due to the extinguishment of the share-based payment debt in 2022 for Euro 3,937 thousand.

The item "Prepaid taxes" amounts to Euro 23,325 thousand as of December 31, 2022, and Euro 23,025 thousand as of December 31, 2021. The increase in the prepaid tax asset recorded in 2022 is mainly attributable to the temporary differences that have emerged as a result of the revaluation of tangible assets carried out by some Italian subsidiaries (in accordance with law 126/2020) whose effects have been eliminated from the consolidated financial statements.

The item "Other non-current assets" amounts to Euro 1,834 thousand as of December 31, 2022, and Euro 1,907 thousand as of December 31, 2021. This item consists of other non-current tax credits that relate to the portion of tax credit for investments in plant and equipment made during the year that will be available for use in future periods, and other non-current credits amounting to Euro 153 thousand as of December 31, 2022.

The item "Defined benefit plans" amounts to Euro 4,070 thousand as of December 31, 2022, and Euro 4,809 as of December 31, 2021. The item includes the liability for severance pay of the Group accrued by managers and employees of the Italian companies. Foreign companies do not recognize benefits for employees or other components similar to benefits for employees.

The item "Provisions for risks and charges" amounts to Euro 1,230 as of December 31, 2022, and Euro 402 thousand as of December 31, 2021. The item includes the Supplementary indemnity fund for customers, which did not undergo significant changes during the year, and other provisions for risks and charges amounting to Euro 732 thousand as of December 31, 2022, and Euro 18 thousand as of December 31, 2021. The increase is related to the tax assessment received on July 15, 2022, from EuroGroup Laminations S.p.A.

The item "Trade payables and other non-current payables" includes the amount related to debts to shareholders for dividends declared but not yet distributed.

GROUP CASH FLOW STATEMENT

The main items that influenced the trend of cash flows in the periods under review are summarized below.

Net cash flow generated/absorbed by operating activities

The activity carried out during the period absorbed cash flows of Euro 20,848 thousand compared to cash flows generated in the 2021 period of Euro 48,409 thousand.

Cash flow generated/absorbed from investing activities

The total cash flow absorbed by investing activities amounts to Euro 84,653 thousand compared to the value for the corresponding period of 2021 equal to Euro 15,339 thousand.

Cash flow generated/absorbed from financing activities

The total cash flow generated by financing activities amounts to Euro 79,202 thousand compared to a flow absorbed in the previous period of Euro 4,939 thousand.

ALTERNATIVE PERFORMANCE INDICATORS

The Group uses some alternative performance indicators, which are not identified as accounting measures under IFRS, to allow for a better evaluation of the Group's performance. Therefore, the determination criteria applied by the Group may not be consistent with that adopted by other groups, and the resulting balance may not be comparable to that determined by these other groups.

These alternative performance indicators are constructed solely from historical data of the Group and determined in accordance with the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015. They refer only to the performance of the accounting period subject to this Annual Financial Report and the periods compared and not to the expected performance of the Group, and they should not be considered as a substitute for the indicators provided by the reference accounting principles (IFRS).

The Alternative Performance Indicators are not subject to audit review.

Below are the definitions of the Alternative Performance Indicators used in the Annual Financial Report:

EBIT: calculated as profit for the year, before income taxes and financial items.

EBIT margin: calculated as the ratio of EBIT to revenues for the period under review.

EBITDA: calculated as profit for the year, before income taxes, financial items, and depreciation.

EBITDA margin: calculated as the ratio of EBITDA to revenues for the period under review.

Net Working Capital: calculated as the sum of inventories, trade receivables, and trade payables.

Net Operating Working Capital: calculated as the sum of inventories, trade receivables, current tax assets, other current assets, trade payables, other current liabilities, and current tax liabilities.

Net Invested Capital: calculated as the sum of Net Fixed Assets and Net Operating Working Capital.

Return On Capital Employed (ROCE): calculated as the ratio of operating profit (EBIT) for the period under review to Net Invested Capital.

Return On Equity (ROE): calculated as the ratio of Profit for the year or period to Shareholders' Equity.

Net Financial Debt: calculated as the sum of total financial liabilities, net of cash and cash equivalents, and current financial assets. The composition of Net Financial Debt is determined as required by CONSOB communication DEM/6064293 of 28 July 2006, as amended by communication no. 5/21 of 29 April 2021, and in accordance with ESMA recommendations contained in guidelines 32-382-1138 of 4 March 2021.

Gearing Ratio: calculated as the ratio of Net Financial Debt to Shareholders' Equity.

Investments (CAPEX): calculated as the sum of increases in intangible assets and increases in property, plant, and equipment.
The following table provides the calculation of these indicators for the years ended 31 December 2022 and 2021:

Amounts in Euro, unless otherwise indicated	2022	2021
EBIT	77,178	36,500
EBIT Margin	9.1%	6.6%
EBITDA	103,269	59,769
EBITDA Margin	12.1%	10.7%
Net invested capital	455,003	299,041
Net working commercial capital	157,014	76,757
Return On Capital Employed (ROCE)	17.0%	11.8%
Return On Equity (ROE)	22.4%	14.0%
Net Financial Position	(259,377)	(151,714)
Gearing Ratio	1.3	1.0
Investment (CAPEX)	85,108	37,412

The **EBIT** as of December 31, 2022 amounts to Euro 77,178 thousand compared to Euro 36,500 thousand as of December 31, 2021. The variation in EBIT is mainly due to the increase in revenues attributable to higher activity volume and sales, as well as an increase in selling prices, partially offset by an increase in raw material costs, energy costs, and personnel costs. In addition, the EBIT was impacted by the impairment of the Russian subsidiary's assets for Euro 4,946 thousand.

The **EBIT margin** for the fiscal year ended December 31, 2022 is 9.1% compared to 6.6% for the fiscal year ended December 31, 2021.

The **EBITDA** as of December 31, 2022 amounts to Euro 103,269 thousand compared to Euro 59,769 thousand as of December 31, 2021. The variation in EBITDA is mainly due to the higher revenues of Euro 294,208 thousand resulting from increased sales volumes, as well as higher selling prices to reflect the higher cost of raw materials, partially offset by an increase in costs related to higher production volumes and higher costs of raw materials and energy. The reconciliation with net income is provided below:

Amounts in Euro, unless otherwise indicated	2022	2021
Result of the year	43,778	20,691
Income taxes	19,840	8,982
Financial charges	14,117	7,676
Financial Income	(2,561)	(849)
Exchange gains (losses)	2,004	-
Depreciation	26,091	23,269
EBITDA	**103,269**	**59,769**

The **EBITDA Margin** for the year ended December 31, 2022 was 12.1%, compared to 10.7% for the year ended December 31, 2021.

Net Invested Capital was Euro 455,003 as of December 31, 2022 and Euro 299,041 thousand as of December 31, 2021. The increase was mainly due to a combination of higher Group investments and an increase in net working capital.

Net Commercial Working Capital was Euro 157,014 as of December 31, 2022 and Euro 76,757 thousand as of December 31, 2021. The increase in Net Commercial Working Capital of Euro 80,257 thousand was mainly due to an increase in inventories and trade receivables of Euro 135,509 thousand and Euro 53,554 thousand respectively, compared to 2021, partially offset by an increase in trade payables of Euro 78,923 thousand.

The **Return on Capital Employed (ROCE)** for the year ended December 31, 2022 was 17.0%, compared to 11.8% for the year ended December 31, 2021. The increase was mainly due to the Group's improved margin.

The **Return on Equity (ROE)** for the year ended December 31, 2022 was 22.4%, compared to 14.0% for the year ended December 31, 2021. The increase was mainly due to the Group's improved margin.

As of December 31, 2022: (i) the Group's **net financial debt** amounted to Euro 259,377 thousand (an increase of Euro 107,663 thousand compared to Euro 151,714 thousand as of December 31, 2021); (ii) the Group's current financial debt was Euro 27,397 thousand (an increase of Euro 59,643 thousand compared to Euro (32,359) thousand as of December 31, 2021); (iii) the Group's non-current financial debt was Euro 232,093 thousand (an increase of Euro 48,020 thousand compared to Euro 184,073 thousand as of December 31, 2021), in order to support the Group's growth and in particular to finance the investments planned in the 2022-2026 industrial plan; (iv) the Group's cash and cash equivalents amounted to Euro 116,503 thousand (a decrease of Euro 21,159 thousand compared to Euro 137,662 thousand as of December 31, 2021) mainly due to the liquidity absorbed by Net Working Capital amounting to Euro 182,683 thousand and, in particular, by the increase in inventories of Euro 115,785 thousand attributable to investments supporting business growth; and (v) the Group's **Gearing Ratio** was 1.3 (an increase of 0.3 compared to 1.0 as of December 31, 2021).

In 2022, the Group continued to invest in order to increase its production capacity to meet the execution of its Order Book and to meet the growing market demand. In the year ended December 31, 2022, the Group's investments amounted to Euro 85,108 thousand (compared to Euro 37,412 thousand in 2021).

04 | Main Group companies management performance

Comments on the operating performance of the main Group companies are provided below.

EuroGroup Laminations S.p.A. (Italy)

EuroGroup Laminations is the Group's holding company that performs the role of support, industrial, technical and commercial coordination, supervision, and development for all controlled companies. The Company achieved a profit of Euro 2,213 million in the 2022 fiscal year (Euro 5,047 million in the 2021 fiscal year). Following the closing of the fiscal year, the Company completed the process of listing its shares on the Euronext Milan market. During the fiscal year under review, the company consolidated its organizational structure by introducing new professional figures to support the Group's growth.

Eurotranciatura S.p.A. (Italy)

Eurotranciatura S.p.A. is the Group's most significant Italian subsidiary in terms of revenues, headquartered in Baranzate. In the 2022 fiscal year, it achieved revenues of Euro 507,220 million (Euro 330,476 million in the 2021 fiscal year), recording an EBITDA of Euro 34,985 million (Euro 16,271 million in the 2021 fiscal year). The increase in revenues recorded during the year is attributable not only to the increase in raw material costs but also to the start-up of some important platforms in the EV & Automotive segment and the good performance of the Industrial segment. Organizational actions aimed at increasing the efficiency and cost-effectiveness of various production processes continued during the year.

Eurotranciatura México S.A. de C.V. (Mexico)

Eurotranciatura México S.A. de C.V. is a Mexican company headquartered in Santiago de Querétaro. In the 2022 fiscal year, it achieved revenues of Euro 231,322 million (Euro 148,808 million in the 2021 fiscal year), recording an EBITDA of Euro 11,332 million (Euro 7,832 million in the 2021 fiscal year). The positive performance of the year was contributed by the start-up of a supply contract with a primary EV segment OEM and the increase in volumes produced for the main customer, as well as initiatives to increase production efficiency and cost-effectiveness.

Eurotranciatura USA LLC (United States)

Eurotranciatura USA LLC is a US company headquartered in Paris, Tennessee. In the 2022 fiscal year, it achieved revenues of Euro 111,908 million (Euro 91,657 million in the 2021 fiscal year), recording an EBITDA of Euro 9,311 million (Euro 5,969 million in the 2021 fiscal year).

Euro Misi Laminations Jiaxing Co. Ltd. (China)

Euro Misi Laminations Jiaxing Co. Ltd. is a Chinese company headquartered in Jiaxing. In the 2022 fiscal year, it achieved revenues of Euro 53,107 million (Euro 31,827 million in the 2021 fiscal year), recording an EBITDA of Euro 3,420 million (Euro -467 million in the 2021 fiscal year).

SAF S.p.A. (Italy)

SAF S.p.A. is an Italian company headquartered in Muscoline (BS). In the 2022 fiscal year, it achieved revenues of Euro 39,767 million (Euro 31,787 million in the 2021 fiscal year), recording an EBITDA of Euro 9,021 million (Euro 9,235 million in the 2021 fiscal year).

Eurotranciatura Tunisie S.a.r.l. (Tunisia)

Eurotranciatura Tunisie S.a.r.l. is a Tunisian company based in Zriba. During the 2022 fiscal year, it generated revenues of Euro 25,799 thousand (Euro 16,740 thousand in the 2021 fiscal year) and recorded an EBITDA of Euro 4,556 thousand (Euro 620 thousand in the 2021 fiscal year).

Other group companies

Among the other operating companies in the Group, Corrada S.p.A. stands out, which is active in the design and construction of progressive dies for punching sheet metal, and which achieved revenues of Euro 15,270 thousand in 2022 (Euro 14,895 thousand in the 2021 fiscal year). Euroslot Tools S.p.A., which is active in the design and construction of block dies for punching and die-casting, achieved revenues of Euro 4,862 thousand in 2022 (Euro 4,226 thousand in the 2021 fiscal year).

Euro Misi High Tech, Jiaxing Co Ltd., established in March 2022, has carried out the construction of a new Chinese plant for EV & Automotive segment productions.

Euro Group Laminations Russia LLC, as previously reported, suspended its industrial and commercial activity following the conflict in Ukraine.

All other companies included in the consolidation area provide support to the operating companies or make available industrial properties and other assets they own, or provide specific services, without carrying out activities towards third parties.

Reconciliation between the Parent Company's result and shareholders' equity and the values of the Group

	2022	
Euro (thousands)	Result of the Year	Equity
Total Equity EuroGroup Laminations S.p.A.	**2,213**	**58,837**
Consolidation adjustments:		
Shareholders' equity of consolidated companies and attribution of the result of the same	46,221	244,808
Elision of equity investments	-	(108,020)
Elision of intercompany dividens	(4,656)	-
Shareholders' equity and result for the year attributable to minorities	(4,491)	(32,119)
Total Consolidation adjustments	**37,074**	**104,669**
Pertaining to the Group	**39,287**	**163,506**
Pertaining to Minorities	**4,491**	**32,119**
Consolidated amounts	**43,778**	**195,625**

05 | Significant events that occurred during the year

In February 2022, the Russian-Ukrainian military conflict intensified following the Russian army's invasion of Ukraine's sovereign territory. The resulting political and military tension and the consequent economic sanctions imposed by the international community against Russia had significant effects and created turbulence in global markets, both financially and in terms of prices and export of raw materials, considering the significant role that Russia and Ukraine play in the international economic context.

The production activities of the subsidiary Euro Group Laminations Russia LLC, whose revenues had represented 1.4% of total revenues in the previous financial year ending on December 31, 2021, had been suspended at the end of 2021 as the main customer had requested not to receive products in the first half of 2022. In order to allow a possible resumption of activities, in the first months of 2022, the Group continued to financially support its subsidiary by paying the salaries of qualified technical personnel and the minimum amount of fixed costs necessary to keep the operating unit active (rent, bills, and normal maintenance). However, following the persistence of the war conflict and the absence of reliable forecasts regarding the possibility of resuming activities, the Group decided to impair Russian assets in the financial year ending on December 31, 2022, for Euro 4,946 thousand, of which Euro 3,965 thousand related to Property, Plant and Equipment and Euro 981 thousand related to Intangible Assets.

On March 11, 2022, Euro Group Asia Limited established the new company Euro Misi High-Tech, Jiaxing Ltd., which, as previously illustrated, will be dedicated to the production, on behalf of Euro Misi Laminations Jiaxing Co. Ltd., of motor cores destined for customers in the EV & Automotive segment. In December 2022, 31% of the share capital was transferred to Marubeni-Itochu Steel Inc. As of December 31, 2022, the share capital is paid in proportion by the two partners for a total value of USD 21.7 million.

On October 6, 2022, a new investment contract was signed with SIMEST concerning the financing of the development projects of Euro Group Asia Ltd.'s subsidiaries. Under this new contract, SIMEST subscribed and paid for a dedicated increase in the share capital of Euro Group Asia Ltd. for USD 4,339 thousand and granted two medium-term interest-bearing loans to the same company for a total amount of Euro 10,200 thousand.

With regard to the accounting of the shares held by SIMEST, reference is made to the paragraph "Discretionary valuations, accounting estimates and significant assumptions - Accounting for third-party interests" in the explanatory notes to the consolidated financial statements.

On October 11, 2022, the Group acquired 16.36% of the share capital of Eurotranciatura México S.A. De C.V., which was formally held by SIMEST for an amount of Euro 4,291 thousand.

06 | Research and development activities

The markets served by the Group are characterized by very demanding specifications for the "motor core", including better insulation, less noise, reduction of mechanical stress, and reduction of motor core losses. In particular, electric vehicle OEMs have increased requirements for the performance and key properties of electric motors, given the ongoing commitment to improve the efficiency of new motors. Therefore, each production phase is highly complex. The Group has a highly specialized R&D team that is mainly dedicated to the development of the Group's products, also in response to customer requests and needs (especially for customized products) and making production processes more efficient.

The Group's research and development activity focuses on the study, design, and implementation of new technical and technological solutions for the production of high-efficiency stators and rotors and the design of innovative stacking and cutting systems for thinner laminations. This function is fundamental to guarantee the quality and reliability of the Group's products and to identify technical solutions suitable to meet future customer needs. Thanks to the research and development function, the Group is able to constantly improve processes, efficiency, and product performance, as well as to maintain the same standards globally, further increasing entry barriers.

The Group's customers increasingly request the development of products through a co-development process, through which the Group designs products and tools to be used in the production process together with customers' research and development functions. During this process, the Group's R&D function supports the customer's internal R&D function by providing the Group's process and product know-how to increase innovation and improve product design.

In 2022, the Group invested in research and development activities, including experimental research, for about 1.5% of its revenues.

In detail, the Group supports its customers and activities through research and development laboratories with proprietary simulation tools that guarantee better insulation of laminations, reduction of mechanical stress, noise reduction, lower motor core losses, and supply chain optimization.

Research programs are integrated at the Group level and centrally coordinated, contributing to the creation of a project portfolio that management considers balanced between the development of new products and the optimization of existing ones. The Group also works in collaboration with research centers and universities.

In recent years, the Group's R&D function has been crucial in the development of Corpack® technology, for which the Group holds a patent and a registered trademark, with the related proprietary laser technology applied to the welded lamination process currently in the process of patent filing. In addition, thanks to the Glue Fastec® technology, exclusively licensed to the Group by Kuroda Precision Industries Ltd. in September 2014 and recently renewed for another 8 years, the Group is able to acquire unique experience in the field of Glue Fastec® bonding technology that allows highly efficient performance.

In the period 2022-2024, the Group intends to continue investing approximately 1.5% of its revenues each year in research and development activities to create more efficient processes and solutions and continue to have dedicated employees working in collaboration with research centers and universities.

The Group considers its trademarks, patents, licenses, know-how, domain names, and similar intellectual property rights important to its success and future growth. To this end, it relies on trademark and patent law and confidentiality, licensing, and intellectual property rights agreements with its employees, customers, suppliers, and others to protect its intellectual property rights. The patents of the Group - and in particular the Glue Fastec® technology - have proven crucial in obtaining important projects from new customers and strengthening relationships with existing ones. The development of new technologies is a key factor for the Group to maintain its competitive advantage.

The Group owns more than 30 domain names, over 50 patents on products and technologies mainly related to cutting dies, laminated articles for electrical use, circuit elements for electric machines, high-strength rotors and heat dissipating stators and rotors. In addition, the Group holds a patent registration for about 12 patents currently being evaluated by the relevant authorities. The Group has no patents expiring in the next 3 years, with the majority of patents expiring after 2032. With regard to plant innovation, the Group is currently developing fully automated plants in Mexico, Italy, and China.

07 | Main risks and uncertainties

On November 18, 2022, the Board of Directors of the Company, in accordance with the corporate governance recommendations contained in the Self-Discipline Code, decided to establish, starting from the beginning of trading, a Control, Risk and Sustainability Committee, in accordance with Articles 1 and 6 of the Self-Discipline Code, approving its operating rules.

The Control, Risk and Sustainability Committee, in assisting the Board of Directors, in accordance with the provisions of Article 6 of the Self-Discipline Code, has the function, among other things, of: (i) assessing the correct use of accounting principles; (ii) assessing the suitability of periodic financial and non-financial information to accurately represent the business model, strategies, impact of its activities and results achieved; (iii) providing opinions on specific aspects relating to the identification of major corporate risks and supporting the Board of Directors' decisions on risk management; (iv) reviewing periodic reports prepared by the Internal Audit function; (v) reporting to the Board of Directors, at least at the time of approval of the annual and semi-annual financial report, on the activities carried out as well as on the adequacy of the internal control system and risk management. Additionally, the Control, Risk and Sustainability Committee supports the Board of Directors in sustainability assessments and decisions.

In support of the Group's internal control and risk management system, in addition to the Control, Risk and Sustainability Committee, Recommendation 32 of the Self-Discipline Code provides that the Chief Executive Officer is responsible for the establishment and maintenance of the internal control and risk management system. On November 18, 2022, the Board of Directors of the Company appointed Marco Stefano Arduini as the CEO, with effect from the start of trading, as the administrator responsible for the internal control and risk management system to carry out the functions listed in Recommendation 34 of the Self-Discipline Code, which include, among others, identifying major corporate risks and periodically submitting them to the Board of Directors, designing, implementing and managing the internal control and risk management system in accordance with the guidelines defined by the Board of Directors and providing timely information to the Control, Risk and Sustainability Committee regarding issues and criticalities that arise during the performance of his duties or of which he is otherwise aware, so that the committee can take appropriate initiatives.

On November 18, 2022, also in support of the internal control and risk management system, the Company established the internal audit function, as indicated in Recommendation 36 of the Self-Discipline Code, starting from the beginning of trading. On that date, the Board of Directors, with the favorable opinion of the Board of Statutory Auditors, appointed Protiviti S.r.l. as the fully outsourced Internal Audit.

The types of risks identified are as follows:

- **EXTERNAL RISKS**
- **STRATEGIC RISKS**
- **OPERATIONAL RISKS**
- **FINANCIAL RISKS**

The following are the main risks for the Group for each of the types of risks listed above. The order in which they are listed does not imply any classification, either in terms of the likelihood of their occurrence or in terms of possible impact.

EXTERNAL RISKS

Country risk

The Group operates in 5 countries with 12 production facilities, located in Italy, Mexico, the United States, China, and Tunisia, including research centers (excluding the Russian plant, where activities have been suspended due to sanctions imposed against Russia in the context of the conflict between Russia and Ukraine). Additionally, the Group serves customers in approximately 40 countries. Given the Group's structure in Europe, North Africa, North America, and Asia, there is a country risk, which is believed to be mitigated by the diversification of business by geographical area. The Group constantly monitors the evolution of risks (political, economic/financial, and security) related to countries whose general political-economic context and tax regime could potentially become unstable in the future, in order to adopt any measures aimed at mitigating their potential risks.

Pandemic, Epidemic, and Other Health Emergencies Risk

The global spread of pandemics, epidemics, or other health emergencies such as the Covid-19 pandemic can negatively affect companies, including the Group, that operate in affected countries.

In the future, in the event of new pandemic events or in the event of a resurgence of Covid-19, national governments may adopt restrictive measures to contain such events, which could result in interruptions in the Group's facilities, negatively affecting its production capacity, causing delays or interruptions in the Group's supply chains with possible cost increases or a lack of availability of raw materials, and slowing down the activities of existing or potential customers of the Group, or possible spending limits by business customers. Such effects could have a significant negative impact on the Group's business, financial conditions, and operating results, as well as delay the implementation of development projects and consequently prevent the Group from achieving its growth objectives.

Demand

The Group's activity is influenced by the performance of the sectors in which the Group's customers operate. In particular, the Group relies on the development of the automotive industry, as its activity is increasingly based on the production of components used in the manufacture of automobiles. Changes in macroeconomic and socio-political environments could damage the Group's operations. GDP growth and industrial production growth are significant factors in the final markets where the Group's customers operate. In particular, demand and prices for the Group's products are sensitive to actual or expected changes in GDP and industrial production growth. A decline in GDP and slowdowns in industrial production could lead to a decrease in the volume and prices of products sold by the Group. Any crisis or adverse trend in one of the Group's main final markets could have a significant negative impact on the Group's business, financial conditions, and operating results. Additionally, growing protectionist tendencies could lead to significant changes in terms of customs, tax, and regulatory policies, as well as reducing the importance of current free trade zones.

STRATEGIC RISKS

Innovation

The market for electric vehicles is becoming increasingly demanding in terms of efficiency, product complexity, reduced design times, price competitiveness, and a high level of service, and is characterized by a constant technological evolution aimed at ensuring reliable engine performance. In particular, to offer innovative and competitive products to the market, the Group must quickly and fully understand the needs of its customers and continuously train its personnel. Similarly, the products of the Group's industrial segment are used in a wide range of applications, including industrial engines, fluid and gas transfer devices, ventilation systems, home appliances, and wind turbines, whose markets are driven, among other things, by increased government regulation relating to carbon emissions reduction. Furthermore, the ongoing transition towards the adoption of electric vehicles and electrification in general in all sectors, triggered by the fight against climate change, could encourage OEMs to enter the market by producing rotors and stators internally and attracting other new operators to the market, resulting in a significant increase in competition within the sector.

Through its Research & Development activity, the Group maintains an adequate level of product innovation, limiting the ability of competitors to offer products similar to those of the Group, thereby defending its technological competitive advantage.

Climate change

Since COP21 (the United Nations Conference on Climate Change in 2015) adopted the Paris Agreement in December 2015, the issue of climate change has become a global priority for businesses in all countries and regions. Although this goal offers business opportunities to the Group, climate change is also a source of broad-ranging medium and long-term business risks, such as those caused, among other things, by changes in policies and regulations related to climate change, technological development, market trends, and market reputation. Climate change can also cause direct losses in the event of natural disasters caused by climate change and extreme events related to weather conditions (such as floods, cyclones, and storms) that disrupt production and cause delays in shipping to customers and loss of activity. Such circumstances could increase the Group's environmental costs or liability, resulting in higher costs for environmental prevention and remediation measures.

The Group takes a comprehensive approach to managing this type of risk and in particular:

- **Examines** its value chain to identify points where it may be exposed to risks, including an assessment of how its raw materials are extracted, processed, and distributed, and an analysis of potential impacts on the Group;
- **Identifies** specific risks, including those related to liability and reputation;
- **Evaluates** the financial impacts of identified risks, such as repair and restoration costs following extreme weather events.

For further information, please refer to the Non-Financial Consolidated Statement (DNF).

Investments

The Group's activity is capital-intensive and requires significant investment for the realization of new projects. In particular, since most of the products in the EV & Automotive segment and a substantial part of the products in the Industrial segment are customized and developed based on specific customer requirements, before production begins, the Group must design the products as well as the molds for the manufacture of such products, produce or purchase and install the molds, organize production in one of its plants, and ensure the necessary raw materials.

These activities, which require a significant amount of financial resources, usually take place one or two years before production begins, while revenues from product sales is generated only later. Furthermore, to grow its business, the Group will need to increase its production capacity, which will require significant investments in new plants, equipment, and machinery. Therefore, the Group will continue to require significant financial resources to sustain and develop its business.

OPERATIONAL RISKS

Supply chain

For the production of its products, the Group uses a variety of raw materials such as electrical steel, aluminum, and various types of resin, primer, and glue. The quality of the Group's products depends significantly on the availability of high-quality raw materials (mainly electrical steel, resin, primer, and glue), which the Group purchases from suppliers mainly located in the United States, Germany, Japan, Mexico, and China, and the components necessary for the assembly process. This concentration of suppliers is due to the high quality of raw materials required for the production of stators and rotors for electric motors and the need for suppliers to undergo specific selection and accreditation procedures, as required by the Group's major customers. In the short term, therefore, the Group may have difficulty replacing its suppliers, particularly the supply of high-quality electrical steel. If the Group's suppliers were to incur any defaults or provide low-quality or defective products, the Group may incur additional costs and suffer damage to its image or relationships with customers.

In addition, the price and availability of the raw materials used by the Group depend mainly on factors beyond the Group's control, such as changes in law and regulation, exchange rate fluctuations, changes in demand in relevant markets, allocations of suppliers to competitors, interruptions in production cycles or supplier delivery orders, and delays in the delivery of components by suppliers. Following the decline in global demand and production of electrical steel in 2020 due to the Covid-19 pandemic, manufacturers restarted production of electrical steel in the first half of 2021; however, this recovery was accompanied by significant delivery delays. Further delivery delays could result from wars or conflicts, including the current crisis between Russia and Ukraine.

Product Quality

The Group must deal with potential product liability relating to product defects or improper use of equipment, malfunctions, and failures. Any widespread malfunction of any finished product incorporating the Group's products can lead to dissatisfaction, recalls, and consumer legal action. The automotive, home appliance, commercial and industrial engine, and other spare parts markets in which the Group operates are subject to rigorous safety regulatory standards required by the public, as equipment or machinery malfunctions could cause serious damage and, if attributable to defects in the Group's products, cause reputational damage. The Group may also be subject to adverse regulatory action, significant legal claims or disputes with customers, as well as administrative and/or criminal sanctions.

Information Technology

The Group uses multiple computer systems that periodically require updates and maintenance or replacement with new and more advanced systems and technologies. These systems are exposed to the risk of network failures, incidents, and malfunctions, data security breaches, viruses, unauthorized access, and natural events (which could cause interruptions to information and telecommunications networks and the electrical grid); this could result in data loss or disclosure of confidential or proprietary information. The increasing use of teleworking following the Covid-19 pandemic, with the resulting use of private networks, has also increased these risks.

The Group frequently updates its systems to support its activities and growth and to maintain compliance with applicable laws, regulations, and standards, as well as to ensure the adequacy of security systems in response to information technology risks.

Legal and compliance

The Group and its products and activities are subject to regulations and the related compliance risks, including the effects of changes in laws, regulations, policies, codes of conduct, accounting principles, and interpretations in Italy and other countries where the Group operates and sells its products. In particular, these regulations, both local and international, concern, among other things, data protection, antitrust, corruption, anti-terrorism, intellectual property, consumer protection, taxation, export regulation, tariffs, foreign trade control, and exchange control. Failure to comply with such laws and regulations can result in fines, sanctions, claims, injunctions, public enforcement, damage to reputation, and forced interruption of operations. Additionally, the Group may be subject to Italian legislation on the golden power, according to which there may be prohibitions or restrictions, among other things, on the acquisition of stakes in companies with activities and relationships in strategic sectors or resolutions involving companies with activities and relationships in such strategic sectors that entail a change in ownership, control, possession, or intended use of such activities or relationships.

In the course of its ordinary business, the Group may be involved in proceedings, including tax proceedings, that could give rise to obligations to pay damages and/or impose sanctions on the Group.

Furthermore, under certain circumstances, the Group's production and industrial activities may be hazardous to the environment and to health and safety in the workplace (e.g., moving loads, handling carcinogenic, corrosive, and flammable liquid and gaseous substances, as well as exposure to noise and mechanical vibrations). These circumstances subject the Group to extensive regulation in Italy, in the European Union, as well as in the various countries where it operates. In this regard, the Group monitors the adequacy of its structures and invests regularly in order to maintain its activities in compliance with the various regulations concerning the environment, health and safety in the workplace.

The mitigation actions undertaken by the Group are considered to significantly reduce the exposure to risk scenarios and are aimed at spreading a culture of compliance globally through the definition of specific ethical and behavioral principles, in addition to constant monitoring of regulatory developments. It should be noted in this regard that the Company and its Italian subsidiaries have adopted the model 231 in accordance with Law decree no. 231/2001, which introduced a system of corporate liability for various types of criminal offenses committed in the corporate interest and for the benefit of the entity concerned by administrators, executives, and employees. However, it provides that an entity is not liable if it demonstrates that it has effectively adopted and implemented an organizational, management and control model aimed at preventing the commission of such offenses.

FINANCIAL RISKS

The Group is exposed to financial risks that are primarily associated with the ability of customers to meet their obligations (credit risk), the ability to raise funds in the market (liquidity risk), fluctuations in interest rates (interest rate risk), and fluctuations in foreign currency exchange rates (foreign exchange risk).

Credit risk

The Group is exposed to the credit risk that customers may delay or fail to meet the agreed payment terms and that internal procedures adopted with regard to credit risk assessment and customer solvency may not be sufficient. To mitigate this risk, the Group controls the quality of third-party credit based on internal or external ratings and sets credit limits subject to regular monitoring. Customers are all major players in the sectors in which the Group is active, and credit risk is concentrated only on a small percentage of smaller customers. It should be noted that the Group uses factoring tools to reduce credit risk, and these tools involve transferring the receivables portfolio to specialized financial intermediaries.

Liquidity risk

The Group is exposed to the risk of not being able to obtain new loans or renew existing ones on terms no worse than existing ones, or it may incur a breach of financial parameters (covenants) set in existing financing contracts. Furthermore, the breach of covenants set in some existing loan contracts may, in some cases, trigger (due to cross-default clauses) the termination of the benefit of the term with reference to such additional contracts.

Considering the net financial position and the ability to generate positive cash flows from operating activities, liquidity risk is assessed as low. The Group has credit lines granted by the banking system that are adequate for operational needs.

The Group's cash flows, financing requirements, and liquidity are carefully monitored and managed in order to:

- **MAINTAIN** an adequate level of available liquidity;
- **DIVERSIFY** the methods used to increase financial resources;
- **PROVIDE** adequate credit structures;
- **MONITOR** prospective liquidity conditions in relation to the corporate planning process.

The factors that mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investment activities, the possible distribution of dividends, the maturity or refinancing of debt, and the management of cash surpluses. The liquidity requirement or surpluses are monitored daily by the Group to ensure effective procurement of financial resources or adequate investment of excess liquidity.

Negotiation and management of credit lines are coordinated by the Group to meet the short and medium-term financing needs of individual Group companies based on efficiency and cost-effectiveness criteria. It has always been the Group's policy to maintain relationships with different banks and diversify the total amount of credit lines in a manner consistent with the Group's needs, in order to be able to dispose of the necessary liquidity at any time to meet and comply with all financial commitments at the established economic conditions, as well as to ensure the availability of an adequate level of operational flexibility for any expansion program.

Market risk – Exchange rates

The Group also operates in countries outside the so-called euro zone. Furthermore, the balance sheets of non-community foreign subsidiaries are prepared in the local currency and converted into euros. The Group is therefore exposed to the risk of significant fluctuations in exchange rates: (i) the so-called economic exchange rate risk, which is the risk that revenues and costs expressed in currencies other than the euro will assume different values from the time when price conditions were defined; (ii) the so-called conversion exchange rate risk, arising from the fact that the Group - in preparing its balance sheet in euros - holds controlling interests in companies that prepare their balance sheet in currencies other than the euro and, therefore, carries out conversion operations of assets and liabilities expressed in currencies other than the euro.

The Group does not adopt specific policies to cover fluctuations in exchange rates. To manage exchange rate risk, the Group carries out purchases and sales in the same local currency through bank accounts opened in individual countries.

Market risk – Interest rate

The Group is subject to the risk of fluctuations in the interest rate on debt. Any changes in interest rates (EURIBOR) could have effects with an increase or decrease in financing costs.

08 | Human Resources and Organization

Group personnel

The staff of the Group constitutes a fundamental pillar on which constant attention and investment are focused. This is concretized by ensuring health and safety in the workplace, stability of the employment relationship, presence of benefits and incentivizing mechanisms, personal and professional growth, and respect for diversity and equal opportunities.

For this reason, over the years, various policies and procedures have been adopted that all employees are required to respect, in order to build and maintain a safe environment for the staff. In daily activities, the Group promotes and puts into practice its shared values, which consist of ensuring respect for diversity, protecting freedom of association, and ensuring fair working conditions. The Group's staff operates fully aware of their responsibilities towards the companies in which they operate, following work practices that respect human rights and protect the environment. The shared values and overall responsibility towards the Group are constantly reinforced through ad hoc training programs and the promotion of the principles of the Code of Ethics.

Acquisition, development, and retention of employees

The Group considers the professional development of all its employees an important tool for improving overall business performance and increasing employee retention. Eurotranciatura S.p.A. has developed Euro Academy, an employee training program created in 2018.

Since its establishment, Euro Academy has:
- organized training and updating courses, with qualified external teachers on various activities related to various business functions, including topics such as environmental emergency management and fire prevention;
- developed a project with an external supplier for the implementation of the new ERP for human resources "HR Infinity", which will bring new tools and structures.

About 18% of the Group's training programs focus on health and safety issues, including specialized training on unloading, loading, handling and management of dangerous goods, first aid, emergency fire response, and forklift driving. New hires are also offered training programs, which include information on the Code of Ethics that the Group is required to comply with.
The Group is constantly working to improve training programs and monitors a series of key performance indicators (KPIs) related to training hours, based on which it sets targets for future improvement in both the quality and frequency of training programs offered.

An initiative to highlight in terms of employee development is the one implemented by Eurotranciatura México S.A. de C.V. Since 2017, a Technological Baccalaureate program has been active according to the dual training modality with an educational model of integration between productive work, academic training, and technological innovation, thanks to the collaboration between Eurotranciatura México S.A. de C.V. and the teachers and managers of the Centro de Bachillerato Tecnológico Industrial y de Servicios located in the Municipality of Corregidora. In 2021, the first MBA program began with the release of the first 12 degrees.

09 | Environment, safety and health

Health and safety

Since 2020, the Group has annually monitored its corporate carbon footprint. Moreover, in March 2022, Eurotranciatura S.p.A. was awarded the Ecovadis gold medal for the sustainability of its activities.

The Group's plants and their production activities are subject to the laws and regulations in force on environmental matters in every jurisdiction in which the Group operates. These laws and regulations govern, among other things, the release of pollutants into the air, water, and soil; the use, storage, and disposal of hazardous substances and waste; and the remediation of contaminated areas.

The Group considers the health, safety, and environment (HSE) of people to be one of its main priorities and is committed to continuously improving its environmental, health, and safety management systems in line with the highest technical standards and certifications. The Group focuses on reducing accidents, occupational illnesses, and other accidental events through the implementation of appropriate preventive measures and the verification of the adequacy and effectiveness of internal policies and management systems. The Group identifies and constantly updates the internal procedures and requirements applicable to health and safety aspects.

Through the HSE management system, the top management of each entity has the primary objective and responsibility of defining and informing personnel and all parties involved about the objective of implementing and maintaining the aforementioned safety standards. The Group's commitment is to identify all legal requirements, or those subscribed to by the company, applicable to each environmental and health and safety aspect, providing adequate managerial and economic resources to maintain full compliance with legal requirements and subscribed standards over time, providing safe and healthy working conditions, eliminating hazards and/or reducing risks associated with its activities. The Group's commitment is also directed towards constant consultation and participation of workers. Furthermore, the Group assumes responsibility for informing, instructing, and training its personnel and the employees of external companies present in the plant regarding the health and safety consequences and environmental impact caused by any deviations from the norms and procedures defined.

Specific technical training is provided to employees working in the production lines and to new hires participating in the onboarding programs. To monitor the progress of health and safety management processes, annual reports are generated with key HSE performance indicators, including "near-miss incidents".

Corporate culture and human rights

The Group expresses its responsibility in ensuring a fair and sustainable work environment, respecting international labor and human rights standards. As a contribution to the respect of human rights, the Group has directed its commitment within the Sustainability Manual towards the areas listed below:

- Child labour
- Freedom of association and the right to collective bargaining
- Discrimination
- Promotion of diversity
- Dignity at work
- Diversity and inclusion
- Dialogue with employees

More information, including numerical evidence, on the subject matter of this paragraph is available in the specific section of the Consolidated Non-Financial Declaration (DNF) jointly published with this report.

Environment

Environmental factors are at the center of the values and strategy of the Group and represent a long-term commitment that the Group intends to strengthen through various initiatives and projects.

The Group conducts its business in an ethical and transparent manner and invests in the development of sustainable technologies that drive economic growth through careful management of natural resources and the use of clean energy. The Group is committed to pursuing the continuous reduction of its environmental impact as an integral part of its activity and as a strategic commitment, and to constantly monitor compliance with current laws and regulations on environmental protection. To this end, the Group: (i) adopts policies for mobility transformation and innovation management; (ii) implements energy management and transition to renewable energies; (iii) is attentive to climate change and emissions (assessment of the carbon footprint with 100% coverage of revenues) and, having equipped about 1.6 million electric vehicles and over 2,000 wind turbines worldwide in 2021, will actively contribute to global decarbonization, allowing the avoidance of approximately 1.8 million tons of CO_2 emissions with the use, throughout the entire life cycle, of its products; (iv) focuses on waste and material management, capable of recycling around 200,000 tons of metal material per year; and (v) some of the Group's production companies adopt a certified environmental management system as a guarantee of the Group's environmental risk management.

In addition, the Group has two green loans guaranteed by SACE for a total amount of 30 million euros. In particular, on December 22, 2021, Eurotranciatura S.p.A. entered into a financing agreement with Crédit Agricole Italia S.p.A., guaranteed by SACE S.p.A. for an amount of 15 million euros, maturing on September 30, 2027, and a financing agreement with Banca Nazionale del Lavoro S.p.A., guaranteed by SACE S.p.A. for an amount of 15 million euros, maturing on December 22, 2028. Both loans are intended to be used by Eurotranciatura S.p.A. exclusively to finance projects with environmental objectives, such as climate change mitigation.

With regard to the certifications of the Management Systems, the following table shows the certifications obtained by the various subsidiaries:

	ISO 9001	ISO 14001	ISO 45001	IATF16949
Eurotranciatura S.p.A.	x	x	x	x
Corrada S.p.A.	x			
SAF S.p.A.	x			x
Eurotranciatura Mexico S.A. de C.V.	x	x		x
Eurotranciatura USA L.L.C.	x			
Euro Misi Laminations Jiaxing Co. Ltd.		x		x

Since 2020, the Group has been annually monitoring its corporate carbon footprint. In addition, in March 2022, Eurotranciatura S.p.A. obtained the Ecovadis gold medal for the sustainability of its activities.

The Group's facilities and their production activities are subject to the laws and regulations in force regarding the environment in every jurisdiction in which the Group operates. These laws and regulations govern, among other things, the release of pollutants into the air, water, and soil; the use, storage, and disposal of hazardous substances and waste; and the remediation of contaminated areas.

10 | Related parties transactions

On November 18, 2022, the Board of Directors of the Company adopted a Procedure for Related Party Transactions in accordance with the Related Party Regulation adopted by Consob resolution no. 17221 of March 12, 2010, as subsequently amended by resolution no. 22144 of December 22, 2021, with effect from the start of negotiations.

The Group has relationships with related parties, particularly with the controlling company E.M.S. S.p.A., with whom it has commercial relationships related to lease contracts for properties owned by the controlling company and financial relationships related to a financial loan that will be repaid after the balance sheet date.

Furthermore, under IAS 24, all entities and individuals able to exercise control, joint control, or significant influence over the Group and its subsidiaries are identified as related parties of the Group. In addition, members of the Board of Directors, executives with strategic responsibilities, and their close family members are considered related parties.

Please refer to the explanatory notes to the consolidated financial statements for a detailed analysis of the transactions with related parties.

It should be noted that during the current financial year, no unusual or atypical transactions were carried out with related parties and that transactions with related parties occurred on terms consistent with normal market values.

11 | Other information

Shareholders of the Parent Company EuroGroup Laminations S.p.A.

The company's share capital is equal to Euro 6,111,941.00, divided into 94,016,319 ordinary shares and 73,677,026 multiple voting shares, corresponding to a total of 315,047,397.00 voting rights exercisable in the Shareholders' Meeting, without indication of the nominal value.

The following table shows the main shareholders of EuroGroup Laminations S.p.A.

Subject placed at the top of the investments chain	Direct shareholder	% Voting rights
Euro Management Services S.p.A.	Euro Management Services S.p.A.	70.337%
Tikehau Investment Management S.A.S	Delorean Partecipazioni S.p.A.	3.359%
	Tikehau Investment Management S.A.S	0.462%
	Flottante	25.842%

Transactions deriving from atypical and/or unusual operations

The EuroGroup Laminations parent company and the Group have not carried out any atypical and/or unusual transactions, meaning transactions that due to their significance and/or relevance, nature of the counterparties, object of the transaction, transfer pricing determination methods and timing of the event, may raise doubts about the correctness and/or completeness of the information in the financial statements, conflicts of interest, safeguarding of the company's assets and protection of minority shareholders.

Treasury shares and shares or parent companies

In accordance with Article 2428 of the Italian Civil Code, it is stated that:
- as of December 31, 2022, there are no own shares or shares of the controlling company in the portfolio, not even indirectly through trust companies or third parties.

Director in charge of preparing company accounting documents

On November 18, 2022, the Board of Directors appointed Isidoro Guardalà, Chief Financial Officer of the Group, as the Manager in charge of preparing company accounting documents, with the appointment effective from the start of trading, also considering the professional requirements required by the law, according to which the appointed director must be an expert in administration, finance, and control and possess the integrity requirements established for directors.

Waiver of the obligation to publish disclosure documents

In accordance with the provisions of Article 70, paragraph 8, and Article 71, paragraph 1bis, of the Issuers' Regulation, the Company has waived the obligation under Article 70, paragraph 6, and Article 71, paragraph 1, relating to the publication of a disclosure document prepared in accordance with Annex 3B of the Issuers' Regulation, on the occasion of significant merger, spin-off, capital increase through contribution of assets, acquisitions, and sales.

Controlled companies established and regulated by the law of states not belonging to the European Union Obligations under Articles 36 and 39 of the Markets Regulation

In compliance with the provisions of Articles 36 and 39 of the Markets Regulation (adopted by Consob resolution no. 16191 of October 29, 2007, and subsequently amended by resolution no. 16530 of June 25, 2008), the Group has identified some controlled companies, with registered offices in countries outside the European Union, which are of significant relevance within the meaning of paragraph 2 of the aforementioned Article 36 and therefore fall within the scope of the rule. In particular, these companies are (i) Eurotranciatura México S.A. de C.V.; (ii) Eurotranciatura U.S.A. L.L.C.; and (iii) Euro Misi Laminations Jiaxing Co. Ltd, and it is noted that they meet the requirements under paragraph 1 of Article 36 of the Markets Regulation.

With regard to the above, it is believed that the administrative-accounting and reporting systems currently in place in the Group are suitable for regularly providing the parent company's management and auditor with the economic, asset, and financial data necessary for the preparation of the consolidated financial statements.

For companies falling within this scope, the parent company, EuroGroup Laminations S.p.A., continuously has a copy of the bylaws, composition, and specific powers of the corporate bodies.

Adoption of Model 231

The Company has adopted the organizational and management model indicated in Law Decree 231/2001 ("Model 231") for the purpose of creating a regulatory system aimed at preventing unlawful acts that can be considered potentially significant in the application of this decree and that have therefore constituted a supervisory body ('"Supervisory Body" or "SB") as indicated in Article 6, paragraph 1, letter b), of Law Decree 231/2001.

The Model 231 of the company aims to:

- ensure conditions of fairness and transparency in the conduct of the Company's activities, to protect its position and image as well as the expectations of its employees;
- sensitize the staff of the Company in carrying out their activities, and to ensure that they behave correctly, in order to avoid the risk of committing the offenses provided for by Law Decree no. 231/2001.

The Supervisory Board (OdV) is composed of 2 members, Rita Crobe and Paolo Terzi, appointed by the Board of Directors of the Company on October 5th, 2022. The OdV satisfies the applicable requirements of autonomy, independence, professionalism and continuity of action. The OdV is responsible, among other things, for: (i) monitoring the adequacy of Model 231, ensuring that the behaviors carried out within the Company correspond to Model 231, also by carrying out periodic checks, and verifying that Model 231 is consistent with (a) the Company's procedures that constitute its implementation and (b) the Code of Ethics; (ii) assessing the effectiveness of Model 231, namely verifying, also in consideration of the evolution and changes that have occurred at the company level, that the prepared Model 231 is actually capable of preventing the commission of crimes presupposed by Law Decree 231/2001, as subsequently updated; and (iii) assessing the opportunity to propose updates or modifications to Model 231, in order to adapt it to changes in the company structure and regulatory changes, also through periodic monitoring of crime risk areas.

Model 231, also adopted by the Italian subsidiaries Eurotranciatura S.p.A., Corrada S.p.A., Euroslot Tools S.r.l. and SAF S.p.A., is supplemented by the Company's Code of Ethics, which identifies its reference values, establishes rules of conduct, highlighting the rights, duties, and responsibilities of all those who, in any capacity, operate or collaborate with the Company.

Designation of the Data Protection Officer in accordance with Article 37 of the UT Regulation 2016/679

Although not required by law, the Company has appointed a Data Protection Officer (hereinafter DPO) in accordance with Article 37 of UT Regulation 2016/679, identifying their respective tasks in order to support the Company in the continuous process of implementing the provisions of the Regulation and other applicable regulations, as well as monitoring compliance with them, ensuring necessary verification activities over time.

The appointed subject is Partners4Innovation S.r.l.. The role of coordinator at Partners4Innovation S.r.l. will be held by Ms. Ilaria Andrisani, whose name has also been formalized within the communication of the DPO to the Guarantor Authority.

The designation has also been made by the subsidiary Eurotranciatura S.p.A..

On this occasion, it is reminded that the tasks assigned to the DPO by the regulation are as follows:

- **i.** Inform and provide advice to the Company or the data controller as well as to employees who carry out the processing regarding the obligations arising from the Regulation, as well as from other national or Union provisions relating to data protection, in accordance with Article 39(1)(a) of the Regulation;
- **ii.** Monitor compliance with the Regulation, other national or Union provisions relating to data protection as well as the data controller's policies on personal data protection, including assigning responsibilities, raising awareness and training of staff involved in the processing and related monitoring activities, in accordance with Article 39(1)(b) of the Regulation;
- **iii.** Provide, if requested, an opinion on the impact assessment on data protection and monitor its implementation in accordance with Article 39(1)(c) of the Regulation;
- **iv.** Cooperate with the representatives appointed by other companies in the Group of which the Company is a part;
- **v.** Cooperate with the competent supervisory authorities, in accordance with Article 39(1)(d) of the Regulation;
- **vi.** Act as a contact point for data subjects on issues related to the processing of their personal data;
- **vii.** Act as a contact point for supervisory authorities on issues related to the processing, including prior consultation under Article 36, and consult, if necessary, on any other issue, in accordance with Article 39(1)(e) of the Regulation;
- **viii.** Support the Data Controller in updating the record of processing activities, under the responsibility of the Company and in compliance with the instructions given by the Data Controller;
- **ix.** Report periodically to the Board of Directors of the Company elements to be brought to their attention with reference to the topics covered by the assignment, and promptly report more urgent matters in which the DPO deems it appropriate to involve the Board of Directors.

Market abuse

On November 18, 2022, the Board of Directors resolved to adopt, with effect from the start of trading:

- The procedure for the treatment of privileged information and for the creation and maintenance of the register of persons who have access to privileged information, aimed at regulating the management and treatment of privileged information by the Company and its subsidiaries, as well as the creation and retention by the Company of the register of persons who, based on their work or professional activities or functions, have access to privileged information;

- The procedure for managing the information requirements arising from the internal dealing regulations as set out in Article 19 of the MAR Regulation, Article 114(7) of the TUF, and Articles 152-quinquies 1 et seq. of the Issuers Regulation aims to define (i) the rules for fulfilling the obligations to inform Consob and the market of transactions in financial instruments issued by the Company, or other financial instruments related to them, carried out on their own behalf, even indirectly, by relevant persons, or by individuals who, by virtue of their position within the Company, have decision-making power or significant knowledge of the Company's strategies, which may benefit them in investment decisions on the Company's financial instruments, as well as (ii) the related restrictions.

Shares held by Administrators, Auditors, and Executives with strategic responsibilities

For information regarding shares held by Administrators, Auditors, and Executives with strategic responsibilities, please refer to the Report on the policy for remuneration and compensation paid in accordance with article 123-ter of the Consolidated Law on Finance, prepared in accordance with article 84-quater and Annex 3A, Template 7-bis of the Issuers' Regulation and article 5 of the Corporate Governance Code, which can be consulted on the Company's website at https://www.euro-group.it/it-IT/governance#596.

Report on Corporate Governance and Ownership Structures

The Report on Corporate Governance and Ownership Structures in accordance with Article 123-bis of the Consolidated Finance Act of EuroGroup Laminations S.p.A. is contained in a separate report from the Management Report, jointly published with the latter and available on the EuroGroup Laminations S.p.A. website (https://www.euro-group.it/it-IT/governance#596).

Consolidated Non-Financial Statement (DNF)

The 2022 Consolidated Non-Financial Statement in accordance with Law Decree 254/2016 is contained in a separate report from the Management Report, jointly published with the latter and available on the EuroGroup Laminations S.p.A. website (https://www.euro-group.it/it-IT/governance#596).

Compliance with corporate governance provisions

In light of the corporate governance measures described above, starting from the date of commencement of trading, the corporate governance system of the Company is in compliance with the relevant provisions contained in the Consolidated Finance Act and the Code of Conduct, and more generally with the Law and regulatory provisions applicable to listed companies in Italy.

Stock option plan

On November 18, 2022, the Ordinary Shareholders' Meeting decided to adopt a stock option plan aimed at aligning the interests of the Company with those of the Administrators and key executives in the medium to long term ("Stock Option Plan" or "SOP"), effective from the start of trading. The SOP, which provides for the sale of option rights that grant the right to subscribe for ordinary shares, has the following objectives: i) align the interests of the beneficiaries (identified by the Board of Directors, after consulting the Nomination and Remuneration Committee) with those of shareholders and investors, and with the Group's overall strategic plan; and ii) encourage the long-term retention of the beneficiaries of the plan.

In accordance with the SOP, whose regulations were approved by the Board of Directors on January 18, 2023, beneficiaries will be entitled to receive up to a certain number of option rights, each of which grants the right to subscribe for one ordinary share at a certain price. In particular, the SOP, which has a duration of five years, is structured into three cycles with possible maturity of the rights and allocation of shares in 2026, 2027, and 2028.

At the end of each cycle, the beneficiary may choose to exercise one third of the assigned options by paying the exercise price (strike price); furthermore, the options that the beneficiary is entitled to exercise give the right to subscribe for shares of the Company on a 1:1 basis, for a maximum number of shares corresponding to a maximum percentage of 2% of the Company's share capital.

The exercise of options under the SOP is not linked to performance targets, but is instead linked to the retention of beneficiaries. To implement the SOP, on November 18, 2022, the Extraordinary Shareholders' Meeting decided, among other things, to grant the Board of Directors, effective from the start of trading and for five years from the date of the resolution, the power to increase the share capital in accordance with Article 2443 of the Civil Code to serve future incentive plans relating to the Company's ordinary shares, whose beneficiaries will be identified by the Board of Directors, for a maximum amount of Euro 22,000 thousand, through the issuance of new ordinary shares without nominal value, with exclusion of the pre-emption rights in accordance with Article 2441, fifth and eighth paragraph of the Civil Code.

12 | Subsequent Events

Approval of Business Plan

On January 18, 2023, the Board of Directors approved the 2022-2026 Industrial Plan, which outlines the following business strategies, broken down by the reference operating segments:

EV & AUTOMOTIVE: (i) expand its existing order portfolio and additional pipeline of orders under discussion worldwide (Europe, Asia, and the United States), which should generate revenues and cash flows in the coming years, with additional projects and initiatives currently being evaluated and implemented; (ii) leverage its success and reputation in the sector to take advantage of further growth opportunities in the electric vehicle market; (iii) leverage long-standing relationships with key customers (OEMs and Tier 1) to maintain its market position in Europe and North America; (iv) achieve a leadership position in Asia through continued growth of the current customer base, increased market penetration, and the creation of a reference point for Asian operators; (v) continue to invest in strengthening its technological know-how through continuous innovation and maintaining its competitive advantage; and (vi) improve the efficiency of production processes to manage increasing volumes, as well as to further support and increase profitability.

INDUSTRIAL: (i) leverage trends resulting from the energy transition and growing electrification and increased demand for energy efficiency in various sectors; (ii) leverage potential synergies with the EV & Automotive segment by sharing experiences, technologies, and process automation; (iii) focus on product innovation to consolidate existing longstanding relationships with key Group customers and acquire new customers; (iv) pursue geographic, product, and end-market diversification to ensure a highly diversified and stable revenues stream; (v) become a reference supplier and increase market share by developing turnkey technical solutions through collaborations with existing customers; (vi) improve operational efficiency through new automation systems to reduce costs and time-to-market; and (vii) leverage its know-how and experience to develop new, higher value-added products.

The Industrial Plan provides for a revenues CAGR between 23% and 25% for the period 2022-2025, an EBITDA CAGR between 27% and 29%, with Capex of approximately Euro 90 million in the 2023 fiscal year and an average Capex level for the 2024-2025 period equal to 4.5%-5% of revenues.

The revenues growth projected by the plan is largely determined by the development of the EV & Automotive segment. In particular, the plan provides for an increase in revenues with particular reference to the EV Traction product line, which benefits from the Group's substantial order portfolio. It is also believed that the revenues CAGR forecast in the plan is broadly in line with the Group's reference markets[7].

Listing on the Euronext Milan Stock Exchange

On February 10, 2023, EuroGroup Laminations S.p.A. completed the process of listing its ordinary shares on the Euronext Milan Stock Exchange following (i) the decision to admit the Company's shares to trading on the Euronext Milan Stock Exchange, issued by Borsa Italiana on January 31, 2023; and (ii) the communication on February 1, 2023, by the National Commission for Companies and the Stock Exchange ("CONSOB") of the approval of the Information Memorandum relating to the admission to trading on Euronext Milan, an organized and managed market by Borsa Italiana S.p.A., of the ordinary shares of EuroGroup Laminations S.p.A.

[7] Source: IHS Markit| e-Motor forecast Data Cut | 2021-2028

Termination of management and coordination activities by Euro Management Services S.p.A.

The company, with effect from the start of trading (i.e. from February 10, 2023), has ceased to be subject to the direction and coordination activity by E.M.S. Euro Management Services S.p.A. In particular, the cessation of the direction and coordination activity occurred because with the listing, the factual circumstances that determine the exercise of direction and coordination have ceased to exist, and in particular, from the start of trading (i) the main decisions concerning the management of the company, including the approval of the strategic, industrial, and financial plans and budgets of the Company and the Group as well as the evaluation of the adequacy of the organizational, administrative, and accounting structure of the Company and the Group, are made within the proper bodies of the Company, (ii) the Company operates autonomously with respect to the management of relationships with customers and suppliers, without any interference from parties outside the Company, (iii) E.M.S. Euro Management Services S.p.A. continues not to exercise any centralized treasury function in favor of the Company, and (iv) the Company is not subject to group regulations or directives or instructions issued by E.M.S. Euro Management Services S.p.A. concerning, among other things, the completion of extraordinary operations or the definition of group strategies.

13 | Foreseeable evolution of management

In 2023, the Group is facing several challenges, primarily the dynamics of inflation in the main business areas (America and Europe), the risk of recession or lack of growth as indicated by major international research institutions, and the geopolitical instability generated by the conflict between Russia and Ukraine.

Despite this, the first two months of the 2023 financial year have been in line with what was expected in the Industrial Plan.

The Group is closely monitoring the evolution of the markets of interest, both with reference to supply conditions and the availability of raw materials, and with reference to the dynamics related to the energy transition. With regard to the evolution of the crisis related to the Russia-Ukraine war, it is believed that there are no further significant impacts, since the Group has already reorganized its supply chain and recorded all accounting impacts in 2022.

On February 14, 2023, the European Parliament approved the agreement on cutting CO_2 emissions for cars and light commercial vehicles, in line with the EU's ambitious climate objectives. The legislation approved requires new cars and new light commercial vehicles to produce no CO_2 emissions from 2035. The goal is to reduce the emissions of these types of vehicles by 100% compared to 2021. The intermediate emission reduction targets for 2030 have been set at 55% for cars and 50% for vans.

This decision accelerates, for the European market, the transition to electric mobility, which represents one of the Group's major growth factors in the coming years.

14 | Separate financial statements - Resolution proposal

The approval of the Financial Statements for the year ended December 31, 2022, approved by the Company's Board of Directors on March 31, 2023, and the allocation of the results of the year ended December 31, 2022, are submitted to the Shareholders' Meeting.

In particular, the year ended December 31, 2022, resulted in a profit of Euro 2,212,548, which is proposed to be allocated as follows:

- Euro 110,628 to the legal reserve
- Euro 2,101,920 to retained earnings

Finally, it is proposed to confer on the directors Sergio Iori, Marco Stefano Arduini, and Isidoro Guardalà, separately, also through the appointment of special proxies for individual acts or categories of acts, with the power to sub-delegate to third parties all or some of the powers conferred, a mandate for the performance of all activities related to, resulting from, or connected to the implementation of the above.

Consolidated Financial Statements

Consolidated Statement of **Financial Position**

(Amounts in thousands of Euros)	Notes	As at December 31, 2022	Of which with Related parties	As at December 31, 2021	Of which with Related parties
Intangible assets	(1)	2,774		2,440	
Tangible assets	(2)	206,550		145,507	
Rights of use	(3)	55,115	33,158	61,993	28,393
Deferred tax assets	(5)	23,325		23,025	
Non-current financial assets and receivables	(4)	5,931	-	17,797	5,600
Other non-current assets	(6)	1,834		1,907	
Total non-current assets		**295,529**		**252,669**	
Inventories	(7)	335,733		219,948	
Trade receivables	(8)	150,573	43	97,019	
Cash and cash equivalents	(9)	116,503		137,662	
Other current assets and receivables	(10)	53,499		27,094	
Current financial assets and receivables	(11)	5,684	5,684	-	
Tax receivables	(12)	4,223		1,896	
Total current assets		**666,215**		**483,619**	
TOTAL ASSETS		**961,744**		**736,288**	
Share capital		6,112		6,112	
Share premium reserve		34,410		34,410	
Other reserves		4,963		5,204	
Retained earnings		118,020		81,829	
Total Group's equity	**(13)**	**163,505**		**127,555**	
Total equity of third parties		**32,120**		**19,772**	
Total equity		**195,625**		**147,327**	
Non-current financial liabilities	(14)	190,778		134,997	
Financial liabilities arising from leases	(15)	41,202	23,568	47,568	26,139
Employee benefits	(16)	4,070		4,809	
Funds for risks and charges	(17)	1,230		402	
Deferred tax liabilities	(5)	12,825		8,088	
Other non-current liabilities	(18)	5,085	549	9,906	5,445
Total non-current liabilities		**255,190**		**205,770**	
Current financial liabilities	(14)	142,279		97,535	
Financial liabilities from current usage rights	(15)	7,192	2,571	7,768	2,533
Trade payables	(19)	329,292		240,210	
Tax liabilities	(21)	9,849		2,415	
Other current liabilities	(20)	22,317		35,263	
Total current liabilities		**510,929**		**383,191**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**961,744**		**736,288**	

Consolidated income statement

(Amounts in thousands of Euros)	Notes	Year ended at December 31, 2022	Of which with Related parties	Year ended December 31, 2021	Of which with Related parties
Revenuess	(22)	851,112		556,904	
Other revenuess		5,270	126	2,211	
Change in inventories of products in process, semi-finished and finished products	(23)	37,345		10,628	
Costs of raw materials	(24)	(576,657)		(351,737)	
Costs of services	(25)	(98,714)		(71,522)	
Cost of personnel	(26)	(105,990)	(2,161)	(88,551)	(3,698)
Other operating expenses	(27)	(4,942)		(2,091)	
Income (charges) from equity investments valued using the equity method		-		2,846	
Write down of assets		(4,946)		-	
Depreciation and Amortization	(28)	(26,091)	(2,694)	(23,269)	(2,678)
Operating profit		**76,387**		**35,419**	
Financial charges	(30)	(14,117)	(405)	(7,676)	(435)
Financial income	(29)	2,561	90	849	84
Profit (loss) on exchange rates	(31)	(1,213)		1,081	
Profit before tax		**63,618**		**29,673**	
Taxes	(32)	(19,840)		(8,982)	
Profit for the year		**43,778**		**20,691**	
Profit attributable to the Group		39,287		18,752	
Profit attributable to Third parties		4,491		1,939	
Earnings per share	(33)	6,43		3,07	

Consolidated Statement of **Comprehensive Income**

(Amounts in thousands of Euros)	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Profit for the year		**43,778**	**20,691**
Other profit/(loss) from the total income statement that will be reclassified to the income statement net of the fiscal effect		**419**	**11,677**
Gains/(losses) in currency resulting from the conversion of transactions into currency	(13)	1,948	6,506
Gains/(losses) from the measurement at *fair value* of equity instruments before tax	(13)	(1,713)	6,820
Tax effect of profit from the measurement of equity instruments at fair value		21	(1,636)
Gains/(losses) arising from the measurement of pre-tax hedging derivatives at fair value	(13)	214	(17)
Tax effect of gains/ (losses) arising from the fair value measurement of hedging derivatives	(13)	(51)	4
Other profit/(loss) from the total income statement that will not be reclassified to the income statement net of the fiscal effect		**570**	**60**
Actuarial gains/(losses) on employee benefits before taxes	(13)	750	79
Tax effect of actuarial gains/(losses) on employee benefits	(13)	(180)	(19)
Total other components of the total income statement for the financial year		**989**	**11,737**
Attribution:			
Pertaining to the Group		38,898	29,906
Pertaining to third parties		5,869	2,522
Profit for the year		**44,767**	**32,428**

Consolidated Statement of **Cash Flows**

(Amounts in thousands of Euros)	Notes	Year ended December 31, 2022	Year ended December 31, 2022
Profit for the year		**43,778**	**20,691**
Income taxes	(32)	19,840	8,982
Depreciation and Amortization	(28)	26,091	23,269
Difference between pension contributions paid and pension charges	(16)	(169)	(444)
Financial income	(29)	(2,561)	(849)
Financial charges	(30)	14,117	7,676
Capital gains from the sale of tangible assets		-	(43)
Inventory write-down	(7)	13,778	5,453
Credit write-down	(8)	1,712	(115)
Fees for share-based compensation	(26)	2,161	3,698
Result of equity investments		-	(2,846)
Net change in provisions for risks	(17)	828	18
Write down of non-current assets		4,946	-
Cash flow before changes in net working capital		**124,521**	**65,491**
(Increase)/decrease in trade receivables	(8)	(55,266)	(30,622)
(Increase)/decrease of inventories	(7)	(129,563)	(87,956)
Increase/(decrease) of trade payables	(19)	89,082	107,543
Increase/(decrease) of tax liabilities	(21)	(6,771)	(471)
(Increase)/decrease of other credits	(10)	(27,004)	(13,374)
Increase/(decrease) of other debts	(20)	(13,395)	11,217
Cash flow after changes in net working capital		**(18,396)**	**51,828**
Income taxes paid		(2,452)	(3,419)
Cash flow from operating activities (A)		**(20,848)**	**48,409**
(Investments) in tangibile assets	(2)	(84,354)	(37,093)
Realization price of tangible assets		-	806
(Investments) in intangible assets	(1)	(754)	(319)
Acquisition of subsidiaries net of Cash and cash equivalents		-	19,041
Interest collected		455	826
Dividends collected		-	1,400
Cash flow from investing activities (B)		**(84,653)**	**(15,339)**
Ignition of bank loans	(14)	108,756	56,193
Repayment of bank financing	(14)	(63,034)	(34,545)
Repayment of current financial liabilities	(14)	(12,647)	(18,060)
Increase of current financial liabilities	(14)	66,901	11,781
Repayments of financial liabilities arising from *leases*	(15)	(9,863)	(10,377)
Dividends paid		(5,329)	(2,519)
Interest paid		(12,162)	(7,412)
Consolidation area change		6,580	-
Cash flow from financing activities (C)		**79,202**	**(4,939)**
Increase (decrease) of Cash and cash equivalents (A+B+C)		**(26,299)**	**28,131**
Cash and cash equivalents at the beginning of the year		**137,662**	**107,655**
Effect of changes in exchange rates		5,140	1,876
Cash and cash equivalents at the end of the year		**116,503**	**137,662**

Consolidated Statement of **Changes in equity**

			Other reservations							
(In thousands of Euros)	Share capital	Share premium Reserve	Legal reserve	*First time adoption - FTA Reserve*	Conversion Reserve	Other components of the total income statement	Retained Earnings	Group's Equity	Equity of third parties	Total equity
December 31, 2020	**6,112**	**34,410**	**648**	**-3,875**	**-4,215**	**1,492**	**63,077**	**97,649**	**6,307**	**103,956**
Dividends distributed									(2,519)	(2,519)
Acquisition of consolidated companies									13,462	13,462
Profit for the year							18,752	18,752	1,939	20,691
Actuarial gains						54		54	6	60
Profit from the measurement of equity instruments at fair value						5,184		5,184	-	5,184
Losses arising from the measurement at fair value of hedging derivatives						(13)		(13)		(13)
Change in conversion reserve					5,929			5,929	577	6,506
Total other components of the total income statement for the year					5,929	5,225	18,752	29,906	2,522	32,428
December 31, 2021	**6,112**	**34,410**	**648**	**(3,875)**	**1,714**	**6,717**	**81,829**	**127,555**	**19,772**	**147,327**
Allocation of the profit			148				(148)			
Dividends distributed							(2,948)	(2,948)	(1,052)	(4,000)
Consolidation area variation									7,531	7,531
Operating profit (loss)							39,287	39,287	4,491	43,778
Actuarial profit (loss)						505		505	65	570
Gains from fair value measurement of equity instruments						(1,692)		(1,692)		(1,692)
Losses arising from the fair value measurement of hedging derivatives						163		163		163
Exchange differences					635			635	1,313	1,948
Total other components of comprehensive income for the year					**635**	**(1,024)**	**39,287**	**38,898**	**5,869**	**44,767**
December 31, 2022	**6,112**	**34,410**	**796**	**(3,875)**	**2,349**	**5,693**	**118,020**	**163,505**	**32,120**	**195,625**

Explanatory Notes to the Consolidated Financial Statements

ACCOUNTING POLICIES AND EVALUATION CRITERIA

General information

EuroGroup Laminations S.p.A. (hereinafter "Company", "Parent Company" or "EuroGroup Laminations") is a public limited company registered in Italy. The parent company is Euro Management Services S.p.A. (also known as E.M.S.). The registered office address is Via Stella Rosa 48, Baranzate (Milan, Italy).

The main activities of the Company and its subsidiaries (collectively referred to as "the Group") and the nature of the Group's activities concern the production of stators and rotors for rotating electric machines (electric motors and generators), by cutting (progressive and block) or punching magnetic laminations, the latter for large electric machines, as well as the casting of aluminium molds of rotors intended for such electric machines. Moreover, also in these sectors, the Group realizes the assembly of the above products and the related auxiliary processes, as well as the design and construction of molds for cutting the laminations described above.

CRITERIA FOR PREPARING THE FINANCIAL STATEMENTS

Declaration of conformity

The consolidated financial statements of EuroGroup for the year ended at December 31, 2022 were prepared in accordance with the international accounting standards ("International Financial Reporting Standards") issued by the international accounting standards board (IASB) and approved by the European Union. The term "International Financial Reporting Standards" also refers to all revised International Accounting Standards (IASs) and all interpretations of the international financial reporting interpretations committee (IFRIC), formerly known as the Standing interpretations Committee (SICs).

Content of the Financial Statements

The Consolidated Financial Statements include the consolidated Balance Sheet, the consolidated Income Statement, the consolidated Comprehensive Income Statement, the consolidated Statement of Cash Flows, the Statement of changes in consolidated shareholders' equity and the explanatory notes (the "Consolidated Financial Statements").
In the Balance Sheet, the Group presents its current and non-current assets and current and non-current liabilities separately. Current assets are those intended to be realized, sold or consumed in the normal operating cycle of the Group; current liabilities are those for which redemption is expected in the normal operating cycle of the Group or in the twelve months following the end of the period.
The Group presents the consolidated Income Statement according to a classification method based on the nature of costs, as it is representative of the way in which management prepares internal reporting for the evaluation of business operations and is able to provide reliable information to investors.
The consolidated Comprehensive Income Statement is presented separately and, in addition to the economic components recognized directly in the consolidated Income Statement during the period, it presents the components of profit and/or loss not recognized in the Income Statement which transition directly into equity as required or permitted by the International Financial Reporting Standards.
The Group presents its consolidated Statement of Cash Flows according to the indirect method, as allowed by IAS 7 — *Statement of Cash Flows* ("IAS 7"), and presents the financial flows of the operating, investment and financing activity.
The Financial Statements are presented in thousands of euros and are rounded up to the nearest thousand, i.e. the functional currency of the Company and the Group. These Consolidated Financial Statements were authorized for publication by the Board of Directors on March 31, 2023.
Foreign transactions are included according to the policies set out in the notes below.

APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

Accounting principles, amendments and IFRS interpretations applied since January 1, 2022

The following accounting principles, amendments and IFRS interpretations were first applied by the Group from January 1, 2022.

On May 14, 2020, the IASB published the following amendments:

- Amendments to International Financial Reporting Standards 3 Business combinations: The purpose of the amendments is to update the reference in IFRS 3 to the revised conceptual framework, without any change to the provisions of the Standard.
- Additions to IAS 16 Property, Plant and Equipment: The purpose of the modifications is not to allow the amount received from the sale of goods produced in the testing phase of the asset to be deducted from the cost of the assets.
- These sales revenuess and the related costs will therefore be recognized in the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: The amendment clarifies that in the estimate of the possible oneness of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible oneness of a contract includes not only incremental costs (such as the cost of the direct material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the portion of the depreciation of the machinery used for the performance of the contract).
- Annual improvements 2018-2020: Changes were made in IFRS 1 first-time adoption, IFRS 9 Financial Instruments, IAS 41 Agriculture, and illustrative Examples of IFRS 16 leases.
- The adoption of these amendments did not affect the Group's consolidated financial statements.

Accounting standards, amendments and IFRS interpretations endorsed by the European Union, not yet mandatory and not adopted in advance by the Group as at December 31, 2022

- On May 18, 2017, the IASB published the International Financial Reporting Standards 17 – Insurance Contracts principle, which is intended to replace the International Financial Reporting Standards 4 – Insurance Contracts principle. The aim of the new principle is to ensure that an entity provides relevant information that accurately represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single, principle-based framework to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds. The new Standard also provides for Presentation and disclosure requirements to improve comparability between entities in this sector. The new principle measures an insurance contract based on a General Model or a simplified version of this, called Premium Allocation approach. The Standard applies from January 1, 2023 but is allowed to apply in advance only to entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenuess from Contracts with Customers. Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this principle.
- On December 9, 2021, the IASB published an amendment called "Amendments to IFRS 17 insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information". The amendment is a transition option for comparative information on financial assets submitted at the initial date of application of IFRS 17. The amendment seeks to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from January 1, 2023, together with the application of the IFRS 17 principle. The Directors do not expect a significant effect on the Group's consolidated financial statements since the adoption of this amendment.
- On February 12, 2021, the IASB published two amendments entitled "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS practice Statement 2" and "Definition of Accounting estimates—Amendments to IAS 8". The changes aim to improve disclosure on accounting policies to provide more useful information to investors and other primary financial statements users, and to help companies to distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from January 1, 2023, but advance application is allowed. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.
- On May 7, 2021, the IASB published an amendment called "Amendments to IAS 12 income taxes: Deposited Tax related to assets and liabilities raising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate equal amounts of assets and liabilities, such as leasing and decommissioning obligations, should be accounted for. The amendments will apply from January 1, 2023, but advance application is allowed. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

At the reference date of this document, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and principles described below.

- On January 23, 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial statements: Classification of liabilities as current or non-current" and on October 31, 2022 published an amendment called "Amendments to IAS 1 Presentation of Financial statements: Non-current liabilities with covenants". The purpose of the documents is to clarify how to classify debts and other short- or long-term liabilities. The amendments come into force on January 1, 2024; however, they are allowed to be applied in advance. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.
- On September 22, 2022, the IASB published an amendment called "Amendments to International Financial Reporting Standards 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to assess the liability for the lease arising from a sale & leaseback transaction so as not to recognize any income or loss relating to the retained right of use. The amendments will apply from January 1, 2024, but advance application is allowed. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.
- On January 30, 2014, the IASB published the International Financial Reporting Standards 14 – Regulatory Deferral Accounts principle, which allows only those who adopt the IFRS for the first time to continue to recognize amounts relating to activities subject to "Rate Regulation activities" in accordance with the previous accounting principles adopted. This is not applicable to the Group.

INFORMATION ON ACCOUNTING CRITERIA

The financial statements were prepared on the basis of historical cost, with the exception of certain financial instruments that are recorded at revalued amounts or *fair value* at the end of each period, as explained below in the evaluation criteria. The historical cost is generally based on *the fair value* of the consideration given in exchange for goods and services.

Fair value is the consideration at which an asset may be exchanged, or a liability settled, in an ordered transaction between market participants at the date of measurement, regardless of whether that consideration is directly observable or estimated using another valuation technique. When assessing *the fair value* of an asset or liability, the Group shall take into account its characteristics if market operators take these characteristics into account when determining the corresponding assets or liabilities at the evaluation date.

Fair value for the purposes of the evaluation and/or disclosure of this consolidated financial statements is determined on that basis, except *for share-based payments transactions* falling within the scope of IFRS 2, of leasing transactions falling within the scope of IFRS 16, and measurements relating to the net realizable value in IAS 2 or *the value in use* recalled by IAS 36.

BUSINESS CONTINUITY

At the date of approval of this financial statements, the Directors noted that there were no uncertainties regarding the assumption of business continuity, since the Company and the Group have adequate financial and capital resources to meet their obligations and consequently to continue to operate as an entity operating in the foreseeable future for at least 12 months. As a result, the directors assumed business continuity in preparing the budget.

PRINCIPLES FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accounting principles relevant to the preparation of the consolidated Financial Statements of the Group are as follows:

Principles of consolidation

The Consolidated Financial statements are presented in thousands of euros, the functional and Presentation currency of the Parent Company and include the financial statements of the Parent Company and of the Italian and foreign subsidiaries at December 31.

The Group ensures control of entities through the presence of three elements:

- The ability, understood as the present capacity of the Group, deriving from substantial rights, to direct the relevant activities that significantly affect the returns of the entity;
- Exposure of the Group to the variability of the returns of the investment entity;
- Correlation between power and returns, i.e. the Group has the ability to exercise its power to affect the returns arising from this relationship.

When the Group has voting rights that are less than the majority in a company, it considers that it has the power over the shareholder, when they are sufficient to give it the practical ability to unilaterally direct the relevant activities of that company. The Group shall take into account all the facts and circumstances necessary to assess whether the voting rights of the Group in a company are sufficient or not to give it power, including:

- The amount of voting rights by the Group in relation to the size and dispersion of the holdings of the other holders of votes;
- Potential voting rights held by the Group, other voting holders or other parties;
- rights arising from other contractual agreements.
- Among any additional facts and circumstances indicating that the Group has the ability to direct the relevant activities when decisions are to be taken, the voting arrangements in place at previous shareholders' meetings are also to be considered.

Companies in which the Group exercises control, as defined in IFRS 10, are considered subsidiaries and cease to be subsidiaries when the Group no longer has control of them. In particular, the financial statements of the subsidiaries are included in the consolidated financial statements from the date on which the Group takes control until the date on which such control ceases to exist.

Where necessary, the necessary adjustments are made to the financial statements of the subsidiaries in order to adapt the accounting policies used in the local financial statements to the accounting policies of the Group.
All intragroup assets and liabilities, net worth, revenues, costs and cash flows related to the Group's inter-company transactions are included in the consolidation.

Third-party interests in subsidiaries are identified separately from the Group's equity. These interests entitle third parties to a proportional share of net assets at the time of liquidation and may be initially measured at *the fair value* or proportional share of third parties corresponding to *the fair value* of identifiable net assets. The choice of measurement varies by acquisition and is evaluated for each acquired company. Other third-party interests are initially measured at *fair value* and, after the acquisition, the carrying amount is determined as the amount of these shares at the time of initial recognition plus any third-party interest recognized for subsequent changes in equity.

The consolidated income statement and the other components of the comprehensive income statement show the result attributable to the shareholders of the Group and the one attributable to third parties. The total profits of the subsidiaries are reported to be the responsibility of the Group shareholders and third-party interests, even these results in a negative balance in the interest of the latter.

The acquisition of subsidiaries is accounted for using *the acquisition method*. A change in the percentage of participation, without loss of control, is accounted for according to the Equity method, in which the difference between the consideration transferred and the carrying amount of the portion of acquired third parties is recognized directly in the Group's equity.

If the Group loses control over a subsidiary, the Group will eliminate the assets (including goodwill), liabilities and interests of third parties in the subsidiary, together with any translation differences recognized in equity. The Group recognizes in the income statement any gain or loss calculated as the difference between the consideration received and the corresponding fraction of equity held.

For the purposes of the presentation of the Consolidated Financial statements, the assets and liabilities of the Group's foreign operations are converted at exchange rates at the date of the financial statements. Income statement items shall be converted at the average exchange rates for the year. Any exchange differences that occur are recognized in the other components of the comprehensive income statement and registered into a specific conversion reserve in the Equity (which may also be attributed to the equity of third parties).

The exchange rates used to convert consolidated companies' financial statements into euros are listed below:

Currency	Exchange rate as at December 31, 2022	Average exchange rate 2022	Exchange rate as at December 31, 2021	Average exchange rate 2021
Us Dollar	1.0666	1.0530	1.1326	1.1827
Chinese Renminbi	7.3582	7.0788	7.1947	7.6282
Russian Ruble	79.0204	73.9731	85.3004	87.1527

Foreign currency transactions

Foreign currency transactions are converted into euros using exchange rates at the date of the transactions. Profits and Foreign exchange losses arising from the settlement of such transactions and the conversion at the end of the period to exchange rates of monetary assets and liabilities expressed in foreign currency are recognized in the income statement.

Consolidation Area

EuroGroup Laminations S.p.A. is the parent company and holds, directly or indirectly, shares in the Group's subsidiaries. The Group's consolidation area as of December 31, 2022 is described in the Management Report.

Intangible assets

Intangible assets acquired separately are initially recognized at cost. Intangible assets with indefinite useful life are not amortized and are accounted for at the cost net of any write-downs. Intangible assets with a defined useful life are accounted for at the cost net of Amortization funds and any impairment losses. Gains or losses recognized in the income statement resulting from the disposal of intangible assets are accounted for as the difference between the net income from the disposal and the carrying amount of the intangible asset. The Amortization method and the useful life of defined-life intangible assets are reviewed annually. Changes in the expected consumption pattern or useful life are accounted for prospectively by changing the Amortization method or period.

Research and Development

The costs for Research and Development are spent during the period in which they are incurred.

Software

The software acquired in the context of recurring operations and the software developed internally by the Group that meet all the relevant criteria are capitalized and amortized at constant shares over the course of their useful life.

Intangible assets with a defined useful life shall be depreciated at constant shares at the following rates:

Description	Amortization rate
Software	Useful life (not more than 5 years)
Other intangible assets	Useful life

Intangible assets are eliminated at disposal, or when no future economic benefit is expected from use or disposal. Gains or losses arising from the disposal of an intangible asset are accounted for as the difference between net disposal income and the carrying amount of the asset and are recognized in the income statement when the asset is disposed of.

Tangible assets

The tangible assets are initially recognized at the cost, which includes the purchase price, any charge directly attributable to the transport of the goods to the place and to the conditions necessary to operate in the manner foreseen by the management, capitalized borrowing costs and possible initial estimate of the costs of dismantling and removing the asset and the restoration of the site where the asset is located.

Land and buildings held for use in the production or supply of goods or services for rental to others, or for administrative purposes, are shown in the consolidated financial balance sheet at cost net of any accumulated depreciation funds and funds for impairment losses. The land is not depreciated.

Plant, machinery, equipment and accessories are recorded at the cost net of accumulated depreciation funds and funds for impairment losses. During the period of commissioning, in which it is not possible to operate at normal levels due to the need to test machinery and equipment or to ensure its proper functioning, the costs directly attributable to such circumstances, supported in order to achieve full functionality and which generally refer to physical preparation for use, are included in the carrying amount of plant or equipment.

Depreciation is determined in such a way as to depreciate the cost of goods (other than land and property under construction) minus their residual value over their useful life, using the constant-rate method, on the following basis:

Description	Annual ammorting
Buildings	1.5% - 3%
Plants and machinery	5% - 17.5%
Commercial and industrial equipment	5% - 25%
Other tangible assets	5% - 25%

Improvements in leased assets are amortized over the rental period or the estimated useful life of assets, whichever is shorter.
An asset present in the material assets is eliminated for alienation or when there is no future economic benefit to the Group. Profits and losses between the carrying amount and the proceeds of the disposal shall be taken to the profit and loss account. Any revaluation reserve relating to the item transferred is transferred directly to the new profit.

Impairment of tangible assets, rights of use and intangible assets with a defined useful life

At each balance sheet date, the Group shall review the assets of its tangible assets, rights of use and intangible assets to determine whether there are indications that these assets have suffered loss of value.

Factors deemed important that could lead to an impairment loss of tangible assets, rights of use, and intangible assets include, but are not limited to, the following:

- significant under performance in comparison to historical or expected future operating results;
- significant changes in the way the acquired activities are used or in the overall business strategy;
- significant negative economic or sector trends.

If there is an indication of this effect, the recoverable amount of the asset is estimated to determine the amount of the loss of value. If the asset does not generate cash flows independent of other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent allocation basis can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smaller group of cash flow generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the highest of *fair value* minus disposal costs and use value. In assessing the value of use, are estimated the future cash flows that are discounted to their *present value* using a pre-tax discount rate that reflects current market valuations of the time value of the money and specific risks for the asset for which estimates of future cash flows have not been reworked.

If the recoverable amount of an asset (or *the cash-generating unit*) is estimated to be less than its carrying amount, the carrying amount of the asset (or *the cash-generating unit*) is reduced to its recoverable amount. An Impairment loss is recognized immediately in the income statement, unless the asset is recognized at a revalued value, in that case the Impairment loss is treated as a decrease in revaluation, and to the extent that the impairment loss is higher than its revaluation surplus, the excess impairment loss is recognized in the income statement.

In the event of value restores following a loss of value, the carrying amount of the asset (or *the cash-generating unit*) is increased to the revised estimate of its recoverable amount, but so that the new carrying amount does not exceed the carrying amount that would have been determined if no loss of value was recognized for the asset (or *cash-generating unit*) in previous years. A reinstatement of a loss of value is recognized immediately in the income statement to the extent that the loss of value recognized for the asset in previous years is offset. Any increase in excess of this amount is treated as an increase in revaluation of the asset.

Rights of use

The Group evaluates whether a contract contains a lease at *the inception date*.

The Group recognizes a right of use and a corresponding lease liability for all lease agreements in which it is a lessee, except for short-term leases (defined as leases with a period of 12 months or less) and low-value leases (e.g. tablets and personal computers, small office furniture and phones). For these contracts, the Group accounts for lease payments as a constant operating cost over the lease period, unless another systematic basis is more representative of the time model in which the economic benefits from leasing activities are consumed.

The right of use includes the initial measurement of the corresponding lease liability, lease payments made within or before the date of the start of the lease, less any incentives received and any costs directly attributable to the lease initially incurred. These assets are then measured at the cost net of the amortization fund and the revaluation fund.

The right of use is amortized over the shortest period between the duration of the lease and the useful life of the asset. If a lease transfers ownership of the underlying asset or the right of use reflects that the Group expects to exercise a purchase option, the right of use is amortized over the life of the underlying asset. Amortization begins at the start date of the lease.

The right of use is presented in a separate line in the consolidated balance sheet.
Lease liabilities are initially measured at the present value of lease payments that have not already been paid at the start date of the lease, the lease liabilities are discounted using the implied rate of the contract, or, if this is not easily determinable, using the tenant's incremental financing rate. The incremental financing rate depends on the duration, currency and start date of the lease and is determined on a number of factors, including: Risk-free rate based on government bond rates; country-specific risk adjustment; A risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the same, which enters into the contract, is different from that of the Group and the lease does not benefit from a Group guarantee.

Lease payments include: (1) fixed payments minus any receivable incentives, (2) variable lease payments that depend on an index or rate, (3) amounts that are expected to be paid as a guaranteed residual value, (4) the price of a purchase option when the exercise of the option is reasonably certain to occur, and (5) any early penalties for termination.

Lease liabilities are measured at amortized cost using the actual interest rate method. Initial charge values are revised if there is a change in the following factors: Future lease payments resulting from a change in an index or rate used, residual warranty, lease term, certainty of a purchase option, and termination penalties. When adjusting a liability arising from a lease contract, an adjustment is made to the corresponding asset of the right of use, or in the income statement if the carrying amount of the right of use is fully devalued.

Liabilities arising from leasing contracts are presented in a separate line in the consolidated balance sheet.

Business combinations

Acquisitions of enterprises are accounted for using *the acquisition method*. According to this method, the consideration transferred to a business combination is recorded at *fair value*, and calculated as the sum of *the fair values* of the assets and liabilities transferred to the Group at the date of acquisition of the equity instruments issued in exchange for control of the acquired enterprise. The following items are an exception to the fair *value valuation* and are measured according to their reference principle: (I) deferred tax assets and deferred tax liabilities, (ii) employee benefit assets and liabilities, and (iii) assets held for sale. The acquisition costs are recognized in the income statement when incurred. If a business combination is realized without the transfer of a consideration, goodwill is determined using *the fair value* at the date of acquisition of the acquirer's share in the acquiree, rather than *the fair value* at the date of acquisition of the consideration transferred.

Goodwill is determined as the excess between the sum of the fees transferred to the business combination, the value of minority interests and *the fair value* of any previously held share in the acquired enterprise compared to the fair value of net assets acquired and liabilities assumed at the date of acquisition. If the value of the net assets acquired and liabilities assumed at the date of acquisition exceeds the sum of the fees transferred, the value of the net equity attributable to third parties and *the fair value* of any previously held share in the acquired enterprise, this surplus is recognized in the income statement as income from the transaction concluded.

Any fees subject to conditions provided for in the Business combination contract are valued at *fair value* at the date of acquisition and included in the value of the fees transferred to the business combination for the purpose of determining goodwill. Any subsequent changes in this *fair value*, which can be classified as adjustments made during the measurement period, are included in goodwill retrospectively. Changes in fair value that can be classified as adjustments made in the measurement period are those resulting from more information on facts and circumstances that existed at the acquisition date, obtained during the measurement period (which may not exceed the one-year period from the business combination). Any subsequent changes in the consideration paid shall be entered in the income statement.

When a business combination is realized in stages, the previously held investments of the Group (including *joint operations*) in the acquired entity are revalued at *fair value* at the date of acquisition and any resulting profit or loss is recognized in the income statement. The amounts deriving from investments in the acquiree before the acquisition date that were previously recognized in the other components of the comprehensive income statement are reclassified to the consolidated income statement, where such treatment would be appropriate in the event of the disposal of such investment.

If the initial accounting for a business combination is incomplete by the end of the period in which the business combination occurs, the Group shall recognize the provisional amounts on which the accounting is incomplete. These provisional amounts are adjusted during the valuation period (see above), or additional assets or liabilities are recognized, to reflect new information obtained on the facts and circumstances existing at the acquisition date which, if known, would affect the amounts recognized from that date.

Financial assets

Financial assets are initially recognized at *the fair value* of the consideration paid. After initial accounting, financial assets are valued in relation to their use.
The classification of financial assets depends on the business model within which the financial instruments are held and on the contractual characteristics of cash flows, they are relevant to determine whether they are to be measured at amortized cost or *fair value*.
In particular, the Group measures its financial assets at amortized cost if, and only if, both of the following conditions have been met:

- the asset is held within a business model whose objective is to collect the cash flows provided for in the contract; and
- the contractual conditions give rise to cash flows which are exclusively capital and interest payments.

Financial assets that meet the following conditions are then measured at *fair value* with impact in the other components of the comprehensive income statement:
- the financial asset is held within a business model whose objective is to collect the cash flows provided for in the contract and to sell the financial assets; and
- the contractual conditions of the financial activity give rise, on specific dates, to cash flows which appear exclusively in capital and interest payments.

Financial assets at *fair value* through the other components of the overall income statement mainly comprise equity investments that the consolidated entity intends to hold for the near future and that it irrevocably chose to classify them as such at the time of first recognition.

On a residual basis, all other financial assets are measured at *fair value* and recognized in the income statement.
Financial assets in currencies other than functional currency shall be registered in euro at the spot exchange rate at the date of the transaction and subsequently converted at the balance sheet date with unrealized exchange differences recognized in the income statement.

Inventories

Inventories are presented at the lower of purchase or production cost and the net realizable based on market value developments, estimated net of all estimated completion costs and costs to be incurred for marketing, sales and distribution.

The purchase cost is inclusive of the costs incurred to bring each asset to the storage location. The cost of manufacturing finished goods and semi-finished products includes direct charges and a proportion of indirect costs reasonably attributable to the products on the basis of the normal exploitation of production capacity, while financial charges are excluded. As regards the products in process, the evaluation was done as per cost of production for the year, taking into account the progress of the operations carried out.
The cost of inventories of Raw materials, Finished goods, goods to be sold and semi-finished products is determined using the weighted average cost method.
Obsolete or slow-running stocks are devalued in relation to their alleged use or future realization through the registration of a specific fund for the adjustment of the value of inventories.

Trade receivables

Short-term trade receivables, without a predetermined interest rate, are entered at the value of the assumed realizable value or at the fair value of the initial agreed consideration. In addition, the Group holds trade receivables for the purpose of collecting the contractually expected cash flows and therefore subsequently sets these receivables at the amortized cost according to the effective interest rate method, which usually coincides with their original value, where the effect of discounting is not significant. When the time value of the monetary effect is significant, credits are measured at amortized cost.

Claims transferred to factoring companies in pro-solute transactions, which provide for the unconditional transfer to *factor* of all risks and benefits of invoiced claims, shall be eliminated from the balance sheet.

In factoring transactions in which risks and benefits are not transferred to the counterparty, the corresponding claims are entered in the consolidated balance sheet until they are paid by the debtor assigned. In this case, advances collected by *the factor* are recognized as a financial liability.

The Group registers the allowance for doubtful accounts at an amount reflecting the expected losses for the useful life of the credits. Expected losses on trade receivables are estimated according to *a default bracket accrual matrix*, based on the Group's past experience, taking into account credit losses, and an analysis of the creditors' financial position, adjusted to reflect specific factors for each credit (for example, if the creditor is subject to insolvency proceedings) at the balance sheet date.

Cash and cash equivalents

Depending on their nature, cash equivalents are recorded at nominal value or amortized cost. The other Cash and cash equivalents represent short-term, high-liquidity funds that are rapidly convertible into Cash and cash equivalents, subject to a negligible risk of change in value and whose original maturity at the time of acquisition does not exceed 3 months.

Financial liabilities and equity

Debt and equity instruments are classified as financial liabilities or equity based on the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments

An equity instrument is any contract that highlights residual interest in an entity's assets after deducting all of its liabilities.

The equity instruments issued by the Group (such as Common Stock) are recognized at the benefits received, net of direct emission costs. The repurchase of equity instruments of the Company is recognized and deducted directly from equity. No revenues or cost is recognized in the income statement on the purchase, sale, issue, or cancellation of equity instruments.

Financial liabilities

Financial liabilities include financial liabilities and *lease liabilities*. Financial liabilities are initially recognized at *fair value* net of transaction costs. After initial recognition, financial liabilities are recognized using amortized cost, using the effective interest rate method. A financial liability is eliminated when the underlying obligation of the liability is extinguished, canceled, or satisfied. When an existing financial liability is replaced by another of the same lender, under different conditions, or the terms of an existing liability are substantially modified, such exchange or modification is treated as an elimination of the original liability, with the recognition of a new liability, any difference between these values shall be entered in the income statement for the year.
In the event that the modified financial liability does not qualify as capable of extinguishes the original financial liability, the difference between (I) the carrying amount of the liability before the change and (ii) the present value of the cash flows of the modified liability, discounted on the basis of the internal rate of return (IRR), it is recognized in the profit and loss account.
The Group discards financial liabilities when bonds are extinguished, canceled, or expired. The difference between the consideration paid for the cancellation of the financial liability and its carrying amount is recognized in the income statement.

Financial assets and liabilities may be offset and the amount resulting from the compensation is presented in the balance sheet if, and only if, The Group currently has the legal right to offset these amounts and intends to adjust the balance on a net basis or realize the asset and adjust the liability at the same time.

Trade payables and other liabilities

Trade and other liabilities are initially recognized at nominal value. Thereafter, fixed-maturity debts are measured at amortized cost, using the actual interest rate method, while non-fixed-maturity debts are measured at cost. Current liabilities, on which no interest is applicable, are measured at the nominal value. *The fair value* of long-term debts is determined by discounting future cash flows, in which the discount is recorded as a financial charge for the duration of the debt until maturity.

Derivative financial instruments and hedging operations

Derivatives are initially recognized at *fair value* at the date the derivative contract was concluded and are subsequently revisited at *fair value* at each balance sheet date. Accounting registrtion for subsequent changes in *fair value* depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the underlying.

Contractual agreements that contain an obligation to purchase minority interests (such as *a put instrument* determined on third-party interests) are treated as derivatives of the Company's equity in the consolidated financial statements and consequently give rise to a financial liability measured at the present value of the amount of the reimbursement. Subsequently, the financial liability is measured at amortized cost with any change in the liability recognized in the income statement. When an agreement confers a shareholding on the Company, the instruments are fully recognized as a financial liability and no minority interests are recognized. According to this approach, any dividends paid to other shareholders are recognized as cost in the consolidated financial statements, unless they represent a repayment of the liability.

Cash flow hedges

Cash flow hedges are used to cover the Group's exposure to cash flow variability attributable to particular risks associated with recognized assets or liabilities or to an undertaking that could affect the income statement. Actual gains or losses determined by the hedging instrument are recognized in the other components of the comprehensive income statement through the cash flow hedge reserve, while the non-actual part is recognized in the income statement. The amounts recognized in equity are transferred from equity and included in the valuation of the hedging operation when the intended transaction occurs.

Cash flow hedges are regularly tested for effectiveness, both retrospectively and prospectively, to ensure that each cover is highly effective and continues to be designated as cash flow coverage. If the planned transaction no longer occurs, the amounts recognized in equity will be transferred to the income statement.

If the hedging instrument is sold, extinguished, expires, or exercised without replacement or *rollover*, or if the hedging becomes ineffective and no longer constitutes a designated hedging, the amounts previously recognized in equity are transferred to the income statement.

The fair value of financial instruments listed in an active market is based on market prices at the balance sheet date (level 1). The fair value of instruments not listed in an active market is determined using specific measurement techniques, as described later in these notes (Level 2: defined as factors other than prices quoted in active markets which can be observed directly or indirectly, such as prices quoted for like instruments in active markets or prices quoted for identical or similar instruments in non-active markets); level 3: defined as unobservable factors in which there are few or no market data, which therefore require an entity to develop its assumptions, such as assessments derived from assessment techniques in which one or more significant factors or significant value determinants are not observable).

In some circumstances, the inputs used to measure fair value could be classified into different levels of *the* fair value hierarchy. In these cases, the fair value measurement is categorized in its entirety into the fair value hierarchy based on the lowest level input that is significant for measuring fair value.

Provisions for Risks

Provisions are recognized when the Group has a present obligation (legal or implicit) following a past event and it is likely that the consolidated entity will settle the obligation and that a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration necessary to settle the present obligation at the reference date, taking into account the risks and uncertainties surrounding the obligation. If maturities are long-term and the amounts are significant, provisions are discounted using a pre-tax interest rate specific to the assessed liability. The provision increase over time is recognized as a financial cost.

Employee benefits

The Group's net obligations are determined separately for each defined benefit plan, estimating the present value of the future benefits that employees have accumulated in current and previous periods and deducting *the fair value* of the plan's assets.

The present value of the obligations deriving from employee benefits is measured using actuarial techniques and the benefits are determined using the unit credit projection method and relate to periods in which there is an obligation to provide post-employment benefits. Actuarial assumptions are based on the best estimates of management. The cost components of defined benefits are recognized as follows:

- *service costs* are recognized in the consolidated income statement under costs of personnel;
- the net interest charge on the liability of employee benefits is recognized in the consolidated income statement within financial costs;
- the net debt remeasurement components, which include actuarial gains and losses, are recognized in the other components of the comprehensive income statement. These remeasured components are not reclassified in the consolidated income statement the following financial year.

The post-employment benefits include the obligation to pay the severance indemnity ("TFR") required by Italian law. The amount of the severance indemnity to which each employee is entitled, has to be paid when the employee leaves the Group and is calculated on the basis of the period of employment and taxable income of each employee. Under certain conditions, the right may be partially anticipated to an employee during his or her working life.

The severance indemnity ("TFR") is classified in the consolidated financial position under Employee Benefits, and the Group bears the related costs during the period in which the employee serves.

Share-based compensation

Share-based compensation, which applies to employees and other entities providing similar services, is recorded at the fair value of the underlying instruments. Fair value excludes the effect of non-market investment conditions.

The Group registers equity-based compensation when employees are granted equity instruments of the Parent Company, such as cash-settled instruments, since the underlying transaction is not regulated by the delivery of equity instruments. For compensation based on liquidated shares, a liability is recognized for acquired goods or services, initially measured at *fair value*. At each balance sheet date up to the balance of the liability, and at the date of the settlement, *the fair value* of the liability is restated, with any changes in *fair value* charged to the income statement.

Revenuess

Revenuess are mainly related to sales of goods.
Revenuess are recognized when control of the item of transaction is transferred to the buyer. The revenuess are recorded at the transaction price, which is based on the amount of the consideration that the Group expects to receive in exchange for the transfer of the goods or services promised to the customer, net of any sales incentives, rebates or discounts.

According to the Group's commercial policy, customers are granted the right of withdrawal up to a maximum of 36 months and in any case by assessing in case. This right allows them to receive a full or partial refund or alternatively, a new product.

Revenuess from the sale of rotors, stators, spare parts and equipment is recognized when asset control is transferred to customers. Typically, it occurs at the time of delivery of the goods according to the standard incoterms included in the contracts.

Public contributions

Public contributions are not recognized until there is reasonable assurance that the Group will comply with the conditions for such contributions and that the amounts relating to such contributions will actually be received.

Public contributions are recognized in the income statement on a systematic basis in periods when the Group recognizes the related costs for which contributions are intended to compensate. For example, in the case of contributions relating to an investment, both the investment and the contribution are recognized at their nominal values and transferred progressively to the profit and loss account on a systematic basis over the useful life of the related investment, decreasing the income initially deferred.

Public contributions payable as compensation for costs or losses already incurred or for the purpose of providing immediate financial support to the Group without related future costs are recognized in the income statement during the period in which they become collectible.

Costs

Costs are recognized net of subsidies and discounts according to the principle of competence and the cost/income correlation.

The costs for the purchases are recorded when all the risks and benefits have been transferred to the Group, this normally coincides with the shipment of the goods always in compliance with the incoterms or contractual agreements. The costs for services are recognized by competence, based on the time of receipt of the services.
The proceeds from the sale of scrap metal are deducted from the purchase costs. They are recorded in a special account and reported in deduction of the purchase cost of the raw material.

Financial income and charges

Financial income and charges are recognized by competence and include: Interest accrued on financial assets and liabilities using the effective interest rate method, changes in *the fair value* of derivatives and other financial instruments recognized at *fair value* with impact on income statement, foreign exchange income and expense and arising from financial instruments (including derivatives).

Dividends

Dividends received from companies other than subsidiaries, affiliates and *Joint ventures* are recorded in the consolidated income statement by competence, that is, in the year in which the related right arises, following the decision of shareholders to distribute dividends to the related companies.
Dividends distributed to third parties, which are shareholders, are accounted for directly in equity as changes in equity in the period in which they are approved by the Shareholders' Meeting. Dividends payable to third parties, relating to a financial instrument or a component that is a financial liability, are recognized as expenses in the income statement.

Income taxes

Income taxes include all taxes calculated on the taxable income of Group companies. Current and deferred taxes are recognized in the income statement, except when they relate to items recognized in the other components of the total income statement, in which case current and deferred taxes are also recognized in the other components of the total income statement and in equity, respectively.

Current taxes

Current taxes due are based on taxable income for the period. Taxable profit differs from the net profit recognized in the income statement in that it excludes revenues or cost items that are taxable or deductible in other periods and also excludes items that are never taxable or deductible. The Group's liabilities for current taxes are calculated using tax rates that have been issued or substantially issued by the end of the reporting period.

Prepaid and deferred taxes

Prepaid and deferred taxes are taxes that are expected to be chargeable or recoverable on the differences between the accounting values of the assets and liabilities entered in the financial statements and the corresponding tax bases used in the calculation of taxable income and are accounted for using the liabilities method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that taxable income is likely to be available for which deductible temporary differences may be used. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that does not affect taxable income or accounting profit. Moreover, tax liabilities for deferred taxes are not recognized if the temporary difference arises from the initial recognition of goodwill.

Prepaid and deferred taxes are calculated on the basis of tax rates that are expected to apply in the period in which the liability is settled or the asset is realized on the basis of laws and tax rates that have been issued or substantially issued at the reporting date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally applicable right to offset tax assets with tax liabilities and when they relate to income taxes levied by the same tax authority, and the Group intends to adjust its current tax assets and liabilities on a net basis.

Base profit and diluted profit per share

Basic earnings per share are calculated by dividing the Group's attributable profit for the reference period by the weighted average common share outstanding during the period.

Discretionary assessments, accounting estimates and significant assumptions

The preparation of the consolidated financial statements requires the making of estimates and assumptions both in the determination of certain assets and liabilities and in the valuation of assets and Contingent liabilities, made on the basis of the best available information. Events may not fully confirm estimates. Estimates and assumptions are made by directors with the support of business functions and, where appropriate, independent specialists and are reviewed periodically, including in the income statement, where required, the effects of each change in the period when such estimates and assumptions differ from actual circumstances.
Assumptions with significant impacts in the context of the Group's application of accounting policies are set out below.

Consolidation of SPVs for the New Market Tax Credit (NMTC)

In 2017, the Group, through its indirect subsidiary Euroshearing USA LLC (a company benefiting from project financing defined *as qualified Low income Community Investments – QLICI* for a total amount of $ 13,000 thousand), in order to finance its growth through structural investments, It considered it appropriate to make use of the financial support arrangements granted under the NMTC program as these investments are located in an area identified by the competent authorities as eligible for investments under the NMTC program under the United States tax laws.
Following its accession to the NMTC program, IN February 2017, ET USA entered into the financing agreements QLICI A and QLICI B for $ 9,392 thousand and $ 3,608 thousand respectively, which expire in February 2024. The loans are subject to a fixed interest rate of 1.6%, in addition to administrative fees.

The mechanism of the transaction allows the assumption that ET USA will not repay the borrowed capital linked to the tax credit through *a put and Call Agreement* to acquire the financing vehicle for a fixed amount of $1. As a result of the acquisition of the vehicle, the Group would have a position of credit and debt to itself deriving respectively from the loans granted.

The NMTC program also provides for mechanisms for *the delivery* of the tax benefit acquired by the investor in the case of certain events which would entail the Group's obligation to compensate for the amount of tax credits (which in this case is equal to the QLICI B financing of $ 3,608 thousand) plus any ancillary and criminal charges.

For the purposes of preparing the consolidated financial statements of the Group, it has been estimated that the option, the year of which is considered reasonably certain in the contractual scheme described above, gives the Group control over the financing vehicle and the vehicle subject to qualified investment eligible for the NMCT program ("SPVs"), Also taking into account (1) the fact that the ongoing activities of the financing vehicle should not significantly affect the economic performance of the vehicle and (2) the Group's ability to use its power during the design of the financing vehicle itself to influence its exposure to returns variables associated with the same through meaningful decisions.

Accounting of third-party interests

The Group has entered into several investment agreements with an investor (SIMEST S.p.A., a financial institution controlled by the Italian Government that financially supports Italian foreign investments); according to which, at the end of the contract, the Group is obliged to buy back the shares held by the investor for a predetermined amount. The agreements entitle the investor to receive a fixed remuneration during the period determined by the agreement, based on the investment made in the investee, and any dividends distributed shall be returned to the investee.

The Directors have considered the terms of the agreement to understand whether they are eligible to give the Group access to the returns associated with the participation of minority shares (*non-controlling interest*). Factors that have been taken into account and which provide a reference to the presence of control include the determination of the prices of the amount to be reimbursed, voting rights and decision-making of such shares which is substantially limited and the right to dividends.
Following the assessment, the Directors concluded that the Group holds control of these companies and, as a result, the shares are accounted for as if they had been acquired by the Group. These conclusions also concern the possible indirect holding of the Group through its subsidiary.

USE OF ESTIMATES

Inventory provision for inventory obsolescence

The provision for obsolescence provision of the inventories reflects the Directors' estimate of the expected losses of value from the Group, determined according to past experience and the historical and expected trend of the market of the Raw materials (in particular of the price of the electric steel, and of the finished goods).

In the case of raw materials, ancillaries and consumables, the net realizable value is represented by the replacement cost. The main raw material purchased by the Group is electric steel, which represents over 60% of the Group's purchase costs and whose value represents the most significant component of inventories. Whereas, in the event of an increase in the prices of this raw material, the Group may avail itself of price adjustment clauses included in the main sales contracts, a significant decrease in the price of electric steel could, on the other hand, have a negative effect on estimating the realizable value of the inclusive inventories of previously purchased electric steel at higher prices.

In the case of finished and semi-finished products, the net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and those necessary to the sale.

The calculation of the net realizable value of the inventory inventories is carried out taking into account also the phenomenon of obsolescence of the same, applying differentiated depreciation percentages for homogeneous bands, determined on the basis of the indices of rotation of the inventories, and their terms and conditions at the date of drawing up of the budget and their prospects for implementation. A deterioration in the general economic and financial conditions could lead to a further deterioration in market conditions compared with the deterioration already taken into account in the quantification of funds entered in the consolidated balance sheet.

Allowance for doubtful accounts

The Group applies the simplified approach to measuring expected credit losses (ECL) for account receivables. The ECL takes into account the historicity of credit losses, adjusted to take account of specific factors of creditors and the economic context and is based on the days due for each class of customers grouped in the various clusters showing similar historical loss trends. The matrix is based on the default percentages observed in the group. The Group balances the matrix to adjust historical loss data on loans with forecast elements. The assessment of the correlation between historical default rates, projected economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and expected economic conditions. Historical experience on the performance of losses on Group loans and forecasts of future economic conditions may also not be representative of the actual insolvency of customers in the future.

Leasing

Lease agreements may include options to extend and terminate the lease period. When assessing whether the exercise of the option to renew a lease term is potentially secure, all relevant factors that create an economic incentive for the exercise of the option to renew or terminate the contract are considered. After the start date of the lease ("*agreement date*"), the lease period is reviewed if there is a significant event or change that affects the ability to exercise the option or not to renew or terminate the lease. The implicit interest rate of a lease is not easily determined. Therefore, the incremental debt rate ("IBR") is used to determine the present value of the lease costs. The same corresponds to the interest rate that would be paid for financing, with a similar duration and guarantee.

Estimate of the useful life of the goods

The Group, in the calculation of depreciation of the tangible assets, defined the useful life on the basis of a physical estimate of the obsolescence of the assets. Service life could change significantly due to technical innovations or other events. Depreciation will increase when the useful life is less than the previously estimated life, or if technically obsolete or non-strategic assets are no longer used or are sold will be eliminated or devalued.

Estimate of the impairment loss of tangible assets, rights of use and intangible assets with a defined useful life

The Group assesses the impairment of tangible assets, rights of use and intangible assets with a defined useful life when *there are impairment indicators*.

The complexity of the estimation process and the issues relating to the development of assumptions, risks and uncertainties in the application of the Group's accounting estimates in relation to the impairment of tangible assets, rights of use and intangible assets affect the amounts reported in the consolidated financial statements. These estimates are characterized by long-term uncertainties.

Therefore, if one or more of these estimates change significantly, it is likely that materially different amounts may be reported in the consolidated financial statements. In particular, directors use the financial statements and forecasts included in the most recent business plans to determine the expected future cash flows from the continued use of non-financial assets. Budgets include revenuess forecasts, staff costs and overheads based on current and expected market conditions that have been considered and approved by the Board of Directors. In this respect, the Group makes use of various assumptions, including estimates of future sales increases, operating expenses, terminal value growth rate, investments, changes in working capital and weighted average cost of capital as discount rate.

Fair value estimates

Some of the Group's assets and liabilities are valued at *fair value* in the consolidated financial statements. In estimating *the fair value* of an asset or liability, the Group uses market-observable data to the extent that it is available (level 1).

If Level 1 data is not available, the Group will engage third-party qualified evaluators to perform the assessment. Evaluation techniques can use:

- Level 2 factors, including prices quoted for similar assets or liabilities in asset markets, prices quoted for identical or similar assets or liabilities in non-asset markets, inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates, spreads, etc.), factors corroborated by market data observable by correlation or other means.
- Level 3 factors, consisting of non-observable factors, for which no market data are available and which reflect the assumptions that market operators would use to determine an appropriate price for the asset or liability.

Risks, commitments, guarantees

They are indicated the commitments and guarantees at their contractual value and the risks for which the manifestation of a liability is only possible, without the allocation of risk provisions.
The risks for which the manifestation of a liability is likely, are described in the explanatory notes and reported, according to criteria of congruities, in the risk provisions. Remote risks are not taken into account.

INFORMATION ON OPERATING SEGMENTS

The operating segments are reported in a manner consistent with internal management reporting and in particular with the internal reports provided to *the chief operating decision maker* (as defined by IFRS 8) identified in the Board of Directors for the purpose of allocating resources and evaluating the Group's performance.

The Group is organized into two operating segments and separately representable, as described below:

- **EV & Automotive:** EV & Automotive is *a Business Unit* introduced in recent years, it operates mainly in the electric automotive sector and in general in all applications related to *the automotive sector*.
- **Industrial:** Industrial is the Group's historical Business Unit and produces components mainly for *the following product lines: home*, *logistic*, *energy*, *Pumps*, HVAC, *tools and diversified industrial*.

The Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is the key measure used by the Board of Directors to assess performance and allocate resources to the Group's operating segments, as well as to analyze operating trends, make analytical and benchmark performance comparisons between periods and segments. EBITDA is defined as a result before taxes, financial income, financial gains (foreign exchange losses) and depreciation.
There are no transactions between segments.

Below is an analysis of the Group's performance by segment in 2022 and 2021:

	EV & Automotive		Industrial		Total	
(Amounts in Euro)	2022	2021	2022	2021	2022	2021
Revenuess	317,932	195,596	533,180	361,308	**851,112**	**556,904**
Operating Expenses	275,519	174,986	472,324	322,149	**747,843**	**497,135**
EBITDA	**42,413**	**20,610**	**60,856**	**39,159**	**103,269**	**59,769**
Items in Reconciliation:						
Depreciation & Amortization					(26,091)	(23,269)
Financial income					2,561	849
Financial charges					(14,117)	(7,676)
Profit (loss) on exchange rates					(2,004)	-
Profit before tax					**63,618**	**29,673**
Income taxes					(19,840)	(8,982)
Profit for the year					**43,778**	**20,691**

The accounting policies of the reported segments are the same as those of the Group's accounting policies.

For the purpose of monitoring segment performance and resource allocation between segments, the Board of Directors monitors the total activity of each segment. All assets are assigned to reported segments, except equity, non-current financial assets, Deferred tax assets, and other non-current assets.

	Activities divided by segments	
(Amounts in thousands of Euros)	December 31, 2022	December 31, 2021
EV & Automotive	130.084	88.790
Industrial	134.355	121.150
Total assets broken down by segments	**264.439**	**209.940**
Unallocated assets:		
Deferred tax assets	23.325	23.025
Non-current financial assets	5.931	17.797
Other non-current assets	1.834	1.907
Total non-current assets	**295.529**	**252.669**

INFORMATION BY GEOGRAPHICAL AREA

The Group's revenuess and asset information by segment (total non-current assets excluding non-current financial assets, deferred tax assets, other non-current assets and equity investments) are reported below, categorized by geographical area :

(Amounts in thousands of Euros)	December 31, 2022	December 31, 2021
EMEA	501,176	322,340
- of which Italy	*487,954*	*303,000*
NORTH AMERICA	305,390	206,866
- of which in Mexico	*203,499*	*140,669*
- of which in the United States	*101,891*	*66,197*
ASIA	44,546	27,698
- of which in China	*44,541*	*27,698*
Revenuess by geographic area	**851,112**	**556,904**
EMEA	126,505	119,707
- of which Italy	121,764	*111,272*
NORTH AMERICA	90,961	63,662
- of which in Mexico	61,634	*40,477*
- of which in the United States	29,327	*23,185*
ASIA	46,973	26,571
- of which in China	46,973	*26,571*
Total activity by geographical area	**264,439**	**209,940**

INFORMATION ON MAJOR CUSTOMERS

Revenuess from EV & Automotive include revenuess of Euro 114,653 thousand (Euro 84,977 thousand in 2021) from sales to the Group's largest customer.
No other single customer contributed more than 10% of the Group's revenuess in 2022 and 2021.

MAIN EVENTS AFTER THE END OF THE FINANCIAL YEAR

Business Plan Approval

On January 18, 2023, the Board of Directors approved the 2022-2026 Industrial Plan which outlines the following business strategies, declined for the reference operating segments:

EV & AUTOMOTIVE: (i) expand its existing order portfolio and the additional pipeline of orders under discussion around the world (Europe, Asia and the United States), which should generate revenuess and cash flows in the coming years, with further projects and initiatives currently under evaluation and implementation; (ii) to exploit success and reputation in the sector in order to take advantage of further growth opportunities in the electric vehicle market; (iii) leverage long-standing relationships with key customers (OEM and Tier 1) to maintain their market position in Europe and North America; (iv) to reach a leadership position in Asia through the continued growth of the current customer base, increased market penetration and the creation of a point of reference for Asian operators; (v) continue to invest to strengthen its technological know-how through continuous innovation and maintain its competitive advantage; and (vi) improve the efficiency of production processes to manage growing volumes and to support and further increase profitability.

INDUSTRIAL: (i) exploit the trends of ecological electrification and energy efficiency in various sectors; (ii) exploit potential synergies with the EV & Automotive segment by sharing experience, technologies and process automation; (iii) focus on product innovation to consolidate existing multi-year relationships with the Group's main customers and acquire new customers; (iv) pursue geographical, product and final market diversification in order to ensure a highly diversified and stable revenuess stream; v) becoming a choice supplier and increasing market share by developing turnkey technical solutions through collaborations with existing customers; (vi) improving operational efficiency through new automation systems to reduce costs and time-to-market; and (vii) leverage their know-how and experience to develop new products with greater added value.

The Business Plan foresees for the period 2022-2025 a CAGR of revenuess between 23% and 25%, an EBITDA CAGR of between 27% and 29% with Capex of approximately Euro 90 million in 2023 and an average level of Capex for the period 2024-2025 of 4,5%-5% of revenuess.
The revenues growth expected by the plan is largely driven by the development of the EV & Automotive segment. In particular, the plan foresees an increase in revenuess with particular reference to the EV Traction product line, which benefits from the Group's substantial order and pipeline portfolio. It is also considered that the CAGR of revenuess foreseen in the plan is broadly in line with those of the Group's reference markets.[8]

[8] Source: IHS Markit | E-Motor Forecast Data Cut | 2021-2028.

Quoted on the Euronext Milan Stock Exchange

On February 10, 2023, EuroGroup Laminations S.p.A. completed the process of listing its Common Stock on Euronext Milan following (i) the admission of shares to the listing on Euronext Milan, and the admission of the company's shares to trading, issued by Borsa Italiana 18 November 18, 2022 and January 16, 2023 respectively; and (ii) the communication by the National Commission for Companies and the Stock Exchange ("CONSOB") of the measure approving the Prospectus for the admission to the listing on Euronext Milan, a market organized and managed by Borsa Italiana S.p.A., of the Common Stock of EuroGroup Laminations S.p.A..

Parliament resolution on CO_2 emissions from cars and light commercial vehicles

On February 14, 2023, the European Parliament approved the agreement to cut CO2 emissions for cars and light commercial vehicles, in line with the EU's ambitious climate targets. The legislation approved requires new passenger cars and light commercial vehicles not to produce any CO2 emissions since 2035. The objective is to reduce emissions of these types by 100% compared to 2021. The intermediate emission reduction targets for 2030 were set at 55 % for passenger cars and 50 % for vans.

This decision accelerates the transition to electricity mobility, as far as the European market is concerned, which is one of the Group's biggest growth factors in the coming years.

Explanatory Notes to the **Consolidated Statement of Financial Positions**

NON-CURRENT ASSETS

(1) Intangible Assets

	Industrial patents, intellectual and similar property rights	Other intangible assets	Assets under construction	Total
Cost as at December 31, 2020	**2,141**	**65**	**719**	**2,925**
Additions	319	-	-	319
Exchange differences and other changes	108	-	84	192
Business combinations	4	211	-	215
Cost as at December 31, 2021	**2,572**	**276**	**803**	**3,651**
Additions	313	120	321	754
Reclassifications	8	-	(8)	-
Exchange differences and other changes	25	-	102	127
Cost as at December 31, 2022	**2,918**	**396**	**1,218**	**4,532**
Amortization Fund as at December 31, 2020	**(718)**	**(65)**	**-**	**(783)**
Amortization	(428)	-	-	(428)
Amortization Fund as at December 31, 2021	**(1,146)**	**(65)**	**-**	**(1,211)**
Amortization	(439)	(108)	-	(547)
Amortization Fund as at December 31, 2022	**(1,585)**	**(173)**	**-**	**(1,758)**
Net book value amount as at:				
December 31, 2020	**1,423**	**-**	**719**	**2,142**
December 31, 2021	**1,426**	**211**	**803**	**2,440**
December 31, 2022	**1,333**	**223**	**1,218**	**2,774**

(2) Tangible Assets

The following table reports a breakdown of the tangible assets:

	Land and buildings	Plants and machinery	Commercial and industrial equipment	Other tangible assets	Assets under construction	Total
Cost as at December 31, 2020	**21,679**	**191,416**	**58,975**	**15,789**	**16,956**	**304,815**
Additions	187	19,371	2,738	797	14,000	37,093
Disposals	-	(974)	(252)	(73)	-	(1,299)
Reclassifications	1	6,469	125	48	(6,643)	-
Exchange differences and other changes	1,070	7,789	2,451	238	921	12,469
Business combinations	72	27,183	3,943	1,483	315	32,996
Balance as at December 31, 2021	**23,009**	**251,254**	**67,980**	**18,282**	**25,549**	**386,074**
Additions	1,074	18,316	1,939	984	62,041	84,354
Disposals	(14)	(424)	(15)	(117)	-	(570)
Reclassifications	6	9,596	12,020	887	(22,509)	-
Exchange differences and other changes	804	(1,489)	(529)	86	(264)	(1,392)
Write-downs	-	(1,084)	(615)	0	(3,460)	(5,159)
Balance as at December 31, 2022	**24,879**	**276,169**	**80,780**	**20,122**	**61,357**	**463,307**
Accumulated Depreciation as at December 31, 2020	**(6,895)**	**(120,639)**	**(50,883)**	**(11,355)**	**-**	**(189,772)**
Depreciation	(998)	(10,859)	(2,883)	(1,674)	-	(16,414)
Disposals	-	680	173	71	-	924
Exchange differences and other changes	(379)	(3,019)	(377)	(73)	-	(3,848)
Business combinations	(55)	(26,290)	(3,917)	(1,195)	-	(31,457)
Accumulated Depreciation as at December 31, 2021	**(8,327)**	**(160,127)**	**(57,887)**	**(14,226)**	**-**	**(240,567)**
Depreciation	(1,135)	(11,289)	(4,563)	(1,476)	-	(18,463)
Disposals	3	200	5	81	-	289
Exchange differences and other changes	(217)	1,064	(57)	1	-	791
Depreciation of fixed assets	-	784	409	-	-	1,193
Accumulated Depreciation as at December 31, 2022	**(9,676)**	**(169,368)**	**(62,093)**	**(15,620)**	**-**	**(256,757)**
Net book value as at:						
December 31, 2020	**14,784**	**70,777**	**8,092**	**4,434**	**16,956**	**115,043**
December 31, 2021	**14,682**	**91,127**	**10,093**	**4,056**	**25,549**	**145,507**
December 31, 2022	**15,203**	**106,801**	**18,687**	**4,502**	**61,357**	**206,550**

The item “Land and buildings” covers mainly industrial sites and warehouses. The increases, equal to Euro 1,074 thousand, are mainly linked to the building improvement of the Group’s buildings.

“Plant and machinery” includes presses and other industrial machinery used in the production process. The increases, equal to Euro 18,316 thousand, are mainly linked to the purchase of new presses.

The “Commercial and Industrial Equipment” category includes molds and other industrial and commercial equipment. The increases of Euro 1,939 thousand and mainly refer to the purchase of new molds.

The item “Other tangible goods” includes furniture and furnishings for offices and warehouses, storage equipment, shelving, electronic office machinery, vehicles and cars. The increases of Euro 984 thousand refer to the purchase of new electronic machines for the offices.

The Assets under construction are assets that are not yet available for use. The increases, equal to Euro 62,041 thousand, are linked to the construction of new production areas and the purchase of the related plants mainly in China, Italy, and Mexico.

At the balance sheet date, no impairment indicators were detected which required the execution of an impairment test regarding the tangible assets.

It is also noted that during the first half of 2022, in the context of the Russian-Ukrainian military conflict, the Group, as part of the ongoing assessments of the possibility of abandoning the Russian market, interrupted all the on-site operating activities. As no forecasts for recovery are available, the Group has fully written-down the Russian assets, recording a total depreciation of Euro 4,946 thousand allocated to the Industrial Division and relating respectively to Property, plant, and equipment for Euro 3,965 thousand and to the right of use for Euro 981 thousand.

(3) Rights of use

The following table provides a breakdown of right-of-use resources:

(In thousands of Euros)	Land and buildings	Plants and machinery	Commercial and industrial equipment	Other tangible assets	Total
Cost as at December 31, 2020	**43,125**	**28,037**	**359**	**1,132**	**72,653**
Additions	9,054	5,675	367	459	15,555
Exchange differences and other changes	(439)	13			(426)
Business combinations	7,692	1,650	-	-	9,342
Balance as at December 31, 2021	**59,432**	**35,375**	**726**	**1,591**	**97,124**
Additions	-	9	173	336	518
Decreases	-	-	-	(925)	(925)
Exchange differences and other changes	192	40	30	261	523
Write-downs	(1,335)	-	-	(70)	(1,405)
Balance as at December 31, 2022	**58,289**	**35,424**	**929**	**1,193**	**95,835**
Amortization Fund as at December 31, 2020	**(5,804)**	**(22,168)**	**(261)**	**(416)**	**(28,649)**
Amortization	(4,530)	(1,544)	(113)	(240)	(6,427)
Exchange differences and other changes	278	80	60	39	457
Business combinations		(512)			(512)
Amortization Fund as at December 31, 2021	**(10,056)**	**(24,144)**	**(314)**	**(617)**	**(35,131)**
Amortization	(4,887)	(1,283)	(188)	(723)	(7,081)
Disposals	-	-	-	236	236
Exchange differences and other changes	851	(2)	10	(27)	832
Write-downs	396	-	-	28	424
Amortization Fund as at December 31, 2022	**(13,696)**	**(25,429)**	**(492)**	**(1,103)**	**(40,720)**
Net book value as at:					
December 31, 2020	**37,321**	**5,869**	**98**	**716**	**44,004**
December 31, 2021	**49,376**	**11,231**	**412**	**974**	**61,993**
December 31, 2022	**44,593**	**9, 995**	**437**	**90**	**55,115**

At the balance sheet date, no impairment indicators were detected which required the implementation of an impairment test regarding the rights of use.

(4) Non-current financial assets

The following table provides a breakdown of non-current financial assets:

	At December 31	
(In thousands of Euros)	2022	2021
Holding in Kuroda	2,046	3,759
Financial derivative instruments	1,599	38
Receivables towards parent companies	957	-
Security deposits	560	163
Other securities	769	764
Financial receivables towards the Parent Company	-	5,600
Holding in EMS	-	7,473
Total non-current financial assets	**5,931**	**17,797**

The "holding in Kuroda" includes *the fair value* of the minority holding in Kuroda Precision Industries Ltd, listed on the Tokyo Stock Exchange. Below is reported a reconciliation of the amount shown in the table above:

	To December 31	
	2022	2021
Number of shares held	168,600	168,600
Unit Price	12,14	22,30
Fair value at December 31 (in thousands of Euros)	**2,046**	**3,759**

The item "Financial derivative instruments" refers to *the fair* value of derivatives whose change from the previous year was accounted for, in accordance with accounting principles, in the income statement.

At December 31, 2021, the item "holding in EMS" included the fair value of the minority interest held in the parent company E.M.S. S.p.A. ("EMS"). Following the change in contract during the year, the Group has recognized a financial credit, fully received, equal to the amount expected to be received in exchange for the sale of the shares held.

(5) Deferred tax assets and deferred tax liabilities

The following table provides a detailed analysis of assets for deferred tax and deferred tax liabilities:

(In thousands of Euros)	As at December 31, 2021	Profit and loss	Recognized in OCI	Exchange differences and more	As at December 31, 2022
Assets for prepaid taxes arising from:					
Employee benefits	178	(18)	(147)		13
Tangible assets	9,258	(1,647)		(264)	7,347
Right of use	1,052	80		74	1,206
Intangible assets	2,875	(843)		46	2,078
Inventory obsolescence fund	1,091	3,771		41	4,903
Allowance for doubtful accounts	2,269	304		75	2,648
Holding in EMS	1,576	*(1,576)*			-
Tax losses	825	(68)		(263)	494
Customer advances	777	(835)		58	-
Other	3,124	994		518	4,636
Total assets for prepaid tax	**23,025**	**162**	**(147)**	**285**	**23,325**
Tax liabilities for deferred taxes arising from:					
Employee benefits	-	52	15	-	67
Material activities	4,597	2,932		207	7,736
Share-based compensation	2,144	(2,110)	(21)	-	13
Inventories	1,263	3,503	-	83	4,849
Other	84	71		5	160
Total liabilities for deferred tax	**8,088**	**4,448**	**(6)**	**295**	**12,825**

The increase in deferred tax assets recorded in 2022 is mainly attributable to the time differences that emerged as a result of the revaluation of tangible assets by some Italian subsidiaries (pursuant to Law 126/2020) whose effects were eliminated from the consolidated financial statements.

(6) Other non-current assets

The following table provides a breakdown for other non-current assets:

(In thousands of Euros)	As at December 31	
Description	**2022**	**2021**
Other non-current tax credits	1,681	1,769
Other non-current credits	153	138
Total other non-current assets	**1,834**	**1,907**

The "other non-current tax credits" relate to the portion of the tax credit, for investments in facilities and equipment already carried out during the financial years, which will be available for use in future financial years.

CURRENT ASSETS

(7) Inventories

The detailed description of inventories is reported below:

(In thousands of Euros)	As at December 31	
Description	**2022**	**2021**
Raw materials	191,206	114.530
Semi-finished goods	52,173	54.147
Finished goods	109,701	57.801
Inventory obsolescence fund	(17,347)	(6.530)
Inventories	**335,733**	**219.948**

The following table reports the movement of the inventory obsolescence fund:

	As at December 31	
(In thousands of Euros)	**2022**	**2021**
Inventory obsolescence fund at the beginning of the year	**6,530**	**1,096**
Accruals	13,778	5,453
Uses	(2,961)	(19)
Inventory obsolescence fund at the end of the year	**17,347**	**6,530**

Stocks are not covered by guarantees. Inventories do not guarantee liabilities, nor are they recognized at the net realizable value.

(8) Trade receivables

As at December 31, 2022 the accounts receivable are composed as follows:

(In thousands of Euros)	As at December 31	
Description	**2022**	**2021**
Trade receivables	159,338	104,926
Allowance for doubtful accounts	(8,765)	(7,907)
Trade receivables	**150,573**	**97,019**

The increase in this item is due to the increase in the volume of activity.
The accounts receivable are expressed net of the allowance for doubtful accounts equal to Euros 8,765 thousand, which had the following movements:

	As at December 31	
(In thousands of Euros)	2022	2021
Allowance for doubtful accounts at the beginning of the year	**7,907**	**7,821**
Effect of changes in the consolidation area	-	339
Accruals	6,295	1,227
Uses	(854)	(138)
Releases	(4,583)	(1,342)
Allowance for doubtful accounts at the end of the year	**8,765**	**7,907**

The following table reports trade receivables divided by geographic area:

	As at December 31	
(In thousands of Euros)	2022	2021
EMEA	110,662	64,211
- of which in Italy	108,078	35,316
NORTH AMERICA	30,115	21,921
- of which in Mexico	24,945	10,678
- of which in the United States	5,170	11,243
ASIA	9,796	10,887
- of which in China	9,796	10,887
Trade receivables	**150,573**	**97,019**

(9) Cash and cash equivalents

Cash and cash equivalents refers to current bank account deposits held at banks.

(In thousands of Euros)	As at December 31	
Description	**2022**	**2021**
Bank and postal deposits	116,484	136,751
Cash and cash on hand	19	911
Cash and cash equivalents and equivalent means	**116,503**	**137,662**

The item includes cash and cash equivalents recognized in the consolidated financial statements. There are no restrictions on the use of cash and cash equivalents.
Cash and cash equivalents in non-EU countries refer mainly to the current bank accounts in Mexico, the United States and China of subsidiaries for a value of approximately Euro 16,008 thousand, Euro 3,458 thousand and euro 24,536 thousand respectively at December 31, 2022.

(10) Other current assets and receivables

The following table provides a breakdown of other current assets:

(In thousands of Euros)	As at December 31	
Description	**2022**	**2021**
VAT receivables	32,392	17,497
Advances to suppliers	10,332	2,582
Other tax receivables	3,773	2,612
Prepaid expenses	3,363	2,425
Insurance claims	3,224	1,556
Other receivables	415	422
Other current assets	**53,499**	**27,094**

The other tax receivables are linked to investments in real estate equipment and installations made during the financial year in accordance with Article 1(1051) to (1063) of Law 178 of 30/12/2020 ("Budget Law 2021").

(11) Current financial assets and receivables

Current financial assets and receivables refer to the financing granted, in 2020, to the parent company E.M.S. S.p.A. for an amount of Euro 5,600 thousand, at an annual interest rate of 1.5%. This financing provides for reimbursement at the earliest time between 2026 and the quotation date. Following the closing of the financial year, the company received the full credit after the price was completed.

(12) Tax receivables

The following table provides a breakdown of tax receivables:

(In thousands of Euros)	As at December 31	
Description	**2022**	**2021**
Foreign receivables for income taxes	4,223	1,896
Tax receivables	**4,223**	**1,896**

EQUITY

(13) Group's equity

As at December 31, 2022, the share capital is fully subscribed and paid up and amounts to Euro 6,112 thousand, divided into 6,111,940 shares.
The following table shows a reconciliation between the number of ordinary shares as of December 31 , 2022 and 2021:

Number of shares at December 31, 2021	**6,111,940**
Increase for subscription of a capital increase	-
Number of shares at December 31, 2022	**6,111,940**

Share premium reserve

The share premium reserve at December 31, 2022 amounted to Euro 34,410 thousand and did not change from December 31, 2021.

Other reserves

The other reserves amount to Euro 4,963 thousand at December 31, 2022 (Euro 5,204 thousand at December 31, 2021) and are detailed as follows:

	As at December 31	
(In thousands of Euros)	**2022**	**2021**
Legal reserve	796	648
First time adoption – FTA reservations with low online rates	(3,875)	(3,875)
Conversion reserve	2,349	1,714
Other components of the comprehensive income statement	5,693	6,717
Of which:		
- Actuarial gains/(losses) on employee benefits	*79*	*(426)*
- Profit from the measurement of equity instruments at fair value	*5,464*	*7,156*
- Losses arising from the measurement at fair value of hedging derivatives	*150*	*(13)*
Total other reserves	**4,963**	**5,204**

Retained earnings

New earnings amounted to Euro 118,020 thousand at December 31, 2021, Euro 81,829 thousand at December 31, 2021.

NON-CURRENT LIABILITIES

(14) Financial liabilities

The following table reports the details of changes in liabilities arising from financing assets:

(In thousands of Euros)	Bank loans	Financing lines	Debts to factors	Debts to other investors	Derivatives	Total
Opening balance	141,026	48,298	8,381	16,849	569	215,123
Refunds	(32,684)	(9,679)	(8,381)	(1,861)	-	(52,605)
Increases	54,140	-	11,781	2,053	-	67,974
Other non-financial movements	2,063	388	-	-	(411)	2,040
As at December 31, 2021	**164,545**	**39,007**	**11,781**	**17,041**	**158**	**232,532**
Of which:						
Non-current	**119,742**	**-**	**-**	**15,097**	**158**	**134,997**
Current	**44,803**	**39,007**	**11,781**	**1,944**	**-**	**97,535**

(In thousands of Euros)	Bank loans	Financing lines	Debts to factors	Debts to other investors	Derivatives	Total
Opening balance	164,545	39,007	11,781	17,041	158	232,532
Refunds	(57,492)	-	(12,647)	(5,542)	-	(75,681)
Increases	91,196	31,691	35,210	17,560	-	175,657
Change in consolidation area	-	-	-	-	-	-
Other non-financial movements	(291)	335	-	662	(158)	549
As at December 31, 2022	**197,958**	**71,033**	**34,344**	**29,721**	**-**	**333,057**
Of which:						
Non-current	**161,056**	**-**	**-**	**29,721**	**-**	**190,778**
Current	**36,902**	**71,033**	**34,344**	**-**	**-**	**142,279**

Debts to other investors are linked to investment agreements with Simest S.p.A..

Covenants

Some Euro Group loans are subject to financial constraints that require maintaining a ratio of net financial debt to EBITDA (or MOL) below certain thresholds. The following are details of the Group values and the parameters expected by banks:

Entities	Bank	Initial amount € (000)	Year of subscription	Year of expiration	Financial parameter	Covenant
EuroGroup Laminations S.p.A.	Bank ICCREA	1,5	2019	2024	Net financial debt / EBITDA	<4.0
					Net financial debt / equity	<2.0
Euroblanking S.p.A.	CDP	30	2022	2028	Net financial debt / EBITDA	<3.50
					Net financial debt / equity	<2
Euroblanking S.p.A.	Intesa Saint Paul	25	2022	2028	Net financial debt / EBITDA	<3.50
					Net financial debt / equity	<2
Euroblanking S.p.A.	Intesa San-paolo	10	2018	2024	Net financial debt / EBITDA	<3.0
					Net financial debt / equity	<2.0
Euroblanking S.p.A.	UniCredit *	25	2022	2028	EBITDA / Net financial interest	>6.0
					Net financial debt / EBITDA	<4
					Equity	>€m68
Euroblanking S.p.A.	UniCredit **	10	2021	2027	EBITDA / Net financial interest	>6
					Net financial debt / EBITDA	<4
					Equity	>€m68
Euroblanking S.p.A.	BNL *	15	2021	2028	Net financial debt / EBITDA	<3
					Net financial debt / equity	<1
Euroblanking S.p.A.	Agricultural credit	5	2019	2025	Net financial debt / EBITDA	<4.0
					Net financial debt / equity	<2.0
Euroblanking S.p.A.	Agricultural credit	8	2018	2024	Net financial debt / EBITDA	<4.0
					Net financial debt / equity	<2.0
Euroblanking S.p.A.	Agricultural credit *	15	2021	2027	Net financial debt / EBITDA	<3.5
					Net financial debt / equity	<2
Euroblanking S.p.A.	Deutsche Bank	3	2018	2023	Net financial debt /EBITDA	<4.0
Euroblanking S.p.A.	Deutsche Bank *	7	2020	2026	Net financial debt / EBITDA	<3.5
					Net financial debt / equity	<1.0
Euroblanking S.p.A.	MPS Capital Services	15	2020	2026	Net financial debt / EBITDA	<4.0
Euroblanking S.p.A.	Medium Central Credit	10	2019	2024	Net financial debt / EBITDA	<4.0
					Net financial debt / equity	<2.0
Corrada S.p.A.	Deutsche Bank ***	3	2020	2026	Net financial debt / EBITDA	<3.5
					Net financial debt / equity	<1
Eurocutting Mexico	Intesa Saint Paul	9,376	2019	2023	Net financial debt / EBITDA	<4
					Net financial debt / equity	<1.50

* Financing supported by Sace guarantee
** BEI Guaranteed Financing
*** Financing assisted by a guarantee fund

As at December 31, 2022, the group complied with all financial constraints.

As required by ESMA Communication 32-382-1138 of 4 March 2021 with the document "ESMA32-382-1138" and taken over by CONSOB in Communication 5/21 of 29 April 2021, the Company's net financial debt is as follows:

		As at December 31	
Voice	Description	2022	2021
A	Cash and cash equivalents	116,503	137,662
B	Means equivalent to Cash and cash equivalents	-	-
C	Current financial assets and receivables	5,684	-
D	LIQUIDITY (A + B + C)	122,187	137,662
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	112,569	60,500
F	Current part of non-current financial debt	36,902	44,803
G	Current financial debt (E+F)	149,471	105,303
H	Net current financial debt (G-D)	27,284	-32,359
I	Non-current financial debt (excluding the current part and debt instruments)	231,980	182,565
J	Debt instruments	-	-
K	Trade and other non-current payables	113	1,508
L	Non-current financial debt (I + J + K)	232,093	184,073
M	Total debt (H + L)	259,377	151,714

(15) Financial liabilities arising from *leases*

The following table provides a breakdown for current and non-current financial liabilities arising from *leases*:

	As at December 31	
Description	2022	2021
Non-current financial liabilities arising from leases	41,202	47,568
Current financial liabilities arising from leases	7,192	7,768
Total financial liabilities arising from leases	**48,394**	**55,336**

	2022	2021
Opening balance	55,336	41,327
Increases for new leases	518	15,555
Business combinations	-	8,831
Repayment of the liabilities arising from leasing	(9,863)	(10,377)
Exchange rate differences	2,403	-
Closing balance	48,394	55,336

The following table summarizes the undiscounted contractual cash flows of lease liabilities by maturity date:

	As at December 31	
Rate	**2022**	**2021**
1 year	7,192	7,768
2 years	6,181	6,717
3 years	5,663	6, 427
4 years	5,346	6,218
Beyond	24,012	28,206
Total financial liabilities arising from leases	**48,394**	**55,336**

(16) Employee benefits

The item includes the debt for the severance indemnity of the Group accrued by managers and employees of Italian companies. Foreign companies do not recognize employee benefits or other components that are comparable to employee benefits.

The table below shows the movements of employee benefits:

	As at December 31	
(In thousands of Euros)	**2022**	**2021**
Opening balance	4,809	5,080
Changes with impact to consolidated income statement	74	102
- *Of which: Service cost*	94	124
- *Of which: Financial charges*	(20)	(22)
Benefits paid	(136)	(539)
Changes with impact on the consolidated comprehensive income statement	(677)	(152)
Change in consolidation area		318
Closing balance	**4,070**	**4,809**

The following table summarizes the main financial assumptions used to determine the present value of the severance indemnity as at 31 December 2022 and 2021:

	As at December 31	
	2022	**2021**
Representative termination rate	2.70%	2.70%
Mortality rate	ISTAT tables 2021	ISTAT tables 2020
Annual advance rate	4.00%	4.00%
Average advance rate	70.00%	70.00%
Annual rate of wage increase (including inflationary increase)	3.50%	3.50%
Annual discount rate	3.702%	0.576%

The following table shows a sensitivity analysis of employee benefit assessment as at December 31 2022 and 2021:

(In thousands of Euros)	**Annual discount rate**		**Annual inflation rate**		**Annual turn over rate**	
At December 2022	**0.50%**	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**	**-0.50%**
December 31, 2022	3,798	4,110	4,040	3,862	3,980	3,900
December 31, 2021	4,707	5,176	5,061	4,809	4,839	5,071

(17) Funds for risks and charges

The composition of the item is as follows:

	As at December 31	
Description	**2022**	**2021**
Supplementary customer indemnity fund	498	384
Other funds for risks and charges	732	18
Funds for risks and charges	**1,230**	**402**

On July 15, 2022, the Revenuess Agency ("Agenzia delle Entrate") notified the Company of a record of the 2016 tax period, in which violations have been alleged concerning (I) the incorrect application of the pro-rata VAT and (ii) the ineducability of the depreciation of certain Intangibles.

On November 11 2022, the Company received the related formal notice ("Notice of Investigation") in relation to the alleged violations. With regard to the not deductable amortization of certain intangible assets, the Company has deducted the amortization of certain intangible assets in the years following 2016 and, Therefore, the tax authority could formalise findings similar to those made for the 2016 tax period for further tax periods.

While there are valid arguments in support of the defence of the tax approach adopted, the Company, with the support of its tax advisors, considered the risk of extending the tax assessment to subsequent years and, therefore made a provision of 444 thousand euro. For the financial year 2022, it also recorded higher taxes for previous years, amounting to 451 thousand euros.

The following table shows the movements of funds for risks and charges:

	As at December 31	
Description	**2022**	**2021**
Opening balance	**402**	**384**
Accruals	828	18
Uses	-	-
Closing balance	**1,230**	**402**

(18) Other non-current liabilities

The following table provides a detail of other non-current liabilities:

(In thousands of Euros)	To December 31	
Description	**2022**	**2021**
Payables for share-based compensation	-	3,937
Deferred income	4,534	3,349
Payables for dividends	113	1,508
Other non-current tax liabilities	438	485
Other non-current debts	-	627
Other non-current liabilities	**5,085**	**9,906**

The item "deferred income" is related to the tax credit, consisting of contributions, for investments made in 2020, 2021 and 2022, for the purchase of plants, which is deferred for the depreciation period of the underlying business. This capital grant will be recognized in the pro-rata temporis balance sheet, in fiscal years in which the economic benefits of such investments will be shown, which will coincide with the economic useful life of such plants.

CURRENT LIABILITIES

(19) Trade payables

This item includes amounts due for supplies of production materials, debts for expenses incurred in the purchase of assets and debts for services received. The Group has no *reverse factoring and* /or supplier financing operations. The following table shows the trade payables by geographical area:

	As at December 31	
(In thousands of Euros)	**2022**	**2021**
EMEA	178,307	147,132
- of which in Italy	*172,145*	139,595
NORTH AMERICA	132,543	80,977
- of which in Mexico	*126,342*	50,945
- of which in the United States	*6,201*	30,032
ASIA	18,442	12,101
- of which in China	*18,442*	12,101
Trade payables	**329,292**	**240,210**

(20) Other current liabilities

The following table provides the detail of the other current liabilities:

(In thousands of Euros)	As at December 31	
Description	**2022**	**2021**
Payable to employees	10,931	7,291
Accrued expenses and deferred income	3,298	7,583
Payables for other taxes	2,952	4,005
VAT payables	2,173	-
Payables to social security institutions	1,519	1,181
Other Payables	1,444	1,410
Advances from customers	-	13,793
Total other current liabilities	**22,317**	**35,263**

(21) Tax liabilities

The following table gives details of tax liabilities:

(In thousands of Euros)	As at December 31	
Description	**2022**	**2021**
IRES – Company income tax	8,339	2,006
IRAP – Regional tax on production activities	1,510	409
Total tax liabilities	**9,849**	**2,415**

Explanatory Notes to the **Consolidated Income Statement**

(22) Revenuess

The Group generates revenuess mainly from the sale of rotors, stators, spare parts and tools. The following table provides a breakdown of revenuess by segment:

	Year ended at December 31	
(In thousands of Euros)	2022	2021
EV & Automotive	317,932	195,596
Industrial	533,180	361,308
Revenuess	**851,112**	**556,904**

(23) Change in inventories of in process, semi-finished and finished products

The following table provides a detailed description of the item:

(In thousands of Euros)	At December 31	
Description	**2022**	**2021**
Change in inventories of finished goods	17,350	7,122
Change in inventories of in process and semi-finished products	19,995	3,506
Change in inventories of products in process, semi-finished and finished products	**37,345**	**10,628**

(24) Cost of raw materials

The following table provides a detail for the cost of raw materials:

(In thousands of Euros)	At December 31	
Description	**2022**	**2021**
Cost of raw materials, semi-finished products and finished goods	564,008	342,485
Cost of consumables	12,649	9,252
Cost of raw materials	**576,657**	**351,737**

(25) Costs of services

The following table provides the detail of the costs of services:

(In thousands of Euros)	At December 31	
Description	**2022**	**2021**
Maintenance	19,469	14,344
External work	16,737	12,723
Energy	22,059	11,938
Transportation	13,099	10,011
General expenses	5,120	4,218
Administrator fees	3,098	3,281
Recruitment costs	4,010	3,090
Rentals and leases	1,460	572
- of which in the short term	*1,241*	*474*
- of which at low value	*219*	*98*
Consultancy fees	4,293	2,891
Legal, notary and administrative expenses	2,247	2,453
Commissions	3,057	1,875
Insurance	1,639	1,512
Other costs of services	2,426	2,614
Costs of services	**98,714**	**71,522**

Other service costs mainly include security and cleaning costs, travel and marketing costs.

(26) Costs of personnel

The following table gives a breakdown of cost of personnel:

(In thousands of Euros)	Financial year ended at December 31	
Description	**2022**	**2021**
Wages and salaries	83,602	67,594
Social security contributions	17,296	14,554
Severance indemnity	2,608	2,486
Share-based compensation	2,161	3,698
Other costs	323	219
Costs of personnel	**105,990**	**88,551**

The Group, through its subsidiary Eurotranciatura, has granted to four employees with strategic responsibilities the minority stake, representing 5% of the share capital, of the parent company EMS S.p.A.. The agreement provides for the obligation for employees to purchase the share in annual instalments for a period of ten years. The effectiveness of the annual purchase of shares (shares held) is subject to the permanence of employees within the Group in the period of ten years (vesting period). During the financial year the purchases envisaged under these contracts were completed in advance and therefore they do not have any residual effect at the balance sheet date.

Staff information is as follows:

	2022	2021
Managers	44	26
Executives	67	53
Employees	606	530
Workers	1,615	1,446
Average total	**2,332**	**2,055**

(27) Other operating expenses

The following table shows the details of the other operating expenses:

(In thousands of Euros)	At December 31	
Description	**2022**	**2021**
(Release)/Accrual to Allowance for doubtful accounts	1,722	(93)
Costs for the previous year	1,640	721
Provision for risks	749	94
Other operating expenses	394	288
Losses due to alienation of assets	230	29
Penalties	217	420
Other taxes and charges	-	365
Other provisions	-	267
Other operating expenses	**4,942**	**2,091**

(28) Depreciation and amortization

The following table provides a detail of the item “depreciation and amortization”:

(In thousands of Euros)	At December 31	
Description	**2022**	**2021**
Tangible assets	18,463	16,414
Rights of use	7,081	6,427
Intangible assets	547	428
Depreciation and Amortization	**26,091**	**23,269**

(29) Financial income

The following table shows a detail of the financial income:

(In thousands of Euros)	Financial year ended at December 31	
Description	**2022**	**2021**
Derivative financial instruments valued at fair value	2,090	462
Other financial income	249	212
Financial income from the Parent Company	90	84
Interest receivable from banks	68	68
Income from employee benefits – Severance indemnity	17	23
Financial income from other investors	47	-
Financial income	**2,561**	**849**

(30) Financial charges

The following table shows a detail of the financial charges:

(In thousands of Euros)	At December 31	
Description	**2022**	**2021**
Interest Payable to the banks	5,821	3,692
Financial charges from other investors	3,752	1,655
Interest payable to the factor	2,589	1,068
Interest payable for leases	811	769
Interest for derivative financial instruments	309	263
Other financial charges	835	229
Financial charges	**14,117**	**7,676**

(31) Profit/loss on exchange rates

The following table provides the details of profits and losses on exchange rates:

(In thousands of Euros)	Financial year ended at December 31	
Description	**2022**	**2021**
Exchange rate losses	(4,103)	(275)
Exchange rate gains	2,890	1,356
Profits/(losses) on exchange rates	**(1,213)**	**1,081**

(32) Income taxes

(In thousands of Euros)	Financial year ended at December 31	
Description	**2022**	**2021**
IRES – Company income tax	2,894	1,371
IRAP – Regional tax on production activities	2,369	1,097
Taxes on the income of foreign companies	10,131	3,023
Taxes for previous years	158	115
Deferred (prepaid) taxes	4,288	3,376
Income taxes	**19,840**	**8,982**

Deferred tax liabilities are not recorded if it can be demonstrated that their payment is unlikely or not due. Accrued tax assets are recorded if their recovery is reasonably safe. All of the above items have been entered taking into account the principle of business continuity.

The following table provides a reconciliation of actual income tax and theoretical income tax, the first being calculated on the basis of the applicable Group average tax rate of 25.3% for each of the financial years ending December 31, 2022:

(In thousands of Euros)	Financial year ended at December 31	
Description	**2022**	**2021**
Result before tax	63,618	29,673
Theoretical income tax - average rate of tax	**(16,064)**	**(7,492)**
Taxes for previous years	(158)	(115)
Accrued/deferred tax	(4,288)	(3,376)
Effect of the different tax rates of subsidiaries operating abroad	3,040	3,099
Total tax charge, excluding IRAP	**(17,471)**	**(7,885)**
Average effective tax rate	27,46%	26,57%
Regional tax on productive activities (IRAP)	(2,369)	(1,097)
Income taxes	**(19,840)**	**(8,982)**

In order to facilitate the understanding of the reconciliation of tax rates presented above, tax charges net of other taxes paid abroad and IRAP have been exposed. IRAP is calculated on an income measure defined by the Civil Code such as the difference between revenuess and operating expenses, financial income and charges, the cost of employees with temporary contacts, losses on loans and any interest included in lease payments. IRAP is calculated using financial data prepared according to Italian accounting standards. The IRAP rate applicable was 3.9% for the Italian consolidated companies, for each of the financial years ended December 31, 2022. There are no deferred tax assets for tax losses that are not accounted for.

At the financial statements date, the Group recorded unused tax losses of Euro 1,889 thousand (Euro 3,752 thousand at December 31, 2021) available for compensation against future income. An accrued tax asset of Euro 494 thousand (Euro 825 thousand at December 31, 2021) of these losses was recognized.

(33) Basic and diluted earnings per share

Basic and diluted earnings per share were calculated as the ratio between the Group's attributable profit and the Company's weighted average number of outstanding shares (base and diluted).
The following table summarizes the amounts used to calculate the basic and diluted earnings per share:

	Financial year ended at December 31	
(In thousands of Euros and number of shares)	**2022**	**2021**
Result attributable to the Group (A)	39,287	18,752
Number of shares at the beginning of the year	6,112	6,112
Number of shares at the end of the year	6,112	6,112
Weighted average number of Common Shares for base profit (B)	6,112	6,112
Base profit and diluted earnings per share (Euro) I=(A)/(B)	**6,43**	**3,07**

Diluted earnings per share are the basic earnings per share as there have been no potentially dilutive instruments for the periods presented.

Explanatory Notes to the **Consolidated Cash Flow statement**

As follows are summarized the main phenomena that influenced the trend of cash flows during the periods under consideration.

Net cash flow generated by operating activity

The activity carried out during the period absorbed resources of Euro 20,848 thousand compared to a cash flow generated in the period 2021 equal to Euro 48,409 thousand.

Cash flow absorbed by investment activities

The total cash flow absorbed by investment activities amounted to Euro 84,653 thousand compared to the value of Euro 15,339 thousand corresponding to the period of 2021.

Cash flow generated by financing activities

The total cash flow generated by the financing activity amounts to Euro 79,202 thousand compared to an absorbed cash flow of euro 4,939 thousand in the previous period.

Other information

RISK MANAGEMENT POLICY

On the basis of the information available to date, the Company's directors believe that, at the date of approval of this financial statements, the accrued funds are sufficient to ensure the correct representation of the financial information.

Credit risk

The Group is exposed to a credit risk due to the fact that its customers may delay or fail to meet their payment commitments in the agreed terms and that the internal procedures adopted in relation to the credit risk assessment and the solvency of customers are not sufficient.
These risks could have a negative impact on the Group's economic, financial and capital situation.

To mitigate this risk, the Group monitors the credit quality of third parties on the basis of internal or external ratings and sets credit limits, the latter are subject to constant monitoring. The Group's customers are all the main players in the sectors in which the Group operates, and credit risk is concentrated only on a small percentage of smaller customers.

It may happen that the Group uses *factoring tools* to collect certain types of trade receivables.

The following table contains a breakdown of trade receivables by past due date:

	At December 31			
	2022		2021	
(In thousands of Euros)	**Credits**	**Bottom**	**Credits**	**Bottom**
Not yet expired	120,703	(298)	76,788	(64)
0-60 days expired	20,656	(106)	12,814	(95)
60-180 days expired	7,295	(272)	3,385	(182)
> 180 days expired	10,684	(8,089)	11,939	(7,566)
Trade receivables	**159,338**	**(8,765)**	**104,926**	**(7,907)**

Liquidity risk

The Group is exposed to the risk of not being able to obtain new financing or renew existing financing on terms no worse than those in place, and it may also fail to comply with the covenants entered into in existing financing contracts. Moreover, violation of covenants could in some cases lead (due to *cross-default clauses*) to the decline of the term benefit, compared to other financing agreements. The occurrence of these risks could have significant negative effects on the Group's economic and financial situation.

Taking into account the net financial position and the ability to generate positive cash flows from operating activities, the liquidity risk is assessed, in the economic situation in which the Group is at the time of approval of these financial statements, as low. The Group has credit lines granted by the banking system adapted to operational requirements.

The Group's cash flows, financial requirements and liquidity are carefully monitored and managed in such a way as to:

- maintain an adequate level of liquidity;
- to diversify the methods of obtaining financial resources;
- provide adequate credit lines;
- monitor prospective liquidity conditions, in relation to the business planning process.

(In thousands of Euros)	December 31, 2022	Total cash flows	Less than 1 year	Between 1 and 5 years	> 5 years
Non-current financial debts	190,778	190,778	-	163,213	27,565
Non-current financial liabilities arising from leases	41,202	41,202	-	17,190	24,012
Total non-current financial liabilities	**231,980**	**231,980**	**-**	**180,403**	**51,577**
Current financial liabilities	105,377	105,377	105,377	-	-
Current share of non-current financial debts	36,902	36,902	36,902	-	-
Current financial liabilities arising from leases	7,192	7,192	7,192	-	-
Total current financial liabilities	**149,471**	**149,471**	**149,471**	**-**	**-**
Total financial liabilities	**381,451**	**381,451**	**149,471**	**180,403**	**51,577**

(In thousands of Euros)	December 31, 2021	Total cash flows	Less than 1 year	Between 1 and 5 years	> 5 years
Non-current financial debts	134,997	134,997	-	100,051	34,946
Non-current financial liabilities arising from leases	47,568	47,568	-	19,362	28,206
Total non-current financial liabilities	**182,565**	**182,565**	**-**	**119,413**	**63,152**
Current financial liabilities	50,788	50,788	50,788	-	-
Current share of non-current financial debts	46,747	46,747	46,747	-	-
Current financial liabilities arising from leases	7,768	7,768	7,768	-	-
Total current financial liabilities	**105,303**	**105,303**	**105,303**	**-**	**-**
Total financial liabilities	**287,868**	**287,868**	**105,303**	**119,413**	**63,152**

The main factors influencing the Group's liquidity are the resources generated or absorbed by current operating and investment assets, the possible distribution of dividends, the maturity or refinancing of debt, and the management of surplus cash. Liquidity needs or surpluses are monitored daily by the Parent Company in order to ensure an effective supply of financial resources or adequate investment of excess liquidity.

The negotiation and management of credit lines is coordinated by the Parent Company in order to meet the short- and medium-term financing requirements of the individual Group companies according to efficiency and cost-benefit criteria. It has always been the Group's policy to sign and maintain with various and diversified banks a total amount of credit lines that is considered consistent with the needs of the individual companies and able to guarantee at any time the liquidity necessary to satisfy and respect all The Group's financial commitments, under established economic conditions, as well as ensuring the availability of an adequate level of operational flexibility for any expansion program.

Interest rate risk

The Group is subject to the risk of interest rate fluctuations relating to debts. Any change in interest rates (EURIBOR) could have an effect on increasing or decreasing financing costs.

	December 31, 2021					
(In thousands of Euros)	Residual debt	total %	Within 1 year	total %	Over a year	total %
Total financial liabilities with fixed rates	199,755	52.37%	124,127	83.04%	75,628	32.60%
Total financial liabilities with variable rates	181,697	47.63%	25,344	16.96%	156,353	67.40%
Total debt exposure	**381,451**	**100%**	**149,471**	**100%**	**231,980**	**100%**
Interest to be paid on the variable rate exposure not covered by derivatives	**11,373**		**4,318**		**7,054**	
Interest to be paid as a result of the change (+2%) in the basic reference rate	**18,572**		**5,964**		**12,608**	

	December 31, 2021					
(In thousands of Euros)	Residual debt	total %	Within 1 year	total %	Over a year	total %
Total financial liabilities with fixed rates	143,602	61.76%	82,547	84.63%	61,055	45.23%
Total financial liabilities with variable rates	88,930	38.24%	14,988	15.37%	73,942	54.77%
Total debt exposure	**233,532**	**100%**	**97,535**	**100%**	**134,997**	**100%**
Interest to be paid on the variable rate e xposure not covered by derivatives	492		460		32	
Interest to be paid as a result of the change (+2%) in the basic reference rate	**6,197**		**2,481**		**3,716**	

Exchange rate risk

The Group carries out transactions in foreign currency; as a result, it is exposed to fluctuations in exchange rates. The Group does not adopt specific policies to cover fluctuations because, in order to mitigate exposure to exchange risk, the Group mainly carries out purchasing and selling operations in the same local currency.

The balance sheet values of the Group's foreign currency monetary assets and liabilities at the balance sheet date are as follows:

	As at December 31, 2022				
(In thousands of Euros)	USD	CNY	RUB	JPY	Totale
Total assets	24,736	282	-	282	25,300
Total liabilities	5,296	978	-	(10,180)	(3,906)

	As at December 31, 2021				
(In thousands of Euros)	USD	CNY	RUB	JPY	Totale
Total assets	8,176	157	239	152	8,724
Total liabilities	6,709	464	623	10,113	17,909

The following table shows the sensitivity analysis to an increase and a decrease of 10% in the exchange values of the currency units concerned. The sensitivity analysis includes only foreign currency items in circulation and adjusts their conversion at the end of the financial year for around 10% of foreign currency rates.

	As at December 31			
	2022		2021	
(In thousands of Euros)	FX +10%	FX -10%	FX +10%	FX -10%
USD - US Dollar	(1,767)	2,160	(133)	163
CNY - Chinese Renminbi (Yuan)	63	(77)	28	(34)
JPY - Japanese Yen	(951)	1,162	906	(1,107)
Rub - Russian Ruble	-	-	35	(43)
Total other currencies	**(2,655)**	**3,245**	**836**	**(1,021)**
Total effect on the Profit before tax	**(2,655)**	**3,245**	**836**	**(1,021)**

Financial assets and liabilities

The following table combines information regarding:

- classes of financial instruments based on their nature and characteristics;
- the carrying amount of the financial instruments;
- *fair value* of financial instruments (except financial instruments whose carrying amount is close to *their fair value*);
- hierarchy of *fair value* of the financial assets and liabilities for which *fair value was applied*.

The levels of the fair value hierarchy (1 to 3) are based on the degree of observability of *the fair value*:

- level 1 fair value measurements are those derived from prices quoted (unadjusted) in the asset markets for assets or liabilities identical to those assessed;
- level 2 fair value measurements are those derived from factors other than the quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. price derivatives);
- level 3 fair value measurements are those derived from measurement techniques that include *inputs* for assets or liabilities that are not based on observable market data (non-observable factors).

The following table shows the financial assets and liabilities divided per evaluation methodology applied:

(In thousands of Euros)	Financial assets and liabilities				Levels of the fair value hierarchy		
December 31, 2022	Impacts on income statement	Impacts to the comprehensive income statement	Amortized cost	Total	1	2	3
Non-current financial assets		2,197	3,734	5,931	2,046	3,885	
Trade receivables			150,573	150,573		150,573	
Other assets			7,518	7,518		7,518	
Cash and cash equivalents			116,503	116,503		116,503	
Total financial assets	**-**	**2,197**	**278,328**	**280,525**	**2,046**	**278,479**	
Financial debts			333,057	333,057		333,057	
Financial liabilities arising from leases			48,394	48,394		48,394	
Trade payables			329,292	329,292		329,292	
Other liabilities			27,402	27,402		27,402	
Total financial liabilities	**-**		**738,145**	**738,145**		**738,145**	

(In thousands of Euros)	Financial assets and liabilities				Levels of the fair value hierarchy		
December 31, 2021	Impacts on income statement	Impacts to the comprehensive income statement	Amortized cost	Total	1	2	3
Non-current financial assets		12,025	5,772	17,797	4,514	5,810	7,473
Trade receivables			97,019	97,019		97,019	
Other assets			29,001	29,001		29,001	
Cash and cash equivalents			137,662	137,662		137,662	
Total financial assets		**12,025**	**269,454**	**281,479**	**4,514**	**269,492**	**7,473**
Financial debts		158	232,374	232,532		232,532	
Financial liabilities arising from leases			55,336	55,336		55,336	
Trade payables			240,210	240,210		240,210	
Other liabilities	3,937		41,232	45,169		45,169	
Total financial liabilities	**3,937**	**158**	**569,152**	**573,247**	**-**	**573,247**	**-**

TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24, Related parties are: (A) companies which directly, or indirectly through one or more intermediate enterprises, control, or are controlled by, or are under common control with, the reporting enterprise; (b) related companies; (c) individuals who have directly or indirectly a voting power in the reporting enterprise giving them a dominant influence over the enterprise and their immediate family members; (D) managers with strategic responsibilities, i.e. those who have the power and responsibility for the planning, management and control of the activities of the reporting enterprise, including directors and officers of the company and the close family members of those persons; (e) undertakings in which a significant voting power is held, directly or indirectly, by any individual described under (c) or (d) or over which that individual is able to exert a significant influence. Case (e) includes the enterprises owned by the directors or major shareholders of the reporting company and the enterprises that have an executive with strategic responsibilities in common with the reporting company.

The following table shows the list of Related parties with indication of the correlation type:

Related parties	Type and main correlation report
EMS S.P.A.	Shareholder of the issuer
EUROTRANCIATURA S.P.A.	Company 100% owned by the issuer
CORRADA S.P.A.	Company 100% owned by the issuer
EUROTRANCIATURA MÉXICO S. TO DE C.V.	Company 87.6% owned by the issuer
EUROPROPERTIES MEXICO S.A. DE C.V.	Company 100% owned by the issuer
SAF S.P.A.	Company 50% owned by the issuer
EUROTRANCIATURA TUNISIE	Company 51% owned by the issuer
EMS MEXICO SA DE CV	Company 87.6% owned by the issuer
EUROSLOT TOOLS S.r.l.	Company 60% owned by the issuer
EURO GROUP LAMINATIONS RUSSIA LLC	Company 100% owned by the issuer
EUROTRANCIATURA USA LLC	Company 78.84% owned by the issuer
EUROPROPERTIES USA LLC	Company 100% owned by the issuer
EURO MISI LAMINATIONS JIAXING CO. LTD.	Company 41.40% owned by the issuer
EURO GROUP ASIA LIMITED	Company 60% owned by the issuer
EURO HIGHTECH S.A. DE C.V.	Company 70.90% owned by the issuer
EURO GROUP LEVERAGE LEVER LLC	Company 100% owned by the issuer
EURO (JIAXING) MOTOR TECHNICAL SERVICES CO., LTD.	Company 60% owned by the issuer
EURO MISI HIGH-TECH JIAXING CO. LTD.	Company 41.40% owned by the issuer
Individuals	
Iori Sergio	Chairman of the Board of Directors of the Issuer appointed on October 9, 2020
Arduini Marco Stefano	CEO of the issuer, appointed on October 12, 2020
Guardala Isidoro	Vice-President of the Board of Directors of the Issuer appointed on October 9, 2020
Iori Marzio Andrea	Counselor of the Board of Directors of the Issuer, appointed on October 9, 2020
Quagliuolo Roberto Francesco	Counselor of the Board of Directors of the Issuer, appointed on October 9, 2020
Gales Jean-Marc Pierre	Counselor of the Board of Directors of the Issuer, appointed on October 9,2020
Bertocchi Gianluca Umberto Maria	Counselor of the Board of Directors of the Issuer
Garavaglia Luigi Emilio	Member of the Board of Statutory Auditors in office appointed on October 8, 2020
Alabiso Francesco	Member of the Board of Statutory Auditors in office appointed on October 8, 2020
Venturini Maria	Member of the Board of Statutory Auditors in office appointed on October 8, 2020
Gandola Giancarlo	Member of the Board of Statutory Auditors in office appointed on October 8, 2020
Sironi Roberta	Member of the Board of Statutory Auditors in office appointed on October 8, 2020

The Group carries out transactions with Related parties on commercial terms consistent with the market, considering the characteristics of the goods or services in question.

The operations carried out by the Group with these Related parties are commercial and financial in nature and, in particular concern:

Related parties	EMS S.p.A.	SAFIM S.p.A.	Total	Total financial statements item	Impact on financial statements item
(In thousands of Euros)					
Rights of use					
As at December, 31 2022	33,158	-	33,158	55,115	60.16%
As at December, 31 2021	28,393	-	28,393	61,993	45.80%
Current financial assets					
As at December, 31 2022	5,684	-	5,684	5,684	100%
As at December, 31 2021	-	-	-	-	-
Non-current financial assets					
As at December, 31 2022	-	-	-	-	-
As at December, 31 2021	5,600	-	5,600	5,600	100%
Trade receivables					
As at December, 31 2022	43	-	43	150,573	0%
As at December, 31 2021	-	-	-	97,019	0%
Non-current financial liabilities derived from *leases*					
As at December, 31 2022	23,568	-	23,568	41,202	57.20%
As at December, 31 2021	26,139	-	26,139	47,568	54.95%
Other non-current liabilities					
As at December, 31 2022	-	549	549	5,085	10.79%
As at December, 31 2021	5,445	-	5,445	9,906	54.97%
Current financial liabilities derived from *leases*					
As at December, 31 2022	2,571	-	2,571	7,192	35.75%
As at December, 31 2021	2,533	-	2,533	7,768	32.61%
Revenues					
As at December, 31 2022	126	-	126	851,112	0%
As at December, 31 2021	-	-	-	556,904	0%
Costs of Personel					
As at December, 31 2022	(2,161)	-	(2,161)	(105,990)	2.04%
As at December, 31 2021	(3,698)	-	(3,698)	(88,551)	4.18%
Depreciation and Amortization					
As at December, 31 2022	(2,694)	-	(2,694)	(26,091)	10.33%
As at December, 31 2021	(2,678)	-	(2,678)	(23,269)	11.51%
Financial income					
As at December, 31 2022	90	-	90	2,561	3.51%
As at December, 31 2021	84	-	84	849	9.89%
Financial charges					
As at December, 31 2022	(405)	-	(405)	(14,117)	2.87%
As at December, 31 2021	(435)	-	(435)	(7,675)	5.67%

STAFF WITH STRATEGIC RESPONSIBILITIES

In accordance with IAS 24 – *related Party Disclosures*, Group Related parties are all entities and individuals capable of exercising control, joint control or significant influence over the Group and its subsidiaries. In addition, members of the Board of Directors, executives with strategic responsibilities, and their close family members are considered Related parties. The following table summarizes the remuneration of the directors, key executives with strategic responsibilities:

Staff with strategic responsibilities			
	Remuneration		Residual debt
Year	*Short-term benefits*	Share-based compensation	Other non-current liabilities
2022	3,098	2,161	-
2021	3,281	3,698	3,937

WARRANTIES GRANTED AND OTHER CONTRACTUAL COMMITMENTS

The following table shows commitments, warranties and contingent liabilities not arising from the balance sheet:

Description	December 31, 2021
Bank warranties granted in the interest of the Group companies	**44,620**
Financial commitments and risks:	**96**
Commitments:	96
Commitments to the municipality of Baranzate	96

The warranties of Euro 44,620 thousand refer mainly to warranties issued in favor of the subsidiaries.

Commitments includes the amount of the commitment made to the municipality of Baranzate in relation to the design and testing costs for the construction of a new public parking lot with signs and lights.

REMUNERATION OF DIRECTORS AND AUDITORS

The Group has appointed the Board of Statutory Auditors pursuant to Article 2400 of the Civil Code and has assigned to it only the functions provided for in Article 2403(1). The Board of Statutory Auditors' remuneration for 2022 was Euro 169 thousand.
As regards the emoluments allocated to the directors in 2022, the remuneration paid amounts to Euro 3,098 thousand.

In the year under review, the Group did not grant advances or credits to the directors and members of the Board of Statutory Auditors or made any commitments on their behalf nor provided any warranties.

FEES FOR THE ENTITY RESPONSIBLE FOR THE STATUTORY AUDIT

As required by art. 2427, c.1 n.16 bis) of the civil code and art. 149-duodecies of the Issuers Regulation, the fees payable to the statutory auditors for the audit of the Financial Statement and for the provision of services other than the auditing are reported below:

Type of service (Amounts in thousands of Euros)	Recipient	Auditing firm	Amount
Consolidated Financial Statement Audit	EuroGroup Laminations S.p.A.	Deloitte & Touche S.p.A.	484
	Italian subsidiaries	Deloitte & Touche S.p.A.	78
	Foreign subsidiaries	Company of the Deloitte network	158
Total Audit Services (a)			**720**
Other services			
Fees for the other verification services performed	EuroGroup Laminations S.p.A.	Deloitte & Touche S.p.A.	624
Fees for tax consultancy services			-
Fees for other services other than auditing	EuroGroup Laminations S.p.A.	Deloitte & Touche S.p.A.	60
Total Non-Audit Services (b)			**684**
Total fees (a)+(b)			**1,404**

Certificate pursuant to art. 154bis of d.Lgs. 24 February 1998 n.58

The undersigned, Marco Arduini, in his capacity as Chief Executive Officer and Isidoro Guardalà, in his capacity as Executive Responsible for the preparation of the corporate accounting documents of EuroGroup Laminations S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:

- adequacy in relation to the characteristics of the enterprise;
- the effective application of administrative and accounting procedures for the establishment of consolidated financial statements during the period from 1 January to 31 December 2022.

The assessment of the adequacy of the administrative and accounting procedures for the formation of the consolidated financial statements at 31 December 2022 is based on a process defined by EuroGroup Laminations S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission representing a generally accepted international framework of reference. No relevant points have been raised in this regard.

It is also certified that:

- The consolidated financial statements:
  - **a.** is drawn up in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  - **b.** corresponds to the results of the books and accounts;
  - **c.** is capable of providing a true and fair representation of the financial, economic and financial position of the issuer and of all the undertakings included in the consolidation.
- The annual report shall include a reliable analysis of the performance and result of the operations, as well as the situation of the issuer and all the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
EuroGroup Laminations S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of EuroGroup Laminations S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

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 EuroGroup Laminations S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of Inventories

Description of the key audit matter

The consolidated financial statements of the Group as at 31 December 2022 show a value of inventories of Euro 335,733 thousand, equal to 35% of total consolidated assets. Inventories are presented at the lower of purchase or production cost and the net realizable value based on market value.

For raw materials, ancillaries and consumables, the net realizable value is represented by the replacement cost. As indicated in the paragraph "Use of estimates - Provision for inventory obsolescence" of the explanatory notes to the consolidated financial statements, the main raw material purchased by the Group is electrical steel, whose value represents the most significant component of inventories. For finished and semi-finished products, the net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and those necessary to the sale.

The estimate of the net realizable value of the Inventories is made by the Group also taking into consideration their obsolescence, applying different write-down percentages based on the turnover ratios of the inventories, as well as their conditions at the date of preparation of the financial statements and the expected realization.

Considering the relevance of the value of inventories recognized in the consolidated financial statements of the Group as at 31 December 2022 and the discretionary nature of the estimates relating to the determination of the net realizable value, we have considered the valuation of inventories a key audit matter for the Group's consolidated financial statements.

The paragraphs "Use of estimates - Provision for inventory obsolescence" of the explanatory notes and the subsequent note 7 "Inventories" illustrate the disclosure provided by the Directors on the criteria used for the evaluation of inventories and on the related results.

Audit procedures performed

As part of our procedures, we have, among others, carried out the following procedures, involving, for some of them, our IT experts:

- understanding of the relevant procedures and controls put in place by the main Group companies in the Inventory valuation process;
- verification, on a sample basis, of the correctness of the calculation (i) of the weighted average cost used to value raw materials and (ii) of the production cost for semi-finished and finished products;
- With reference to the realizable value of inventories:
    - understanding of the methodology adopted by the Group to determine the net realizable value of inventories and analysis of the reasonableness of the main assumptions adopted;

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- obtaining the calculation of the provision for obsolescence reserve and verifying, on a sample basis, the mathematical correctness of the calculation based on the inventory turnover ratios;
- verification of the completeness and accuracy of the database used to estimate the provision for obsolescence reserve;
- development, on a sample basis, of an independent estimate range of the obsolescence provision based on the corresponding inventory turnover ratios;
- verification, on a sample basis, of the purchases of raw materials after the reporting date to verify that the replacement cost is higher than the corresponding carrying value;
- verification, on a sample basis, of the sales of finished products subsequent to the reporting date to verify that the net realizable value is higher than the corresponding carrying value;

- with reference to the main foreign subsidiaries of the Group, the procedures described above involved the coordination with the component auditors in charge of the audit of the reporting package according to the Group audit plan, by sending Group audit instructions, understanding of the audit activities carried out and obtaining the related final deliverables;

- examination of the adequacy and completeness of the disclosure provided in the explanatory notes with reference to Inventories as required by the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of EuroGroup Laminations S.p.A. has appointed us on 18 November 2022 as auditors of the Company for the years from 31 December 2022 to 31 December 2030.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of EuroGroup Laminations S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at 31 December 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

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Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of EuroGroup Laminations S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of EuroGroup Laminations Group as at 31 December 2022, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of EuroGroup Laminations Group as at 31 December 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of EuroGroup Laminations Group as at 31 December 2022 and are prepared in accordance with the law.

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

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of EuroGroup Laminations S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
April 14, 2023

As disclosed on page 2, the accompanying consolidated financial statements of EuroGroup Laminiations S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Financial statements of the parent company

Statement of financial position

		At December, 31			
(Amounts in Euro)	Notes	2022	of which with related parties	2021	of which with related parties
Intangible assets		177,592	-	220,812	-
Tangible assets		43,579	-	66,931	-
Right of use		-	-	4,595	-
Equity Investments	(1)	59,070,703	59,090,624	54,994,243	55,013,506
Non-current financial assets and receivables	(2)	46,999,179	44,568,624	17,345,073	13,176,359
Deferred tax assets	(3)	1,022,994	-	1,057,228	-
Total non-current assets		**107,314,047**	**103,659,248**	**73,688,882**	**68,189,865**
Current financial assets and receivables	(5)	17,272,145	17,537,005	1,343,598	1,343,598
Trade receivables	(4)	11,882,557	11,839,718	7,456,778	7,417,518
Cash and cash equivalents	(7)	8,522,056	-	1,934,278	-
Other receivables and current assets	(6)	4,879,702	-	579,176	4,470
Total current assets		**42,556,460**	**29,376,723**	**11,313,830**	**8,765,586**
TOTAL ASSETS		**149,870,507**	**133,035,971**	**85,002,712**	**76,955,451**
Share capital		6,111,940	-	6,111,940	-
Share premium reserve		34,409,537	-	34,409,537	-
Other reserves		102,215	-	1,537,317	-
Retained earnings (losses)		18,213,758	-	18,918,200	-
Total equity	**(8)**	**58,837,450**	**-**	**60,976,994**	**-**
Non-current financial liabilities and borrowings	(9)	11,912,957	-	7,943,009	-
Liabilities for employee benefits	(10)	632,288	-	744,019	-
Non-current provision for risks and charges	(11)	444,381	-	-	-
Deferred tax liabilities	(3)	11,064	-	31,622	-
Other non-current liabilities		-	-	1,507,500	1,507,500
Total non-current liabilities		**13,000,690**	**-**	**10,226,150**	**1,507,500**
Current financial liabilities and borrowings	(9)	70,040,616	69,579,989	11,911,147	10,748,329
Current lease liabilities		-	-	9,835	-
Trade payables	(12)	5,203,231	476,515	1,169,773	195,561
Tax payables		491,178	-	32,730	-
Other current liabilities	(13)	2,297,342	444,927	676,083	-
Total current liabilities		**78,032,367**	**70,501,431**	**13,799,568**	**10,943,890**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**149,870,507**	**70,501,431**	**85,002,712**	**12,451,390**

Income statement

		Financial year ended December, 31			
(Amounts in Euro)	Notes	2022	of which with related parties	2021	of which with related parties
Revenues	(14)	10,588,759	10,588,759	7,432,170	7,432,170
Other revenues and income		35,612	31,200	83,082	48,145
Costs for services	(15)	(3,495,474)	(770,312)	(3,402,040)	(1,425,800)
Personnel costs	(16)	(4,776,335)	-	(3,396,581)	-
Other Operating expenses	(17)	(1,030,705)	(527,550)	(33,926)	-
Share of results of associates		-	-	2,846,413	2,846,413
Impairment of assets		(133,464)	(133,464)	-	-
Depreciation and amortization expenses		(120,251)	-	(109,974)	-
Operating result		**1,068,142**	**-**	**3,419,144**	**-**
Financial expenses	(19)	(1,290,446)	(776,764)	(670,207)	(90,474)
Financial income	(18)	3,590,934	3,806,097	2,796,048	2,748,924
Profit (loss) on exchange rates		(130,189)	(167,103)	54,776	-
Result before tax		**3,238,441**	**-**	**5,599,761**	**-**
Taxes	(20)	(1,025,893)	-	(553,208)	-
Profit for the year		**2,212,548**	**-**	**5,046,553**	**-**

Statement of comprehensive income

(Amounts in thousands of Euros)	Notes	2022	2021
Profit for the year		**2,212,548**	**5,046,553**
Other components of the comprehensive income statement which will subsequently be reclassified into the profit/(loss) for the period			
Change in fair value of equity instruments		(1,713,100)	1,622,510
Tax effect		20,558	(19,471)
Total other comprehensive profits/(losses) which will be subsequently reclassified into the profit/(loss) for the period	**(8)**	**(1,692,542)**	**1,603,039**
Other comprehensive profits/(losses) which will not be subsequently reclassified into the profit/(loss) for the period:			
Actuarial profit/(loss) on defined benefit plans		143,631	11,025
Tax effect		(34,472)	(3,330)
Total other comprehensive profits/(losses) which will not be subsequently reclassified into the profit/(loss) for the period	**(8)**	**109,159**	**7,695**
Total profit for the year		**629,165**	**6,657,287**

Cash flows statement

(Amounts in Euro)	Notes	12/31/2022	12/31/2021
Profit for the year		2,212,548	5,046,553
Taxes	(20)	1,025,893	553,208
Depreciation and amortisation		120,251	109,973
Change in provisions for employee benefits and pensions	(10)	(2,572)	(7,343)
Financial income	(18)	(3,590,934)	(2,796,047)
Financial expenses	(19)	1,290,446	670,207
Income (expenses) from investments valued with Equity method		-	(2,846,413)
Change in provisions for risk and charges	(11)	444,381	-
Allowance for doubtful accounts	(4)	172,681	-
Depreciation of property, plant and equipment		133,464	-
Cash flow before the change in working capital		**1,806,157**	**730,139**
(Increase)/decrease in trade receivables	(4)	(4,598,460)	(1,097,984)
(Increase)/decrease other receivables	(6)	(4,035,799)	743,894
(Increase)/decrease in trade payables	(12)	4,033,458	(678,660)
Increase/(decrease) other payables	(13)	989,789	(142,598)
Increase/(decrease) tax payables		(33,314)	(244,543)
Cash flow generated/(absorbed) by operational activity		**(1,838,167)**	**(689,753)**
Other variations		256,756	-
Taxes paid		(83,525)	-
Net Cash flow generated/(absorbed) by operating activities (A)		**(1,664,937)**	**(689,753)**
Investment activities		**-**	
Investment in tangible assets		(2,382)	-
Realization price, or reimbursement value, of tabgible assets		-	11,642
Investment in intangible assets		(98,700)	(52,425)
Dividends received		2,558,457	3,975,380
Financial income collected		982,980	220,667
Net cash flow generated/(absorbed) by investment activities (B)		**3,440,355**	**4,155,265**
Financing activities		**-**	
Financing to Group companies and positions to members of the centralized treasury system	(2-5-9)	11,402,453	(3,401,731)
Repayment of long-term loans	(9)	(24,117)	
Dividends paid in the period		(4,276,209)	-
Decrease of the short-term financial liabilities		(989,488)	1,244,923
Refund of rights of use liabilities		(9,835)	(5,856)
Financial expenses paid		(1,290,446)	(434,884)
Net cash flow generated/(absorbed) by financing activities (C)		**4,812,359**	**(2,597,548)**
Increase / (decrease) in Cash and cash equivalents (A+B+C)		**6,587,777**	**867,964**
Initial balance		**1,934,278**	**1,066,314**
Final balance		**8,522,056**	**1,934,278**

Statement of **changes in sharehodlers' equity**

(Amounts in Euro)	Share capital	Share premium reserves	Other reservations: Legal reserve	Other reservations: *First time adoption - FTA reserve*	Other reservations: Other components of the comprehensive income statement	Retained earnings/ (losses)	Total equity
December 31, 2020	**6,111,940**	**34,409,537**	**648,104**	**(1,134,894)**	**413,373**	**13,871,647**	**54,319,707**
Profit for the year	-	-	-	-	-	5,046,553	5,046,553
Actuarial gains	-	-	-	-	7,695	-	7,695
Profit arising from the measurement of equity instruments at fair value	-	-	-	-	1,603,039	-	1,603,039
December 31, 2021	**6,111,940**	**34,409,537**	**648,104**	**(1,134,894)**	**2,024,107**	**18,918,200**	**60,976,994**
Allocation of the result 2021	-	-	148,281	-	-	(148,281)	-
Dividends distributed	-	-	-	-	-	(2,768,709)	(2,768,709)
Profit for the year	-	-	-	-	-	2,212,548	2,212,548
Actuarial gains	-	-	-	-	109,159	-	109,159
Losses arising from the measurement at fair value of hedging derivatives	-	-	-	-	(1,692,542)		(1,692,542)
December 31, 2022	**6,111,940**	**34,409,537**	**796,385**	**(1,134,894)**	**440,724**	**18,213,758**	**58,837,450**

Explanatory Notes to the separate **Financial Statements**

ACCOUNTING POLICIES AND EVALUATION CRITERIA

General information

EuroGroup Laminations S.p.A. (hereinafter "Company" or "EuroGroup Laminations") is a public limited company registered in Italy. The registered office address is Via Stella Rosa 48, Barancati (Milan, Italy).

The main activities of the Company and its subsidiaries (collectively referred to as "the Group") and the nature of the Group's activities relate to the production of stators and rotors for rotating electric machines (electric motors and generators), by cutting (progressive and block) or punching magnetic laminations, the latter for large electric machines, as well as the casting of aluminum molds of rotors intended for such electric machines. Moreover, also in these sectors, the Group realizes the assembly of the above products and the related auxiliary processes, as well as the design and construction of molds for cutting the laminations described above.

On February 7, 2023, the Company obtained the admission to trading of its Common Stock on Euronext Milan, a regulated market organized and managed by Borsa Italiana S.p.A.
The separate financial statements were approved by the Board of Directors on March 31, 2023. The separate financial statements at December 31, 2022 are audited by Deloitte & Touche S.p.A..

CRITERIA FOR DRAWING UP THE BUDGET

Declaration of conformity

The separate financial statements for the financial year ended December 31, 2022 were prepared in accordance with the international accounting standards ("International Financial Reporting Standards") issued by the international accounting standards board (IASB) and approved by the European Union. The term "IFRS" also refers to all revised International Accounting Standards (IAS) and all interpretations of the *international financial reporting interpretations committee* (IFRIC), previously known as the *Standing interpretations Committee* (SIC), as well as to the provisions adopted in implementation of Art. 9 of Legislative Decree no. 38/2005.

The Company has adopted the International Financial Reporting Standards accounting standards approved by the European Union with transition date January 1, 2021. Therefore, the separate financial statements include comparative data from the previous year, in accordance with the above principles. The Company prepared the separate financial statements in accordance with International Financial Reporting Standards accounting policies as of December 31, 2022

As required by the International Financial Reporting Standards 1, the effects of the International Financial Reporting Standards transition on the Company's equity as expressed in accordance with the rules applicable in Italy and with the accounting standards issued by the National Council of Chartered Accountants and Accounting Experts were described below. As amended by the Italian accounting body (the "Italian Accounting Standards") (both at the transition date and at the end of the financial year of the most recent financial statements presented in accordance with Italian Accounting Standards), and on the other components of the overall income statement.

Financial Statement Contents

The separate financial statements include the balance sheet, income statement, the comprehensive income statement, the Cash flows statement, the Statement of changes in equity and explanatory notes (previously and hereinafter referred to as "separate financial statements").
The Company presents the income statement according to a classification method based on the nature of the costs, as it is representative of the way in which management prepares

the internal reporting for the evaluation of the business operations and is able to provide reliable information to investors.

The comprehensive income statement is presented separately and, in addition to the economic components recognized directly in the income statement during the period, it presents the components of profit and/or loss not recognized in the income statement which pass directly into equity as required or permitted by the International Financial Reporting Standards.

In the Statement of financial position, the Company presents its current and non-current assets and current and non-current liabilities separately. Current assets are those intended to be realized, sold or consumed in the Company's normal operating cycle; current liabilities are those for which the Company's normal operating cycle or twelve months after the end of the period is expected to terminate.

The Company presents its Cash flows statement according to the indirect method, as allowed by IAS 7 — *Statement of Cash flows* ("IAS 7"), and presents the cash flows from the operating, investment and financing activity.

These financial statements are presented in euro, rounded to the nearest euro unit, which is the functional currency of the Company. The explanatory notes, unless otherwise specified, are presented in thousands of euros, rounded to the nearest thousand. Foreign currency transactions are included in accordance with the policies set out in the notes below.

Application of new and revised accounting standards

The following are the accounting principles, amendments and interpretations issued by the IASB and approved to the European Union to be adopted in the financial statements for the financial years beginning on January 1, 2022:

- *Amendments to International Financial Reporting Standards 3 Business combinations:* The purpose of the amendments is to update the reference in IFRS 3 to the revised conceptual framework, without any change to the provisions of the Standard;
- *Additions to IAS 16 property, plant and Equipment:* The purpose of the modifications is not to allow the amount received from the sale of tangible assets produced in the testing phase of the asset to be deducted from the cost of the tangible assets. These sales revenues and related costs will therefore be recognized in the income statement;
- *Amendments to IAS 37 provisions, Contingent Liabilities and Contingent assets:* The amendment clarifies that the estimate of the possible oneness of a contract must include all costs directly attributable to the contract. Consequently, the assessment of the possible oneness of a contract includes not only incremental costs (such as the cost of the direct material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the portion of the depreciation of the machinery used for the performance of the contract);
- *Annual improvements 2018-2020*: the changes were made to IFRS 1 first-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative Examples of IFRS 16 leases.

The adoption of the above amendments, where applicable, did not have any significant effects on the Company's financial statements to be highlighted in these Explanatory Notes.

With reference to accounting standards, amendments and interpretations issued by the IASB and approved by the European Union to be adopted compulsory in the financial statements for periods beginning on or after January 1, 2023 and not adopted in advance on December 31, 2022, the following are indicated:

- on February 12, 2021, the IASB published two amendments entitled "*Disclosure of Accounting Policies - Amendments to IAS 1 and International Financial Reporting Standards practice Statement 2*" and "*Definition of Accounting estimates - Amendments to IAS 8*". The amendments aim to improve disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies;
- on May 7, 2021, the IASB published the document entitled "*Amendments to IAS 12 income taxes: Deposited Tax related to assets and liabilities raising from a Single Transaction*". The document clarifies how deferred taxes on certain transactions that may generate equal amounts of assets and liabilities, such as leasing and decommissioning obligations, should be accounted.

The Directors are considering the possible effects of the introduction of the above amendments which, in any case, should not have significant impacts on the Company's financial statements such as to be highlighted in these Explanatory Notes.

Information on accounting criteria

The financial statements were drawn up on the basis of historical cost, with the exception of certain financial instruments that are recorded at revalued values or *fair value* at the end of each period, as explained below in the valuation criteria. The historical cost is generally based on *the fair value* of the consideration given in exchange for goods and services.

Fair value is the consideration at which an asset may be exchanged, or a liability settled, in an ordered transaction between market participants at the date of measurement, regardless of whether that consideration is directly observable or estimated using another valuation technique. When assessing *the fair value* of an asset or liability, the Company shall take into account the characteristics of the asset or liability if market participants take into account those characteristics when determining the fees of the asset or liability at the valuation date. *Fair value* for the purposes of the valuation and/or disclosure of this separate financial statements is determined on that basis, except for leasing operations falling within the scope of IFRS 16, Of measurements relating to the net realizable value in IAS 2 or the value in use recalled by IAS 36.

Going concern

At the date of approval of these financial statements, the Directors have determined that the Company has adequate resources to continue to operate in the near future as a going concern. The assumption of the Company's going concern is closely linked to that of the group of which the Company is the parent company, as a result, reference is made to the considerations elaborated by the directors in the consolidated financial statements of the group.

Principles for preparing the financial statements

The following are the most significant accounting principles adopted in the preparation of the financial statements. These accounting policies have been applied consistently to all financial years submitted, unless otherwise indicated.

Foreign currency transactions

Foreign currency transactions are converted into euros using exchange rates at the date of the transactions. Exchange rate profit/losses arising from the settlement of such transactions and the conversion at the end of the period to exchange rates of monetary assets and liabilities expressed in foreign currency are recognized in the income statement.

Intangible assets

Intangible assets acquired separately are initially recognized at cost. Intangible assets with indefinite useful life are not depreciated and are recognized at the cost net of any write-downs.

Intangible assets with a defined useful life are recognized at the cost net of Amortization funds and any impairment losses. Gains or losses recognized in the income statement resulting from the disposal of intangible assets are accounted for as the difference between net disposal income and the carrying amount of the intangible asset. The Amortization method and the useful life of defined-life intangible assets are reviewed annually. Changes in the expected consumption pattern or useful life are accounted for prospectively by changing the Amortization method or period.

Research and Development

The costs for Research and Development are recognized during the period in which they are incurred.

Software

Software acquired as part of recurring operations and software developed internally by the company that meets all relevant criteria are capitalized and amortized on a straight-line basis over their useful life.

Intangible assets with a defined useful life shall be amortized on a straight-line basis at the following rates:

Description	Amortization rate
Software	Service life (not more than 5 years)
Other intangible assets	Useful life

Intangible assets are eliminated at disposal, or when no future economic benefit is expected from use or disposal. Gains or losses arising from the disposal of an intangible asset are accounted for as the difference between net disposal income and the carrying amount of the asset and are recognized in the income statement when the asset is disposed.

Tangible assets

The tangible assets are initially recognized at the cost, which includes the purchase price, any charge directly attributable to the transport of the goods to the place and to the conditions necessary to operate in the manner foreseen by the management, capitalized borrowing costs and possible initial estimate of the costs of dismantling and removing the asset and the restoration of the site where the asset is located.

Depreciation is determined in such a way as to amortize the cost of goods (other than land and property under construction) minus their residual value over their useful life, using the straight-line method, on the following basis:

Description	Depreciation rate
Other tangible assets	5% - 25%

Improvements in leased assets are depreciated over the rental period or the estimated useful life of assets, whichever is shorter.

An asset present in the tangible assets is eliminated for alienation or when there is no future economic benefit to the Company. Profits and losses between the carrying amount and the income from the disposal are recognized in the income statement. Any revaluation reserve relating to the item sold is transferred directly to the retained earnings.

Impairment of tangible assets, rights of use and intangible assets with a finite useful life

At each balance sheet date, the Company shall review the assets of its tangible assets, rights of use and intangible assets to determine whether there are indications that such assets have suffered loss of value.

Factors deemed important that could lead to an impairment loss of tangible assets, right of use, and intangible assets include, but are not limited to, the following:

- significant performance under historical or expected future operating results;
- significant changes in the way the acquired assets are used or in the overall business strategy;
- significant negative economic or sector trends.

If there is an indication to this effect, the recoverable amount of the asset is estimated to determine the amount of the loss of value. If the asset does not generate cash flows independent of other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent allocation basis can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smaller group of cash flow generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the highest of *fair value* minus disposal costs and use value. In assessing the value of use, future cash flows are estimated that are discounted to their *present value* using a pre-tax discount rate that reflects current market valuations of the time value of the money and specific risks for the asset for which estimates of future cash flows are not have been adjusted.

If the recoverable amount of an asset (or *the cash-generating unit*) is estimated to be less than its carrying amount, the carrying amount of the asset (or *the cash-generating unit*) is reduced to its recoverable amount.

An Impairment loss is recognized immediately in the income statement, unless the asset in question is recognized at a revalued value, in that case the Impairment loss is treated as a decrease in revaluation, and to the extent that the impairment loss is higher than its revaluation surplus, the excess impairment loss is recognized in the income statement.

In the event of value restores following a loss of value, the carrying amount of the asset (or *the cash-generating unit*) is increased to the revised estimate of its recoverable amount, but so that the new carrying amount does not exceed the carrying amount that would have been determined if no loss of value was recognized for the asset (or *cash-generating unit*) in previous years. A reinstatement of a loss of value is recognized immediately in the income statement to the extent that the loss of value recognized for the asset in previous years is offset. Any increase in excess of this amount is treated as an increase in revaluation of the asset.

Right of use

The Company evaluates whether a contract contains a lease at the date of the contract.

The Company recognizes a right of use and a corresponding lease liability for all lease agreements in which it is a lessee, except for short-term leases (defined as leases with a period of 12 months or less) and low-value leases (e.g. tablets and personal computers, small office furniture and phones). For these contracts, the Company accounts for lease payments as a constant operating cost over the lease period, unless another systematic basis is more representative of the time model in which the economic benefits from leasing activities are consumed.

The right to use includes the initial measurement of the corresponding lease liability, lease payments made before or before the start of the lease, less any incentives received and any costs directly attributable to the lease initially incurred. These assets are then measured at the cost net of the depreciation fund and the value loss fund.

The right to use is depreciated over the shortest period between the duration of the lease and the useful life of the asset. If a lease transfers ownership of the underlying asset or the right to use reflects that the Company plans to exercise a purchase option, the right to use is depreciated over the life of the underlying asset. Depreciation begins at the start date of the lease.

The right of use is presented in a separate line in the consolidated balance sheet.

Lease liabilities are initially measured at the present value of lease payments that have not already been paid at the start date of the lease, the lease liabilities are discounted using the implied rate of the contract, or, if this is not easily determinable, using the tenant's incremental financing rate. The incremental financing rate depends on the duration, currency and start date of the lease and is determined on a number of factors, including: Risk-free rate based on government bond rates; country-specific risk adjustment; A risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the same, which enters into the contract, is different from that of the Company and the lease does not benefit from a Company guarantee.

Lease payments include: (1) fixed payments minus any receivable incentives, (2) variable lease payments that depend on an index or rate, (3) amounts that are expected to be paid as a guaranteed residual value, (4) the price of a purchase option when the exercise of the option is reasonably certain to occur, and (5) any early penalties for termination.

Lease liabilities are measured at amortized cost using the actual interest rate method. Initial load values are revised if there is a change in the following factors: Future lease payments resulting from a change in an index or rate used; residual guarantee; rental term; certainty of a purchase option and penalties for resolution. When adjusting a liability arising from a lease contract, an adjustment is made to the corresponding asset of the right of use, or in the income statement if the carrying amount of the right of use is fully devalued.

Liabilities arising from leasing contracts are presented in a separate line in the balance sheet.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are initially recorded at the cost of the consideration paid to acquire the investment or for its formation, including any ancillary costs directly attributable to the cost incurred and considered representative of the fair value at the time of acquisition or creation. The cost also includes any deferred fees that will be paid upon the occurrence of future events as provided for in the terms of the contract. The Company therefore records a liability equal to the present value of the deferred component; after the initial recognition, any subsequent changes in deferred consideration are accounted for in the income statement.

Investments in associates and joint ventures after initial recognition are measured with the Equity method. The application of this method implies that the purchase cost is subsequently adjusted as a result of changes in the value of the Company's share of the associate's company. The Company's share of the result of the associates company or joint venture is accounted for in a specific income statement item from the date of substantial influence and until it is lost. When the Company's share of losses exceeds the value of the investment, it is recognized if the Company has entered into legal obligations or implied to cover such losses.

The requirements of IAS 36 apply to determine whether an Impairment loss should be recognized with respect to investments in subsidiaries, associates and joint ventures. When necessary, the entire carrying amount of the investment is tested, as a single asset, for impairment. This test, in accordance with IAS 36, is carried out by comparing its recoverable amount (the largest of *value in use* and *fair value* net of disposal costs) with its carrying amount. Any restoration of this loss of value is recognized in accordance with IAS 36, to the extent that the recoverable amount of the investment increases subsequently.

Financial assets

Financial assets are initially recognized at *the fair value* of the amount paid. After initial recognition, financial assets are measured at amortized cost or *fair value* in relation to their classification within the business model in which financial instruments are held and the contractual characteristics of cash flows.
In particular, the Company measures its financial assets at amortized cost if, and only if, both of the following conditions are met:

- the activity is held within a business model whose objective is to collect the cash flows provided for in the contract; and
- the contractual conditions give rise to cash flows which are exclusively capital and interest payments.

Financial assets that meet the following conditions are then measured at *fair value* with impact in the other components of the comprehensive income statement:

- the financial asset is held within a business model whose objective is to collect the cash flows provided for in the contract and to sell the financial assets; and
- the contractual conditions of the financial activity give rise, on specific dates, to cash flows which appear exclusively in capital and interest payments.

Financial assets at *fair value* through the other components of the comprehensive income statement mainly include equity investments that the Company has irrevocably chosen to classify them as such at the time of the first recognition. On a residual basis, all other financial assets are measured at *fair value* and recognized in the income statement.

Financial assets in currencies other than functional currency shall be accounted for in euro at the spot exchange rate at the date of the transaction and subsequently converted at the balance sheet date with unrealized exchange differences recognized in the profit and loss account.

Trade receivables

Short-term trade receivables, without a predetermined interest rate, are entered at the value of the assumed realizable value or at the fair value of the initial agreed amount. The Company also holds trade receivables for the purpose of collecting the contractually expected cash flows and therefore subsequently sets these receivables at the amortized cost according to the effective interest rate method, which usually coincides with their original value, where the effect of discounting is intangible. When the time value of the monetary effect is significant, credits are measured at amortized cost.

Claims transferred to factoring companies in non-recourse (pro-soluto) transactions, which provide for the unconditional transfer to *factor* of all risks and benefits of invoiced claims, shall be eliminated from the balance sheet.
In factoring transactions in which risks and benefits are not transferred to the counterparty, the amount claims are recorded in the balance sheet until they are paid by the debtor assigned. In this case, advances collected by *the factor* are recognized as a financial liability.

The Company registers the allowance for doubtful accounts at an amount reflecting the expected losses for the useful life of the receivables. Expected losses on trade receivables are estimated according to *a default bracket* provisioning matrix, based on the Company's past experience, taking into account credit losses, and an analysis of the creditors' financial position, adjusted to reflect specific factors for each credit (for example, if the creditor is subject to insolvency proceedings) at the balance sheet date.

Cash and cash equivalents

Depending on their nature, cash equivalent means are recorded at nominal value or amortized cost. The other Cash and cash equivalents represent short-term, high-liquidity funds that are rapidly convertible into Cash and cash equivalents, subject to a negligible risk of change in value and whose original maturity at the time of acquisition does not exceed 3 months.

Financial liabilities and equity

Debt and equity instruments are classified as financial liabilities or equity based on the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments

An equity instrument is any contract that highlights residual interest in an entity's assets after deducting all its liabilities.
Equity instruments issued by the Company (such as Common Stock) are recognized at *fair value*, net of direct issue costs. The repurchase of equity instruments of the Company is recognized and deducted directly from the equity. No revenue or cost is recognized in the income statement by the purchase, sale, issue or cancellation of equity instruments.

Financial liabilities

Financial liabilities include financial payables and *liabilities arising from leases*, and also include trade and other payables. Financial liabilities are initially recognized at *fair value* net of transaction costs. After initial recognition, financial liabilities are recognized using amortized cost, using the effective interest rate method. A financial liability is eliminated when the underlying obligation of the liability is extinguished, canceled or satisfied. When an existing financial liability is replaced by another of the same lender, under different conditions, or the terms of an existing liability are substantially modified, such modification is treated as an elimination of the original liability. with the recognition of a new liability and any difference between these values is entered in the income statement for the year. In the event that the modified financial liability does not qualify as capable of extinguishing the original financial liability, the difference between (I) the carrying amount of the liability before the change and (II) the present value of the cash flows of the modified liability, discounted on the basis of the internal rate of return (IRR), it is recognized in the income statement.

The Company discards financial liabilities when the bonds are extinguished, canceled or expired. The difference between the amount paid for the cancellation of the financial liability and its carrying amount is recognized in the income statement.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognized at nominal value. Subsequently, fixed maturity payables are measured at amortized cost, using the actual interest rate method, while non-fixed maturity payables are measured at cost. Current payables, on which no interest is applicable, are measured at the nominal value. The *fair value* of long-term payables is determined by discounting future cash flows, in which the discount is recorded as a financial burden for the duration of the debt until maturity.

Derivative financial instruments and hedging operations

Derivatives are initially recognized at *fair value* at the date the derivative contract was concluded and are subsequently revisited at *fair value* at each balance sheet date. Accounting for subsequent changes in *fair value* depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the underlying.

Contractual agreements that contain an obligation to purchase equity (such as *put options* or *forward contracts* on third-party interests) for which the Company holds a current interest are accounted for as a financial liability measured at the present value of the amount of the repurchase consideration. Subsequently, the financial liability is measured at amortized cost with any change in the liability recognized in the income statement.

Cash Flow hedges

Cash flows hedges are used to cover the Company's exposure to the variability of cash flows attributable to particular risks associated with recognized assets or liabilities or a commitment that could affect the income statement. Actual gains or losses determined by the hedging instrument are recognized in the other components of the comprehensive income statement through the cash flow hedge reserve, while the non-actual part is recognized in the income statement. The amounts recognized in equity are transferred from equity and included in the valuation of the cover transaction when the expected transaction occurs.

Cash flows hedges are regularly tested for effectiveness, both retrospectively and prospectively, to ensure that each cover is highly effective and continues to be designated as cash flow coverage. If the planned transaction no longer occurs, the amounts recognized in equity will be transferred to the income statement.

If the hedging instrument is sold, extinguished, expires, or exercised without replacement or *rollover*, or if the hedging becomes ineffective and no longer constitutes a designated hedging, the amounts previously recognized in equity are transferred to the income statement.

The fair value of financial instruments listed in an active market is based on market prices at the balance sheet date (level 1). *The fair value* of instruments not listed in an active market is determined using specific measurement techniques, as described later in these notes (Level 2: defined as factors other than prices quoted in active markets which can be observed directly or indirectly, such as prices quoted for like instruments in active markets or prices quoted for identical or similar instruments in non-active markets; level 3: defined as unobservable factors in which there are few or no market data, which therefore require an entity to develop its assumptions, such as assessments derived from assessment techniques in which one or more significant factors or significant value determinants are not observable).

In some circumstances, the inputs used to measure fair value could be classified into different levels of the fair value hierarchy. In these cases, the Fair Value Measurement is categorized in its entirety into the fair value hierarchy based on the lowest level input that is significant for measuring fair value.

Provision for risks and charges

Provisions are recognized when the Company has a present obligation (legal or implicit) following a past event and the Company is likely to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration necessary to settle the obligation at the reference date, taking into account the risks and uncertainties surrounding the obligation. If the maturities are long-term and the amounts are significant, the accruals are discounted using a discount rate (before tax) specific to the assessed liability. The increase in accrual resulting from the passage of time is recognized as a financial cost.

Employee benefits

The benefit obligations to employees of the Company are determined separately for each defined benefit plan, estimating the present value of the future benefits that employees have accumulated in current and previous periods and deducting *the fair value* of the plan assets.
The present value of the bonds deriving from employee benefits is measured using actuarial techniques and the benefits are determined using the unit credit projection method and relate to periods in which there is an obligation to provide post-employment benefits. Actuarial assumptions are based on the best estimates of management. The cost components of defined benefits are recognized as follows:

- service costs are recognized in the consolidated income statement under personnel costs;
- the financial expense on the employee benefit liability is recognized in the consolidated income statement within the financial costs;
- the components for remeasurement of the obligation, which include actuarial gains and losses, are recognized in other components of the comprehensive income statement. These remeasured components are not reclassified in the income statement in the following financial year.

The bonds for employee benefits are represented by the Staff Severance Indemnity ("TFR") required by Italian law. The amount of the TFR each employee is entitled to be paid when the employee leaves the Company and is calculated based on the period of employment and taxable income of each employee. Under certain conditions, the right may be partially anticipated to an employee during his or her working life.

The TFR is classified in the balance sheet, under Employee Benefits, and the Company recognizes the related costs during the period in which the employee is serving.

Revenues

Revenues are mainly related to sales of services. The revenues are recorded at the transaction price, which is based on the amount of the consideration that the Company expects to receive in exchange for the transfer of the goods or services promised to the Customer, net of any sales incentives, rebates or discounts.

Public grants

Public grants are not recognized until there is reasonable assurance that the Company will comply with the conditions relating to them and that the amounts relating to the contributions will actually be received.

Public grants are recognized in the income statement on a systematic basis during periods when the Company recognizes the related costs for which the contributions are intended to compensate. For example, in the case of grants relating to an investment, both the investment and the grant are recognized at their nominal values and transferred progressively to the income statement on a systematic basis over the useful life of the related investment, decreasing the income initially deferred.

Public grants payable as compensation for costs or losses already incurred or for the purpose of providing immediate financial support to the Company without related future costs are recognized in the income statement during the period in which they become payable.

Costs

Costs are recognized net of subsidies and discounts according to the principle of competence and cost/income correlation
The costs for the purchases are recorded when all the risks and benefits have been transferred to the Company, this normally coincides with the shipment of the goods, always in compliance with the incoterms or contractual agreements. The costs for services are recognized by competence, based on the time of receipt of the services.

Financial income and expenses

Financial income and expenses are recognized by competence and include: Interest accrued on financial assets and liabilities using the effective interest rate method, changes in *the fair value* of derivatives and other financial instruments recognized at *fair value* with impact on income statement, foreign exchange income and expense and arising from financial instruments (including derivatives).

Dividends

Dividends received from companies other than subsidiaries, associates and *Joint ventures* are recorded in the income statement for competence, in the year in which the related right arises, following the decision of shareholders to distribute dividends to the related companies.

Income taxes

Income taxes include all taxes calculated on the taxable income of the Group's Companies. Current and deferred taxes are recognized in the income statement, except where they relate to items recognized in the other components of the comprehensive income statement, in which case current and deferred taxes are also recognized in the other components of the comprehensive income statement and in net equity, respectively.

Current taxes

Current taxes due are based on taxable income for the period. Taxable profit differs from the net profit recognized in the income statement in that it excludes revenue or cost items that are taxable or deductible in other periods and also excludes items that are never taxable or deductible. The Company's liabilities for current taxes are calculated using tax rates that have been issued or substantially issued by the end of the reporting period.

Prepaid and deferred taxes

Prepaid and deferred taxes are taxes that are expected to be chargeable or recoverable on the difference between the accounting values of the assets and liabilities recorded in the financial statements and the corresponding tax bases used in the calculation of taxable income and are accounted for using the liabilities method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that taxable income is likely to be available for which deductible temporary differences may be used. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that does not affect taxable income or accounting profit. Moreover, tax liabilities for deferred taxes are not recognized if the temporary difference arises from the initial recognition of goodwill.

Prepaid and deferred taxes are calculated on the basis of tax rates that are expected to apply in the period in which the liability is settled or the asset is realized on the basis of laws and tax rates that have been issued or substantially issued at the reporting date.

Deferred tax assets and deferred tax liabilities are offset when there is a legally applicable right to offset tax assets with tax liabilities and when they relate to income taxes levied by the same tax authority, and the Company intends to adjust its current tax assets and liabilities on a net basis.

Base profit and diluted profit per share

Basic earnings per share are calculated by dividing the Company's attributable profit for the reference period by the weighted average Common Stock outstanding during the period.

Use of significant estimates and impacts of accounting principals

In the application of the Company's accounting policies, described in the paragraph " significant impacts of the Company's accounting policies", the directors are required to give an opinion on those that have a significant impact on the amounts shown in the financial statements and to make estimates and assumptions on the accounting values of assets and liabilities that are not immediately apparent from other sources. The associated estimates and assumptions are based on historical experience and other factors deemed relevant. Actual results may differ from these estimates.
Estimates and assumptions are reviewed on an ongoing basis. The revision of the accounting estimates is carried out in the period in which the estimate was revised, the revision is for that period only, or the exercise of the audit and future periods if the review concerns both current and future periods.

Significant impacts of the accounting principles applied by the Company

The following are the impacts of the accounting principles applied by the Company, in addition to those require the use of estimates (which are presented separately below), on which the Directors have expressed their views in the process of applying them and which have a significant effect on the amounts recognized in the financial statements.

Accounting for investment contracts

Note (1) describes that the Company has stipulated into several investment agreements with an investor (SIMEST S.p.A., a financial investor controlled by the Italian Government that financially supports Italian foreign investments) according to which, at the end of the contract, the Company has an obligation to buy back and the investor undertakes to sell the shares held by the Company for a contractually predetermined amount. The agreements entitle the investor to receive a fixed remuneration during the contractually planned period, depending on the investment made in its subsidiaries, which provides, inter alia, for the return of any dividends distributed to the shareholder in excess of the fixed remuneration.

The directors of the Company have assessed whether the terms of the agreement give the Company access to the returns associated with the shareholdings held by third parties. Factors that have been taken into account and which provide a reference to the presence of any control include the determination of the prices of the amount to be reimbursed, voting rights and decision-making of such shares which is substantially limited and the right to dividends.
Following the assessment, the Directors concluded that the Company holds a current interest in these companies and, as a result, the interest of third parties is accounted for as if it had been acquired by the Company. Payment is deferred over time.

USE OF ESTIMATES

Allowance for doubtful accounts

The Company applies the simplified approach to measuring expected credit loss (ECL) for commercial credits. The ECL takes into account the historicity of credit losses, adjusted to take account of specific factors of creditors and the economic context and is based on the days due for each class of customers grouped in the various clusters showing similar historical loss trends. The matrix is based on the percentage of default observed in the Company. The Company balances the matrix to adjust historical loss data on credits with forecast elements. The assessment of the correlation between historical default rates, projected economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and expected economic conditions. Historical experience on the performance of losses on Company credits and forecasts of future economic conditions may not also be representative of the actual insolvency of customers in the future.

Fair value estimates

Some of the Company's assets and liabilities are measured at fair value in the separate financial statements. In estimating the fair value of an asset or liability, the Company uses market-observable data to the extent that it is available (Level 1).
If Level 1 data is not available, the Company engages third-party qualified raters to perform the assessment. Evaluation techniques can use:

- level 2 factors, including prices quoted for similar assets or liabilities in asset markets, prices quoted for identical or similar assets or liabilities in non-asset markets, inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates, spreads, etc.), factors corroborated by market data observable by correlation or other means;
- level 3 factors, consisting of non-observable factors, for which no market data are available and which reflect the assumptions that market operators would use to determine an appropriate price for the asset or liability.

Information on operating segments

Information on operating segments is given in the explanatory notes to the Group's consolidated financial statements.

MAIN EVENTS AFTER THE END OF THE FINANCIAL YEAR

Business Plan Approval

On January 18, 2023, the Board of Directors approved the 2022-2026 Industrial Plan which outlines the following business strategies, declined for the reference operating segments:

- **EV & Automotive:** (i) expand its existing order portfolio and the additional pipeline of orders under discussion around the world (Europe, Asia and the United States), which should generate revenues and cash flows in the coming years, with further projects and initiatives currently under evaluation and implementation; (ii) to exploit success and reputation in the sector in order to take advantage of further growth opportunities in the electric vehicle market; (iii) leverage long-standing relationships with key customers (OEM and Tier 1) to maintain their market position in Europe and North America; (iv) to reach a leadership position in Asia through the continued growth of the current customer base, increased market penetration and the creation of a point of reference for Asian operators; (v) continue to invest to strengthen its technological know-how through continuous innovation and maintain its competitive advantage; and (vi) improve the efficiency of production processes to manage growing volumes and to support and further increase profitability.

- **Industrial:** (i) exploit the trends of ecological electrification and energy efficiency in various sectors; (ii) exploit potential synergies with the EV & Automotive segment by sharing experience, technologies and process automation; (iii) focus on product innovation to consolidate existing multi-year relationships with the Group's main customers and acquire new customers; (iv) pursue geographical, product and final market diversification in order to ensure a highly diversified and stable revenues stream; v) becoming a choice supplier and increasing market share by developing turnkey technical solutions through collaborations with existing customers; (vi) improving operational efficiency through new automation systems to reduce costs and time-to-market; and (vii) leverage their know-how and experience to develop new products with greater added value.

The Business Plan foresees for the period 2022-2025 a CAGR of revenues between 23% and 25%, an EBITDA CAGR of between 27% and 29% with Capex of approximately € 90 million in 2023 and an average level of Capex for the period 2024-2025 of 4,5%-5% of revenues.

The revenue growth expected by the plan is largely driven by the development of the EV & Automotive segment. In particular, the plan foresees an increase in revenues with particular reference to the EV Traction product line, which benefits from the Group's substantial order and pipeline portfolio. It is also considered that the CAGR of revenues foreseen in the plan is broadly in line with those of the Group's reference markets.[9]

Quoted on the Euronext Milan Stock Exchange

On February 10, 2023, EuroGroup Laminations S.p.A. completed the process of listing its Common Stock on Euronext Milan following (i) the admission of shares to the listing on Euronext Milan, and the admission of the company's shares to trading, Issued by Borsa Italiana 18 November 18, 2022 and January 16, 2023 respectively; and (ii) the communication by the National Commission for Companies and the Stock Exchange ("CONSOB") of the measure approving the Prospectus for the admission to the listing on Euronext Milan, a market organized and managed by Borsa Italiana S.p.A., of the Common Stock of EuroGroup Laminations S.p.A..

[9] Source: IHS Markit | E-Motor Forecast Data Cut | 2021-2028.

Parliament resolution on CO_2 emissions from cars and light commercial vehicles

On February 14, 2023, the European Parliament approved the agreement to cut CO_2 emissions for cars and light commercial vehicles, in line with the EU's ambitious climate targets. The legislation approved requires new passenger cars and light commercial vehicles not to produce any CO_2 emissions since 2035. The objective is to reduce emissions of these types by 100% compared to 2021. The intermediate emission reduction targets for 2030 were set at 55 % for passenger cars and 50 % for vans.

This decision accelerates the transition to electricity mobility, as far as the European market is concerned, which is one of the Group's biggest growth factors in the coming years.

Explanatory notes to the statement of **Financial Position**

NON-CURRENT ASSETS

(1) Shareholdings in subsidiaries

The following table shows the movements under "Investments in subsidiaries":

Subsidiaries companies	12.31.2021	Increments	Revaluations/ Devaluations	12.31.2022
EuroGroup Asia Ltd.	16,277,417	4,076,603	-	20,354,020
SAF S.p.A.	13,474,004	-	-	13,474,004
Eurotranciatura Tunisie S.A.R.L.	9,852,589	-	-	9,852,589
EuroGroup Leverage Lender L.L.C.	8,756,073	-	-	8,756,073
Euro High Tech Mexico S.A. de C.V.	2,641,915	-	-	2,641,915
Eurotranciatura S.p.A.	2,314,942	-	-	2,314,942
Corrada S.p.A.	631,495	-	-	631,495
Eurotranciatura Mexico S.A. de C.V.	596,918	-	-	596,918
Europroperties Mexico S.A. de C.V.	238,747	-	-	238,747
Euroslot Tools S.r.l.	210,000	-	-	210,000
EuroGroup Laminations Russia L.L.C.	143	-	(143)	-
Total subsidiaries companies	**54,994,243**	**4,076,603**	**(143)**	**59,070,703**

The increase in the year refers to the completion, on December 20, 2022, by the Company and Simest of the subscription to the capital increase in the subsidiary EuroGroup Asia LTD. Under the investment agreement signed, the Company undertook to purchase from Simest the share in its subsidiary as of June 30, 2029. The repurchase price will be equal to the highest of the following: i) the price paid by Simest for the increase of the share (equal to Euro 7,800 thousand) and ii), if the shares of EuroGroup Asia are listed, the average market price of EuroGroup Asia LTD of the shares during the 90 calendar days preceding the date of repurchase. The estimate of the liability for the purchase of Simest's share is included in the financial liabilities as described above in *"Accounting for Investment contracts"*.

Subsidiaries companies	Location	Share capital	Shareholders' equity 12.31.2022	Net profit/ (loss) 12.31.2022	Equities owned directly	Investment value 12.31.2022	Pro-rata shareholders' equity 12.31.2022
EuroGroup Asia LTD (i)	Hong Kong - China	18,115,756	11,344,232	(1,156,203)	100%	20,354,020	11,344,232
SAF S.p.A. (ii)	Muscoline - Italy	312,000	31,679,327	5,818,654	50%	13,474,004	15,839,664
Eurotranciatura Tunisie S.A.R.L. (iii)	Zaghouan - Tunisia	9,796,770	10,931,963	3,470,601	100%	9,852,589	10,931,963
EuroGroup Leverage Lender L.L.C.	Dover, Delaware USA	8,780,374	9,426,381	107,608	100%	8,756,073	9,426,381
Euro High Tech Mexico S.A. de C.V.	Querétaro - Mexico	16,644,064	23,956,687	4,201,723	15.87%	2,641,915	3,801,926
Eurotranciatura S.p.A.	Baranzate - Italy	4,270,000	92,677,869	15,856,671	100%	2,314,942	92,677,869
Corrada S.p.A.	Lainate - Italy	1,000,000	6,776,880	107,216	100%	631,495	6,776,880
Eurotranciatura Mexico S.A. de C.V.	Querétaro - Mexico	29,545,300	45,731,960	4,794,469	2.72%	596,918	1,243,909
Europroperties Mexico S.A. de C.V.	Querétaro - Mexico	3,613,228	4,870,814	243,200	7%	238,747	340,957
Euroslot Tools S.r.l.	Melzo - Italy	100,000	1,783,156	(117,309)	60%	210,000	1,069,894
EuroGroup Lamination Laminations Russia L.L.C.	St. Petersburg - Russia	125	467,007	190,038	58%	-	270,864

i. The Company holds 60% of the shares of Euro-Group Asia Limited, while the remaining 40% is held by another investor (Simest). The Company has stipulated a contractual agreement with the investor, which provides the obligation to purchase the investor's share; Under this agreement, the Company recognized the entire share, including that held by third parties, as if the estimate of the amount to be paid for the purchase had already been acquired and recorded as a financial liability. At the same time, the investor Simest has provided two loans to the subsidiary ("Simest Partner financing") with an interest rate of IRS 5Y + 1,4% and a rate of 1%.

ii. On June 25, 2021, the Board of Directors of SAF S.p.A., in implementation of the shareholders' agreement signed by EuroGroup Laminations and the other investor, decided to introduce a change in the governance of the company. The agreement gives the Group, for a period of five years until its expiry, the right to appoint a majority of the members on the Board of Directors, giving them the power to define the Company's strategies, budgets and plans, approved by the Board of Directors, and to set up the activities suitable for their realization and to reduce the capacity of the executive, appointed by the other investor, who is in charge of taking the necessary actions for the realization of strategies and plans under the supervision of the directors appointed by the Group. After evaluating all the facts and circumstances described above, the Group concluded that it had the power to direct the relevant activities of SAF S.p.A., following the appointment of the directors by EuroGroup Laminations, on the basis of the shareholders' agreement.

iii. The Company holds 51% of the shares in EuroPenza Tunisie S.A.R., while the remaining 49% is held by another investor (Simest). The Company has stipulated a contractual agreement with the investor, which provides for the obligation to buy back the investor's share; Under this agreement, the Company recognized the entire share, including that held by third parties, as if the estimate of the amount to be paid for the purchase had already been acquired and recorded as a financial liability.

The difference between the value recorded in the financial statements for EuroGroup Asia LTD and its share of equity is not an indicator of impairment losses in view of the holding in Euro Misi Laminations Jiaxing Co. Ltd generating expected future cash flows foreseen in the Business Plan 2022-2026 approved by the Board of Directors on January 18, 2023.

(2) Non-current financial assets and receivables

The following table gives a breakdown of non-current financial assets:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Financial receivables from subsidiaries	44,568,624	7,576,359
Investement in Kuroda	2,046,070	3,759,167
Guarantee deposits	383,185	408,247
Other investements	1,300	1,300
Financial receivables from parent companies	-	5,600,000
Non-current financial assets	**46,999,179**	**17,345,073**

The item "Financial receivables from subsidiaries" refers to the financial receivables granted to subsidiaries and in particular to EuroGroup Asia Limited for Euro 38,556,417 (of which Euro 32,292,689 was disbursed during the financial year) and for the remaining part equal to Euro 6,012,207 to Eurotranciatura Tunisia (of which Euro 5,000 thousand disbursed during the financial year). These funds are intended to finance their development projects within the framework of the 2022-2026 Industrial Plan approved by the Board of Directors. Depending on the financing, the contractual conditions provide for an interest rate equal to the Group's cost of debt or alternatively (i) an annual interest rate of 3,s4% (however, if this interest rate is higher than the weighted average interest rates of the Simest Member loans, the interest rate will be equal to the weighted average interest rates of Simest shareholder loans) and (ii) repayment from December 31, 2025 to June 30, 2029, see paragraph (I) of Note 1.

The item "Investment in Kuroda" relates to *the fair value* of the minority interest held in Kuroda Precision Industries Ltd, listed on the Tokyo Stock Exchange. The following are the number of shares held and the fair value that can be deduced from the official listing of the securities at the balance sheet date:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Number of shares held	168,600	168,600
Unit Price	12,14	22,30
Fair value as of December 31	**2,046,070**	**3,759,167**

(3) Deferred tax assets and Deferred tax liabilities

The following table provides a detailed analysis of assets for advance taxes and deferred tax liabilities:

(Amounts in Euro)	As at December 31, 2021	Profit and loss	Recognized in OCI	Exchange rate differences and other	As at December 31, 2022
Assets for advanced taxes arising from:					
Employee benefits	55,850	(12,206)	(34,472)	-	9,172
Right of use	1,701	217	-	(81)	1,837
Intangible assets	999,677	(266,088)	-	-	733,589
Other temporary changes	-	278,396	-	-	278,396
Total assets for advanced tax	**1,057,228**	**319**	**(34,472)**	**(81)**	**1,022,994**
Tax liabilities for deferred taxes arising from:					
Fair value measurement of equity instruments	31,622	-	(20,558)	-	11,064
Total liabilities for deferred tax	**31,622**	**-**	**(20,558)**	**-**	**11,064**

The decrease in advanced taxes in 2022 was mainly due to the time differences that emerged as a result of the transfer of start-up costs.

CURRENT ACTIVITIES

(4) Trade receivables

Trade receivables include:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Receivables from subsidiaries	12,012,399	7,417,518
Trade receivables	42,839	39,260
Allowance for doubtful accounts	(172,681)	-
Trade receivables	**11,882,557**	**7,456,778**

It should be noted that during the year, in view of the uncertainty surrounding the evolution of the Russian-Ukrainian military conflict, the receivables due from the Russian subsidiary was entirely allocated in the allowance for doubtful accounts. The detail of the handling is as follows:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Allowance for doubtful accounts at the beginning of the exercise	**-**	**-**
Provisions of the year	172,681	-
Allowance for doubtful accounts at the end of the year	**172,681**	**-**

(5) Current financial receivables

The entry is composed as follows:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Financial receivables from subsidiaries	11,588,145	1,259,444
Financial receivables from parent companies	5,684,000	84,154
Current financial receivables	**17,272,145**	**1,343,598**

The financial receivable to the parent company E.M.S. S.p.A. for a capital amount of 5,600 thousand euros was disbursed by the Company in 2020, with an annual interest of 1.5%. This financing provides for reimbursement at the earliest time between 2026 and the quotation date. Following the closing of the financial year, upon completion of the quotation, the company received the full credit.

The item “Financial receivables from subsidiaries” refers mainly to the receivables due to the subsidiary Corrada S.p.A. for the centralized management of the treasury for an amount of Euro 10,575,947, on which an annual interest equal to the EURIBOR 1M + 1.5% spread has been paid.

(6) Other receivables and current assets

The following table gives a breakdown of the other current assets:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Advances to suppliers	4,146,353	38,988
VAT credits	488,483	305,196
Others receivables	214,402	229,154
Other tax credits	30,464	1,368
Receivables from parent companies	-	4,470
Other receivables and current assets	**4,879,702**	**579,176**

The item “Advances to suppliers” relates to the quote of costs not covered by the financial year incurred by the Company for the admission of its Common Stock to the listing on Euronext Milan, a regulated market organized and managed by Borsa Italiana S.p.A., such costs, together with the additional share for the financial year 2023, will be recognized as a reduction of the increase in shareholders’ equity completed in the context of the aforementioned listing.

(7) Cash and cash equivalents

Cash and cash equivalents refers to current account deposits held at major banks.

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Bank and postal deposits	8,520,530	1,932,964
Cash on hands	1,526	1,315
Cash and cash equivalents	**8,522,056**	**1,934,278**

Exposed values can be converted into cash promptly and are subject to a risk of non-significant value change. The carrying amount of the assets and equivalent assets is considered to be representative of their fair value at the balance sheet date. There are no restrictions on the use of Cash and cash equivalents.

EQUITY

(8) Shareholders' equity

As of December 31, 2022, the share capital is fully subscribed and paid up and amounts to Euro 6,111,940, divided into 6,111,940 shares.

Share premium reserve

the share premium reserve as at December 31, 2022 amounts to Euro 34,409,537 unchanged from December 31, 2021.

Other reserves

the other reserves amount to euro 102,215 as at December 31, 2022 (euro 1,537,317 as at December 31, 2021) and are as follows:

(Amounts in Euro)	As at December 31	
	2022	**2021**
Legal reserve	796,385	648,104
First time adoption - FTA Reserve	(1,134,894)	(1,134,894)
Other components of the comprehensive income statement	440,724	2,024,107
Of which:		
- Actuarial gains/(losses) on employee benefits	*35,342*	*(73,817)*
- Profit from the measurement of equity instruments at fair value	*405,382*	*2,097,924*
Total other reserves	**102,215**	**1,537,317**

Retained earnings

The retained earnings amounted to euro 18,213,758 as at December 31, 2022, and euro 18,918,200 as at December 31, 2021. During the financial year, the Shareholders' Meeting's resolution of May 31, 2022 was implemented, allocating the profit for the financial year 2021, as follows:

- euro 148,281 to increase the legal reserve;
- euro 44,200 to increase the foreign exchange gains reserve;
- distribution of dividend of 2,768,709 euros to the parent company;
- euro 4,403 to the retained earnings.

Details of the origin, availability and use of the equity items

The following is a detail of the origin, availability and use of the items of net equity:

(Amounts in Euro)				A summary of the uses made in the previous three exercises for other reasons	
Nature and description	**Amount**	**Possibility of utilisation (*)**	**Available Portion**	**for other reasons**	**for losses cover**
Share capital	6,111,940				
Reserves of profits	**16,103,425**				
of which					
Legal reserve	796,385	B	796,385		
First time adoption (FTA)	(1,134,894)				
Profit/loss from valuation to fair value	440,728				
Retained earnings	16,001,206	A,B,C	16,001,206		
Capital reserves	**34,409,537**				
Share premium reserve (**)	34,409,537	A,B			
Profit for the financial year 2022	**2,212,548**				
Total	**58.837.450**				

(*) Possibility of utilization: A: For capital increase B: For loss cover C: For distribution to shareholders
(**) The share premium reserve is only available if the legal reserve reaches the fifth of the share capital.

NON-CURRENT LIABILITIES

(9) Financial liabilities and borrowings

The following table shows the details of changes in liabilities arising from financing assets:

(Amounts in Euro)	Bank financing	Debts to subsidiaries	Debts to other lenders	Total
Opening balances	2,050,115	10,748,329	7,055,712	19,854,156
Refunds	(989,488)	-	(3,259,158)	(4,248,646)
Increments	-	58,831,660	7,359,879	66,191,539
Other non-financial movements	-	-	156,524	156,524
As at December 31, 2022	**1,060,627**	**69,579,989**	**11,312,957**	**81,953,573**
Of which:				
Not current	**600,000**	**-**	**11,312,957**	**11,912,957**
Current	**460,627**	**69,579,989**	**-**	**70,040,616**

The item Bank loans refers to a single loan with BCC Iccrea at a variable rate equal to the Euribor 6M + 1.70% spread, expiring on 12/31/2025.

Debts to other donors are linked to investment agreements with Simest S.p.A..

Covenants

The financing of EuroGroup Laminations S.p.A. is subject to financial constraints which require maintaining a ratio between net financial debt and EBITDA (or mol) below certain thresholds to be measured against the values of the consolidated financial statements. Below are details of the parameters expected by the bank.

Bank	Initial amount	Year of subscription	Year of expiration	Financial parameter	Expected parameter
Banca BCC ICCREA	1,500	2019	2025	Net financial debt /EBITDA	<4,0
Banca BCC ICCREA	1,500	2019	2025	Net financial debt/net equity	<2,0

As at December 31, 2022, the Group met the financial constraints set out above.

Net financial debt

As required by ESMA communication 32-382-1138 of March 4, 2021, the document "ESMA32-382-1138" and taken up by CONSOB in communication 5/21 of April 29, 2021 indicates that the Company's net financial debt is as follows:

Voice	Description	12.31.2022	12.31.2021
A	Cash and cash equivalents	8,522,056	1,934,278
B	Means equivalent to Cash and cash equivalents	-	-
C	Current financial assets and receivables	17,272,145	1,343,598
D	**LIQUIDITY (A + B + C)**	**25,794,201**	**3,277,876**
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	69,579,989	10,748,329
F	Current part of non-current financial debt	460,627	1,172,653
G	**Current financial debt (E+F)**	**70,040,616**	**11,920,982**
H	**Net current financial debt (G-D)**	**44,246,415**	**8,643,106**
I	Non-current financial debt (excluding the current part and debt instruments)	11,912,957	7,943,009
J	Debt instruments	-	-
K	Trade and other non-current payables	-	-
L	**Non-current financial debt (I + J + K)**	**11,912,957**	**7,943,009**
M	**Total debt (H + L)**	**56,159,372**	**16,586,115**

(10) Employee benefits

This item includes the debt for end-of-relationship treatment accrued by the Company's directors and employees. The table below shows how employee benefits move:

(In thousands of Euros)	December 31, 2022	December 31, 2021
Opening balance	744,019	759,056
Changes with impact on income statement	46,775	61,475
- Of which: Service cost	*50,051*	*64,809*
- Of which: Financial expenses	*(3,276)*	*(3,334)*
Benefits paid	(14,875)	(66,387)
Changes with impact to the comprehensive income statement	(143,631)	(10,125)
Closing balance	**632,288**	**744,019**

The following table summarizes the main financial assumptions used to determine the present value of the TFR:

	As at December 31
Representative termination rate	2.70%
Mortality rate	ISTAT tables 2021
Annual advance rate	4.00%
Average advance rate	70.00%
Annual rate of wage increase (including inflationary increase)	3.50%
Annual discount rate	3.732%

The following table shows a sensitivity analysis of employee benefit assessment as of December 31, 2022:

(In thousands of Euros)	Annual discount rate		Annual inflation rate		Annual turn over rate	
As at December 31, 2022	**0.50%**	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**	**-0.50%**
December 31, 2022	653,667	713,097	696,001	669,081	678,951	686,274
December 31, 2021	766,374	854,924	825,729	792,443	776,644	790,688

(11) Provision for risk and charges

The item consists of the fund for possible tax investigations for euro 444,381. The following table shows the movimentations of the risk fund:

(In thousands of Euros)	As at December 31	
Description	**2022**	**2021**
Opening balance	**-**	**-**
Provision for the year	444,381	-
Closing balance	**444,381**	**-**

On 15 July 2022, the Inland Revenues Agency notified the Company of a statement of findings relating to the 2016 tax period, in which violations concerning (i) the incorrect application of the pro-rata VAT and (ii) were alleged the indeducibility of the amortisation of some intangible assets.

On 11 November 2022, the Company received the related formal notice ("Notice of Investigation") in relation to the alleged violations. With regard to the indeducibility of the depreciation of certain intangible assets, the Company has deducted the amortisation of certain intangible assets in the years following 2016 and, Therefore, the tax authority could formalise findings similar to those made for the 2016 tax period for further tax periods.

While there are valid arguments in support of the defence of the tax approach adopted, the Company, with the support of its tax advisors, considered the risk of extending the tax assessment to subsequent years and therefore made a provision of 444 thousand euro. For the financial year 2022, it also recorded higher taxes for previous years, amounting to 451 thousand euros.

CURRENT LIABILITIES

(12) Trade payables

As at December 31, 2022, the commercial debts were composed as follows:

(Amounts in Euro)	As st December 31	
Description	**2022**	**2021**
Trade payables	4,726,716	974,212
Payables to subsidiaries	476,515	195,561
Trade payables	**5,203,231**	**1,169,773**

The Company has no *factoring reverse and* /or supplier financing operations.

(13) Other current liabilities

The following table provides details of the other current liabilities:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Debts to employees	770,093	257,718
Tax liabilities other than current taxes	758,875	127,407
Financial liabilities to subsidiaries	444,927	-
Deferred income	174,280	169,820
Debts to social security institutions	69,292	75,314
Other debts	79,875	45,824
Other current liabilities	**2,297,342**	**676,083**

The debts to employees are the debt for the remuneration of December 2022, paid in January, the appropriations for completed and unpaid holidays, and the result and MBO premiums. The item "Tax payables other than current taxes" mainly includes tax payables for the assessment received by the Italian Revenues Agency.

The financial debts to subsidiaries refer to the interest accrued in connection with the cash pooling contract with the subsidiary Eurotranciatura S.p.A..
Debts to social security institutions include contributions on employee salaries which were paid in January 2023, as well as contributions on deferred salaries, result premiums and MBO.

Explanatory notes to the **Income Statement**

(14) Revenues

The Company generates revenues from services to subsidiaries.
The following table provides a breakdown of revenues by business segment:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Management consultations according to the equity method	10,292,328	7,082,546
Other services provided to subsidiaries	296,431	349,624
Revenues	**10,588,759**	**7,432,170**

(15) Costs for services

The following table provides details of the costs per service:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Consultancy fees	1,619,420	1,345,157
Remuneration of Directors and statutory auditors'	893,187	1,448,680
Advertising and representation expenses	296,594	223,532
Travel and transfers costs	257,069	67,193
Maintenance costs	141,930	125,223
Research and selection of personnel costs	137,036	77,161
Other costs for services	89,508	51,864
Telephone expenses	60,730	63,230
Costs for services	**3,495,474**	**3,402,040**

Other costs for services include mainly bank expenses and employee canteen costs.

(16) Personnel costs

The costs incurred for staff are divided as follows:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Wages and salaries	3,387,420	2,430,210
Social security contributions	1,154,910	797,290
TFR provision	221,224	158,682
Other personnel costs	12,781	10,399
Personnel costs	**4,776,335**	**3,396,581**

The average number of employees of the Company, broken down by categories and compared with the previous year, was:

	2022	**2021**
Directors	9	4
managers	7	6
Employees	17	19
Annual average	**33**	**29**

(17) Other operating expenses

The following table shows the details of the other Operating expenses:

(Amounts in Euro)	As at December 31	
Description	**2022**	**2021**
Provision for risks	444,381	-
Write-down of receivables	172,681	-
Other costs	413,643	33,926
Other Operating expenses	**1,030,705**	**33,926**

The provision for risks item relates to what is described in note 11.) Provision for risks and charges. The provision of allowance for doubtful accounts relates to what is described in note 4) Trade receivables.

(18) Financial income

The following table shows a detail of the financial income:

Euros	As at December 31	
Description	**2022**	**2021**
Dividends from subsidiaries	2,578,823	2,562,656
Interests from subsidiaries	878,414	102,268
Interests from parent companies	84,000	84,000
Other financial income	49,697	43,124
Financial income	**3,590,934**	**2,796,048**

(19) Financial expenses

The following table shows a detail of the financial expenses:

Euros	As at December 31	
Description	**2022**	**2021**
Interest to subsidiaries	776,764	90,474
Financial expenses to other financial creditors	479,214	526,516
Interest on bank loans	33,537	52,936
Other financial expenses	931	281
Financial expenses	**1,290,446**	**670,207**

The financial expenses to other financial creditors relate to interest accrued during the year against the financial debt owed to Simest S.p.A. in accordance with the contractually agreed provisions.

(20) Income taxes

This item shall consist of the following:

Euros	As at December 31	
Description	**2022**	**2021**
Taxes from previous years	451,509	22,414
IRES - Company income tax	386,235	-
IRAP - Regional tax on production activities	188,468	71,613
Deferred taxes	(319)	459,181
Taxes	**1,025,893**	**553,208**

On July 15, 2022, the Italian Revenues Agency notified the Company of a formal report of findings relating the 2016 tax period, in which violations were alleged concerning (i) the incorrect application of the pro-rata VAT and (ii) the ineducability of the amortization of certain intangibles assets were contested. On November 11, 2022, the Company received the relative formal notice ("Notice of investigation") in relation to alleged violations. In the years following 2016, the Company deducted the amortization of some intangibles assets and, therefore, the tax authority could theoretically proceed to formalize substantially similar surveys for further tax periods.

In any case, while there were valid arguments in support of the defense of the tax approach adopted, the Company, with the support of its tax advisers, considered it probable that the tax assessment should be extended to the following years and, therefore, made a provision of Euro 444,381. In the course of the financial year, however, has accounted higher taxes relating to previous financial years, amounting to euro 621,989.

Explanatory notes to the **Cash Flow Statement**

Net financial flow generated / absorbed by operating activity

The activity carried out during the period absorbed resources of euro 1,664,937, compared to the value of the corresponding period of 2021 equal to an absorption of euro 689,753.

Net cash flow generated / absorbed by investment activities

The total cash flow generated by investment activities amounts to Euro 3,440,355 compared to the value of the corresponding period of 2021 equal to a generated value of Euro 4,155,265.

Net cash flow generated / absorbed by financing activities

The total cash flow generated by the financing activity amounts to Euro 4,812,359 compared to an absorbed flow of Euro 2,597,548 in the previous period. In the period, loans were repaid to the subsidiaries for 11,402,453 euros and dividends for 4,276,209 euros were distributed.

Other information

RISK MANAGEMENT POLICY

Credit risk

The Company is exposed to a credit risk due to the fact that its customers may delay or fail to meet their payment commitments in the agreed terms and that the internal procedures adopted in relation to credit risk assessment and customer solvency are not sufficient.
These risks could have a negative effect on the Company's economic, financial and capital situation.

	As at December 31			
(Amounts in Euro)	2022		2021	
Description	**Receivables**	**Allowance for doubtful accounts**	**Receivables**	**Allowance for doubtful accounts**
Not yet expired	1,627,332	-	580,407	-
0-60 days expired	964,694	-	813,130	-
60-180 days expired	1,028,863	-	541,023	-
> 180 days expired	8,434,349	172,681	5,522,218	-
Trade receivables	**12,055,238**	**172,681**	**7,456,778**	**-**

Liquidity risk

Taking into account the net financial position and the ability to generate positive cash flows from operating activities, the liquidity risk is assessed, in the economic situation in which the Company is at the time of approval of such financial statements, as low.
The Company's cash flows, financial requirements and liquidity are carefully monitored and managed in such a way as to:

- maintain an adequate level of liquidity;
- to diversify the methods of obtaining financial resources;
- provide adequate credit lines;
- monitor prospective liquidity conditions, in relation to the business planning process.

(Amounts in Euro)	December 31, 2022	Total cash flows	Less than 1 year	Between 1 and 5 years	> 5 anni
Non-current financial liabilities	11,912,957	11,912,957	-	4,600,000	7,312,957
Total non-current financial liabilities	**11,912,957**	**11,912,957**	**-**	**4,600,000**	**7,312,957**
Current financial liabilities	69,579,989	69,579,989	69,579,989	-	-
Current portion of non-current financial debts	460,627	460,627	460,627	-	-
Total current financial liabilities	**70,040,616**	**70,040,616**	**70,040,616**	**-**	**-**
Total financial liabilities	**81,953,573**	**81,953,573**	**70,040,616**	**4,600,000**	**7,312,957**

The main factors affecting the Company's liquidity are the resources generated or absorbed by operating activities and current investment, the possible distribution of dividends, the maturity or refinancing of debt, and the management of surplus cash. Liquidity needs or exceptions or surpluses are monitored on a daily basis in order to ensure the effective procurement of financial resources or adequate investment of excess liquidity.

The negotiation and management of credit lines is coordinated by the Company in order to meet the short and medium term financing needs of the individual subsidiaries according to efficiency and cost-benefit criteria. The Company's policy is to sign and maintain with various and diversified banks the lines of credit that is considered consistent with the needs of the individual companies and able to guarantee at any time the liquidity necessary to satisfy and comply with all the Company's financial commitments, under the economic conditions laid down, in addition to ensuring the availability of an adequate level of operational flexibility for any expansion program.

Interest rate risk

The Company is subject to the risk of interest rate fluctuations in debt. Any change in interest rates (EURIBOR) could have an effect on the increase or reduction of borrowing costs.

	December 31, 2022					
(Amounts in Euro)	Residual debt	total %	Within one year	total %	Over a year	total %
Total fixed rate financial liabilities	80,892,946	98.71%	69,579,989	99.34%	11,312,957	94.96%
Total variable rate financial liabilities	1,060,627	1.29%	460,627	0.66%	600,000	5.04%
Total debt exposure	**81,953,573**	**100%**	**70,040,616**	**100%**	**11,912,957**	**100%**
Interest to be paid on the variable rate exposure not covered by derivatives	69,763		36,520		33,243	
Interest to be paid as a result of the change (+2%) in the basic reference rate	101,259		53,008		48,251	

Exchange rate risk

The company does not conduct any foreign currency business. Some financing to foreign subsidiaries is provided in the functional currency of foreign subsidiaries.

Financial assets and liabilities

The following table combines information about:
- classes of financial instruments based on their nature and characteristics;
- the carrying amount of the financial instruments;
- fair value of financial instruments (except financial instruments whose carrying amount is close to their fair value);
- hierarchy of fair value of the financial assets and liabilities for which fair value was applied.

The levels of the fair value hierarchy (1 to 3) are based on the degree of observability of the fair value:
- level 1 fair value measurements are those derived from prices quoted (unadjusted) in the asset markets for assets or liabilities identical to those assessed;
- level 2 fair value measurements are those derived from factors other than the quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. price derivatives);
- level 3 fair value measurements are those derived from measurement techniques that include inputs for assets or liabilities that are not based on observable market data (non-observable factors).

The following table shows the financial assets and liabilities for the valuation methodology applied:

(Amounts in Euro)	Financial assets and liabilities				Fair value level	
December 31 , 2022	Impact on income statement	Impacts to the comprehensive income statement	Amortized cost	Total	1	2
Non-current financial assets and receivables	-	2,046,070	44,953,109	46,999,179	2,046,070	44,953,109
Trade receivables	-	-	11,882,557	11,882,557	-	11,882,557
Other credits and assets	-	-	4,879,702	4,879,702	-	4,879,702
Cash and cash equivalents	-	-	8,522,056	8,522,056	-	8,522,056
Total financial assets (ex IFRS 7)	**-**	**2,046,070**	**70,237,424**	**72,283,494**	**2,046,070**	**70,237,424**
Current and non-current financial liabilities and payables	-	-	81,953,573	81,953,573	-	81,953,573
Trade payables	-	-	-	-	-	-
Other liabilities	-	-	5,203,231	5,203,231	-	5,203,231
Total financial liabilities (ex IFRS 7)	**-**	**-**	**2,297,342**	**2,297,342**	**-**	**2,297,342**

(Amounts in Euro)	Financial assets and liabilities				Fair value level	
December 31 , 2021	Impact on income statement	Impacts to the comprehensive income statement	Amortized cost	Total	1	2
Non-current financial assets and receivables	-	4,139,167	13,205,906	17,345,073	4,139,167	13,205,906
Trade receivables	-	-	7,456,778	7,456,778	-	7,456,778
Other credits and assets	-	-	579,175	579,175	-	579,175
Cash and cash equivalents	-	-	1,934,278	1,934,278	-	1,934,278
Total financial assets (ex IFRS 7)	**-**	**4,139,167**	**23,176,137**	**27,354,304**	**4,139,167**	**23,176,137**
Current financial liabilities and payables	-	-	19,854,156	19,854,156	-	19,854,156
Financial liabilities from rights of use	-	-	9,835	9,835	-	9,835
Trade payables	-	-	1,169,773	1,169,773	-	1,169,773
Other liabilities	-	-	2,183,585	2,183,585	-	2,183,585
Total financial liabilities (ex IFRS 7)	**-**	**-**	**23,217,349**	**23,217,349**	**-**	**23,217,349**

TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24, Related parties are:

(a) companies which directly, or indirectly through one or more intermediate enterprises, control, or are controlled by, or are under common control with, the reporting enterprise; (b) related companies; (c) natural persons who have directly or indirectly a voting power in the reporting enterprise giving them a dominant influence over the enterprise and their immediate family members; (D) managers with strategic responsibilities, i.e. those who have the power and responsibility for the planning, management and control of the activities of the reporting enterprise, including directors and officers of the company and the close family members of those persons; (e) undertakings in which a significant voting power is held, directly or indirectly, by any natural person described under (c) or (d) or over which that natural person is able to exert a significant influence. Case (e) includes the enterprises owned by the directors or major shareholders of the reporting enterprise and the enterprises that have an executive with strategic responsibilities in common with the reporting enterprise.

The following table shows a list of Related parties as of December 31, 2022, with the type of correlation:

Related parties	Type and main correlation report
EMS S.P.A.	Shareholder of the issuer
EUROTRANCIATURA S.P.A.	Company 100% owned by the issuer
CORRADA S.P.A.	Company 100% owned by the issuer
EUROTRANCIATURA MÉXICO, S. A. DE C.V.	Company 87,6% owned by the issuer
EUROPROPERTIES MEXICO S.A. DE C.V.	Company 100% owned by the issuer
SAF S.P.A.	Company 50% owned by the issuer
EUROTRANCIATURA TUNISIE	Company 51% owned by the issuer
EMS MEXICO SA DE CV	Company 87.6% owned by the issuer
EUROSLOT TOOLS S.r.l.	Company 60% owned by the issuer
EuroGroup LAMINATIONS RUSSIA LLC	Company 100% owned by the issuer
EUROTRANCIATURA USA LLC	Company 78.84% owned by the issuer
EUROPROPERTIES USA LLC	Company 100% owned by the issuer
EURO MISI LAMINATIONS JIAXING CO. LTD	Company 41.40% owned by the issuer
EuroGroup ASIA LIMITED	Company 60% owned by the issuer
EURO HIGHTECH S.A. DE C.V	Company 70.90% owned by the issuer
EuroGroup LEVERAGE LENDER LLC	Company 100% owned by the issuer
EURO (JIAXING) MOTOR TECHNICAL SERVICES CO., LTD	60% owned by the Parent Company, indirectly
EURO MISI HIGH-TECH JIAXING CO. LTD	41.4% owned by the Parent Company, indirectly
Natural persons	
Iori Sergio	Chairman of the Board of Directors of the Company appointed on September 8, 2020
Arduini Marco Stefano	CEO of the Company, appointed on September 8, 2020
Guardalà Isidoro	Vice-President of the Board of Directors of the Company appointed on September 8, 2020
Iori Marzio Andrea	Director of the Board of Directors of the Company, appointed on September 8, 2020
Quagliuolo Roberto Francesco	Director of the Board of Directors of the Company, appointed on September 8, 2020
Gales Jean-Marc Pierre	Director of the Board of Directors of the Company, appointed on September 8, 2020
Bertocchi Gianluca Umberto Maria	Director of the Board of Directors of the Company appointed on September 8, 2020
Garavaglia Luigi Emilio	Chairman of the Board of Statutory Auditors in office appointed on 8 September 2020
Alabiso Francesco	Member of the Board of Statutory Auditors in office appointed on 8 September 2020
Venturini Maria	Member of the Board of Statutory Auditors in office appointed on 8 September 2020
Gandola Giancarlo	Member of the Board of Statutory Auditors in office appointed on 8 September 2020
Sironi Roberta	Member of the Board of Statutory Auditors in office appointed on 8 September 2020

As of December 31, 2022, the Company carried out transactions with Related parties on commercial terms consistent with the market, taking into account the characteristics of the goods or services in question. The transactions carried out by Related parties are of a commercial and financial nature and are set out in the Annex to these Explanatory Notes.

GUARANTEES GRANTED AND OTHER CONTRACTUAL COMMITMENTS

The following table shows commitments, guarantees and Contingent liabilities not arising from the balance sheet:

Description	December 31, 2022
Bank guarantees granted in the interest of the Group companies	**22.310.410**

The guarantees of Euro 22,310,410 refer mainly to guarantees issued in favor of the subsidiaries Eurotranciatura S.p.A. and Corrada S.p.A..

REMUNERATION OF DIRECTORS AND AUDITORS

The Company has appointed the Board of Statutory Auditors pursuant to Article 2400 of the Civil Code and has assigned to it only the functions provided for in Article 2403(1). The Board of Statutory Auditors› remuneration for 2022 was equal to Euro 119,600.

As regards the emoluments allocated to the directors in 2022, the remuneration paid amounts to Euro 770,312.

In the year under review, the Company did not grant advances or credits to the directors and members of the Board of Statutory Auditors or made any commitments on their behalf or provided any guarantees.

FEES TO THE EXTERNAL AUDIOR

As required by art. 2427, c.1 n.16 bis) of the civil code and art. 149-duodecies of the Issuers Regulation, the fees payable to the auditing firm for the audit of the Financial Statement and for the performance of services other than the audit of Financial Statement are set out below:

Type of service (Amounts in thousands of Euros)	Recipient	Auditing firm	Amount
Audit of the separate and consolidated Financial Statement	EuroGroup Laminations S.p.A.	Deloitte & Touche S.p.A.	484
Total Audit Services (a)			**484**
Other services			
Fees of competence for the other verification services carried out	EuroGroup Laminations S.p.A.	Deloitte & Touche S.p.A.	624
Fees of competence for tax consultancy services			-
Fees for other services other than auditing	EuroGroup Laminations S.p.A.	Deloitte & Touche S.p.A.	60
Total Non-Audit Services (b)			**684**
Total fees (a)+(b)			**1,168**

INFORMATION PURSUANT TO ARTICLE. 2427, PARA. 1, N.22 QUINQUES AND SEXIES OF THE CIVIL CODE

As required by art. 2427, para. 1, n.22- five and six of the Civil Code, it is known that the Company is included in the consolidated financial statements of E.M.S., having its registered office in Via Trivulzio,1 20146 Milan (MI) whose consolidated financial statements are deposited at its registered office.

INFORMATION PURSUANT TO LAW 124/2017 OF 4-8-2017, PARAGRAPHS 125, 125-BIS AND 126

During the financial year, the Company did not receive grants, subsidies, benefits, contributions or aid, in cash or in kind, which were not of a general nature and devoid of any consideration, remuneration or compensation disbursed by public administrations:

PROPOSED ALLOCATION OF OPERATING RESULT

It is proposed to the Shareholders' Meeting to allocate the result for the financial year as follows:
- for euro 110,628 in legal reserve;
- for euro 2,101,920 to be carried forward.

Certification obtained in accordance with art. 154 Bis of law decree february 24th,1998 n. 58

The undersigned, Marco Arduini, in his capacity as Chief Executive Officer, and Isidoro Guardalà, in his capacity has Director in charge of the preparation of the corporate accounting documents of EuroGroup Laminations S.p.A. hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:

- adequacy in relation to the characteristics of the enterprise;
- the effective application of administrative and accounting procedures for the establishment of consolidated financial statements during the period from 1 January to 31 December 2022.

The assessment of the adequacy of the administrative and accounting procedures for the establishment of the financial statements at 31 December 2022 is based on a process defined by EuroGroup Laminations S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission representing a generally accepted international framework of reference. No relevant points have been raised in this regard.

It is also certified that:

- The separate financial statements:
  - **a.** is drawn up in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.;
  - **b.** corresponds to the results of the books and accounts;
  - **c.** is capable of providing a true and fair representation of the financial, economic and financial position of the issuer and of all the undertakings included in the consolidation.
- The annual report shall include a reliable analysis of the performance and result of the operations, as well as the situation of the issuer and all the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Transition to international accounting standards (international financial reporting standards)

The separate financial statements as of December 31, 2022 are the first financial statements prepared by the Company in accordance with *the International Accounting Standards* (IAS) and *the International Financial Reporting Standards* (IFRS) issued by *the International Board of Accounting Standards* (IASB) and the interpretations of *the International Committee for the Interpretation of Accounting Standards* (IFRS IC, Ex IFRIC) and the former *Standing Committee on interpretations* (SIC) (hereinafter referred to generically as "IFRS" which are approved by the European Union following the entry into force of Regulation (EC) No. 1249/96 1606/2002 issued by the European Parliament and the European Council in July 2002. The date of first application of the International Financial Reporting Standards (referred to in this document as the "transition Date") was established as of January 1, 2021, as permitted by International Financial Reporting Standards 1. This note presents the salient information regarding the effects of the first application to the International Financial Reporting Standards on the Company's separate financial statements with respect to the financial statements drawn up in accordance with Italian accounting principles for the year ended at December 31, 2021.

General principles

In accordance with International Financial Reporting Standards 1 – *first-time adoption of international financial reporting standards*, the balance sheet was prepared at the transition date in which:

- All assets and liabilities required to be recorded by the International Financial Reporting Standards Accounting Standards, including those not provided for in application of the Italian Accounting Standards, have been recognized and evaluated;
- All assets and liabilities whose registration is required by Italian Accounting Standards, but not accepted by International Financial Reporting Standards Accounting Standards, have been eliminated;
- Some of the items of the financial statements have been reclassified in accordance with the International Financial Reporting Standards Accounting Standards.

As of January 1, 2021, the effect of adjusting the initial balances of the Company's assets and liabilities in accordance with International Financial Reporting Standards accounting principles was recognized in a special reserve (first time adoption reserve - FTA) of equity. In this regard, it is noted that the Company prepared the internal financial statements, drawn up in the form of *a reporting package* for the preparation of the consolidated financial statements of the group of which it is the parent company, and therefore, as required by IFRS 1, assets and liabilities at the transition date were measured in continuity with the values entered in the consolidated financial statements. In order to explain the effects of the transition process on the Company's separate financial statements, the following additional information has been processed:

- **A.** Notes concerning the rules of first application of the International Financial Reporting Standards;
- **B.** Reconciliation schedules for the financial position drawn up in accordance with Italian accounting principles with respect to those drawn up in accordance with the International Financial Reporting Standards at the transition date as at December 31, 2021;
- **C.** Reconciliation between the income statement in accordance with Italian accounting principles and that drawn up in accordance with the International Financial Reporting Standards for the financial year ended as at December 31, 2021;
- **D.** Reconciliation schedules between the Statement of cash flows prepared in accordance with the Italian accounting principles with that prepared in accordance with the International Financial Reporting Standards for the financial year ended as at December 31, 2021;
- **E.** Reconciliation schedules between the statement of changes in equity in accordance with Italian accounting standards and that in accordance with International Financial Reporting Standards at the transition Date as at December 31, 2021;
- **F.** Description of the reclassifications and adjustments included in the above reconciliation schedules, which describe the significant effects of the transition, both as regards the classification of the various items in the separate financial statements and for their different evaluation and, therefore, the effects related to the consolidated balance sheet and income statement.

A. Presentation bases of the rules for the first application of the International Financial Reporting Standards; *Notes regarding International Financial Reporting Standards rules for first adoption*

The separate balance sheet closed as at December 31, 2022 was drawn up in accordance with the International Financial Reporting Standards applicable from January 1, 2021. In the process of transition to International Financial Reporting Standards, estimates made under Italian accounting principles have not changed unless the adoption of International Financial Reporting Standards required the formulation of estimates under different methodologies to reflect differences in accounting policies. The reexposure of equity affected the accounting values of assets and liabilities, but not their tax bases which, as a result, resulted in the recognition of deferred taxes.

Exemptions applied and estimates

International Financial Reporting Standards 1 allows first-time adopters of these principles certain exemptions from the retroactive application of specific International Financial Reporting Standards requirements. The Company has applied the following exemptions:
The estimates as at January 1, 2021 and December 31, 2021 are consistent with those made on the same dates in accordance with Italian Accounting Standards, after adjustments reflecting any differences in accounting policies, in addition to the evaluation of the benefits accruing at the end of the employment relationship, the application of which did not require an estimate of the local principle. The estimates used by the Company to submit these amounts in accordance with the International Financial Reporting Standards reflect the conditions as at January 1, 2021 and December 31, 2021.

B. Reconciliation schedules of the balance sheet and financial statements drawn up in accordance with Italian accounting principles with respect to those drawn up in accordance with the International Financial Reporting Standards at the transition date as at December 31, 2021

Effects of the transition to International Financial Reporting Standards on the balance sheet as at January 1, 2021

Amounts in Euro	Notes	ITA GAAP 01/01/2021	Reclassifications	Entries	IFRS 01/01/2021
Non-current assets					
Intangible assets		5,530,970		(5,299,194)	231,776
Tangible assets		116,078		-	116,078
Right of use		-		13,675	13,675
Investments		37,276,525		4,243,712	41,520,237
Investments valued with the Equity method		-		12,015,244	12,015,244
Non-current financial assets and receivables		8,282,348		1,012,657	9,295,005
Deferred tax assets		-		1,332,962	1,332,962
Total non-current assets		**51,205,921**		**13,319,056**	**64,524,977**
Current assets					
Trade receivables		6,358,794		-	6,358,794
Other current assets and receivables		1,347,841		(2,696)	1,345,145
Cash and cash equivalents		1,066,314		-	1,066,314
Current financial assets and receivables		4,346,258		-	4,346,258
Total current assets		**13,119,207**		**(2,696)**	**13,116,511**
TOTAL ASSETS		**64,325,128**		**13,316,360**	**77,641,488**

Amounts in Euro	ITA GAAP 01/01/2021	Reclassifications	Adjustments	IFRS 01/01/2021
Equity				
Share capital	6,111,940		-	6,111,940
Share premium reserve	38,388,060		(3,978,523)	34,409,537
Other reserves	-		(1,134,894)	(1,134,894)
Retained earnings	3,592,747		11,340,377	14,933,124
Total equity	**48,092,747**		**6,226,960**	**54,319,707**
Non -current liabilities				
Non-current financial liabilities and payables	1,885,984		6,820,389	8,706,373
Financial liabilities from non-current right of use	-		9,835	9,835
Liabilities for employee benefits	504,244		254,812	759,056
Deferred tax liabilities	-		10,837	10,837
Other non -current liabilities	1,507,500		-	1,507,500
Total non -current liabilities	**3,897,728**		**7,095,873**	**10,993,601**
Current liabilities				
Current financial liabilities and payables	9,902,860		-	9,902,860
Financial liabilities from current rights of use	-		5,856	5,856
Trade payables	1,848,433		-	1,848,433
Other current liabilities	583,360		(12,329)	571,031
Total current liabilities	**12,334,653**		**(6,473)**	**12,328,180**
Total liabilities	**16,232,381**		**7,089,400**	**23,321,781**
TOTAL LIABILITIES AND EQUITY	**64,325,128**		**13,316,360**	**77,641,488**

Effects of the transition to International Financial Reporting Standards on the balance sheet as at December 31, 2021

Amounts in Euro	ITA GAAP 12/31/2021	Reclassifications	Adjustments	IFRS 12/31/2021
Non-current assets				
Intangible assets	4,386,136		(4,165,324)	220,812
Tangible assets	66,931		-	66,931
Right of use	-		4,595	4,595
Investments	37,276,525		17,717,718	54,994,243
Non-current financial assets and receivables	14,709,906		2,635,167	17,345,073
Deferred tax assets	-		1,057,228	1,057,228
Total non-current assets	**56,439,498**		**17,249,384**	**73,688,882**
Current assets			-	-
Trade receivables	7,540,932	(84,154)	-	7,456,778
Other current assets and receivables	580,034		(858)	579,176
Cash and cash equivalents	1,934,278		-	1,934,278
Deferred tax assets	-		-	-
Current financial assets and receivables	1,259,444	84,154	-	1,343,598
Total current assets	**11,314,688**	**-**	**(858)**	**11,313,830**
TOTAL ASSETS	**67,754,186**	**-**	**17,248,526**	**85,002,712**

Amounts in Euro	ITA GAAP 12/31/2021	Reclassifications	Adjustments	IFRS 12/31/2021
Equity				
Share capital	6,111,940		-	6,111,940
Share premium reserve	38,388,060		(3,978,523)	34,409,537
Other reserves	648,104		889,213	1,537,317
Retained earnings	5,910,239		13,007,961	18,918,200
Total equity	**51,058,343**		**9,918,651**	**60,976,994**
Non-current liabilities			-	-
Non-current financial liabilities and payables	887,297		7,055,712	7,943,009
Financial liabilities from non-current rights of use	-		-	-
Liabilities for employee benefits	511,312		232,707	744,019
Provision for risks and charges non-current	-		-	-
Deferred tax liabilities	-		31,622	31,622
Other non-current liabilities	1,507,500		-	1,507,500
Total non-current liabilities	**2,906,109**		**7,320,041**	**10,226,150**
Current liabilities			-	-
Current financial liabilities and payables	11,911,147		-	11,911,147
Financial liabilities from current rights of use	-		9,835	9,835
Trade payables	1,169,773		-	1,169,773
Deferred tax liabilities	32,730		-	32,730
Other current liabilities	676,084		(1)	676,083
Total current liabilities	**13,789,734**		**9,834**	**13,799,568**
Total liabilities	**16,695,843**		**7,329,875**	**24,025,718**
TOTAL LIABILITIES AND EQUITY	**67,754,186**		**17,248,526**	**85,002,712**

C. Reconciliation between the income statement in accordance with Italian accounting principles and that drawn up in accordance with the International Financial Reporting Standards for the financial year ended as at December 31, 2021

Effects on the transition to International Financial Reporting Standards on the separate income statement as at December 31, 2021

Amounts in Euro	ITA GAAP 12/31/2021	Reclassifications	Adjustments	IFRS 12/31/2021
Revenues	8,179,332	(747,162)	-	7,432,170
Other revenues and income	1,434,938	(1,351,856)	-	83,082
Costs for services	(4,109,785)	699,018	8,727	(3,402,040)
Cost of staff	(3,405,227)	-	8,646	(3,396,581)
Income (expenses) from investments valued with Equity method	-	1,400,000	1,446,413	2,846,413
Other Operating expenses	(33,384)	-	(542)	(33,926)
Depreciation	(1,234,764)	-	1,124,790	(109,974)
Operating result	**831,110**	**-**	**2,588,034**	**3,419,144**
Financial expense	(434,603)	-	(235,604)	(670,207)
Financial income	2,792,714	-	3,334	2,796,048
Profit (loss) on exchange rates	54,776	-	-	54,776
Result before tax	**3,243,997**	**-**	**2,355,764**	**5,599,761**
Taxes	(278,381)	-	(274,827)	(553,208)
Profit for the year	**2,965,616**	**-**	**2,080,937**	**5,046,553**

D. Reconciliation schedules between the cash flows statements prepared in accordance with Italian accounting principles and that prepared in accordance with the International Financial Reporting Standards for the financial year ended as at December 31, 2021

Effects of the transition to International Financial Reporting Standards on the separate cash flows statements as at December 31, 2021

(Amounts in Euro)	ITA GAAP 12/31/2021	Reclassifications	Adjustments	IFRS 12/31/2021
Cash and cash equivalents at the beginning of the exercise	**1,066,314**	**-**	**-**	**1,066,314**
Net cash flow generated/(absorbed) by operating activities (A)	6,795,633	-	(7,485,386)	(689,753)
Net cash flow generated/(absorbed) by investment activities (B)	(3,399,026)	-	7,554,291	4,155,265
Net cash flow generated/(absorbed) by financing activities (C)	(2,528,643)	-	(68,905)	(2,597,548)
Increase / (decrease) in Cash and cash equivalents (A+B+C)	**867,964**	**-**	**-**	**867,964**
Cash and cash equivalents at the end of the year	**1,934,278**	**-**	**-**	**1,934,278**

E. Reconciliation between the statement of changes in equity in accordance with Italian accounting standards and that in accordance with International Financial Reporting Standards at the transition Date as at December 31, 2021

The following table shows the reconciliation of net equity for the year as at December 31, 2021 between Italian accounting standards and International Financial Reporting Standards:

Amounts in Euro	Notes	Shareholders' equity at December 31, 2021	Shareholders' equity as at January 1, 2021
Italian accounting standards		**51,058,343**	**48,092,747**
IAS 38 Elimination of start-up and other costs	[a]	(3,165,645)	(4,027,388)
IFRS 9 Evaluation of equity instruments	[b]	2,603,545	1,000,506
IAS 27 Evaluation of jointly venture shareholdings by the equity method	[c]	10,434,441	8,975,681
IFRS 9 Evaluation of financial instruments	[d]	227,563	475,214
IFRS 16 Financial leasing	[e]	(4,396)	(3,397)
IAS 19 Discount of employee benefit plans	[f]	(176,857)	(193,657)
International Accounting Standards IFRS		**60,976,994**	**54,319,706**

The following table shows the reconciliation of the profit for the financial year as at December 31, 2021 between Italian Accounting Standards and International Financial Reporting Standards:

Amounts in Euro	Notes	Profit (loss) as at December 31, 2021
Italian accounting standards		**2,965,616**
IAS 38 Transfer of plant and enlargement costs and development costs	[a]	861,742
IFRS 9 Evaluation of equity instruments	[d]	(1,000)
IFRS 16 Lease measurement	[e]	9,105
IAS 19 Actuarial assessment of employee benefits	[f]	1,446,413
IAS 27 Evaluation of jointly venture shareholdings by the equity method	[d]	(235,323)
International Financial Reporting Standards International Accounting Standards		**5,046,553**

Note: No consolidated comprehensive income statement was determined according to Italian accounting principles, thus the reconciliation of part of the profit for the period according to Italian accounting principles.

F. Comments on major reclassifications and adjustments

F.1 Description of adjustments

a) Elimination of start-up and other costs

This adjustment concerns the elimination of amounts recognized in intangible assets in accordance with Italian Accounting Standards which do not meet the International Financial Reporting Standards capitalization criteria at the transition date. According to IAS 38, start-up costs and similar costs are recognized in the income statement when incurred. Therefore, at the transition date, these costs were eliminated.

The following table summarizes the effects of the correction:

Amounts in Euro	As at December 31, 2021	As at January 1, 2021
Intangible assets	(4,165,324)	(5,299,195)
Deferred tax assets	999,678	1,271,807
Equity	**(3,165,646)**	**(4,027,388)**
Amortization	1,133,871	
Taxes	(272,129)	
Profit/(loss) for the period	**861,742**	

b) Evaluation of equity instruments

Shareholdings in Kuroda

According to IFRS 9, at the transition date, the Company recorded equity investments in other components of the comprehensive income statement, while according to Italian accounting principles they were recognized at the historical cost.

The following table summarizes the related effects:

Amounts in Euro	As at December 31, 2021	From January 1, 2021
Non-current financial assets	2,635,167	1,012,657
Tax liabilities for deferred taxes	31,622	12,152
Equity	**2,603,545**	**1,000,506**

c) Evaluation of jointly venture holdings by the equity method

The application of IAS 28 means that investments in associates are accounted for using the equity method. The following table summarises the related effects:

Amounts in Euro	As at December 31, 2021	As at January 1, 2021
Investment	10,434,441	8,975,681
Equity	**10,434,441**	**8,975,681**

d) Evaluation of financial instruments

Since the Company has concluded that it holds a current interest in these companies at the transition date, the value of the interest subscribed by third parties has been recognized in assets under the item “investments” in return for the recognition of the financial liability for an amount equal to the present value of the obligation for the repurchase.

As at December 31, 2021, the Company recognized a change in liabilities, in accordance with IFRS 9, in the income statement. The following table summarizes the related effects:

Amounts in Euro	As at December 31, 2021	As at January 1, 2021
Investments	7,283,275	7,283,275
Net Equity	**227,563**	**475,214**
Non-current financial liabilities and liabilities	5,111,348	6,808,061
Current financial liabilities and liabilities	1,944,364	-
Operating result	**(235,323)**	**-**

e) Financial leasing

In accordance with IFRS 16, the Company recorded the capitalized assets of financial leases under the item "right of use". The following table summarizes the related effects:

Amounts in Euro	As at December 31, 2021	As at January 1, 2021
Right of use	4,595	13,675
Other current assets and receivables	(858)	(2,696)
Deferred tax assets	1,701	1,314
Financial liabilities from current right of use	9,835	9,835
Net Equity	**(4,396)**	**(3,397)**
Costs for services	(8,727)	
Other Operating expenses	541	
Depreciation	9,080	
Financial expenses	282	
Taxes	(177)	
Profit/(loss) for the period	**1,000**	

f) Actuarial assessment of employee benefits

According to Italian accounting principles, the benefits of employees who conclude the employment relationship (life insurance, health care, etc.) are recognized by competence during the period in which employees serve, in accordance with applicable law and collective agreements.

According to the International Financial Reporting Standards, future benefit plans are classified as " *defined contribution plans* « or « *defined benefit plans*". According to IAS 19, the provision for employees in Italy is classified as a defined benefit plan until December 31, 2006, and is measured using statistical and demographic assumptions and actuarial valuation methods. Following an amendment to Italian Legislation, the TFR matured after January 1, 2007 is classified as a defined contribution plan. The following table summarizes the related effects:

Amounts in Euro	As at December 31, 2021	From January 1, 2021
Deferred tax assets	55,850	61,155
Liabilities for employee benefits	232,707	254,812
Net Equity	**(176,857)**	**(193,657)**
Cost of staff	8,646	
Financial expenses	3,334	
Taxes	(2,875)	
Profit/(loss) for the period	**9,105**	

EuroGroup Laminations S.p.A.

Registered Office at Baranzate (MI), 48, Via Stella Rosa

Equity fully subscribed and paid-up Euro 6 111 941.00

VAT No. Tax Code and registration number in the Companies Register of

Milan Monza Brianza Lodi 05235740965

Economic Industry Index MI-1805877

REPORT BY STATUTORY AUDITORS TO THE SHAREHOLDER MEETING OF EUROGROUP LAMINATIONS S.P.A.

IN TERMS OF ART. 153 OF LEGISLATIVE DECREE 58/1998 AND ART. 2429 OF THE CIVIL CODE

Dear Shareholders,

in the financial year ended on 31 December 2022, the Statutory Auditors of EuroGroup Laminations S.p.A. (hereinafter also "the Company") effected the monitoring activities as provided for by law in accordance with the norms practised by the Board of Statutory Auditors recommended by the National Board of Chartered Accountants and Public Accountants, attending meetings of corporate bodies, performing periodic checks and meeting the responsible officers of the Auditors Firm Deloitte & Touche S.p.A. (the "Auditing Company") and, thereafter after their appointment. The members of the Supervisory Board established in accordance with Legislative Decree 231/2001, the members of the "Review, Risk and ESG Committee", of the "Nomination and Remuneration Committee" and of the "Related-parties Committee", as well as the main players in the various corporate functions and the Manager for drafting Corporate Accounting and Records to share information on activities performed and monitoring programmes.

Introduction

From 10 February 2023 your company has been quoted on Euronext Milano and from the date of quotation it adopted all the procedures usually demanded of quoted companies including the establishment of governance committees who started their monitoring activities during the financial year.

This report covers the activity of the Company's Statutory Auditors for the financial year ended on 31 December 2022, it being noted the latter were nominated by the Shareholders meeting of 18 November 2022 and took up office from the listing date.

The Statutory Auditors' mandate will end after the approval by the Meeting of the financial statements on 31 December 2025 and is composed of Dr Luigi Emilio Garavaglia, President, Dr Maria Venturini and Dr Pietro Ebreo, statutory auditors. Dr Pietro Ebreo

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has newly been appointed as substitute for Dr Francesco Alabiso, whereas Dr Luigi Emilio Garavaglia and Dr Maria Venturini were reappointed.

The activities relating to the 2022 financial year were drafted by the Statutory Auditors under their previous composition and, in the light of the fact that two of the three members of the previous Auditing team are still in office, it has been capable of reporting on the activities performed in the 2022 financial year, specifying that Dr Pietro Ebreo was kept informed thereof.

On 5 October 2022, the Company adopted the Organisational Model provided for by Legislative Decree No. 231/2001 ("Model 231"), making it an integral part of the Code of Ethics, having the purpose of preventing the commission of the offences specified in the Decree, and, consequently, the transposal to the Company of the administrative responsibility. On the same date a Supervisory Panel was appointed which will remain in charge for three years from their date of appointment. In the financial year, the Statutory Auditors (in their previous form) met the Supervisory Panel for a mutual exchange of information on activities performed, and also took note of its annual report issued on 3 February 2023 from which it is clear there were no disputable practices or breaches of the Model adopted by the Company, nor acts or conduct which could be interpreted as in breach of the provisions of Legislative Decree 231/2001.

As stated, the "Review, Risk and ESG Committee", of the "Nomination and Remuneration Committee" and of the "Related-parties Committee", were set up as of 10 February 2023 and, as from their establishment, the Statutory Auditors have always attended the meeting of each Committee.

Ever since the date of listing, the Company has performed its Internal Audit function, appointing the consultancy company Protiviti, held to be competent and impartial in its judgement and disposing of sufficient financial and operational resources.

Independence of the Statutory Auditors

The Statutory Auditors, at their appointment and during their operations, has ensured the maintenance, amongst its own members, of the necessary standards of independence, honesty and professionality in accordance with the law. Based on the information provided and the declarations made by each auditor, the Statutory Auditors have validated, as far as each active member of the Statutory Auditors is concerned, the requisite independence defined by Art. 148(3) of the Consolidated Financing Legislation as well that demanded by Recommendation No. 7 of the Corporate Governance Code.

At the meeting held on 20 February 2023, the Statutory Auditors confirmed the continuation of the independence of the Auditors themselves, already assured before appointment, based on the criteria laid down by law and by the Corporate Governance Code and had transmitted such assurance to the Board of Directors; they also complied with the restrictions on the accumulation of functions provided for by law and Art 144(13) of the Regolamento Emittenti.

At the same meeting, the Statutory Auditors performed the operation of self-evaluation with the purpose of ensuring the suitability of its active components and the Statutory

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Auditors on the whole, as governed by the "Rules of Conduct of Statutory Auditors of Listed Companies" issued by the National Board of Chartered Accountants and Public Accountants. The Statutory Auditors therefore informed the Company's Board of Directors that no deficiencies were recorded in this process either in respect of each active component or in its overall form which, *inter alia,* is in compliance with the attribution criterion of Art. 148 of Legislative Decree 58/98 (T.U.F. Consolidated Financial Legislation).

Monitoring and control activities of the Statutory Auditors

In terms of Art. 153 of Legislative Decree No. 58/1998 (the Consolidated Finance Act "TUF") and Art. 2429(2) of the Civil Code, and in accordance with the recommendations issued by the National Commission for Companies and the Stock Exchange by Instruction DEM/1025564 of 6 April 2001, and later amendments and additions, and by the provisions of Art. 19 of Legislative Decree No. 39 of 27 January 2010, with reference to the Internal Control Committee and the auditing of accounts which listed companies act through their Statutory Auditors, we state as follows:

– we have ensured compliance with the laws and the Articles of Association;

– we duly obtained from the Directors periodically, information on the general state of management and expected developments also on the major activities and financially significant business and ownership transactions during the financial year, also though subsidiary companies, ensuring that they were in conformity with the law and the articles of association and that they were not obviously reckless or speculative, with potential conflicts of interest, in conflict with the resolutions of the general meetings, or such as to compromise the corporation's assets;

– in the course of our periodic controls, we always met with Mr Isidoro Guardalà, CFO of the company designated as Director for drafting Corporate Accounting and Records at the Board of Directors meeting on 18 November 2022;

– we also shared information on numerous occasions with the person responsible for legal review in terms of Art. 2409(7) of the Civil Code;

– from the very date of its constitution, we met with the Supervisory Panel;

– we ensured the proper applications of monitoring criteria and procedures for control adopted by the Board of Directors to assess the independence of its members on the basis of criteria of the Corporate Governance Code;

– we acquired knowledge and monitored, as far as our mandate allowed, proper compliance with principles of good governance and the suitability of the organisational structure which, in any event, is being strengthened to adapt to the significant growth of the Group. We have also acquired knowledge of the procedures relating to the instructions given by the company to its subsidiaries in accordance with Art. 114(2), of the Consolidated Finance Act by direct observation,

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harvesting information from the functional managers for the company's activities. As far as our mandate permits, also in accordance with Art. 19 of Legislative Decree No. 39/2010, we acquired knowledge of the internal control system which is in course of implementation as a result of the changed status circumstances since from 10 February 2023 it is a listed company with the consequent obligations and requirements. We have therefore met with the Managing Director Mr Marco Stefano Arduini, who is responsible for the functioning of the internal control system as well as being the relative person in charge of the administration of accounting, of the reliability thereof for properly illustrating the management situation through channelling of information from the managers of each of their relative functions, the study of company documents and the activities of the Statutory Auditors. In this respect, it is to be noted that the Board of Directors has allocated to Mr Isidoro Guardalà, Manager for drafting Corporate Accounting and Records, the following responsibilities:

i. organise suitable administrative and accounting procedures for the drafting of the financial statements and the consolidated balance sheet, as well as any other reporting of a financial nature;

ii. issue written declarations which certify the conformity of the drafted deeds and the company's communications distributed to the market and accounting information sheets, also the company's own interim communications with documentary records, books and accounting reports;

iii. certify, together with the Managing Director, with proper reporting in compliance with the model designated by the rules of the Consolidated Finance Act, annexed to the balance sheet for the financial year:
   - the adequacy and proper application of the procedures designated in the previous point i. during the reference period to which the documents apply;
   - that the documents are drafted in compliance with the applicable international accounting principles recognised by the European Union in terms of Regulation (CE) No. 1606/2002 of the European Parliament and the European Council on 19 July 2002;
   - correspondence of the documents with the ledgers and accounting records;
   - the suitability of the documents for providing a true and correct overview of the company's assets, business and financial situation and of the entirety of the enterprises included in the consolidated record;
   - for the balance sheet and for the consolidated statement, that the report on management comprises a credible analysis of the status and the results from management, as well as the company's situation and the entirety of the enterprises included in the consolidation, together with description of the main risks and uncertainties it faces;
   - for the condensed half-yearly report, that the provisional report on management includes a credible analysis of the information required in terms of Art. 154(4) *ter* of Legislative Decree No. 58/1998.

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The Director for Drafting Corporate Accounting and Records is supported in the execution of his activities by the *internal audit* function performed by Protiviti.
It is to be noted moreover that the auditing company EY S.p.A., in the execution of the mandate conferred on it has carried out monitoring on the compliance of the management control system instituted by the Company drafted on 13 January 2023 issuing a suitable *Comfort Letter,* also based on the preliminary activities leading to listing the company in which it states "*on the basis of the work carried out, nothing came to our attention such issues as to believe that the Company and the Group has not undertaken internally, at the time of this report, the institution of a Management Control System compliant with all the principal elements, as described by the Company in its Memorandum"* on the Management Control System approved by the Company's Board of Directors on 18 November 2022;

– also in the light of what has been recorded above, regarding the mutual flow of information between the subsidiary companies and the Company governed and regulated by law in States non-member of the European Union and in particular the companies (i) Eurotranciatura Mexico S.A. de C.V., (ii) Eurotranciatura U.S.A. L.L.C. and (iii) Euro Misi Laminations Jiaxing Co. Ltd., the Statutory Auditors have noted that they also have a management-accounting system suitable to furnish the management of the auditing firm of the Company the necessary economic, asset and financial data for the purpose for drafting the consolidated balance sheet, and no facts and circumstances have been noted that would indicate the unsuitability of the management-accounting system in respect of conditions applied by Art. 15 of the Market Regulation adopted under the Consolidated Finance Act No. 20249 of 28 December 2017;

– among the facts which are mentioned by the Company in the Management Report the following should be noted:

  - following the continuation of the war and the absence of reliable forecasts concerning the possibility of a resumption of activities, the Gruppo has decided to write down the production activities of the subsidiary Euro Group Laminations Russia for the financial year ended 31 December 2022 per €4 946 thousand, of which €3 965 thousand relates to Fixed Assets and € 981 thousand relates to Rights of Use;
  - on 11 March 2022 Euro Group Asia Limited formed a new company Euro Misi High-Tech, Jiaxing Ltd. which is dedicated to the production, on behalf of Euro Misi Laminations Jiaxing Co. Ltd., of *motor cores* intended for clients in the *EV & Automotive* segment. In the month of December 2022 31% of the share capital was transferred to Marubeni-Itochu Steel Inc. On 31 December 2022 the share capital was paid up *proquota* by two shareholders for an exchange value USD 21.7 million;
  - on 6 October 2022 a new investment contract was signed with SIMEST with the purpose of financing the development of investments of Euro Group Asia Ltd. As a result of the new contract, SIMEST subscribed for an paid up a dedicated increase in the share capital of Euro Group Asia Ltd. for USD 4 339

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thousand and provided the same company with two interest-bearing medium-term loans of an overall amount of €10 200 thousand;
  - On 11 October 2022 the Group acquired 16,36% of the share capital of Eurotranciatura México S.A. De C.V. which was formally held by SIMEST for an amount of € 4 291 thousand;

– we have not been informed of, or received any information from the Board of Directors, from the Auditing Company or the Risk and ESG Committee (only established on 10 February 2023, however) concerning the existence of atypical and/or unusual transactions effected with third parties, by Group Companies or with related parties;

– The Directors have provided an explanation, in the Management Report accompanying the financial Statements for EuroGroup Laminations S.p.A. as well as the consolidated financial statements of the EuroGroup Group and in the relative explanatory notes, of transactions effected during the financial year with related parties or Group companies. These documents refer to the stakeholders involved and the relative effects on business and equity;

– no purchase of own shares were carried out during the financial year;

– no complaints in terms of Article 2408 of the Civil Code, petitions from third parties were received during the financial year;

– we have considered Consolidated Non-Financial Declaration of the Company and its subsidiaries relating to the 2022 financial year prepared in terms of Legislative Decree No. 254/2016 and subject to the *limited assurance engagement* by the Auditing Company (which does not extend to the information contained in the paragraph "European Taxonomy" of the Non-Financial Declaration). So far as we are concerned, we have monitored compliance with the provisions governing preparation in terms of Legislative Decree 254/2016;

– based on information received from the Company appointed as statutory auditors of the Group, Deloitte & Touche S.p.A., during the course of the financial year closed on 31 December 2022, the Company and its subsidiaries have given an additional mandate to Deloitte & Touche S.p.A. to prepare the Financial Audit of the Company and of the Group and in particular, a mandate related to the issue of comfort letters preliminary to the listing process (Euro 624 thousand) and for methodological support for adjustment and monitoring procedures enabling the certification of the executive proposed in terms of Act 262/05 (Euro 60 thousand). In both cases, the auditors have confirmed that the services requested are not in conflict with the prohibitions of Article 5 of Regulation No. 537/2014 and that the activities do not interfere with the independence of the Audit Company;

– we have received communications confirming the independence of the Auditing Company mandated to carry out the Statutory Audit in terms of EU Regulation 537/2014 which does not indicate having compromised its independence or for reasons of incompatibility;

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– we have monitored the statutory auditing procedure, examining, with the Auditing Company, the statutory audit plan and consulting with regards to the activities undertaken;

– on 14 April 2023, in terms of Article 14 of Legislative Decree No. 39/2010 and of Article 10 of EU Regulation 537/2014the Auditing Company released the financial statements and consolidated for the year ended 31 December 2022 expressing an “unqualified opinion” on the individual and consolidated financial statements of the company. as regards the paragraph concerning “key aspects of the audit”, the Auditing Company addresses questions relating to the valuation of inventory relating to the consolidated financial statements. As regards the opinions and the declaration, the Auditing Company has:
  - issued an opinion indicating that the consolidated and financial statements of EuroGroup Laminations S.p.A. provides a true and correct representation of the equity and financial position of the Company and of the Group at 31 December 2022, and the Income Statement and Cash Flow Statement for the financial year closed on that date are in compliance with the International Financial Reporting Standard adopted by the European Union, as well as with the implementing provisions contained in Article 9 of Legislative Decree 38/2005;
  - issued a declaration of consistency which indicates that the Management Report the financial statements and the consolidated financial statements as at 31 December 2022 and any specific information contained in the “Report on Company governance and ownership structure” as indicated in Article 123(4) *bis*, of the Consolidated Finance Act, for which the Directors of the Company are responsible, is consistent with the financial statements and the consolidated financial statements and has been drafted in accordance with the provisions of the law;
  - delivered to the Auditors the additional Report required in terms of Article 11 of EU Regulation No. 537/2014, in terms of Article 19 Legislative Decree 39/2010. As set out in the opinion expressed by the aforementioned Auditors on the individual and consolidated financial statements, the report does not contradict these findings but refers to specific areas. As regards the important matters flagged in the report on the consolidated financial statements concerning “key aspects of the audit”, the Auditing Company, in the paragraph “important questions arising from the statutory audit”, in line with the requirements of the recent warning notice of the National Commission for Companies and the Stock Exchange (Consob) of 18 March 2022, highlighted the risks associated with Russo-Ukrainian conflict and related impacts, which were, however, also identified by the Directors in note (2) “Significant Activities” to the consolidated financial statements which provided qualitative and quantitative information on relevant impacts, the opinions and assumptions applied in the report, evaluation and presentation of assets and liabilities, as well as in relation to the economic effects related to the conflict. The Auditing Company has not found any shortcomings in the system of

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internal control relating to financial information processes, in recognition that elements for improvement in the process is representative of a normal accounting position in a Company which is comparable to the typical requirements for a listed company;
  - declared that as regards any significant errors in the Management Report, there is nothing to declare based on the knowledge and the understanding of the enterprise and of the context acquired during the course of auditing activities (Article 14(2)(e), of Legislative Decree 39/2010;
  - issued the opinion that the consolidated balance sheet was drawn up in XHTML format and all significant aspects were marked in accordance with the provisions of Delegated EU Regulation 2019/815. Any information contained in the explanatory notes to the consolidated financial statements when extracted from the XHTML format in the XBRL application, due to certain technical limitations these may not be reproduced in the identical manner with respect to the corresponding information which can be viewed in the consolidated balance sheet in XHTML format;
  - issued an opinion that the financial statements for the year ended 31 December 2022 were drawn up in XHTML format in accordance with the provisions Delegated EU Regulation 2019/815;

– on 14 April 2023, the Auditing Company also issued the report on the consolidated Non-Financial Declaration prepared in terms of Article 3(10) of Legislative Decree No. 254/2016 and of Article 5 of the National Commission for Companies and the Stock Exchange Regulation No 20267 of January 2018, in which it certifies that it is noted that no elements which would indicate that the Non-Financial Declaration of the EuroGroup Group, as regards the financial year closed on 31 December 2022, was not prepared, in all significant aspects, in accordance with the provisions of Articles 3 and 4 of the aforementioned Decree and with the “Global Reporting Initiative Sustainability Reporting Standards” defined by the GRI - Global Reporting Initiative (“GRI Standards”);

– during meetings held with the Auditing Company in terms of Article 150(3) of the Consolidated Financing Act, no relevant issues or reportable elements arose;

– during the course of the financial year we issued, where required by law, the opinions required by the Statutory Auditors Board;

– we have taken note of the provisions made in the Remuneration Report in terms of Articles 123-*ter* of the Consolidated Financing Act and 84-*quater* of the Issuers Regulation as well as in compliance with the recommendation of Article 5 of the Corporate Governance Code and have not noted any particulars which require reporting;

– during the 2022 financial year the Board of Statutory Auditors met (as previously constituted) ten times;

– up to 31/12/2022 we participated in (as previously constituted) three General

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Shareholders' meetings and in seventeen meetings of the Board of Directors, monitoring compliance with statutory, legislative and regulatory rules governing the functions of the Company bodies, as well as with regards to the principles of proper administration;

- since the listing date we have read and assessed periodic disclosures and communications issued to the public by the company, as well as the obligatory communications with the National Commission for Companies and the Stock Exchange;
- we supervised the actual implementation of corporate governance rules of the Corporate Governance Code of the listed company, approved by the Corporate Governance Committee since January 2020;
- we have ascertained, through direct checks and information received from the Auditing Company and the Executive responsible for the preparation of company accounting documentation, compliance with the legal regulations required for the preparation and layout of the consolidated financial statements of the EuroGroupGroup, of the financial statements of EuroGroup Laminations S.p.A. and of the Management Report. During the course of monitoring activities carried out, in addition, no facts requiring notification to control organisations or mention in this report were noted;
- we have verified that the balance sheet reflects the facts and information which we have come to knowledge of while discharging our duties and have no comments to make in this regard;
- as from March 2018 the Eurogroup Group initiated a process of compliance with EU Regulation 2016/679 (known as the General Data Protection Regulation - GDPR), activated to ensure the compliance of its own organisation and processes with the requirements set out in the aforementioned regulations, and in particular, featuring the necessary support documentation, for example, the Data Protection Form, the Data Processing Registers, internal support procedures, as well as the disclosures concerning the processing of personal data addressed to different categories in interested parties. It should be noted that, given the continued development of the regulation in question, as well as new interpretations provided by the relevant the Competent Authority over time, maintaining compliance requires constant critical evaluation of the procedures implemented, as well as continual maintenance of the documentation prepared; in the Paragraph "Principal Risks and Uncertainties" of the Management Report, the Directors indicated the factors for risks or uncertainties which could significantly affect the Group activities. In particular, information was provided aimed at illustrating the objectives and policies of the Group as regards management of the following risks: Country risk; pandemic risk, epidemics and other health emergencies; claims, innovation, *climate change*, investments, *supply chain*, product quality, *information technology,* legal and *compliance,* credit risk, liquidity, exchange and interest rate risk;

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- during 2022 the EuroGroup Group continued to monitor and manage the impact of the Covid-19 pandemic. The Statutory Auditors (as presently constituted) have, during the financial year, monitored the actions implemented by the company with regards to management of the pandemic;
- from 24 February 2022, with the start of the Russo-Ukrainian conflict, the Company implemented all necessary actions to mitigate the effects of such conflict and have suspended activities involving the Russian establishment – which represented 1,4% of the income of the Group for the financial year ended 31 December 2021 – due to sanctions imposed against Russia. On the date of approval of the draft balance sheet, he Group had no relationships with clients, suppliers or other business partners in Russia;

Concerning the Shareholders' annual meeting called for 8 May 2023, the Statutory Auditors Board notes that with Legislative Decree No. 18 of 17 March 2020, last extended by Legislative Decree No 198 of 29 December 2022 and converted with amendments to Act No. 14 of 24 February 2023, the procedure followed for the identification of a Designated Representative was authorised (including exclusively) for ordinary and extraordinary shareholders' meetings, allowing companies to provide for notice of a meeting, including in derogation from statutory requirements, by having recourse to instruments or votes by correspondence, electronic voting, participation in a meeting via means of telecommunication, in which the designated representative may participate in a meeting and in the expression of voting rights, without the requirement for the physical presence of the Shareholders in a single place. In this regard, the Statutory Auditors Board works strictly in co-ordination with the Board of Directors, as well as the Shareholders' meeting, so that the Shareholders' meeting can be properly held and the rights of the Shareholders duly exercised, with respect to the aforementioned regulations.

Proposal to the Shareholders' Meeting

Taking account of all of the above, we have not noted, within the ambit of our duties, any reason not to approve the financial statements at 31 December 2022, nor noted any observations regarding the proposal for the allocation of the profits for the financial year as recommended by the Board of Directors.

14 April 2023

Statutory Auditors Board,

Luigi Emilio Garavaglia (President)

Maria Venturini

Pietro Ebreo

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
EuroGroup Laminations S.p.A.

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of EuroGroup Laminations S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2022, income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate 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 and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

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 separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

There are no key audit matters to be communicated in this report.

Responsibilities of the Directors and the Board of Statutory Auditors for the separate Financial Statements

The Directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine

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is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the separate financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of EuroGroup Laminations S.p.A. has appointed us on 18 November 2022 as auditors of the Company for the years from 31 December 2022 to 31 December 2030.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of EuroGroup Laminations S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements as at 31 December 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the separate financial statements with the provisions of the Delegated Regulation.

In our opinion, the separate financial statements as at 31 December 2022 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

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Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of EuroGroup Laminations S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of EuroGroup Laminations S.p.A. as at 31 December 2022, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the separate financial statements of EuroGroup Laminations S.p.A. as at 31 December 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the separate financial statements of EuroGroup Laminations S.p.A. as at 31 December 2022 and are prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
April 14, 2023

As disclosed on page 2, the accompanying separate financial statements of EuroGroup Laminations S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Annex to the financial statements of the parent company

RELATED PARTIES *(amounts in euro)*

	EMS SpA	Eurotrancia-tura S.p.A	Eurotrancia-tura USA	Euro Group Asia LTD.	SAF S.pA.	Euro MISI Laminations	Eurotrancia-tura Tunisie S.A.R.L.	Corrada S.p.A.	Eurotrancia-tura Mexico S.A. de C.V.	Europroper-ties Mexico S.A. de C.V.	Euro Group Leverage Lender L.L.C.	Euroslot Tools S.r.l.	Euro High Tech Mexico S.A. de C.V.	Euro Group laminazioni Russia L.L.C.	Total	Total caption	Impact on the caption
Equity Investments																	
At Dicembre 31, 2022	-	2,314,942	-	20,354,677	13,474,004	-	9,852,589	631,495	596,918	238,747	8,756,073	210,000	2,641,915	-	**59,071,360**	**59,070,703**	**100%**
At Dicembre 31, 2021	-	2,314,942	-	16,277,416	13,474,004	-	9,852,589	631,495	596,918	238,747	8,756,073	210,000	2,641,915	143	**54,994,241**	**54,994,241**	**100%**
Non-current financial assets and receivables																	
At Dicembre 31, 2022	-	-	-	38,556,417	-	-	6,012,207	-	-	-	-	-	-	-	**44,568,624**	**46,999,179**	**95%**
At Dicembre 31, 2021	5,600,000	-	-	6,430,831	-	-	1,012,207	-	-	-	-	-	-	133,321	**13,176,359**	**17,345,073**	**76%**
Current financial assets and receivables																	
At Dicembre 31, 2022	5,684,000	-	-	1,131,551	-	-	100,959	10,575,947	-	-	-	-	44,548	-	**17,537,005**	**17,272,145**	**102%**
At Dicembre 31, 2021	84,154	-	-	-	-	-	-	1,259,444	-	-	-	-	-	-	**1,343,598**	**1,343,598**	**100%**
Trade receivables																	
At Dicembre 31, 2022	-	1,325,105	5,944,675	544,895	-	1,987	810,703	100,497	2,932,987	-	-	13,357	165,510	-	**11,839,717**	**11,882,557**	**100%**
At Dicembre 31, 2021	-	844,462	4,209,379	642,014	-	355,759	529,956	51,717	496,432	-	-	1,942	155,866	129,992	**7,417,518**	**7,456,778**	**99%**
Current financial liabilities and payables																	
At Dicembre 31, 2022	-	69,579,989	-	-	-	-	-	-	-	-	-	-	-	-	**69,579,989**	**70,040,616**	**99%**
At Dicembre 31, 2021	-	10,748,329	-	-	-	-	-	-	-	-	-	-	-	-	**10,748,329**	**11,911,147**	**90%**
Trade payables																	
At Dicembre 31, 2022	-	466,490	10,025	-	-	-	-	-	-	-	-	-	-	-	**476,515**	**5,203,231**	**9%**
At Dicembre 31, 2021		186,290	9,271												**195,561**	**1,169,773**	**17%**
Other current liabilities																	
At Dicembre 31, 2022	-	444,927	-	-	-	-	-	-	-	-	-	-	-	-	**444,927**	**2,297,342**	**19%**
At Dicembre 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**676,085**	**0%**
Revenues																	
At Dicembre 31, 2022	124,320	5,588,746	1,709,101	22,832	-	4,563	346,690	343,037	2,312,519	-	-	101,724	-	35,225	**10,588,757**	**10,588,759**	**100%**
At Dicembre 31, 2021	120,126	3,636,386	1,447,087	3,951		2,005	221,412	327,863	1,501,117			99,018		73,204	**7,432,170**	**7,432,170**	**100%**
Other revenues and income																	
At Dicembre 31, 2022	-	31,200	-	-	-	-	-	-	-	-	-	-	-	-	**31,200**	**35,612**	**88%**
At Dicembre 31, 2021	-	48,145	-	-	-	-	-	-	-	-	-	-	-	-	**48,145**	**83,082**	**58%**
Costs for services																	
At Dicembre 31, 2022	-	(1)	-	(0)	-	-	-	-	-	-	-	-	-	-	**(1)**	**(3,495,474)**	**0%**
At Dicembre 31, 2021															**-**	**(3,382,121)**	**0%**
Other Operating expenses																	
At Dicembre 31, 2022	-	-	-	-	-	(354,869)	-	-	-	-	-	-	-	(172,681)	**(527,550)**	**(1,030,705)**	**51%**
At Dicembre 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**(33,926)**	**0%**
Share of results of associates																	
At Dicembre 31, 2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**0%**
At Dicembre 31, 2021	-	-	-	-	2,846,413	-	-	-	-	-	-	-	-	-	**2,846,413**	**2,846,413**	**100%**
Impairment of assets																	
At Dicembre 31, 2022	-	-	-	-	-	-	-	-	-	-	-	-	-	(133,464)	**(133,464)**	**(133,464)**	**100%**
At Dicembre 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**0%**
Financial expenses																	
At Dicembre 31, 2022	-	(776,764)	-	-	-	-	-	-	-	-	-	-	-	-	**(776,764)**	**(1,290,446)**	**60%**
At Dicembre 31, 2021	-	(90,474)	-	-	-	-	-	-	-	-	-	-	-	-	**(90,474)**	**(670,207)**	**13%**
Financial income																	
At Dicembre 31, 2022	84,000	939,400	26,194	986,273	1,002,000	1,987	24,479	504,341	43,549	11,931	-	76,800	105,143	-	**3,806,097**	**3,590,934**	**106%**
At Dicembre 31, 2021	84,000	-	6,842	52,699	2,500,000	891	23,947	17,890	4,128	8,116	-	-	50,412	-	**2,748,924**	**2,796,047**	**98%**
Profit (loss) on exchange rates																	
At Dicembre 31, 2022				(167,103)											**(167,103)**	**(130,189)**	**128%**
At Dicembre 31, 2021															**-**	**54,776**	**0%**

E-MOTION FOR THE PLANET

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