



2022 ANNUAL REPORT



2022 Annual Report



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01_MANAGEMENT REPORT

CORPORATE BODIES

BOARD OF DIRECTORS ¹	
Chairman	Fulvio Scannapieco
CEO	Roberto Tonna
Directors	Vittorio Genna Matteo Scannapieco Andrea Costantini

BOARD OF STATUTORY AUDITORS ²	
Chairman	Paolo Longoni
Standing Auditors	Francesca Sanseverino Maria Rosaria Varriale
Alternate Auditors	Alessandra Mercurio Roberto Lorusso Caputi
Auditing Firm ³	PricewaterhouseCoopers S.p.A.

¹ In office until the approval of the 2024 Financial Statements as resolved by the Shareholders' Meeting of 28 April 2022

² Appointed by the Shareholders' Meeting of 1 February 2021 until the approval of the 2023 Financial Statements

³ Appointed by the Shareholders' Meeting of 12 May 2020 until the approval of the 2022 Financial Statements

INTRODUCTION

The consolidated results for financial year 2022 showed a significant improvement in terms of performance, compared to the 2021 figures. More importantly, in 2022 the Group achieved its organic growth and M&A objectives. Today the Group has a strong, high-potential positioning in growing sectors such as Aerospace, Defense and Rail. Our corporate vision is to become the leading supply chain partner for the most demanding high-tech industries, while remaining resolute and absolutely focused on creating long-term sustainable value for our customers, our shareholders, our people and the communities they belong to.

FINANCIAL HIGHLIGHTS

MAIN ECONOMIC AND FINANCIAL RESULTS

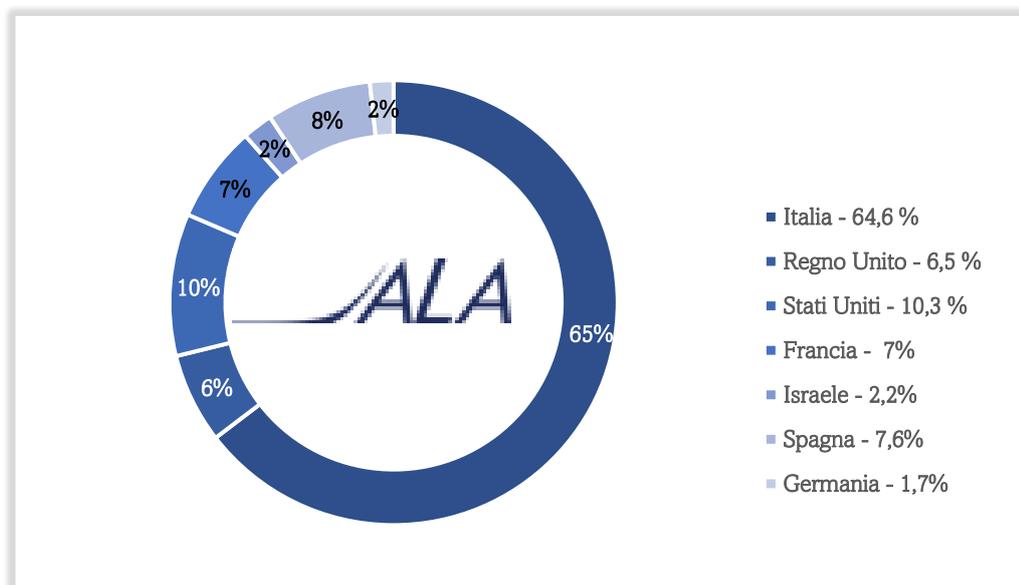


Amounts in Euro thousands	2022	2021
Revenues	158.724	130.709
Gross Margin	48.477	37.351
EBITDA	16.817	13.842
EBIT	13.639	11.329
Net income	7.823	6.122
Gross Margin %	30,5%	28,6%
EBITDA %	10,6%	10,6%
EBIT %	8,6%	8,7%
ROS (EBIT/Turnover)	8,6%	8,7%
ROE (Net Income/Shareholders' Equity)	12,9%	10,8%
ROI (EBIT/Invested Capital ⁽¹⁾)	8,3%	10,0%
Net Working Capital	55.107	53.520
Fixed Assets	35.051	9.410
Non-Current Provisions/Liabilities	(1.012)	(1.128)
Net Invested Capital	89.147	61.803
Net Debt/(Cash)	28.699	4.955
Shareholders' Equity	60.448	56.848
Total Sources of Finance	89.147	61.803

(1) Net Invested Capital in operations

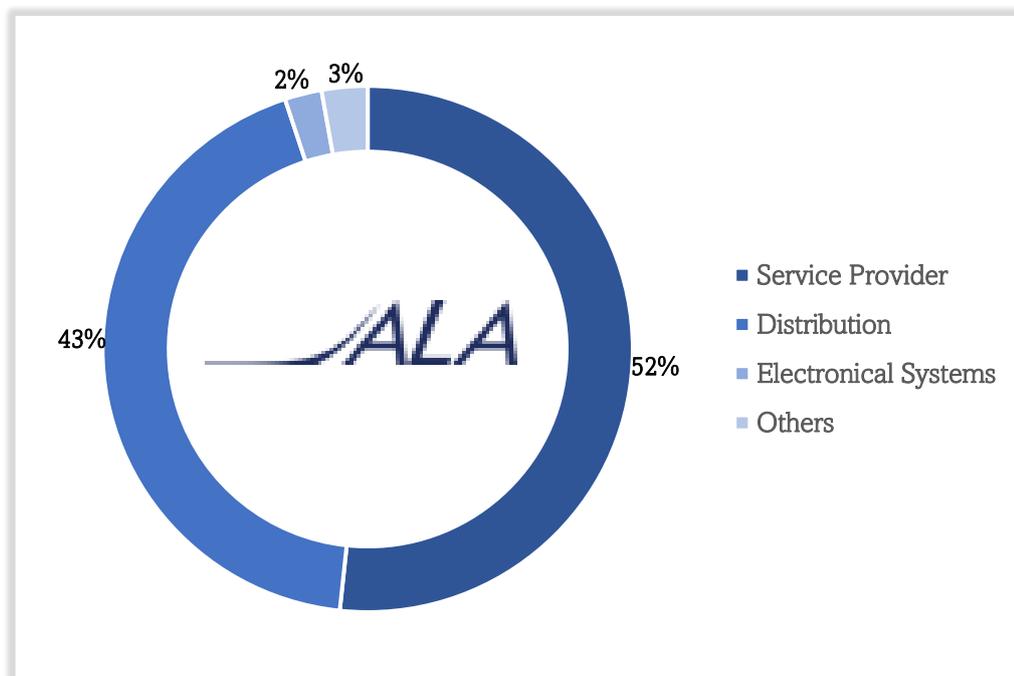
2022 REVENUES BY GEOGRAPHIC AREA

The breakdown of revenues by geographic area is shown below:



2022 REVENUES BY BUSINESS AREA

The breakdown of revenues by business area is shown below:



THE ALA GROUP

Leadership

ALA S.p.A. (www.alacorporation.com) is leader in Italy and one of the top players globally in the offer of integrated logistics services and the distribution of products and components for the aeronautical and aerospace industry. The Company is also active in the distribution and integrated logistics of products and components for the rail and energy industries.

Established in 2009 at the behest of Fulvio Scannapieco and Vittorio Genna, entrepreneurs with over thirty years of experience in the sector, ALA S.p.A. is an Italian Group that has been operating in the distribution, logistics and supply of services for the aerospace industry and industrial markets for more than thirty years. The main businesses carried out by ALA include: i) Service Provider activities, through which the Company manages aerospace materials on behalf of leading global manufacturers of structures, component and engines, offering companies “just-in-time” procurement of materials, dealing with requirements planning, supplier management, purchase and quality control of materials, storage of the latter, DLF supply and other supply chain management activities; ii) Distribution activities, which ALA carries out by trading materials for the main aircraft manufacturers and producers (OEMs), as well as their numerous first and second level (Tier 1 and Tier 2) suppliers of parts and assemblies. The Company is also active in the distribution of materials for leading customers in the oil & gas, rail and naval sectors.

Background



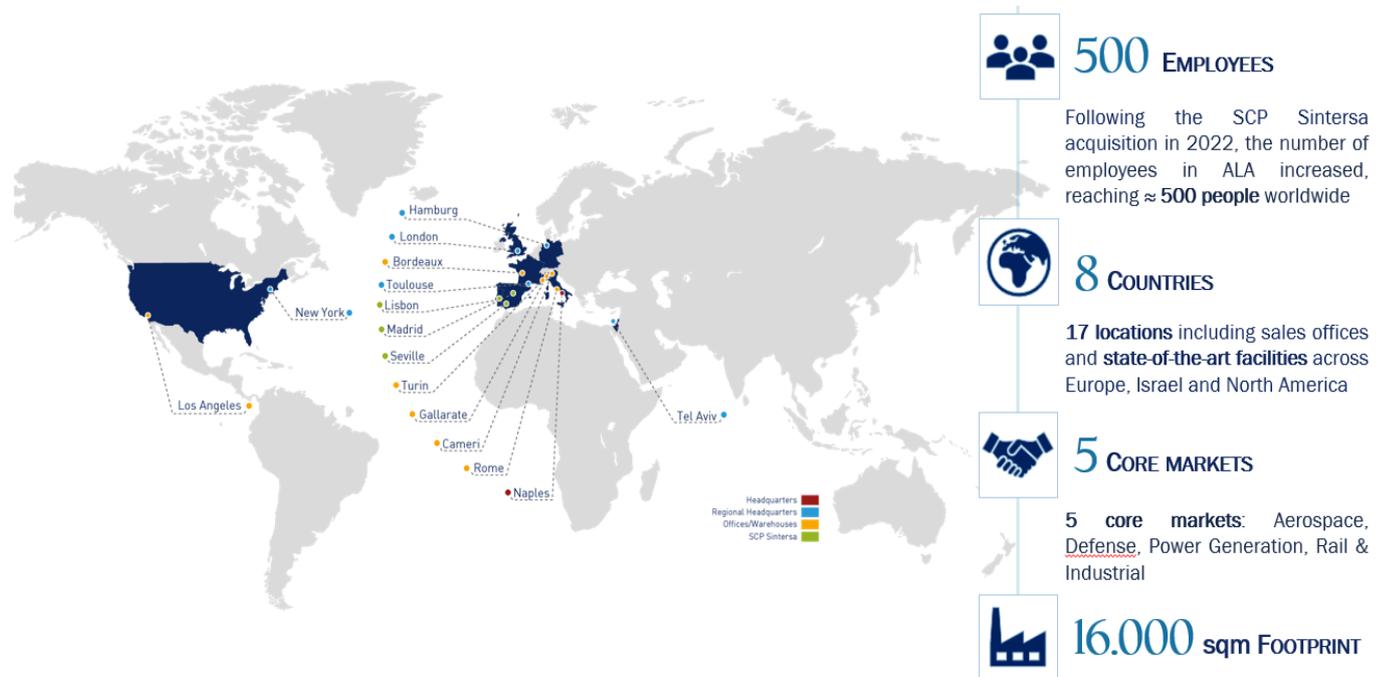
Over the years, the ALA Group has implemented a profound reorganization of its corporate processes and procedures, completing important M&A transactions with the aim of becoming a major player in the international aerospace sector. Its acquisitions, which began in 2010 with Aerolyusa (US), have allowed the ALA Group to rapidly accelerate its internationalization process, transforming the Group into a real multinational in the sector, capable of offering its products and services to leading operators through companies positioned in the same markets where these operators carry out their main investments.

Continuing its growth through external lines, last September the Group completed the acquisition of the entire share capital of S.C.P. S.A. Suministros De Conectores Profesionales and of Sintorsa Sistemas De Interconexion, S.A., companies dealing with the production of assemblies of electrical interconnection systems – an adjacent and complementary segment to those in which the ALA Group is already active. Thanks to this synergistic acquisition, the ALA Group will be able to expand its product portfolio, which ranges from fasteners, to indirect materials, to raw materials and now electrical interconnection systems, significantly implementing its offer and, specifically, its ability to offer tailor-made services, designed to meet the specific needs of its customers.

The SCP Sintorsa Group, in operation for over 35 years, is present in Spain with its headquarters and production hub in Madrid, a second production site in Seville and commercial offices in Barcelona, as well as in Lisbon (Portugal). The SCP Sintorsa Group has over 200 employees and more than 1000 active customers.

The Group’s activities are carried out through national and international presence coordinated by the Head Office in Naples. In addition to its Naples Headquarters, in Italy the Company has warehouses/operating offices in Pozzuoli (Naples), San Maurizio Canavese (Turin), Cameri (Novara) and sales offices in Rome and Gallarate (Varese). As for international presence, through its subsidiaries the Company has offices in France (Toulouse – Pessac/Bordeaux), Germany (Neumarkt-Nuremberg and Hamburg), the UK (Walton-on-Thames), the United States (New York – Garden Grove), Israel (Tel Aviv), Spain (Madrid and Barcelona) and Portugal (Lisbon).

THE ALA GROUP AROUND THE WORLD



BUSINESS AREAS

Committed to the highest quality standards, ALA offers its products and services to a wide range of markets: Aerospace & Defense, Aerospace Aftermarket, Power Generation and Rail & Industrial. ALA works to streamline its customers' supply chains with a view to providing the best service and the best procurement experience possible in the shortest time.



Aerospace OEM & MRO

ALA serves OEMs and their Supply Chains. ALA products are used to build engines, airframe, equipment, systems and cabin interiors. Dedicated teams follow MRO customers by providing them with parts and customized services.



Defense

ALA is partner of the main defense projects and certified to distribute products for the manufacturing of military ground vehicles, naval ships, military aircrafts, weapon systems, Fire Control Systems, and Tactical communications.



Power Generation

ALA is a global innovative provider of a wide range of products for the Energy market— On and Off-shore, Pipeline & Distribution, Floating Production Storage & Offloading Unit (FPSO), Refinery, Petrochemical, and Power Generation.



Rail & Industrial

ALA is a Supply Chain Service Provider for a wide range of products supporting Production & Maintenance requirements of High-Speed Trains, Metro Trains and Railway Systems. It is also certified to operate industrial Automation systems, machine tooling, windmills, etc.

POZZUOLI

Office 1100 SQM
11840 SQFT
Warehouse 2490 SQM
26802 SQFT

TURIN

Office 250 SQM
2690 SQFT
Warehouse 880 SQM
9472 SQFT

CAMERI

Office 35 SQM
376 SQFT
Warehouse 450 SQM
4843 SQFT

TOULOUSE

Office 365 SQM
3930 SQFT
Warehouse 680 SQM
7320 SQFT

BORDEAUX

Office 550 SQM
5920 SQFT
Warehouse 1100 SQM
11840 SQFT

HAMBURG

Office 60 SQM
646 SQFT
Warehouse 130 SQM
1400 SQFT

LONDON

Office 274 SQM
2960 SQFT
Warehouse 611 SQM
6576 SQFT

NEW YORK

Office 400 SQM
4300 SQFT
Warehouse 1000 SQM
10770 SQFT

TEL AVIV

Office 100 SQM
1080 SQFT
Warehouse 250 SQM
2700 SQFT



MADRID

Office 500 SQM
5381 SQFT
Warehouse 3500 SQM
37673 SQFT

SEVILLE

Office 200 SQM
2152 SQFT
Warehouse 1500 SQM
16145 SQFT



ALA AND THE FINANCIAL MARKETS

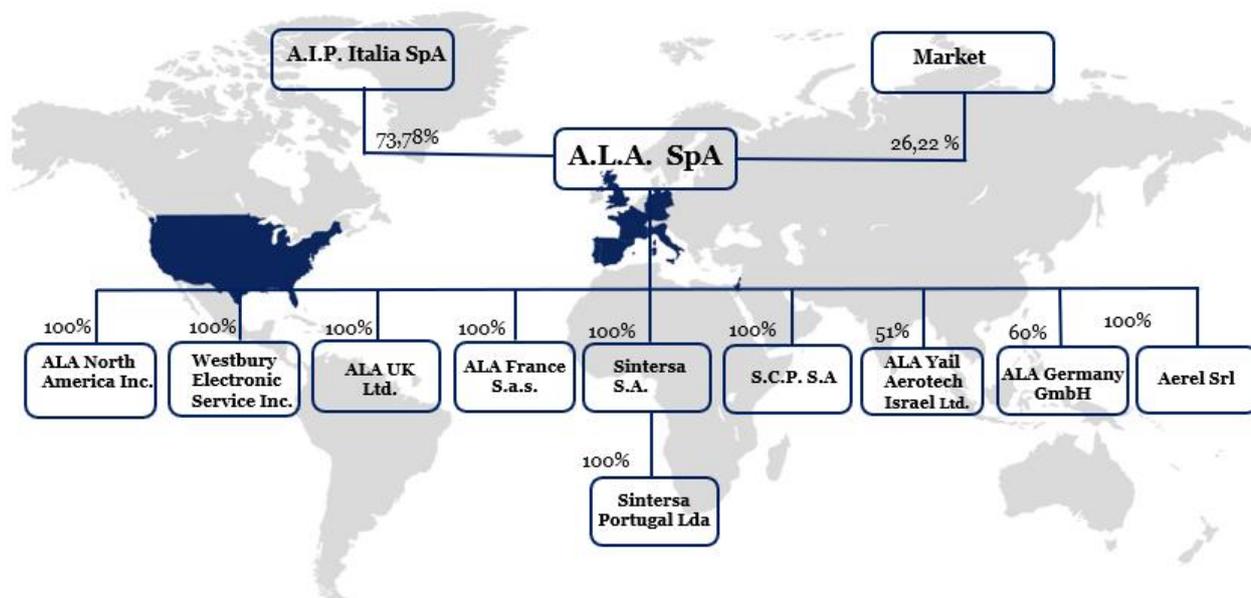
STOCK PERFORMANCE

In 2022, ALA stock recorded positive performance equal to +12.68%, closing the financial year with a value of Euro 11.95/share, compared to Euro 11.00/share at the end of 2021.



CORPORATE STRUCTURE

The structure of the Group and its fully consolidated companies at 31 December 2022 is shown below.



(1) 49% held by Las Goor Management Ltd (Oren Goor)
 (2) 40% held by Bill Holler

ALA North America Inc.

The company carries out activities in the aerospace sector in the United States with headquarters in Bethpage, New York.

Westbury Electronic Service Inc.

The company carries out activities in the aerospace sector in the United States with headquarters in Bethpage, New York.

ALA UK LTD

The company carries out activities in the aerospace sector in the UK with headquarters in Walton-on-Thames.

ALA France Sas

The company operates in the aerospace sector in France with headquarters in Toulouse and in Bordeaux.

ALA YAIL AEROTEC ISRAEL LTD

Company founded at the end of 2018 by ALA SpA, which holds 51% of share capital, and Las Goor Management Ltd, company operating in the aerospace sector in Tel Aviv (Israel), which holds 49%.

ALA Germany GmbH

The company Industrio GmbH, already operating in the aeronautical market for decades, joined the ALA Group in March 2020, which holds 60% of share capital, becoming ALA Germany GmbH with headquarters in Hamburg.

Aerel Srl

Italian company with registered office in Rome operating in the same sector, fully acquired on 20 July 2020 by the parent company A.I.P. Italia SpA.

Suministros de Conectores Profesionales S.A.

Company with registered office in Madrid, operating in the production of assemblies of electrical interconnection systems, 100% of share capital acquired on 30 September 2022.

Sintersa Sistemas de Interconexion, S.A.

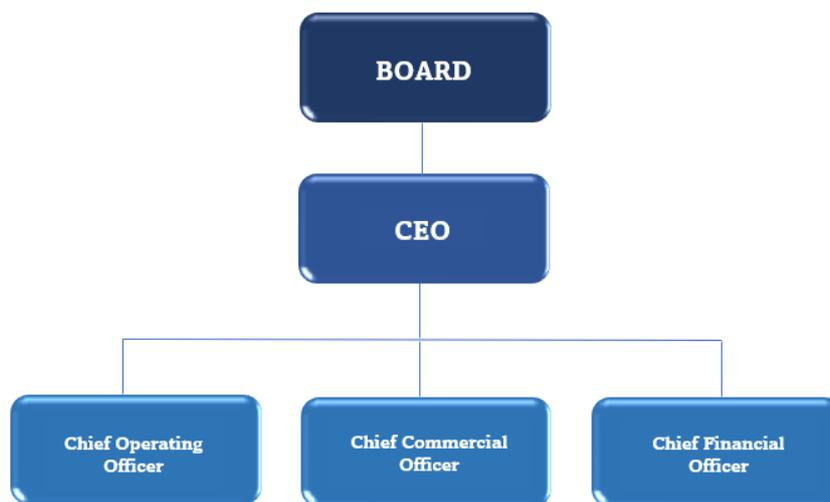
Company with registered office in Madrid, operating in the production of assemblies of electrical interconnection systems, 100% of share capital acquired on 30 September 2022.

Sintersa Portugal LDA

Company incorporated under Portuguese law with registered office in Lisbon, operating in the production of assemblies of electrical interconnection systems, 99.99% held by the subsidiary Sintersa.

ORGANIZATIONAL STRUCTURE

Our People*



*The organization chart shown refers to the organizational structure in place at the date of publication of this document

TOP MANAGERS

Directors

Fulvio Scannapieco

Founder and Chairman of the Board



Fulvio founded AIP Italia, together with his brother Franco and Vittorio Genna, in 1995, where he served as CEO first and subsequently as Chairman.

In 2009 Fulvio and Vittorio oversaw the merger of AIP Italia with Avio Import, starting the new company ALA SpA, now under control of AIP Italia.

Fulvio served as CEO and Chairman of ALA from 2010 until 2015. Today Fulvio is Chairman of the Board of Directors.

Before founding AIP Italia, Fulvio worked for several years at Mededil – Società di Edilizia Mediterranea S.p.A., a state-owned company belonging to the IRI Italstat Group, where he was Manager of General Affairs. Fulvio holds a Master's degree in Economics from the Federico II University of Naples.

Vittorio Genna

Founder and Vice-Chairman of the Board



In 1995 Vittorio founded AIP Italia together with Franco and Fulvio Scannapieco, where he is still a member of the Board of Directors.

In 2009 Fulvio and Vittorio oversaw the merger of AIP Italia with Avio Import, starting the new company ALA SpA, now under control of AIP Italia.

Vittorio is also Executive President and Board Member of GA.FI. Soc.Coop.p.A. (Garanzia Fidi Società Cooperativa per Azioni).

Vittorio was awarded as “Commendatore dell’Ordine al merito della Repubblica italiana” at the end of 2018, one of the highest honors of the Italian Republic. In 2019 he was appointed Honorary Consul of Hungary in Campania and Calabria with residence in Naples. Vittorio holds a Master's degree in Engineering with a specialization in Transportation from the Federico II University of Naples.

Roberto Tonna

Chief Executive Officer



Roberto is a mechanical engineer who qualified at the Turin Politecnico and holds an EMBA from the John Molson School Business at Concordia University in Montreal (Canada). He joined ALA in 2019 and, after holding the position of Chief Commercial Officer, was appointed CEO in 2022. Roberto has over twenty years of experience in commercial and supply chain management in the Aerospace & Defense sector. From 2010 to 2014, he was Commercial Director & Regional General Manager at Pattonair. He also worked at Mecaer Aviation Group (MAG) for nine years, where he held various positions of increasing responsibility. During his time at MAG, he helped transform the Montreal Plant from a local make-to-print manufacturing facility to a globally recognized integrator of landing gear systems for helicopters and business aircraft.

Chief Officers

Claudio Pezzullo

Chief Operating Officer & General Manager Italy



Claudio graduated in Aerospace Engineering at the Federico II University of Naples, where he also worked as Associate Professor for “General Aircraft Design, Flight test and Wind Tunnel Tests”. He followed a post-graduate course in International Business Engineering at the Finmeccanica Corporate MBA in Rome (“Fhink”). Claudio joined ALA in 2016 and in 2018 he was appointed Chief Operating Officer. Since 2022, Claudio has also held the position of General Manager Italy. In his previous position at Alenia Aermacchi – Finmeccanica (now Leonardo), Claudio was Sales and Program Manager for Boeing Programs, including the 787, and before that was head of Procurement for subcontracting, in charge of procurement, contracts and the management of aerostructure contracts.

Christian De Santis

Chief Commercial Officer



Christian joined ALA in 2019 as Business Development & Sales Director, launching the company’s new Business Unit based in Northern Italy.

In 2022 he was appointed Chief Commercial Officer. Christian has more than 15 years of experience in Commercial and Supply Chain management in the Aerospace & Defense sector.

In his previous role, he was Commercial Director & Site Lead at Pattonair for Italy and the UK. Christian studied in Milan and graduated in Economics & Marketing at IULM University, earning a Master’s Degree in Sales Excellence at SDA Bocconi School of Management.

Raffaele Carriola

Chief Financial Officer



Raffaele graduated in Economics and Commerce at the Federico II University of Naples, where he also qualified as a Chartered Accountant. Raffaele gained twenty-five years of experience in Accounting and Budgeting, Tax Consulting, Financial Management and Planning & Control Management in a range of economic and industrial sectors. He joined the ALA Group in 2011. From 2009 to 2011 he was Head of Administration, Finance and Control for a textile manufacturer specialized in the production of outerwear. From 1997 to 2000, Raffaele worked as a tax and accounting consultant for various leading firms in Naples, specializing in the drafting of financial statements and auditing. From 2000 to 2008 he was Financial Controller at the holding company Partesa Srl belonging to the Heineken Italia S.p.A. Group, operating in the Ho. Re. Ca business for Food & Beverage products. From 2008 to 2009 he was Head of Administration, Finance and Control at BC Service, a company operating in

large-scale distribution and retail of jewelry and fashion products.

Nevia Crispino

Chief Human Resources Officer



Nevia joined ALA in 2014, as HR Manager for Italy and today she is Human Resources Officer. From 2010 until 2014 Nevia covered the role of Human Resources Manager at Gruppo De Nigris – Acetifici Italiani Modena.

Previously she worked as Recruiting, Training and Human Resources Development Manager at EMA – Europea Microfusioni Aerospaziali S.p.A, part of Rolls-Royce Group.

Nevia holds a master’s degree in law from Federico II University of Naples.



SHAREHOLDER STRUCTURE

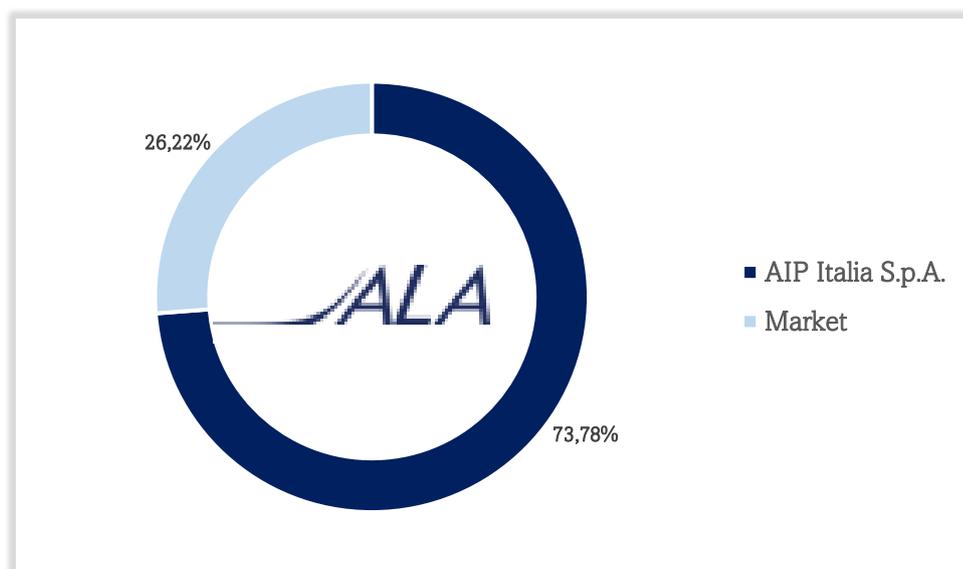
On 20 July 2021 Borsa Italiana, part of the Euronext Group, welcomed ALA to Euronext Growth Milan, the Borsa Italiana stock market for small and medium-sized enterprises.

During the IPO, ALA raised Euro 22.5 million. After exercising the over-allotment option, the total amount raised went up to Euro 25 million. The free float at admission was 20.3% and market capitalization at the IPO reached Euro 90.3 million.

The listing price of the shares involved in the offer was set at Euro 10.00 each, with expected capitalization of the Company at the initial trading date equal to approximately Euro 90.3 million, and an expected free float of 20.3% (23% assuming full exercise of the greenshoe option).

On 19 August 2021, the aforementioned greenshoe option was exercised for a total value of Euro 1,176,640. Following the institutional placement, the share capital of ALA was equal to Euro 9,500,000.00, made up of 9,030,000 ordinary shares with no par value.

On 31 December 2022, the free float of the Company was equal to 26.22% of the outstanding shares and significant shareholders (with holdings above 3%) represented a total of approximately 4.65% of the share capital. The share capital of ALA S.p.A. at 31 December 2022 still amounted to Euro 9,500,000, represented by 9,030,000 ordinary shares with no par value. The shareholder structure at that date is shown below.



INVESTOR RELATIONS

Since its admission to Borsa Italiana, the Group has added an Investor Relations Office to its corporate structure with the aim of guaranteeing transparent communication, increasing market confidence in the Group and promoting a long-term investment approach to the stock.

The creation of value for shareholders and other stakeholders is a priority for ALA, with the Group focusing its strategic and financial communication policy on high levels of transparency and clarity. The corporate activities and procedures intend to give credibility to the communication flows from the Group to the market, with the aim of increasing the market's trust in the same, seeking to encourage a long-term investment approach to its stock, avoiding information asymmetries and ensuring the effectiveness of the principle according to which all current and potential investors have the right to receive the same information to make informed investment decisions.

For the communication of the half-yearly and annual results, the Company arranges specific conference calls with institutional investors and financial analysts. In 2022, relations with the financial market flourished and saw top managers attend a number of industry events and conferences, organized by leading international brokers, and participate in one-to-one and group meetings as well as themed roadshows with potential investors.

The Investor Relations function also maintains constant relations with institutional investors through the website www.alacorporation.com, where corporate documentation, press releases and all information regarding the Group are available in Italian and English. The financial calendar, Shareholders' Meeting documents, Code of Ethics and other relevant documents disclosed to the market are also available here.

OPERATING CONTEXT

MACROECONOMIC SCENARIO

2022 recorded the first important signs of recovery in the Aerospace & Defense (A&D) sector. After two years in which commercial aviation suffered greatly from the drop in demand due to the pandemic and the uncertainty linked to the conflict between Russia and Ukraine, cautious optimism for a return to pre-COVID levels has started to spread among insiders, currently expected in around mid-2025.

This is thanks to both important new orders for latest generation single-aisle aircraft, which offer fuel-efficient engines and a reduced environmental impact, and the increase in the volume of maintenance and repair activities, both direct consequences of the strong return of air traffic. It should be noted that, while the production rates of narrowbody aircraft – and the Airbus A320 family in particular – are starting to recover, the uncertainty over widebody aircraft remains high.

It is thus confirmed that the civil sector is characterized by extremely strong macroeconomic fundamentals and drivers, and a great capacity for growth and resilience to external events (e.g., the September 11 attacks, the 2008/2010 Global Financial Crisis, the COVID-19 pandemic).

The defense segment, on the other hand, continues to offer significant guarantees of continuity and volume, especially thanks to the increase in national spending budgets triggered by the Russia-Ukraine conflict. The segment has proven to be countercyclical and its dynamics are based on factors unrelated to the economic cycle, such as domestic politics and geopolitical issues.

Over the years, the ALA Group has strategically diversified its customer portfolio and currently count on a very balanced business mix, both in terms of the division between civil and defense, and between production and product support. Another emerging area of attention is linked to Urban Air Mobility (UAM), a segment the ALA Group is closely observing while waiting for concrete signals regarding the feasibility of new business models, dedicated to point-to-point passenger transport.

Generally speaking, the production cycles of aerospace programs have extremely broad visibility, especially when compared to those of other sectors. Given this characteristic, a high degree of programming and planning is possible. In this context, there are significant opportunities for players such as the ALA Group, both with reference to the provision of component distribution services (attributable to the Group's Stocking Distribution business area) and above all with reference to the provision of integrated logistics services (attributable to the Group's Service Provider business area).

In light of the above, the production segment of the Aerospace & Defense sector is characterized by visibility, important volumes and the ability to plan and streamline procurement.

In the case of production, the Supply Chain for both aircraft and engines is structured as follows:

OEMs (Original Equipment Manufacturers) – Platform Primes

Tier 1 – System Integrators

Tier 2 – Assembly or Equipment Providers

Tier 3 – Build to Print Components or Sub Assembly Suppliers

Tier 4 – Processing or Material Supplier

The Company mainly supports OEMs, Tier 1 and Tier 2.

In addition to planned maintenance, the MRO segment also manages unscheduled events and therefore visibility is less extensive with respect to production, with a generally greater urgency for supplies. Although this segment relies less on the multi-year contracts typical of the Service Provider business, in line with the marked increase in outsourcing, players in the MRO segment are more and more interested in light-service provider solutions.

At the same time, new challenges are emerging in the sector, which risk limiting the speed of recovery. Starting from supply chain stability, the race to secure skilled human capital and the need to accelerate the transition towards decarbonization, without forgetting inflation on raw materials, energy, transport and labor costs, interest rate growth and exchange rate volatility.

Supply chain

Recent events have highlighted the numerous risks and issues due to an increasingly complex and extensive global supply chain, specifically:

- Tangible reductions in the performance levels of various links in the global supply chain are impacting OEMs and their sub-tiers, creating strong uncertainty regarding the speed with which it will be possible to increase production rates;
- A shortage of components and raw materials (e.g., electronic components, titanium, forgings) with the consequent increase in supply lead-times;
- An increase in transport times and costs, resulting in less visibility on the real progress of orders which directly impacts the organization and efficiency of production lines.

The ALA Group has invested and continues to invest in management processes and digital technologies/solutions (e.g., SAP 4/Hana, SupplyOn, ISO 27001 certification, etc.) to support the development of an increasingly robust, reliable and secure supply chain. In its role as Supply Chain Integrator, the ALA Group is a truly strategic partner, capable of anticipating, preventing and finding solutions to its customers' risks and issues in order to support faster and more profitable growth.

Human capital

The significant downsizing of the workforce recorded in 2020-2021 reduced the availability of workforce, with a consequent pressure on wages.

Human capital and the lack of skilled personnel will be a major and recurring theme which all companies in the sector will have to address in the coming years. Challenges will arise concerning the number of resources required to support development and growth, as well as the quality and level of experience required considering the average age of the workforce in the sector.

The ALA Group is aware of the fundamental role that human capital plays in the success of the Company and remains involved in a variety of initiatives aimed at attracting, training and retaining key talent for the future,

such as the Franco Scannapieco Prize dedicated to innovation, collaboration with local universities, continuing education, career development plans and the opportunity to gain work experience in an international context.

Decarbonization

The aviation and aerospace sector has embarked on a path to reach net-zero emissions by 2050, with sustainability goals entailing additional challenges and investments for the entire supply chain, causing major consequences at a technological level.

The theme of decarbonization and sustainability in general will undoubtedly continue to dominate public opinion in the future, as the A&D sector grapples with challenges that are difficult to manage and solve. We thus expect an acceleration towards the use of latest generation engines, alternative fuels (Sustainable Aviation Fuels or SAFs) and the adoption of the electric propulsion at the basis of the new UAM models as soon as possible.

The ALA Group, whose business does not include production activities able to make a significant contribution to reducing emissions, has nevertheless drafted ambitious sustainability reports for a number of years and continues to work both internally and with its business partners to identify and pursue initiatives to help achieve the sector's sustainability objectives.

Target market

The Group is focused on the Consumables & Expendables market segment, which covers a multitude of mechanical, electrical and chemical products used for both the construction and the maintenance and repair of aircraft and equipment. Firstly, it should be pointed out that these commodities are subject to a continuous and growing trend of outsourcing, in view of the ever-greater need for OEMs (Original Equipment Manufacturers) to concentrate on their core business.

The Company stands out as a flexible, customer-centric player, specialized in tailor-made solutions shaped to suit the specific needs of the customer, offering both Stocking Distribution and Service Provider activities.

ALA holds leading role in the current scenario: established as a national leader in the distribution of fasteners and integrated logistics for aerospace companies, at 31 December 2022 the Group recorded a consolidated turnover of approximately Euro 158.8 million. With reference to its international competitive positioning, it is a leading operator on global market and one of the top independent players in a competitive environment.

As regards integrated logistics, in Italy, ALA S.p.A. is Service Provider for the Leonardo Aerospace Sector – Aerostructures and Aircraft Divisions – and handles the planning, procurement and supply of certain product categories (primarily aerospace fasteners for the aerospace sector at its Cameri, Torino Caselle, Venegono, Pomigliano d'Arco, Nola and Foggia plants). ALA has therefore acquired a leadership position in the domestic market, where there are no other significant Italian competitors. Moreover, in 2020 an additional agreement was signed with Leonardo for the supply of fasteners at the pilot training military bases in Latina (with SF260 aircraft) and Galatina (with MB339 and MB346 aircraft).

In France, ALA is Service Provider and handles the planning, procurement and supply of fasteners for Liebherr Aerospace at its Toulouse plant, for Safran Power Unit, again in Toulouse, and for Safran Aero Booster in Belgium.

In line with the 2021-2024 strategic plan for growth, shareholders and management confirm their intention to look for international growth opportunities to achieve a prominent position in the global market of integrated aerospace logistics, as well as in other sectors where the scalability of its business is discovering new prospects.

The development plan intends to maintain the focus on the aerospace sector, characterized by high entry barriers (extremely tight quality standards and certifications), with progressive opening to sectors with similar industrial characteristics such as rail and defense.

The ALA Group's business development model is strongly anchored on both organic and external growth. In particular, the ALA Group aims to expand the scope of its existing activities for customers thanks to the addition of new value-added services and products with a view to diversifying from the competition. Furthermore, given the fact that its market shares outside of Italy have significant growth potential, the ALA Group continues to pursue new opportunities to win new customers in both the Stocking Distribution and Service Provider businesses. At the same time, the ALA Group continues to evaluate the market and competition to identify future acquisition opportunities, both in Europe and North America.

As regards organic growth, it should be noted that through the Gallarate sales office, in 2020 the Company began to acquire new customers in the Engine MRO sector, which generated growing revenues in 2022 with important growth prospects for the coming years. Through the Gallarate sales office and the subsidiary ALA UK, the Group has also developed business relations with the Helicopter Division of Leonardo and its supply chain – a market segment in which the Group was only marginally present until 2021. Through its US subsidiaries, the ALA Group has focused its efforts on obtaining approvals from the main OEMs (Original Equipment Manufacturers) to expand development opportunities in the US domestic market: in 2022 approvals were obtained for Bombardier, Bell Fight, Vertex Aero and Robinson Helicopters, among others; while through its subsidiary ALA UK, the Group signed important new agreements for the supply of products and services to support military programs such as the F-35 JSF and Eurofighter.

As regards relationships with strategic suppliers, financial year 2022 confirmed the trend of the previous year, in which the ALA Group – also by virtue of its global reach – consolidated partnerships and agreements with numerous strategic suppliers that have generated benefits in terms of the main KPIs.

Simultaneously, with a view to the strategic management of purchasing needs and the structuring of internal skills, the Procurement function was reorganized with the subdivision of buyers by product category managed and with the progressive centralization of European procurement departments at the ALA headquarters.

GROUP PERFORMANCE AND OPERATING RESULTS

The Management Report of the ALA Group at 31 December 2022, which we submit for your examination and attention, shows a net profit of Euro 7,822,689 (Euro 6,122,298 at 31 December 2021), of which Euro 7,692,270 attributable to the Group (Euro 6,048,802 at 31 December 2021).

Group Performance and Results

Income statement	2022	2021
Revenues Service Providers	82,035	88,017
Revenues Distribution	68,673	41,750
Revenues Electrical Systems	3,582	-
Revenues Others	4,434	943
Total Revenues	158,724	130,709
COGS	(110,247)	(93,359)
Gross Margin	48,477	37,351
<i>% on Total Revenues</i>	<i>30.5%</i>	<i>28.6%</i>
Service Costs	(10,635)	(8,189)
Leaseholds costs	(2,428)	(1,915)
Other Operating Expenses	(1,864)	(607)
Labor Cost	(16,733)	(12,797)
Total Costs	(31,660)	(23,508)
EBITDA	16,817	13,842
<i>% on Total Revenues</i>	<i>10.6%</i>	<i>10.6%</i>
Depreciation	(639)	(383)
Amortization	(2,499)	(2,130)
Total D&A	(3,138)	(2,513)
Provision for risks	(40)	-
EBIT	13,639	11,329
<i>% on Total Revenues</i>	<i>8.6%</i>	<i>8.7%</i>
Financial Income / Loss	(2,715)	(2,440)
Financial adjust.(exchange different)	69	(132)
EBT	10,993	8,757
<i>% on Total Revenues</i>	<i>6.9%</i>	<i>6.7%</i>
Taxes	(3,171)	(2,634)
Net income	7,823	6,122
<i>% on Total Revenues</i>	<i>4.9%</i>	<i>4.7%</i>

Amounts in Euro thousands

The following results of the ALA Group and the pro-forma figures for the entire year of SCP Sintorsa Group are reported below, for information purposes only:

Amounts in Euro millions

Economic figures	ALA Group	Sintersa Group Q4	Total 2022
Value of production	146,7	12,1	158,7
EBITDA	15,28	1,5	16,8
Ebitda margin %	10,4%	12,4%	10,6%

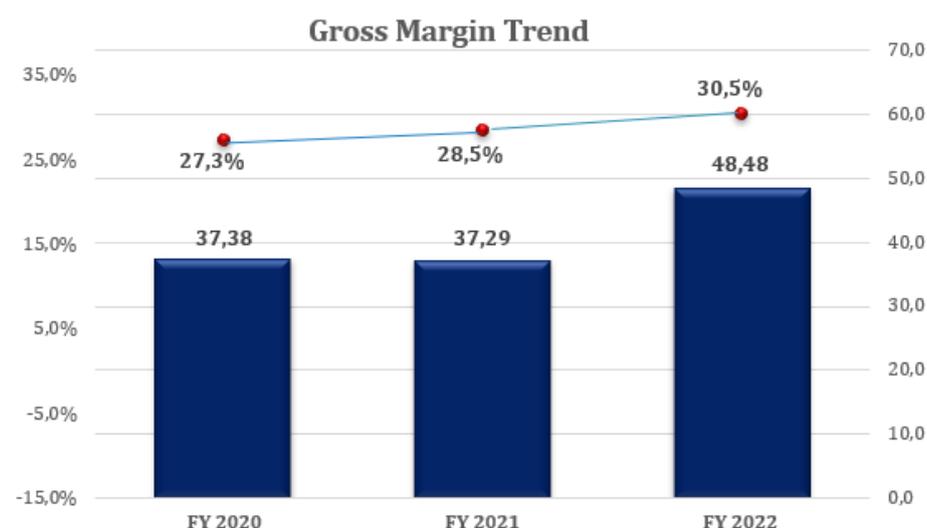
Amounts in Euro millions

Economic figures	Consolidated ALA Group	Sintersa Q1- Q3	Total Year pro-forma
Value of production	158,7	26,6	185,3
EBITDA	16,8	3,0	19,8
Ebitda margin %	10,6%	11,2%	10,7%

Total Revenues – Euro 158.9 million: net revenues at 31 December 2022 recorded a significant increase of approximately 21.4% compared to 31 December 2021, rising from Euro 130.7 million to Euro 158.7 million. This increase was definitely due to a significant improvement in the performance of the main business lines, as well as the inclusion, starting from the last quarter of the year, of the turnover of the Spanish group SCP Sintersa, which joined the ALA Group in September 2022.

Cost of Goods Sold – Euro 110.2 million: the cost of goods sold reflected the increase in revenues, recording an increase in absolute value of approximately Euro 16.9 million compared to the previous year (Euro 93.4 million), also representing a minor percentage on total revenues (approximately 69.5% compared to 71.4% in 2021).

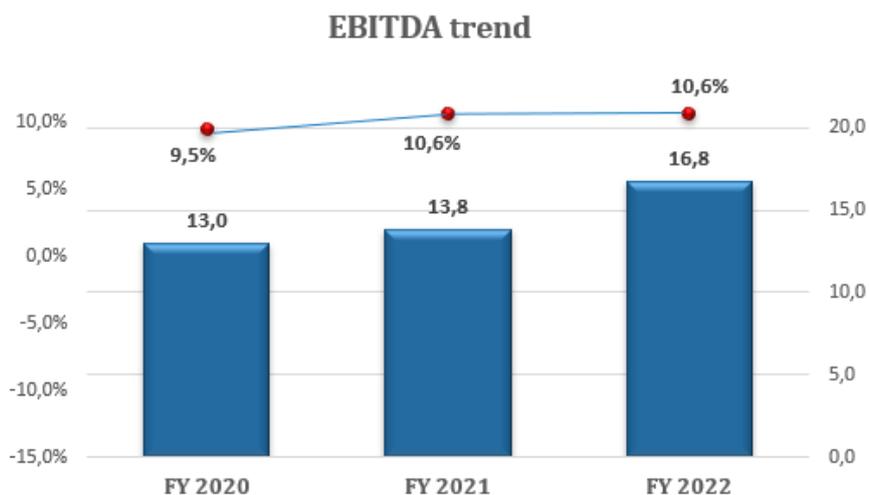
Gross Margin – Euro 48.5 million: compared to financial year 2021, in correlation with the increase in total revenues shown above, the Group showed a Gross Margin on Total Revenues of approximately 30.5%, an improvement of around 1.9% compared to the previous year.



Total Costs – Euro 31.6 million: total costs increased by approximately Euro 8.1 million. This increase was mainly due to the inclusion of the results of the SCP Sintersa Group for the final quarter of 2022. In particular, the main increases were attributable to Labor Cost for approximately Euro 3.7 million and Service Costs and

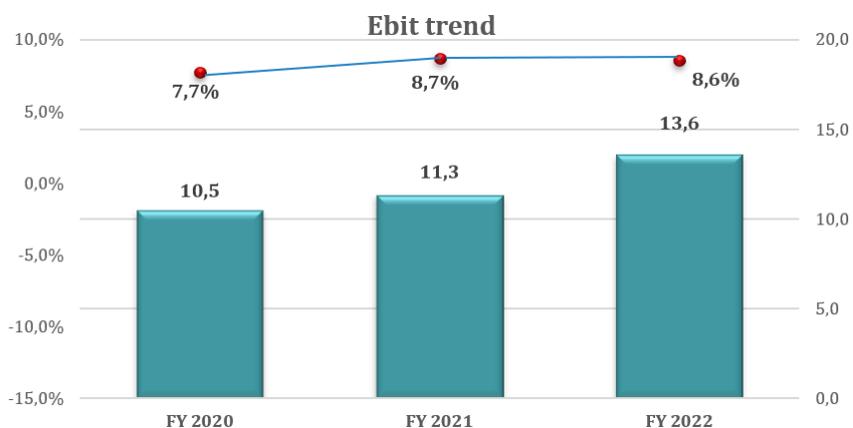
Other Operating Expenses for approximately Euro 3.7 million. As regards the latter item, thanks to reduced restrictions in relation to the Covid-19 health emergency, during the year under review the Group resumed travel between its offices and above all participation in industry events and trade fairs, as well scouting activities for new M&A projects.

EBITDA – Euro 16.8 million: EBITDA showed a significant increase of approximately 21.5% compared to 31 December 2021, mainly due to the joint effect of the rise in the gross margin, mentioned above, and the increase in the structure of management costs also associated with new investment projects.



Depreciation & Amortization – Euro 3.1 million: increased by approximately Euro 0.6 million compared to the previous year, mainly as a result of the higher capex and goodwill relating to the purchase of the Spanish equity investments.

EBIT – Euro 13.6 million: as a result of the performance of the items described above, the operational management of the Group generated a strong result for the year, up approximately Euro 2.3 million from the value recorded at 31 December 2021 (Euro 11.3 million), mainly due to the increase in the value of production. The EBIT trend shows constant improvement with reference to the previous years. The light asset structure adopted by the Group has allowed it to maintain an EBIT that does not differ significantly from EBITDA over time.



Financial Income / Loss – loss of Euro 2.6 million: the item is in line with the result at 31 December 2021.

Earnings Before Tax – profit of Euro 11.0 million: the pre-tax result was around Euro 2.2 million higher than the previous year, as a result of the above. The percentage on Total Revenues went up from 6.7% in the previous year to 6.9% in the year under review, showing a reduction of approximately 0.2 percentage points.

Taxes – equal to Euro 3.1 million: this amount was attributable to current taxes for Euro 4 million, plus accounting for the reversal of prepaid and deferred taxes for a total Euro 0.8 million.

In light of the above, **Net Income** at 31 December 2022 amounted to approximately Euro 7.8 million, up compared to the result at 31 December 2021 (Euro 6.1 million).

GROUP FINANCIAL POSITION AND CASH FLOWS

<i>Amounts in Euro thousands</i>	2022	2021	Change
Net Working Capital ⁽¹⁾	55,107	53,520	1,587
Fixed Assets	35,051	9,410	25,641
Non-Current Provisions / Liabilities	(1,012)	(1,128)	116
Net Invested Capital	89,147	61,803	27,344
Net Debt / (Cash)	28,699	4,955	23,744
Shareholders' Equity	60,448	56,848	3,600
Total Sources of Finance	89,147	61,803	27,344

⁽¹⁾ net of cash and gross of short-term bank debt

Net Working Capital – Euro 56.3 million: net working capital at year end showed an increase, compared to financial year 2021, of approximately Euro 2.8 million, deriving mainly from the increase in inventories and trade receivables compared to 31 December 2021.

Fixed Assets – Euro 35.0 million: the change in this item was mainly attributable to the recognition of goodwill following the inclusion of the two Spanish companies in the scope of consolidation, in addition to depreciation and amortization for the year (Euro 24 million).

Provisions – Euro 1.01 million: this change mainly refers to the release of the fund allocated for passive derivative financial instruments, whose fair values at 31 December 2022 are all positive.

Net Invested Capital – Euro 89.1 million: this item went up by approximately Euro 27.3 million compared to 2021, a difference mainly related to the increase in fixed assets.

Net Debt / (Cash) – Euro 28.7 million: the net financial position shows an increase in debt of approximately Euro 23.7 million, due to the sharp increase in medium/long-term debt, mainly referred to the new loan for Euro 31.5 million, guaranteed by the pledge on the shares .

A breakdown of the items that contributed to net debt is shown in the table below:

<i>Amounts in Euro thousands</i>	2022	2021	Change
Non-current financial liabilities	(46,067)	(21,343)	(24,724)
Current financial liabilities	(11,529)	(12,564)	(54)
Cash and cash equivalents	28,898	28,952	(54)
Net Debt / (Cash)	(28,699)	(4,955)	(23,744)

The Group strategy will continue to change the composition of debt, favoring medium-long term debt.

Shareholders' Equity – Euro 60.4 million: this item changed due to the result for the year and simultaneously due to the distribution of dividends in May, equal to approximately Euro 4.2 million.

The Balance Sheet is shown below, appropriately reclassified according to the decreasing liquidity criterion, compared with the results of the previous year:

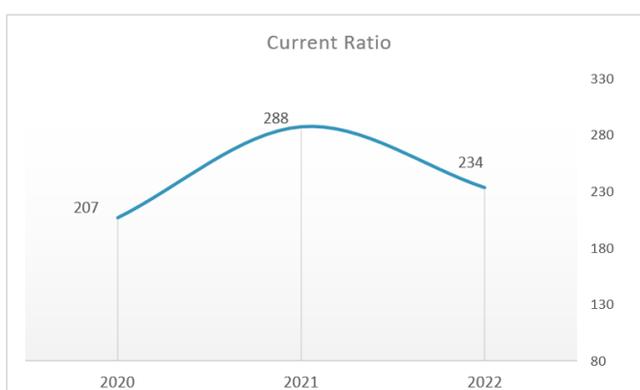
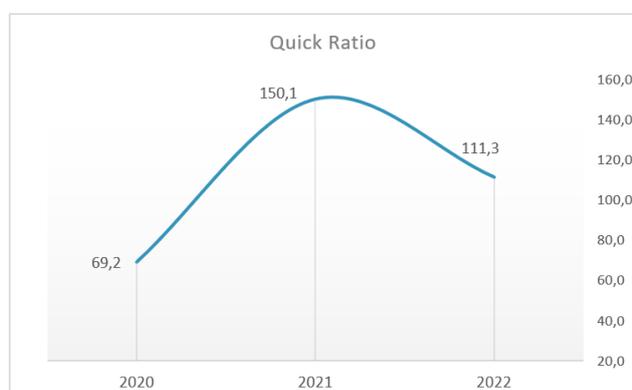
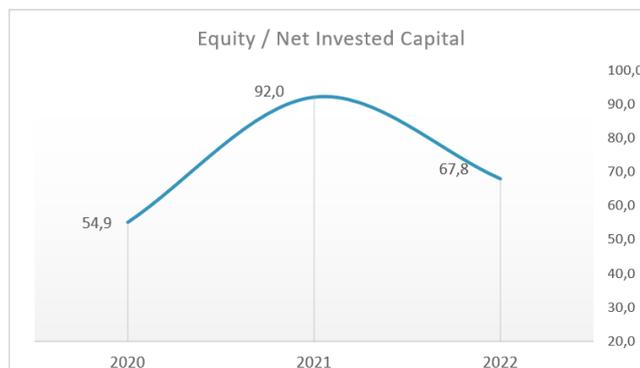
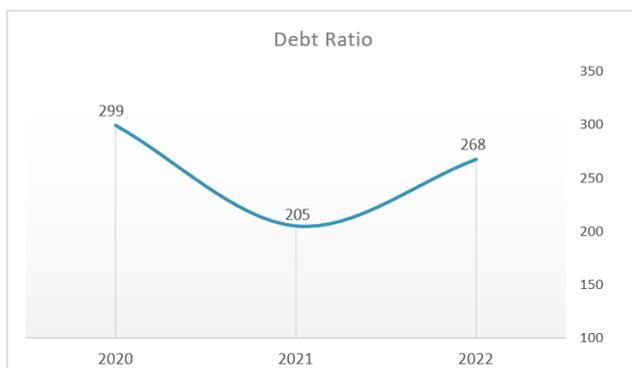
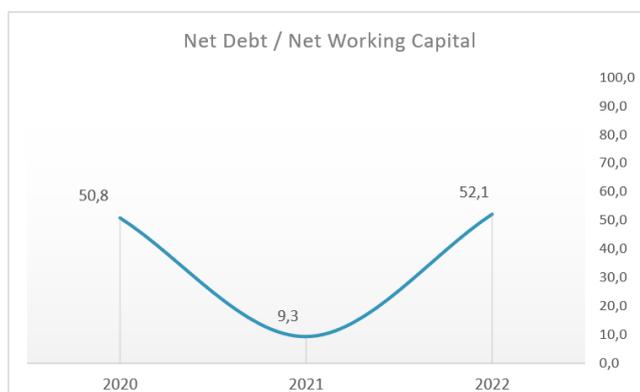
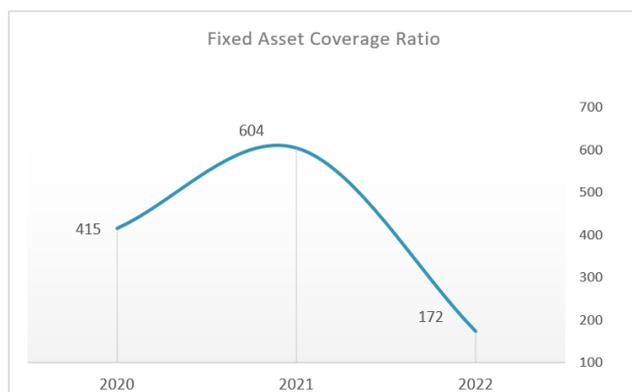
<i>Amounts in Euro thousands</i>	2022	2021	Change
ASSETS			
Cash and Banks	28,898	28,952	(54)
Receivables from Customers	25,939	20,704	5,135,234
Prepayments and Accrued Income	552	408	144
Other Receivables	5,423	5,986	(563)
Inventories and WIP	65,967	51,148	14,819
A) Total Current Assets	126,679	107,198	19,481
Financial Assets	536	337	199
Technical Assets	3,420	1,614	1,806
Intangible Assets	31,095	7,459	23,635
Total Fixed Assets	35,051	9,410	25,641
TOTAL ASSETS	161,730	116,609	45,121
LIABILITIES			
Payables to Banks and Other MT Financial Payables / Receivables	11,529	12,564	(1,053)
Accounts Payable	35,584	20,261	15,323
Accrued Expenses and Deferred Income	153	206	(53)
Tax Payables	2,504	935	1,570
Other Payables	3,629	3,173	455
Advances from Customers	803	156	647
B) Total Current Liabilities	54,203	37,295	16,908
Payables to Banks and Other MLT Financial Payables	46,067	21,343	24,724
Provisions	1,012	1,128	(116)
Total MLT Liabilities	47,079	22,471	24,608
TOTAL LIABILITIES	101,281	59,765	41,516
Shareholders' Equity			
Share Capital	9,500	9,500	-
Legal Reserves	1,750	1,449	302
Other Reserves	3,537	2,896	641
Share Premium Reserve	17,900	17,900	-
Retained Profit Brought Forward	19,939	18,976	963
Profit (Loss) for the Year	7,823	6,122	1,700
Total Shareholders' Equity	60,449	56,843	3,605
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	161,730	116,609	45,121
Net Working Capital (A-B)	72,476	69,904	2,573

(Euro thousands)

FINANCIAL PERFORMANCE INDICATORS

The main financial performance indicators at 31 December 2020, 31 December 2021 and 31 December 2022 are shown below. All indicators show a marked improvement of the financial structure and a high level of capitalization both with respect to investments and net working capital.

Financial KPIs	2022	2021	2020
Fixed Asset Coverage Ratio	172	604	415
Net Debt / Net Working Capital	52.1	9.3	50.8
Debt Ratio	268	205	299
Equity / Net Invested Capital	67.8	92.0	54.9
Current Ratio	234	288	207
Quick Ratio	111.3	150.1	69.2



The trend of all financial indicators shows a satisfactory situation both in terms of liquidity and investment sustainability, largely covered by equity and an adequate debt ratio. In particular, equity / net invested capital decreased from 92.0 to 67.8 in percentage terms. The debt ratio rose from 205 at December 2021 to 268 at December 2022. Fixed asset coverage ratio and the net debt / net working capital ratio were equally positive. The former decreased significantly from 604 to 172 at December 2022, while the net debt / net working capital ratio went from 9.3 in the previous year to 52.1 at 31 December 2022. As for immediate liquidity, the quick ratio decreased slightly from 150.1 to 111.3 as a result of the changes in cash and cash equivalents and current assets.

MAIN TYPES OF BUSINESS RISK

In accordance with Article 2428, Paragraph 1, of the Italian Civil Code, it should be noted that the Group is not exposed to any particular risks and/or uncertainties. Below is a summary of the risks and/or uncertainties, outlining the measures adopted by the ALA Group in order to mitigate any impacts deriving from the occurrence of such risks on the operating results, financial position and cash flows of the Group.

Country Risk

In February 2022, Russia launched a military operation by invading Ukraine territory, with imponderable consequences on global political and economic balances. The European Union and many other countries implemented very severe economic sanctions against Russia and Belarus, while further sanctions may still be resolved. Any consequences for the Company or for the Group in terms of trade relations, collection of trade receivables or assets are considered unlikely since there are no relations in place with those markets.

The risk of potential further reductions in customer spending budgets is a risk the Group will take into consideration during the review of the 2022 budget. This risk is monitored by the ALA Group through the adoption of an increasingly marked policy of internationalization in countries characterized by limited socio-political risk, such as to compensate for the potential slowdown in investments in certain economies. The Company has identified a number of potentially relevant risks: 1) the Brexit procedure; 2) the impact of the COVID-19 global pandemic which requires careful risk assessment by all business departments and all companies of the ALA Group; 3) the impact of sanctions against Russia resulting from the conflict in Ukraine: the risks of engaging in business relationships with companies directly or indirectly related to Russia are managed in the new Export Compliance Program drawn up with the support of Deloitte consultants, which was implemented in February 2022.

Interest Rate Risk

The Group manages this risk by appropriately balancing exposures at fixed interest rates with those at floating rates, with the aim of mitigating the economic effects arising from potential interest rate volatility. Considering the current level of interest rates and the policies launched by the European Central Bank, the Group considers the risk of any significant rise in interest rates limited, yet continues to monitor the performance of financial markets in order to implement appropriate hedging actions, if necessary.

Exchange Rate Risk

The Group does not have any significant exposure to risks relating to payables or receivables in currencies other than the Euro since the majority of its contracts are concluded in the national currency; in the limited cases in which exposure to exchange risk could arise, the Group will rely on forward exchange rate risk hedging transactions.

Credit Risk

Credit risk represents the exposure of Group companies to potential losses deriving from the failure to fulfill the obligations assumed by counterparties. The ALA Group is not particularly exposed to credit risk given the quality of its customer, which are mainly companies of primary national and international standing.

Liquidity Risk

Liquidity risk represents the risk of the financial resources available being insufficient for Group companies to meet their financial obligations according to the terms and deadlines established. This risk is monitored at a central level, through both the careful management of the financial resources available and the constant verification of the financial position trend in order to avoid the danger of potential liquidity crises. The parent Company ALA has adequate financial resources through intercompany loan agreements with other Group companies to maintain a level of credit lines sufficient to accompany all operating companies along the development path envisaged for the coming years.

Operational Risks

The ALA Group is exposed to operational risks, namely the possibility of suffering economic losses deriving from external events; this type of risk is intrinsically connected to the type of business carried out by the organization as a whole, which dedicates human resources, processes, systems, tangible and intangible assets to the same. These risks are identified and appropriately classified during the Risk Assessment Meetings envisaged by QSP 001 internal procedure by the various Global Managers of the corporate departments and relevant country General Managers.

The nature of these risks can concern: i) the ability of Group companies to appoint a Management capable of ensuring business continuity, even in the event of the departure of certain key figures. This risk is thoroughly monitored by the ALA Group, as proven by the significant reorganization launched at the end of 2017 without any repercussions on the corporate business; ii) contractual responsibilities towards customers and, in particular, the risk of penalties being applied in the event of failure to meet set deadlines or quality standards. In this regard, it should be noted that the Group Parent Company has adopted a system of controls to intercept/mitigate the risk of potential delays in delivery times, as well as insurance policies to avert the potential negative impacts on the operating results, financial position and cash flows resulting from the occurrence of any defaults; iii) the adoption of organization and control systems by the Group Parent Company ALA in compliance with the regulatory provisions of individual countries.

Risk of Safety Stock Reduction

In light of the sudden post-Covid global recovery of the aviation market, in 2022 a capacity loss (in terms of human resources, raw materials and availability of machinery) was recorded by the majority of suppliers, with

a consequent deterioration of our supply chain's On-Time Delivery performance. The Company therefore identified, as an effect of this loss of performance, the risk of safety stock reduction (stock of finished products) in our warehouses, with a potential negative impact (stock-out) on the services provided to Customers in the Service Provider division. To mitigate this risk, the Company has set up a task force process aimed at identifying critical missing parts and intervening with targeted actions (expediting purchase orders, identifying double sources, extraordinary actions with manufacturers to improve delivery times). In addition, a new planning tool is being studied that will allow the Company to anticipate and reshape changes in expected Customer consumption and intervene with spot purchases, with beneficial effects on the overall Service Level.

Risk of Sensitive Information Loss

The proliferation of information through digital media (emails, company portals, chats, etc.) could lead to the risk of loss, destruction or leakage of sensitive business data (e.g., contacts, price lists, business plans, Customer contacts) resulting in negative effects on the livelihood/growth of Company turnover. The Company has therefore implemented a process for the confidential management of sensitive information through the use of online mailboxes (on the "Alfresco" corporate database) and limited access, also limiting data download/sharing rights. In addition, the Company personnel most exposed to this risk have signed NDAs.

Risk of Export Sanctions

With the outbreak of war in Ukraine, Western countries (mainly the EU, UK and US) have increased the number and type of sanctions for Governments and Organizations doing business with Russia and other "rogue states". Close attention has also been focused on other geographical areas at high risk (for example, the United Arab Emirates and Saudi Arabia) which, despite not being recorded on sanctions lists, are often used to divert flows of money and materials to banned countries.

In this geopolitical context, the Company has identified the risk of entering into commercial relations with companies registered on sanctions lists, with potentially catastrophic effects on business continuity (with consequences ranging from fines up to registration of the Company itself on sanctions lists and suspension from business). To mitigate this risk, the Company has implemented a periodic screening process for its commercial partners with respect to the main Sanctions Lists issued by the countries in which it operates. In particular, each new Group customer is screened by the Compliance Office before registration in the SAP management system and thus before the Company can start any business relations.

Risk of Business Interruption Due to the Spread of Infectious Disease

The global spread of epidemic or pandemic emergencies that affect the population (i.e., COVID-19), in addition to deteriorating the macroeconomic framework, can also lead to slowdowns in the Company's business, deriving from restrictions issued by national and foreign authorities, the unavailability of personnel, difficulties encountered by customers and supply chain discontinuity. As previously indicated in "Significant events in 2020", management carefully monitors the evolution of these phenomena and implements appropriate actions in order to preserve the health of its personnel and staff, guarantee the operations of the Group and maintain adequate performance levels. With reference to the latest Risk Analysis (carried out in February 2022), there was a considerable reduction in the risk index linked to COVID-19, which is currently medium-low.

OTHER INFORMATION

RELATED-PARTY TRANSACTIONS

It should be noted that the ALA Group has adopted a specific “Procedure for Related-Party Transactions” (hereinafter, the “Procedure”) – approved by the Board of Directors on 15 July 2021 and subsequently amended with resolution dated 31 December 2022, with effect as of 1 July 2022 – pursuant to the “Provisions relating to transactions with related parties” issued by Consob with Regulation 17221 of 12 March 2010, and the “Provisions on related party transactions” issued by Borsa Italiana S.p.A. applicable to the issuers of shares admitted to trading on the Euronext Growth Milan market (the “Provisions”), and in implementation of Article 2391-bis of the Italian Civil Code. The aforementioned Procedure is available on the company’s website (www.alacorporation.com, Investor Relations section, Corporate Documentation area, under Procedures and Regulations). Pursuant to Article 5, Paragraph 8, of the Regulation, please note that at 31 December 2022 no material transactions (as defined in Article 1) or transactions with related parties that had a significant impact on the consolidated balance sheet or on the results of the Group in the reference period were concluded. Finally, it should be noted that there were no changes or developments in the related-party transactions described in the 2021 Management Report. Group transactions with directly or indirectly controlled, associated and investee companies concern the reciprocal supply of goods, services and loans, and take place under normal market conditions. The details of relations with these companies are provided below.

In any case, we emphasize that these relationships are governed by normal market conditions.

Reconciliation of Trade Payables / Receivables	ALA Spa	
	Receivables	Payables
A.I.P. ITALIA	128,342	(1,200,890)
Total	128,342	(1,200,890)

Reconciliation of Costs / Revenues	ALA Spa	
	Costs	Revenues
A.I.P. ITALIA	510,118	18,000
Total	510,118	18,000

It should be noted that the receivables recorded in the financial statements at 31 December 2022 towards the parent company AIP Italia SpA refer to commercial transactions, which took place under normal market conditions and according to contractual agreements.

At December 31, 2022, the payables recorded towards the parent company amounted to approximately Euro 1,200,890 and are almost entirely related to the tax debt, as established in the tax consolidation contract between the parties.

The income items recorded in the financial statements as at 31 December 2022 refer for 510,118 Euros to the remuneration of financial costs, coming from the guarantees provided by the parent company A.I.P. Italia SpA, under the three-year contract signed in 2021, and ratified by the Board of Directors on 24 June 2021, and for 18,000 Euros to revenues for intragroup services, provided to the parent company.

PERSONNEL INFORMATION

At the end of 2022, the Group counted 256 employees in Pozzuoli, Mostra d'Oltremare, Turin, Cameri, Brindisi (all in Italy), New York (US), London (UK), Toulouse (France), Gallarate (Italy), Tel Aviv (Israel) and Hamburg (Germany), with a net change of approximately 2 units in 2022. The table below shows the details of employment numbers for the three-year period.

	2020	2021	2022
Average workforce	261	254	256

New hires usually undergo training periods with Company internships, apprenticeships, fixed-term or permanent contracts, based on the provisions of individual labor laws in the various countries.

In 2022, organizational restructuring processes continued following the international expansion of the Group, in terms of:

- The adoption of a series of Group-wide policies and procedures, a project which will continue until all regulatory needs have been mapped;
- The implementation of Group cost-saving policies with the aim of making best use of the total volumes of services purchased.

QUALITY & COMPLIANCE

Quality Management Systems

In financial year 2022, the Company completed activities aimed at maintaining certification for the Quality Management System according to the AS 9120 rev. B and ISO:9001:2015 standards, operating at a Group level. The audit was completed on 28/07/2022 and the external Evaluators did not find any non-compliance.

In addition to certification audits, in 2022 audits were also carried out at our companies (for a total of 28 audits) and our suppliers (total of 11 audits). The results of these controls were recorded in the Quality Management System and all corrective measures that emerged are completed or in the implementation phase. In any case, no significant deviations from the reference standard were found.

Export Compliance

The Company confirmed the reduction of efforts necessary to complete export procedures for military material. Thanks to the reduction of the Military Goods List kept by the National Business Register and the demilitarization of various items previously classified as “military”, in 2022 only one export (intra-community transfer) to the affiliate ALA Germany GmbH was recorded.

Environmental Management System

In financial year 2022, the Group Parent Company ALA SpA confirmed the continuous monitoring and updating of its Environmental Management System, whose certification (according to ISO 14001:2015) was renewed in December 2022 without any findings expressed by the third-party evaluators.

Plastic Consumption – Workplace

The Company continued pursuing its project to reduce the use of plastic in the workplace. In fact, all employees of the ALA Group were given customized thermal water bottles and the Company installed purified water dispensers at the Naples and Pozzuoli offices, and a freestanding water dispenser at the Gallarate office. In the first months of 2021, the ALA Group completed the installation of purified water dispensers at the San Maurizio Canavese office and freestanding water dispensers at the Rome office. In recent months, the Company also replaced the plastic cups and stirrers in coffee vending machines with environmentally sustainable alternatives at its Pozzuoli, Naples and San Maurizio Canavese offices.

Energy Efficiency

The installation of photovoltaic panels on the warehouse infrastructure in San Maurizio Canavese was completed, which have ensured the energy independence of the site since October 2021.

Information Security Management System

In 2022, the subsidiary ALA North America confirmed its Certification according to the ISO 27001:2013 standard. This certificate is set to expire on 1 February 2024.

It is currently being assessed whether to extend this certification to the Naples headquarters in order to obtain multi-site certification in the second half of 2023.

Tax Consolidation

Since fiscal year 2012, the Group has adhered to the IRES (Corporate Income Tax) Consolidation Scheme for the companies incorporated under Italian law; the parent company AIP Italia Spa is responsible for filing the consolidated tax returns for IRES purposes.

Financial Instruments

In 2021, the Group Parent Company entered into an Interest Rate Swap agreement on the loan granted by BNL and in March 2022, signed a new Interest Rate Swap agreement on the loan granted by BPER.

As regards the interest rate derivatives outstanding at 31 December 2022, the Group adopted the simplified model laid down by OIC Accounting Standard 32 for simple hedging relationships, since they concerned derivative financial instruments that have similar characteristic to the hedged item, entered into under market conditions and with a fair value close to zero at the initial recognition date.

Privacy Security Measures

The Principle of respect for the Privacy and dignity of each individual employee is fundamental for the Group which, as part of the business carried out, collects and processes the personal data, sensitive and otherwise, of its employees and the natural and/or legal persons with whom it has relations or relationships. This processing, where foreseen, is carried out with the consent of the data subjects in accordance with the methods and limits established by law.

Own Shares

With the minutes of the Extraordinary Shareholders' Meeting of 1 February 2021, the cancellation of own shares (3,700 shares with a par value of Euro 100.00 each) was resolved, equal to 5% of share capital at the date of purchase. Given that indication of the shares' par value was eliminated, the cancellation of 3,700 own shares resulted exclusively in the reduction of the number of shares representing the share capital, without reducing the amount of the latter, and therefore in the simultaneous increase in the book value of the residual shares.

Monetary Revaluations

Pursuant to Article 10 of Italian Law 72 of 19 March 1983, as also referred to in subsequent monetary revaluation laws, it should be noted that no monetary revaluation was carried out for the assets still held by the Company.

Assets and/or Loans allocated to a Specific Business Transaction

It should be noted that at the closing date of the consolidated financial statements at 31 December 2022, there were no assets or loans allocated to a specific business transaction pursuant to Article 2427, Paragraph 1, Points 20-21, of the Italian Civil Code.

Management and Coordination

It should be noted that since 18 January 2021, the Group controlled by A.I.P. Italia SpA is no longer subject to the management and coordination of the latter.

Amount and Nature of Exceptional Revenue / Cost Items

There are no revenue / cost items of an exceptional size or impact in this document.

SIGNIFICANT EVENTS DURING THE YEAR

Multi-Year Framework Agreement with Dassault Aviation

After winning an international tender, the ALA Group, through its French subsidiary ALA France, signed a multi-year framework agreement with Dassault Aviation for the provision of Service Provider activities. ALA will design, develop and manage a brand-new logistics platform dedicated to the complete management and distribution of Class C components required by Dassault Aviation for aircraft production and assembly. In financial year 2022, all preparatory activities for the start-up of operations were launched.

In particular, significant progress was made in the negotiation of TPAs (Tripartite Agreements). These negotiations are underway between the ALA Group, Dassault Aviation and the manufacturing companies whose components will be managed by the ALA Group for the production and assembly of the customer's aircraft, and between the ALA Group, Dassault Aviation and the subcontractors of Dassault Aviation that will receive services from the logistics platform of the ALA Group.

Business and Development Activities

Despite the disruptive factors described in the context of the macroeconomic framework in which ALA operates, in financial year 2022 the Group recorded (i) a robust increase in tender activity for spot orders and distribution supply contracts, (ii) an improvement in the percentage of contracts awarded with respect to the value offered and (iii) a significant increase (+64%) in distribution order intake compared to the same period in 2021, not to mention the acquisition of an exceptional volume of orders for spare parts for the C130J program. This success was possible thanks to the intensification of several marketing campaigns, previously inhibited by travel restrictions, and the continuous efficiency of collaboration between the various ALA sales forces, especially in Europe.

SCP Sintersa Acquisition

At the end of September 2022, the ALA Group continued its growth through external lines with the acquisition of the entire share capital of S.C.P. S.A. SUMINISTROS DE CONECTORES PROFESIONALES and of SINTERSA SISTEMAS DE INTERCONEXION, S.A., companies dealing with the production of assemblies of electrical interconnection systems, an adjacent and complementary segment to those in which the ALA Group is already active. Thanks to this synergistic acquisition, the ALA Group will be able to expand its product portfolio, which ranges from fasteners to indirect materials, to raw materials and now electrical interconnection systems, significantly implementing its offer and, specifically, its ability to offer tailor-made services, designed to meet the specific needs of its customers.

The SCP Sintersa Group, in operation for over 35 years, is present in Spain with its headquarters and production hub in Madrid, a second production site in Seville and commercial offices in Barcelona, as well as in Lisbon (Portugal). The SCP Sintersa Group has over 200 employees and more than 1000 active customers.

The Transaction also strengthens the position of both companies in the European market and opens the way for high-potential global growth opportunities. Customers will benefit from a complete range of products and engineered technical solutions, capable of simplifying and streamline supply chain operations.

In the final quarter of 2022, commercial (sales/procurement), managerial and financial integration activities were launched for the Spanish companies. A significant number of new commercial opportunities with both existing and new customers have been recorded, with excellent progress of the programs currently in the prototype stage.

Hitachi Agreement

In financial year 2022, ALA launched business relations with the customer Hitachi through the supply of materials for distribution. As regards the procurement agency agreement previously announced at the time of listing, during the period under review the customer continued working to resolve the technical problems associated with the transport platform covered by the aforementioned agreement. ALA attended the InnoTrans trade fair in Berlin, Germany, in September 2022 to strengthen its commercial relations with both Hitachi and other main players in the rail sector.

SIGNIFICANT EVENTS AFTER 31 December 2022

Integration of ALA Israel in the SAP 4/HANA Management System

In the second half of 2022, the integration of the subsidiary ALA Israel in the Group management system was completed. On 1 January 2023, ALA Israel went live on SAP 4/HANA, making it possible to optimize the control, interaction and development of activities at the Israeli subsidiary, aimed at the commercial development of the key customer IAI. This major milestone also harmonized the Group activities of ALA Israel, streamlining its management in line with other subsidiaries.

New ALA Germany Operational Headquarters

In agreement with the new General Manager, the Group seized the opportunity to transfer the operational headquarters of ALA Germany. On 23 January 2023, the headquarters of ALA Germany moved from Neumarkt to Hamburg, which is known for being the main German aviation hub. This action will make it possible to obtain multiple advantages, from greater proximity to the main customers, both current and potential, to greater attractiveness for specialized resources.

New ALA UK Operational Headquarters

In the UK, the transfer of the British subsidiary's operational headquarters from Walton-On-Thames to Esher was also deemed appropriate, which took place on 1 March 2023. The new site, located just a few miles away from the historic headquarters in Walton-On-Thames, will allow ALA UK to offer its employees a working environment in line with ALA standards and to support the desired future growth of the business.

GOING CONCERN

The consolidated financial statements at 31 December 2022 were drawn up on a going-concern basis, after considering the provisions of OIC Accounting Standard 11 and Article 2423-bis of the Italian Civil Code and having analyzed all available and useful elements in this regard. For this purpose, please refer to the information

disclosed in the other sections of this management report, namely the assessment of risks and uncertainties to which the Group is exposed, the analysis of performance for the year, the analysis of related-party transactions and the significant events that occurred during the year.

In financial year 2022, the performance of the ALA Group improved compared to previous years, achieving a good level of capitalization and excellent profitability.

In line with the provisions of OIC Accounting Standard 11, the Directors can reasonably assume that, due to the foregoing and on the basis of the 2021-2024 Business Plan, which is currently being updated in light of the changed market conditions, the Group Parent Company and the Group will continue to operate for the foreseeable future. The Directors therefore considered it appropriate to prepare the Consolidated Financial Statements at 31 December 2022 based on the going-concern assumption.

BUSINESS OUTLOOK

In 2023, the Group will continue to pursue the objectives of the 2021-2024 Business Plan approved by the Board of Directors on 24 June 2021 with even greater determination and the support of a targeted commercial strategy.

The Business Plan envisages, among other things, the expansion of the offer portfolio of ALA S.p.A. and all Group companies with the aim of maintaining a balanced mix of revenues between Distribution and Service Provider activities, between production and maintenance/repair, and between activities in the commercial and military segments, while encouraging diversification into other markets such as rail and defense. This mix should make it possible to mitigate any fluctuations in the trend of individual segments and, ultimately, position the Group to achieve the expected results again in 2023.

The development of revenues and margins has been mapped on a path that forecasts significant growth, thanks to commercial expansion and consolidation of the market share in various countries.

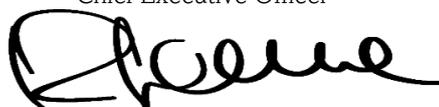
Moreover, the macroeconomic context of the reference market in which ALA operates could represent a great opportunity that the Group is ready to seize. In any case, the guidelines underlying the 2021-2024 Business Plan focus on further strengthening the positioning of the Company and the Group among the leading global players, thanks to the contribution of its subsidiaries with their diverse offer portfolio, direct presence in markets characterized by the highest growth rates and increasingly consolidated commercial structures. Finally, the Company will continue to implement cost containment measures in order to maintain a constant improvement in EBITDA.

Naples, 28 March 2023

On Behalf of the Board of Directors

Roberto Tonna

Chief Executive Officer



02_CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET ASSETS

	31/12/2022	31/12/2021
B) Fixed Assets		
I – Intangible Assets		
1) Start-up and Expansion Costs	2,715,389	2,721,905
4) Concessions, Licenses, Trademarks and Similar Rights	398,566	521,164
5) Goodwill	25,742,237	2,127,152
6) Assets in Progress and Advance Payments	1,114,308	622,199
7) Other	1,124,247	1,462,140
<i>Total Intangible Assets</i>	<i>31,094,746</i>	<i>7,454,561</i>
II – Tangible Assets		
1) Land and Buildings	556,198	583,679
2) Plant and Machinery	1,064,470	217,904
3) Industrial and Commercial Equipment	1,239,249	497,929
4) Other Assets	560,372	314,408
5) Assets in Progress and Advance Payments	-	1,226
<i>Total Tangible Assets</i>	<i>3,420,289</i>	<i>1,615,146</i>
III – Financial Assets		
1) Equity Investments		
d-bis) Other Companies	20,000	20,000
<i>Total Equity Investments</i>	<i>20,000</i>	<i>20,000</i>
2) Receivables		
d-bis) Other Receivables	-	-
due within the following year	325,844	315,651
<i>Total Receivables</i>	<i>325,844</i>	<i>315,651</i>
4) Derivative Financial Instruments	190,475	1,200
<i>Total Financial Assets</i>	<i>536,319</i>	<i>336,851</i>
<i>Total Fixed Assets (B)</i>	<i>35,051,354</i>	<i>9,406,557</i>
C) Current Assets		
I – Inventories		
4) Finished Products and Goods	63,670,681	49,764,197
5) Down Payments	2,296,767	1,384,087
<i>Total Inventories</i>	<i>65,967,448</i>	<i>51,148,284</i>
II – Receivables		
1) Receivables from Customers	25,710,596	20,674,185
due within the following year	25,710,596	20,674,185
4) Receivables from Parent Companies	128,342	136,382
due within the following year	128,342	136,382
5-bis) Tax Receivables	3,746,380	4,868,311
due within the following year	3,746,380	4,868,311
5-ter) Deferred Tax Assets	755,596	427,099
5-quater) Other Receivables	920,590	569,199
due within the following year	920,590	569,199
<i>Total Receivables</i>	<i>31,261,503</i>	<i>26,675,176</i>
IV – Cash and Cash Equivalents		
1) Bank and Postal Deposits	28,893,330	28,949,016
3) Cash at Hand and in Bank	4,583	3,531
<i>Total Cash and Cash Equivalents</i>	<i>28,897,879</i>	<i>28,952,547</i>
<i>Total Current Assets (C)</i>	<i>126,126,865</i>	<i>106,776,007</i>
D) Prepayments and Accrued Income	551,879	409,119
Total Assets	161,730,099	116,591,683

BALANCE SHEET LIABILITIES

	31/12/2022	31/12/2021
A) Shareholders' Equity		
I – Share Capital	9,500,000	9,500,000
II – Share Premium Reserve	17,900,000	17,900,000
IV – Legal Reserve	1,750,253	1,448,653
VI - Other Reserves, separately indicated		
Advance for Future Capital Increase	1,719,998	1,719,998
Consolidation Reserve	1,191,947	1,191,947
Translation Reserve	377,498	146,175
Rounding Reserve	-	-
<i>Total Other Reserves</i>	<i>3,289,443</i>	<i>3,058,120</i>
VII – Reserve for Expected Cash Flow Hedges	190,475	(280,838)
VIII - Profits (losses) Carried Forward	19,939,020	18,976,373
IX – Profit (loss) for the Year	7,692,270	6,048,802
X - Negative Reserve for Own Shares in Portfolio	-	-
Total Shareholders' Equity Attributable to the Group	60,261,461	56,651,109
Shareholders' Equity Attributable to Non-Controlling Interests		
Capital and Reserves Attributable to Non-Controlling Interests	56,719	118,717
Profit (Loss) for the Year Attributable to Non-Controlling Interests	130,419	73,496
Total Shareholders' Equity Attributable to Non-Controlling Interests	187,138	192,213
Total Consolidated Shareholders' Equity	60,448,599	56,843,322
B) Provisions for Risks and Charges		
2) Provisions for Taxes, including deferred	-	230,392
3) Provisions for Derivative Financial Instruments	-	289,538
4) Other	665,779	287,185
Total Provisions for Risks and Charges	665,779	807,116
C) Employee Severance Indemnity	346,106	321,052
D) Payables		
3) Payables for Shareholder Loans	-	-
4) Payables to Banks	56,750,996	33,764,183
due within the following year	10,830,846	12,421,652
due after the following year	46,067,021	21,342,531
5) Payables to Other Lenders	698,465	142,568
due within the following year	698,465	142,568
6) Advance Payments	803,300	156,063
due within the following year	803,300	156,063
7) Accounts Payable	34,382,856	19,789,381
due within the following year	34,382,856	19,789,381
11) Payables to Parent Companies	1,200,890	1,868,211
due within the following year	1,200,890	1,868,211
12) Tax Payables	2,504,477	919,418
due within the following year	2,504,477	919,418
13) Payables to Social Security Institutions	696,606	435,696
due within the following year	696,606	435,696
14) Other Payables	2,932,168	1,337,706
due within the following year	2,932,168	1,337,706
<i>Total Payables</i>	<i>100,116,630</i>	<i>58,413,225</i>
E) Accrued Expenses and Deferred Income	152,985	206,967
Total Liabilities	161,730,099	116,591,683

CONSOLIDATED INCOME STATEMENT

	31/12/2022	31/12/2021
A) Value of Production		
1) Revenues from Sales and Services	155,330,713	129,663,149
2) Change in Inventories of WIP, Semi-Finished and Finished Products	1,161,583	-
4) Increases in Capitalized Costs	582,231	580,235
5) Other Revenues and Income		
a) Grants	406,597	307,142
b) Other	1,242,963	159,222
<i>Total Other Revenues and Income</i>	<i>1,649,561</i>	<i>466,364</i>
<i>Total Value of Production</i>	<i>158,724,087</i>	<i>130,709,748</i>
B) Cost of Production		
6) Cost of Raw, Ancillary and Consumable Materials and Goods for Resale	116,630,134	83,581,141
7) Service Costs	9,585,294	7,498,699
8) Leasehold Costs	2,427,750	1,927,754
9) Labor Costs		
a) Wages and Salaries	12,246,105	9,672,066
b) Social Security Costs	2,847,386	2,084,123
c) Employee Severance Indemnity	657,357	544,080
e) Other Costs	906,545	481,388
<i>Total Labor Cost</i>	<i>16,657,392</i>	<i>12,781,657</i>
10) Amortization & Depreciation and Write-downs		
a) Amortization of Intangible Assets	2,059,730	1,703,027
b) Depreciation of Tangible Assets	438,863	428,541
c) Other Write-Downs of Fixed Assets	-	-
d) Write-Downs of Current Receivables and Cash and Cash Equivalents	639,232	381,784
<i>Total Amortization & Depreciation and Write-Downs</i>	<i>3,137,825</i>	<i>2,513,352</i>
11) Changes in Raw, Ancillary and Consumable Materials and Goods for Resale	(4,891,520)	10,741,548
12) Provisions for Risks	40,000	-
14) Other Operating Expenses	1,498,004	336,838
<i>Total Production Cost</i>	<i>145,084,878</i>	<i>119,380,990</i>
Difference Between Value and Cost of Production (A - B)	13,639,209	11,328,757
C) Financial Income / Charges		
15) Income from Equity Investments	-	-
a) Income from Investments in Subsidiaries	-	-
<i>Total Income from Equity Investments</i>	<i>-</i>	<i>-</i>
a) Income from Non-Current Receivables		
Other	217,497	19,501
<i>Total Income Other Than the Above</i>	<i>217,497</i>	<i>19,501</i>
<i>Total Other Financial Income</i>	<i>217,497</i>	<i>19,501</i>
17) Interest and Other Financial Charges		
Other	2,933,038	2,270,753
<i>Total Interest and Other Financial Charges</i>	<i>2,933,038</i>	<i>2,270,753</i>
17-bis) Gains and Losses on Foreign Exchange	(69,681)	(100,560)
<i>Total Financial Income / Charges (15+16-17+-17-bis)</i>	<i>2,645,860</i>	<i>2,351,812</i>
D) Financial Adjustments:		
18) Revaluations:		
d) of Derivative Financial Instruments	-	1,200
<i>Total Revaluations</i>	<i>-</i>	<i>1,200</i>
19) Write-downs:		
a) of Equity Investments	-	-
d) of Derivative Financial Instruments	-	221,617
<i>Total Write-Downs</i>	<i>-</i>	<i>221,617</i>
<i>Financial Adjustments</i>	<i>-</i>	<i>220,417</i>
Earnings Before Tax (A-B+-C+-D)	10,993,349	8,756,528

20) Income Taxes for the Year - Current, Deferred and Prepaid		
a) Current taxes	3,966,404	716,648
b) Taxes Relating to Previous Years	(235,816)	11,561
c) Deferred and Prepaid Taxes	(509,555)	(406,567)
d) Income (Charges) from Tax Consolidation/Transparency Regime	(50,374)	(2,313,588)
<i>Total Income Taxes for the Year - Current, Deferred and Prepaid</i>	<i>3,170,660</i>	<i>2,634,230</i>
21) Profit (Loss) for the Year	7,822,689	6,122,298
Profit (Loss) for the Year Attributable to Non-Controlling Interests	130,419	73,496
Profit (Loss) for the Year Attributable to the Group	7,692,270	6,048,802

CONSOLIDATED CASH FLOW STATEMENT

	31/12/2022	31/12/2021
A) Cash Flows from Operating Activities (Indirect Method)		
Profit (Loss) for the Year	7,822,689	6,122,298
Income Taxes	3,170,660	2,634,230
Interest Expenses/(Income)	1,878,253	2,351,812
(Dividends)	-	-
(Capital Gains)/Losses Deriving from the Disposal of Assets	-	-
1) Profit (Loss) for the Year Before Income Taxes, Interest, Dividends and Capital Gains/Losses	12,871,602	11,374,163
Adjustments for Non-Cash Items Not Offset in Net Working Capital	-	-
Provisions	1,108,736	409,157
Amortization & Depreciation of Fixed Assets	2,498,592	2,131,568
Write-downs for Impairment Losses	1,702,894	381,784
Adjustments for Non-Cash Financial Assets and Liabilities Related to Derivative Financial Instruments	223,823	220,417
Other adjustments for non-cash items	1,762,523	(61,282)
<i>Total Adjustments for Non-Cash Items Not Offset in Net Working Capital</i>	<i>7,296,567</i>	<i>3,081,646</i>
2) Cash Flow Before Changes in Net Working Capital	20,168,170	14,189,985
Changes in Net Working Capital		
Decrease/(Increase) in Inventories	(6,719,431)	9,717,570
Decrease/(Increase) in Accounts Receivables	(458,351)	(4,689,780)
Increase/(Decrease) in Accounts Payables	9,871,279	(4,836,268)
Decrease/(Increase) in Prepayments and Accrued Income	(142,760)	(169,389)
Increase/(Decrease) in Accrued Expenses and Deferred Income	(53,982)	(22,938)
Other Decreases/ (Other Increases) in Net Working Capital	933,185	(1,908,225)
<i>Total Changes in Net Working Capital</i>	<i>3,429,940</i>	<i>(1,909,027)</i>
3) Cash Flow After Changes in Net Working Capital	23,598,109	12,580,959
Other Adjustments		
Interest Collected/(Paid)	(1,172,737)	(1,582,904)
(Income Taxes Paid)	(2,196,151)	(797,721)
Dividends Collected	-	-
(Use of Provisions)	(1,627,160)	(525,206)
Other Collections/(Payments)	-	-
<i>Total Other Adjustments</i>	<i>(4,996,048)</i>	<i>(2,905,830)</i>
Cash Flow from Operating Activities (A)	18,602,062	9,375,128
B) Cash Flows from Investing Activities		

Tangible Assets		
(Investments)	(1,221,217)	(462,816)
Disposals	-	-
Intangible Assets		
(Investments)	(2,407,830)	(2,844,111)
Disposals	-	-
Financial Assets		
(Investments)	(10,193)	(233,081)
Disposals	-	12,096
Disposal of Subsidiaries or Business Units Net of Cash and Cash Equivalents *	(33,414,728)	-
Cash Flow from Investing Activities (B)	(37,053,969)	(3,527,911)
C) Cash Flows from Financing Activities		
Borrowings		
Increase/(Decrease) in Short-Term Payables to Banks	(4,429,494)	(807,129)
New Loans	35,500,000	7,500,000
(Loan Repayments)	(8,429,132)	(8,466,235)
Self-Financing		
Capital Increases	-	20,000,000
(Other Reserves)	-	-
Disposal/(Purchase) of Own Shares	-	-
(Dividends and Interim Dividends Paid)	(4,244,100)	(3,370,000)
Cash Flow from Financing Activities (C)	18,397,274	14,856,636
Increase (Decrease) in Cash and Cash Equivalents (A ± B ± C)	(54,634)	20,703,853
Exchange Effect on Cash and Cash Equivalents		
Cash and cash equivalents acquired or disposed of through the acquisition/sale of subsidiaries	2,062,096	-
Opening Balance of Cash and Cash Equivalents		
Bank and Postal Deposits	28,949,016	8,246,308
Cheques	-	-
Cash at Hand and in Bank	3,531	2,386
Total Cash and Cash Equivalents at the Start of the Period	28,952,547	8,248,694
<i>of which unavailable</i>		
Closing Balance of Cash and Cash Equivalents		
Bank and Postal Deposits	28,893,330	28,949,016
Cheques	-	-
Cash at hand and in bank	4,583	3,531
Total Cash and Cash Equivalents at the End of the Period	28,897,913	28,952,547
<i>of which unavailable</i>	-	-

* details of acquisitions made in 2022, effective October 1, 2022

	Suministros De Conectores Profesionales S. A	Sistemas De Interconexion, S. A.
Price paid including ancillary charges	9.412.458	26.064.366
Total assets acquired (fair value)	8.312.810	12.211.365
7% of SCP held by Sintorsa	(238.963)	238.963
Total liabilities acquired (fair value)	(3.850.178)	(4.213.247)
Goodwill	5.188.789	18.066.248

03_EXPLANATORY NOTES

GENERAL INFORMATION

The Group Parent Company ALA SpA is a joint-stock company based in Naples (Italy), listed on the Euronext Growth Milan segment managed by Borsa Italiana (Euronext Growth Milan: ALA) since 20 July 2021. The Company, along with the other Group companies, is a leading international supply chain partner in the Aerospace, Defense, Rail and High-Tech sectors. For over 35 years, the Group has been the go-to reference partner for the management and distribution of high-performance products, services and engineering solutions capable of simplifying and optimizing the supply chain management operations of its customers. With headquarters in Naples, Italy, the ALA Group – together with its latest acquisition, S.C.P. Sintersa – relies on the talent of over 500 employees and the strength of a growing network of sales offices and operational sites in Europe (Italy, Spain, Portugal, the UK, France and Germany), Israel and North America.

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

The Consolidated Financial Statements at 31 December 2022 and these Explanatory Notes were drawn up in accordance with the provisions of the Italian Civil Code on financial reporting as amended by Italian Legislative Decree 139/15, in implementation of European Directive 2013/34 and in compliance with the provisions of the “Issuers’ Regulations – Euronext Growth Milan” and the provisions of the national accounting standards and interpretative documents issued by the Organismo Italiano di Contabilità (the Italian Accounting Body) in force at 31 December 2022. The Consolidated Financial Statements comprise the Balance Sheet (prepared using the format envisaged by Articles 2424 and 2424-bis of the Italian Civil Code), the Income Statement (prepared using the format envisaged by Article 2425 and 2425-bis of the Italian Civil Code), the Cash Flow Statement (prepared pursuant to Article 2425-ter of the Italian Civil Code), drawn up also in view of the adaptations provided for in the OIC, 17, and these Explanatory Notes.

The Explanatory Notes serve the purpose of outlining, analyzing and, in some cases, integrating the data of the financial statements, also disclosing the information required by Article 2427 of the Italian Civil Code in line with the regulatory changes introduced by Italian Legislative Decree 139/15 and with the provisions of the national accounting standards and interpretative documents issued by Organismo Italiano di Contabilità (the Italian Accounting Body) in force on 31 December 2022..

The financial statements of the subsidiaries have been suitably adjusted, where necessary, for alignment with the accounting standards adopted by the Group Parent Company.

The reference date of the Consolidated Financial Statements coincides with the end of the financial year for all companies included in the scope of consolidation. The financial statements approved by the Shareholders’ Meetings or administrative bodies of the individual companies or, where unavailable, the pro-forma accounting statements prepared by their administrative bodies were used for consolidation.

The Consolidated Financial Statements under review are shown with the comparative data of the previous year. In addition, a Statement of reconciliation between the shareholders’ equity and the result for the year of the Group Parent Company and those of the consolidated accounts was drawn up.

The items of the consolidated Balance Sheet and Income Statement are presented according to the format envisaged by Articles 2424 and 2425 of the Italian Civil Code with the addition of the necessary consolidation items, pursuant to Article 32 of Italian Legislative Decree 127/91.

The Balance Sheet and Income Statement items, ordered using Arabic numerals and capital letters, envisaged by Articles 2424 and 2425 of the Italian Civil Code were not indicated in case of a zero balance in both the current year and the comparative period shown.

The typical consolidation items with a zero balance in the both the current year and the comparative period shown were also omitted.

The Cash Flow Statement shows the positive and negative changes in cash and cash equivalents during the reporting period and was drawn up according to the indirect method using the format envisaged by OIC Accounting Standard 10.

The Consolidated Financial Statements at 31 December 2022 were prepared in Euro units pursuant to Article 2423, Paragraph 5, of the Italian Civil Code and the conversion of accounting data, expressed in Euro cents, into balance sheet data, expressed in Euro units, took place by rounding.

The figures stated in the Explanatory Notes, unless otherwise specified, are expressed in Euros. The preparation of the Consolidated Financial Statements at 31 December 2022 did not entail the need for derogations for exceptional cases, as provided for by Article 29, Paragraph 4, of Italian Legislative Decree 127/1991.

The Consolidated Financial Statements at 31 December 2022 of the Group were approved by the Board of Directors on 28 March 2023, as indicated in the financial calendar available on the Company's website, with publication on the same date.

These Consolidated Financial Statements are audited by PricewaterhouseCoopers SpA.

SCOPE OF CONSOLIDATION

The Consolidated Financial Statements at 31 December 2022 of the ALA Group were prepared using the accounting statements of the company ALA SpA and its subsidiaries pursuant to the provisions of Article 26 of Italian Legislative Decree 127/1991.

Consequently, the Consolidated Financial Statements at 31 December 2022 were drawn up with line-by-line consolidation of the operating results, financial position and cash flows of the Group Parent Company ALA SpA at 31 December 2022 and the operating results, financial position and cash flows at 31 December 2022 of the subsidiaries listed below:

Company	Headquarters	% Ownership	Parent Company	Core Business	Year End
A.L.A. SpA	Naples (IT)	Group Parent Company	A.I.P. Italia SpA	Logistics and Distribution	31/12
Aerel Srl	Rome (IT)	100	A.L.A. SpA	Logistics and Distribution	31/12
A.L.A. North America Inc.	New York (US)	100	A.L.A. SpA	Logistics and Distribution	31/12
Westbury Electronics Inc.	New York (US)	100	A.L.A. SpA	Logistics and Distribution	31/12
A.L.A. France Sas	Toulouse (FR)	100	A.L.A. SpA	Logistics and Distribution	31/12
A.L.A. UK Ltd	London (GB)	100	A.L.A. SpA	Logistics and Distribution	31/12
ALA Yail Aerotech Israel LTD	Tel Aviv (IL)	51	A.L.A. SpA	Logistics and Distribution	31/12
ALA Germany GmbH	Hamburg (DE)	60	A.L.A. SpA	Logistics and Distribution	31/12
SUMINISTROS DE CONECTORES PROFESIONALES S. A	Madrid (ES)	100	A.L.A. SpA	Production and Distribution	31/12
SISTEMAS DE INTERCONEXION, S. A	Madrid (ES)	100	A.L.A. SpA	Production and Distribution	31/12

The financial statements, as described above, were suitably adjusted, where necessary, in order to align the accounting entries of the same according to the consolidation rules, or to unify them with the uniform accounting standards of the Group, in line with those provided by Italian Legislative Decree 127 of 9 April 1991 as subsequently amended.

List of Equity Investments in Subsidiaries:

Company Name	City, if in Italy, or Foreign Country	Share Capital in Euro (*)	Profit (Loss) for the Last Year in Euro (*)	Shareholders' Equity in Euro (*)	Shareholding in Euro (*)	Shareholding %	Book Value
Westbury Electronic Service Inc	USA (New York)	18,751	(163,751)	1,773,657	1,773,657	100.00	2,079,960
A.L.A. North America Inc.	USA (New York)	46,878	217,307	3,948,452	3,948,452	100.00	2,545,390
ALA Uk ltd	UK (London)	112,748	212,218	8,095,509	8,095,509	100.00	10,010,755
ALA France Sas	France (Toulouse)	2,409,524	176,099	3,071,551	3,071,551	100.00	4,610,755
ALA Yail Aerotech Israel LTD (*)	Israel (Tel Aviv)	5,326	249,141	1,399,936	713,967	51.00	1,000,000
Aerel Srl	Italy (Rome)	10,710	3,116	243,392	243,392	100.00	205,133
ALA Germany GmbH	Germany (Hamburg)	195,000	20,850	331,708	199,025	60.00	308,000
Suministros De Conectores Profesionales S. A	Spain (Madrid)	60,101	269,229	4,683,512	4,683,512	100.00	9,677,758
Sistemas De Interconexion, S. A	Spain (Madrid)	60,101	850,249	8,842,793	8,842,793	100.00	26,799,066

(*) Data from financial statement as at 31.12.2022 pro-forma

(**) Data as per financial statements approved by the respective corporate bodies, according to local accounting standards.

The list of additional minority shareholdings in other companies, held directly or indirectly by ALA Spa, and not included in the scope of consolidation, is shown below:

Company Name	City, if in Italy, or Foreign Country	Share Capital in Euro	Profit (Loss) for the Last Year in Euro	Share Capital in Euro	Shareholding in Euro	Shareholding %	Book Value
Distretto Tecnologico Aerospaziale della Campania S.C.A R.L. (data at 31/12/2021)	VIA Partenope, 5 80122 NAPLES	907,500	-	827,501	20,629	2.27	20,000

Main Criteria Adopted for Defining the Scope of Consolidation and Applying the Equity Valuation Principles

The Consolidated Financial Statements at 31 December 2022 are based on the accounting statements at 31 December 2022 of ALA S.p.A. (Group Parent Company) and the companies in which the Group Parent Company directly or indirectly holds the majority of votes exercisable in the Ordinary Shareholders' Meeting, or the companies over which it exercises a controlling influence by virtue of a contract or by-laws clause, where permitted by applicable law, or the companies in which it has total control of the majority of voting rights based on agreements with other shareholders. More specifically, subsidiaries are companies over which the Group exercises control either through direct or indirect possession of the majority of voting rights, or as a result of exercising a controlling influence expressed by the power to determine the financial and management decisions of the companies, obtaining the relative benefits regardless of participatory relationships. These equity investments are consolidated using the line-by-line method.

ALA S.p.A. does not have any equity investments held-for-sale, which in any case would be measured at the lower value between purchase cost and realizable value based on market trends.

The Group's scope of consolidation also includes equity investments in associated companies, in the event the investor holds a stake of more than 20%; above this percentage, significant influence by the investor is assumed, understood as the possibility of participating in the determination of financial and management decisions for the investee without having control over the latter, unless, in the presence of such shareholding, the non-existence of significant influence can be clearly demonstrated. Equity investments in associated companies as defined above are measured using the equity method. However, ALA S.p.A. does not hold any equity investments in associated companies.

Changes in the Scope of Consolidation

On 30 September 2022, the Group Parent Company, with deed of the notary Ramon Garcia – Torrent Carballo, acquired full ownership of the shares of SUMINISTROS DE CONECTORES PROFESIONALES S.A (hereinafter, also SCP) and SISTEMAS DE INTERCONEXION, S.A (hereinafter, also Sintersa), which thus became wholly-owned directly subsidiaries of the Group Parent Company. Following the acquisition, the Group, which is already present in the UK, France, Germany, Israel and the US, as well as in Italy, entered the Spanish market by acquiring national leaders in the distribution of electrical components, and in the design and production of interconnection systems for the aerospace, defense, rail and industrial sectors.

Consolidation Methods

The following consolidation methods were adopted pursuant to Articles 31, 32 and 33 of Italian Legislative Decree 127 of 9 April 1991 as subsequently amended and in accordance with the provisions of OIC Accounting Standard 17:

1. The accounting statements of the companies in the scope of consolidation are adjusted for alignment with the accounting standards adopted by the Group and any other adjustments necessary for consolidation purposes are made.
2. The accounting statements to be consolidated, adjusted as described in Point 1 above, are aggregated regardless of the shareholding percentage.
3. The book value of the equity investments is eliminated against their shareholders' equity, while the assets and liabilities of the investee companies are recognized according to the line-by-line consolidation method. Any difference that emerges from the elimination of the equity investments is accounted for as follows:
 - (i) the positive difference is charged, where possible, to each identifiable asset acquired, within the limit of the current value of such assets and, in any case, for values not exceeding their recoverable value. If the positive difference from cancellation is not entirely allocated to separately identifiable assets and liabilities, the remainder is recognized among intangible assets under the item "Goodwill", unless fully or partially recognized in the Income Statement;
 - (ii) the negative difference is charged, where possible, as a reduction of the assets recorded for amounts higher than their recoverable value and to the liabilities recorded for amounts lower than their settlement value. Any negative remainder, if attributable to the completion of a good deal and not to the forecast of unfavorable operating results, is recognized in a specific "Consolidation Reserve" under consolidated Shareholders' Equity. Any negative elimination difference remaining after the above allocations, if related in whole or in part to the forecast of unfavorable operating results, is accounted for in a specific "Consolidation provision for future risks and charges" entered in under the liability item "B) Provisions for Risks and Charges".
4. The total amount of assets, liabilities, costs and revenues of the consolidated companies were recognized, regardless of the size of the equity investment held.
5. The portions of shareholders' equity and the result for the year attributable to minority interests are entered, respectively, in specific items of the Balance Sheet ("Capital and Reserves Attributable to Non-Controlling Interests" and "Profit/Loss for the Year Attributable to Non-Controlling Interests") and Income Statement "Profit/Loss for the Year Attributable to Non-Controlling Interests").
6. The elimination of the equity investments included in the consolidation and the corresponding portions of shareholders' equity is carried out on the basis of the book values referring to year end. The write off the difference shall be determined on the date of consolidation which is the date of acquisition of control or the date on which the undertaking is first included in the consolidation only if the necessary information is not available.
7. Receivables, payables, revenues and costs and all significant transactions between the companies included in the scope of consolidation are eliminated.
8. Dividends distributed by the consolidated companies during the year were eliminated.
9. Capital gains deriving from transfers of fixed assets between consolidated companies were eliminated.
10. Write-downs and revaluations of equity investments in consolidated companies recorded under Fixed Assets were eliminated.

The Consolidated Financial Statements at 31 December 2022 are drawn up in Euro, which is the functional and presentation currency adopted by the Group Parent Company. All Group companies define their own

functional currency, which is used to measure the items included in their individual accounting statements. The translation of accounting statements expressed in foreign currency into Euro is carried out using:

- (i) the year-end exchange rate for balance sheet items, with the exception of shareholders' equity items, which are converted at the historical exchange rate at the date of entry;
- (ii) the average exchange rate for the financial year for income statement items.

Translation differences are directly charged to consolidated Shareholders' Equity under the item "Translation Reserve" included in "Other Reserves".

Balance sheet items are converted in Euro using the year-end exchange rates, while income statement items are converted into Euro using the average exchange rates for the reference period. The difference between the result for the year deriving from the conversion at average exchange rates and that resulting from the conversion at year-end exchange rates, and the effect of changes in exchange rates between the start and the end of the year on assets and liabilities are recorded in Shareholders' Equity under the account "Foreign currency translation reserve".

The exchange rates applied for the conversion of accounting statements not expressed in Euro are shown below:

Exchange Rates at 31 December	2022
EUR / USD	1.0666
EUR / GBP	0.8869
EUR / ILS	3.7554
<i>Source: Bank of Italy</i>	
Average Exchange Rates at 31 December	2022
EUR / USD	1.0530
EUR / GBP	0.8528
EUR / ILS	3.5345
<i>Source: Bank of Italy</i>	

BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

In accordance with Article 2423 of the Italian Civil Code, the principle of "relevance" (Article 29, Paragraph 3-bis, D.lgs 127/1991) was taken into consideration, which provides for the possibility of non-compliance with obligations in terms of recognition, measurement, presentation and disclosure of the financial statements, where the effects of such non-compliance are irrelevant for the purposes of providing a true and fair view. Furthermore, pursuant to the provisions of Article 2423-bis of the Italian Civil Code, the principle of "prevalence of substance over form" was taken into account, according to which the recognition and presentation of items were carried out based on the "substance of the transaction or contract". With the introduction of this principle, reference to the economic function of assets and liabilities was eliminated, in favor of the prevalence of the economic substance of the transaction or contract with respect to the legal form. In compliance with the provisions of Article 2423-bis of the Italian Civil Code, the following principles were observed during the preparation of the Consolidated Financial Statements at 31 December 2022:

- The measurement of items in the consolidated financial statements was carried out on a prudential and accrual basis, based on the going-concern assumption; the recognition and presentation of items were carried out taking into account the substance of the transaction or contract, where compatible with the provisions of the Italian Civil Code and the OIC Accounting Standards.
- The application of the principle of prudence resulted in the individual measurement of the elements making up each asset or liability item, to avoid offsetting losses that should have been recognized and unrealized gains that should not have been recognized. In particular, profits were included only if realized by the closing date of the financial year, while risks and losses pertaining to the financial year were taken into account, even if known after year end.
- The application of the accrual basis resulted in the effect of transactions being recorded in the accounts of the financial year to which they refer and not in the year in which their collections and payments were made.
- The preparation of the Consolidated Financial Statements at 31 December 2022 required making estimates that affect the value of assets and liabilities and their related disclosure.
- These estimates are periodically reviewed and the effects of any changes, if not derived from errors, are recognized in the income statement for the year in which they are found to be necessary and appropriate, if such changes only affect one financial year, and in the following years if the changes affect both current and subsequent years.
- The continuity of application of the valuation criteria over time is a necessary element for the comparability of the company's financial statements in the various years.

Translation of Items in Foreign Currency

Foreign currency assets and liabilities of a non-monetary nature are shown in the balance sheet at the exchange rate at the time of their acquisition, i.e., at their initial cost of recording (historical exchange). Differences in exchange rates, positive or negative, realised on receipt or payment of foreign currency assets or liabilities are shown in the profit and loss account.

Foreign currency items shall be converted into the balance sheet at the spot exchange rate at the end of the financial year. The related foreign exchange gains and losses are recognised in the profit and loss account for the year. Any net profit deriving from these differences, as not definitively realized, is set aside in a special reserve unavailable until realized (for the portion of the Parent Company).

Measurement Criteria

During the period under review, there were no exceptional cases requiring the application of derogations from the measurement criteria pursuant to Article 2423, Paragraph 5, of the Italian Civil Code, since incompatible with providing a true and fair view of the Group's operating results, financial position and cash flows.

No other asset revaluations were carried out during the year pursuant to special laws on the subject. For the preparation of the Consolidated Financial Statements at 31 December 2022, the same measurement criteria adopted by the Group Parent Company were applied, suitably adjusted to take into account the provisions of Italian Legislative Decree 127/91 concerning the preparation of the consolidated financial statements.

The measurement criteria adopted for the preparation of the Consolidated Financial Statements at 31 December 2022 are shown below.

Fixed Assets

Fixed assets were recorded at purchase and/or production cost. Production costs do not include indirect costs or financial charges, since these cannot be attributed according to an objective criterion.

Capitalization is justified by future economic benefit and must be supported by reasonable forecasts of economic recovery through the profits expected in the following years.

Pursuant to Article 10, of Law 72 of 19 March 1983, and as referred to in subsequent monetary revaluation laws, it should be noted that no monetary revaluations have ever been carried out for the tangible and intangible assets still recorded in the balance sheet.

Intangible Assets

Intangible assets, where the conditions established by accounting standards are met, are recorded under balance sheet assets at purchase and/or production cost and are amortized on a straight-line basis according to their future economic benefit.

The value of intangible assets is stated net of provisions for amortization and write-downs.

Amortization is carried out according to the following plan, which is believed to ensure the correct allocation of the cost incurred over the useful life of the fixed assets in question:

Intangible Assets Items	Period
Start-up and Expansion Costs	5 years
Concessions, Licenses, Trademarks and Similar Rights	5 years
Goodwill	10/20 years
Leasehold Improvements	The lower between useful life and residual duration of the contract
Other Intangible Assets	5 years

The criterion for the amortization of intangible assets is applied systematically and in each financial year, in relation to the residual economic use of each asset or expense. Pursuant to Article 10 of Law 72 of 19 March 1983, and as referred to in subsequent monetary revaluation laws, it should be noted that no monetary revaluations have ever been carried out for the intangible assets still recorded in the balance sheet.

It should be noted that no write-downs of intangible assets or long-term charges recorded under the Intangible Assets item were necessary pursuant to Article 2426, Paragraph 1, Point 3, of the Italian Civil Code since, as provided by OIC Accounting Standard 9, no impairment indicators for intangible assets were found. In this regard, please note that, in accordance with OIC Accounting Standard 9, in the presence of specific impairment indicators, the recoverable value of the fixed asset is determined as the higher value between the value-in-use and the fair value, net of selling costs. Value-in-use is understood as the net present value of the cash flows expected from an asset or cash-generating unit, while fair value is understood as the amount obtainable from the sale of an asset in an ordinary transaction between market operators at the measurement date.

Goodwill, acquired for consideration, has been recognised as assets for an amount equal to the cost incurred thereof and is amortised according to its useful life. For the purposes of its recording and accounting treatment, goodwill represents only the part of the consideration recognized for consideration, not attributable to the individual assets acquired by a company but rather attributable to its intrinsic value.

The value of goodwill is determined by the difference between the total price incurred for the acquisition of the business or business unit (or the contribution value of the same or the cost of acquisition of the acquired or merged company, or of the assets transferred from the company being divided to the recipient company) and the current value attributed to the other assets and liabilities that are transferred.

Depreciation of goodwill shall be carried out according to its useful life. The useful life is estimated at the time of initial recognition of goodwill and is not changed in subsequent years. To calculating the estimated useful life of goodwill, the company shall take into account the information available to estimate the period within which the economic benefits associated with goodwill are likely to materialise.

In the process of estimating the useful life, useful reference points are used:

1. the period within which the company expects to enjoy the additional economic benefits linked to the favorable earnings prospects of the company subject to aggregation and to the synergies generated by the extraordinary transaction. Reference is made to the period in which the additional economic benefits can reasonably be expected;
2. the period of time within which the company expects to recover, in financial or income terms, the investment made (so-called payback period) on the basis of what is formally provided by the company's decision-making body;
3. the weighted average of the earnings of the main assets (core assets) acquired through the business combination (including intangible assets).

Where the application of the above elements results in an estimate of the useful life of goodwill exceeding ten years, the objective facts and circumstances supporting such an estimate shall be taken into account. In any case, the useful life of goodwill shall not exceed twenty years. In exceptional cases where it is not possible to estimate its useful life reliably, goodwill shall be depreciated over a period not exceeding ten years.

Regardless of the amortization already accounted for, if the recoverable value is found to be lower than the corresponding net book value, the fixed asset is recorded at that lower value. The difference is recognized in the Income Statement as an impairment loss. Impairment losses on intangible assets are classified under item B.10.c) of the Income Statement. If in subsequent years the conditions for impairment no longer apply, the original value is restored, adjusted for amortization.

In the absence of potential impairment indicators, it is not necessary to determine the recoverable value. It should be noted that no write-downs pursuant to Article 2426, Paragraph 1, Point 3, of the Italian Civil Code were necessary since, as provided by OIC Accounting Standard 9, no impairment indicators for intangible assets were found at 31 December 2022.

Tangible Assets

Tangible assets, recognized at the date on which the associated risks and benefits of the acquired asset are transferred, are recorded in the consolidated financial statements at purchase cost, increased by any ancillary

charges incurred until the assets are ready for use and in any case within the limit of their recoverable value. These assets are entered under consolidated balance sheet assets, net of provisions for depreciation and write-downs.

The book value of the assets, divided into homogenous groups by nature and year of acquisition, is distributed over the years in which they will presumably be used. This procedure is carried out through the systematic allocation of depreciation rates to the income statement, defined at the time the asset is available and ready for use, with reference to the estimated residual life of the assets. These depreciation plans, subject to annual verification, refer to the gross value of the assets, assuming a residual value of zero at the end of the process. The depreciation of tangible assets, whose use is limited over time, is carried out according to the following plan:

Tangible Assets Items	Depreciation Rate %
General systems	15%
Equipment	15%
Telephones	20%
Furniture and furnishings	12%
Electronic and accounting equipment	20%
Various and small equipment	40%
Décor	10%
Forklifts	20%
Trucks	20%
Molds	15%
Lightweight buildings	10%
Industrial buildings	3%

Any disposals of assets (sales, scrapping, etc.) during the year resulted in the elimination of their residual value. Any difference between the book value and disposal value was recognized in the Income Statement.

For assets purchased during the year, the above rates were halved since the depreciation rate thus obtained does not differ significantly from the rate calculated starting from the time at which the asset is available and ready for use.

The depreciation criteria adopted for tangible assets did not differ from those applied in the previous year. Pursuant to Article 10 of Law 72 of 19 March 1983, and as referred to in subsequent monetary revaluation laws, it should be noted that no monetary revaluations have ever been carried out for the tangible assets still recorded in the balance sheet.

It should be noted that no write-downs were necessary pursuant to Article 2426, Paragraph 1, Point 3, of the Italian Civil Code since, as provided by OIC Accounting Standard 9, no impairment indicators for tangible assets were found.

In accordance with OIC Accounting Standard 9, in the presence of specific impairment indicators, the recoverable value of the fixed asset is determined as the higher value between the value-in-use and the fair value, net of selling costs. Value-in-use is understood as the net present value of the cash flows expected from an asset or cash-generating unit, while fair value is understood as the amount obtainable from the sale of an asset in an ordinary transaction between market operators at the measurement date.

Regardless of the depreciation already accounted for, if the recoverable value is found to be lower than the corresponding net book value, the fixed asset is recorded at that lower value. The difference is recognized in the Income Statement as an impairment loss. Impairment losses on tangible assets are classified under item B.10.c) of the Income Statement. If in subsequent years the conditions for impairment no longer apply, the original value is restored, adjusted for depreciation.

In the absence of potential impairment indicators, it is not necessary to determine the recoverable value. It should be noted that no write-downs pursuant to Article 2426, Paragraph 1, Point 3, of the Italian Civil Code were necessary since, as provided by OIC Accounting Standard 9, no impairment indicators for tangible assets were found at 31 December 2022.

Financial Assets

Equity Investments

Equity investments recorded under Financial Assets are valued at purchase cost. The cost is reduced for impairment losses in the event that the investees have incurred losses which are not expected to be absorbed by profits in the immediate future. The impairment loss is determined by comparing the financial statement value of the investment with its recoverable value, determined on the basis of the future benefits expected to accrue to the investee's economy. Equity investments recorded under Fixed Assets represent a long-lasting and strategic investment by the Group.

Receivables

Receivables, including those recognized under Financial Assets, are recorded in the consolidated financial statements according to the amortized cost method on an accrual basis, taking into account the presumed realizable value. In particular, the initial book value is represented by the nominal value of the receivable, net of any premiums, discounts and rebates, and inclusive of any costs directly attributable to the transaction that generated the receivable. Transaction costs, any commission income or expenses and any differences between the initial value and the nominal value at maturity are included in the calculation of amortized cost using the effective interest method.

For the purposes of providing a true and fair view of the Group's operating result and financial position, receivables for which the application of the amortized cost and/or discount method is deemed irrelevant are entered at their presumable realizable value. This was the case, for example, for receivables due within less than 12 months, or with reference to the amortized cost method in the event that the transaction costs, commissions and other differences between the initial value and maturity value were immaterial, or with reference to the discount method in the presence of an interest rate inferable from the contractual conditions that did not differ significantly from the market interest rate.

Payables

Payables are recognized in the consolidated financial statements according to the amortized cost method, as defined by Article 2426, Paragraph 2, of the Italian Civil Code, on an accrual basis, in line with the provisions of Article 2426, Paragraph 1, Point 8, of the Italian Civil Code. For the purposes of providing a true and fair view of the Group's operating result and financial position, payables which the application of the amortized cost and/or discount method is deemed irrelevant are entered at their nominal value. This was the case, for

example, for payables due within less than 12 months, or with reference to the amortized cost method, in the event that the transaction costs, commissions and other differences between the initial value and maturity value were immaterial, or with reference to the discount method, in the presence of an interest rate inferable from the contractual conditions that did not differ significantly from the market interest rate.

The classification of payables among the various payables items is carried out based on their nature (or origin) with respect to ordinary management, regardless of their maturity.

Inventories

Inventories of goods are recognized at the lower value between purchase and/or production cost and realizable value based on market trends. The purchase cost includes any directly attributable ancillary charges.

Finished Products and Goods

The cost of inventories of finished products and goods was calculated using the weighted average cost per movement. As this is a homogenous product category, the measurement of all Group inventories is carried out using the weighted average cost method per movement. In any case, the value of finished products is never higher than their market value.

Down payments to suppliers for the purchase of goods included in inventories recognized under item C.1.5 are initially recorded on the date on which the obligation to pay arises, or in the absence of such obligation, at the time they are paid.

Receivables

Receivables recorded in current assets were recognised in the financial statements according to the amortised cost criterion, as defined by art. 2426 c.2 of the Italian Civil Code, considering the time factor and the estimated realizable value, in accordance with the provisions of art. 2426, paragraph 1, n. 8 of the Civil Code.

For receivables for which the application of the amortised cost method and/or discounting was verified for the purposes of the need to give a true and correct representation of the company's financial position and economic position, the recording was maintained according to the presumed realisable value.

This has occurred, for example, in the case of receivables with a maturity of less than twelve months or, with reference to the criterion of amortised cost, where transaction costs, commissions and any other difference between initial value and maturity value are of minor importance or, again, in the case of discounting, where there is an interest rate deducible from the contractual conditions that is not significantly different from the market interest rate.

A special provision for write-downs is set up against possible risks of insolvency, the adequacy of which with respect to positions of doubtful collectability is checked periodically and, in any case, at the end of each financial year, considering both the situations of non-collectability already manifested or considered probable, and the general economic conditions, sector and country risk.

In the case of factoring transactions with assignment with substantial transfer of all credit risks, the Company proceeds to cancel the receivables on the balance sheet. In the case of non-recourse disposals and disposals that do not transfer substantially all the inherent risks, the receivable remains recorded in the balance sheet.

Accruals and deferred income

Accruals and deferred income included portions of costs and revenues attributable to the year but payable in subsequent years and portions of costs and revenues incurred by the end of the year, but attributable to subsequent years, according to the accrual principle. In the presence of multi-year items, the conditions that had determined their registration were verified by making the necessary changes.

Cash equivalents

Cash and cash equivalents at the end of the year are measured at nominal value. Cash and cash equivalents denominated in foreign currencies are valued at year-end exchange rates.

Own Shares

Treasury shares are recorded in the consolidated financial statements for a value corresponding to their purchase cost through the recognition of a negative reserve "Negative reserve for treasury shares in portfolio" which, pursuant to Article 2424 of the Italian Civil Code, is included among the items of equity.

Provisions for Risks and Charges

Provisions are allocated to cover losses or payables of a certain or probable nature, the amount or date of occurrence of which could not be determined at year end. The general criteria of prudence and accrual are observed during the measurement of these provisions, and no generic provisions for risks are made without economic justification.

Potential liabilities are recognized in the consolidated financial statements and recorded under provisions as deemed probable and since the amount of the related charge can be reasonably estimated. These include the provision for deferred taxes, which represents the amount of income taxes due in future years referring to temporary taxable differences.

Remote risks are not taken into account. The provisions represent the best possible estimates based on the information available at the preparation date of the consolidated financial statements.

Employee Severance Indemnity

Employee Severance Indemnity covers all indemnities accrued by employees at the end of the financial year on the basis of current legislation (Article 2120 of the Italian Civil Code) and collective labor agreements, net of any use.

The provision corresponds to the total of the individual positions accrued at 31 December 2006 in favor of employees at the reporting date, net of advances paid, and is equal to the amount that would have been paid to employees in case of termination of employment on such date. The provision does not include Employee Severance Indemnity accrued starting from 1 January 2007, which is allocated to supplementary pension

schemes pursuant to Italian Legislative Decree 252/2005 or transferred to the INPS (Social Security Institute) Treasury.

Income Taxes

Income taxes are allocated on an accrual basis and therefore represent:

- the estimated tax burden pertaining to the year, determined on the basis of the effective tax rate;
- adjustments to the balances of deferred tax assets and liabilities to take into account changes that occurred during the year.

Deferred tax liabilities and assets are calculated on temporary differences between the values of assets and liabilities determined according to statutory criteria and the corresponding values recognized for tax purposes. Their valuation is carried out taking into account the presumed tax rate that the Company is expected to observe in the year in which these differences will contribute to the formation of the tax result, considering the rates in force or already issued at the balance sheet date and are placed respectively in the "deferred tax provision" recorded in the liabilities between the provisions for risks and charges and in item 5 ter) "deferred tax receivables" of current assets.

Deferred tax assets are recognised for all deductible temporary differences, with respect to the principle of prudence, if there is reasonable certainty of the existence in the years in which they will be accrued of taxable income not less than the amount of the differences that will be canceled. By contrast, deferred taxes are recognised on all taxable temporary differences.

Deferred taxes relating to reserves under tax suspension are not recognised if there is little likelihood of distributing such reserves to shareholders.

Recognition of Revenues and Costs

Revenues from the sale of products and costs for the purchase of the same are recognized at the time of transfer of all risks and benefits associated with ownership, which generally coincides with the delivery or shipment of the goods. Revenues of a financial nature, those deriving from the provision of services, and costs for services, are recognized, on an accrual basis, at the time the service is provided. Revenues and income, costs and charges relating to transactions in foreign currency are determined at the current exchange rate on the date on which the related transaction is completed.

Finance Lease Transactions

Finance lease transactions are classified as leasing where it involves the transfer to the lessee of the risks and rewards inherent in the assets covered by them (Article 2427(22) of the Civil Code). A lease transaction which cannot be defined as financial under national law is classified as an operating lease.

Finance lease transactions are shown in the Consolidated Financial Statements according to the financial method, recognizing the financial charge (on an accrual basis over the duration of the contract) corresponding to the excess of total instalments over the cost (normal value) of the asset leased. The value of the asset is recorded under Tangible Assets on the date the contract comes into force at the normal value of the asset and the redemption price envisaged by the contract (net of interest calculated using the financial method on the residual principal), with the corresponding recognition of a debt for the same amount due to the leasing

company under Liabilities, which is progressively reduced based on the repayment of principal included in the contractual instalments. The value of the asset, recorded under balance sheet assets, is systematically depreciated to take into account the residual useful life of the same.

On the other hand, operating lease transactions are represented in the Consolidated Financial Statements by recognizing the instalments paid in the Income Statement on an accrual basis.

Guarantees, Commitments, Leasehold Assets and Risks

Risks related to personal or collateral guarantees for third party debts are recorded for an amount equal to the guarantee issued; the amount of third-party debt guaranteed at the reporting date, if lower than the guarantee issued, is specified in these Explanatory Notes. Commitments are stated at nominal value, taken from the related documentation.

Risks for which the occurrence of a liability is probable are described in the Explanatory Notes and a provision is set aside according to the criteria of fairness. Risks for which the occurrence of a liability is only possible are described in the Explanatory Notes, without allocation of a provision for risks according to the reference accounting standards. Remote risks are not taken into account.

Derivative Financial Instruments

Derivative financial instruments, even if incorporated in other financial instruments, are initially recognised when their rights or obligations are acquired; their valuation is made at fair value both at the initial recognition date and at each balance sheet date. The accounting for hedging derivatives differs according to the hedging objective, which can be to hedge changes in fair value (fair value hedge) or to hedge changes in future cash flow hedge.

In the first case (fair value hedge) changes in fair value compared to the previous year are recognised in the income statement; in the case of instruments that cover the risk of changes in the expected cash flow hedges of another financial instrument or a planned transaction, changes are recorded in a positive equity reserve.

Derivative financial instruments with positive fair value are recognised as assets on the balance sheet. Their classification in fixed or outstanding assets depends on the nature of the instrument itself:

1. a derivative financial instrument hedging cash flows or the fair value of an asset follows the classification, in current or fixed assets, of the hedged asset;
2. a derivative financial instrument hedging cash flows and fair value of a liability, a irrevocable commitment or a highly probable planned transaction is classified as current assets;
3. A non-hedging derivative is classified as current assets within the following financial year.

Changes in the fair value of the effective component of cash flow hedge are recognised in the reserve for hedging expected cash flows. Derivative financial instruments with negative fair value are recorded in the balance sheet among the Funds for risks and charges.

As regards the interest rate derivatives outstanding at 31 December 2022, the Group adopted the simplified model Organismo Italiano di Contabilità (the Italian Accounting Body) laid down by OIC Accounting Standard 32 for simple hedging relationships, since they concerned derivative financial instruments that have similar

characteristic to the hedged item, entered into under market conditions and with a fair value close to zero at the initial recognition date.

Information on Balance Sheet Assets

The amounts recorded in the Balance Sheet were valued according to the provisions of Article 2426 of the Italian Civil Code and in compliance with the National Accounting Standards. The specific criteria applied for individual items are illustrated in the relevant sections.

Fixed Assets

Intangible Assets

Intangible Assets amounted to Euro 31,094,746 and were recorded at purchase cost, including ancillary costs and net of amortization.

Description	Initial Value	Final Value	Change	% Change
1) Start-up and Expansion Costs	2,721,905	2,715,389	(6,517)	-0%
4) Concessions, Licenses, Trademarks and Similar Rights	521,164	398,566	(122,599)	-24%
5) Goodwill	2,127,152	25,742,237	23,615,085	1,110%
6) Assets in Progress and Advance Payments	622,199	1,114,308	492,109	79%
7) Other	1,462,140	1,124,247	(337,893)	-23%
Total	7,454,561	31,094,746	23,640,185	317%

The breakdown of individual items and changes during the year are shown in the table below:

Description	Start-Up and Expansion Costs	Concessions, Licenses, Trademarks and Similar Rights	Goodwill	Assets in Progress and Advance Payments	Other Intangible Assets	TOTAL
Net Value at Start of Year	2,721,905	521,164	2,127,152	622,199	1,462,140	7,454,561
Increases	721,710	213,671	24,255,036	582,231	6,220	25,778,869
Decreases	-	-	-	(90,123)	-	(90,123)
Translation Differences	(5130)	-	-	-	16,298	(11,169)
Amortization	(723,097)	(336,269)	(639,951)	-	(360,412)	(2,059,730)
Net Value at End of Year	2,715,389	398,566	25,742,237	1,114,308	1,124,247	31,094,746

Start-Up and Expansion Costs amounted to Euro 2,715,389 and referred mainly to (i) start-up costs (acquisition of logistics activities) related to the start of operations of the subsidiary ALA Israel for approximately Euro 672 thousand, and (ii) for the remainder, to the costs incurred by the Group Parent Company in relation to listing on the Euronext Growth Milan market, and for a study on its product portfolio diversification strategy. This item includes increases of approximately Euro 25,002 related to the new Spanish companies, included for the first time into the scope of consolidation.

Start-up costs (and the costs of listing on Euronext Growth Milan assimilated to them) are capitalized and amortized over a period of 5 years as these costs are directly attributable to the new activity and are limited to those incurred in the period prior to the time of possible start-up and as a future income prospect is reasonable.

Concessions, Licenses, Trademarks and Similar Rights, totaling Euro 398,566, referred to capitalized expenses relating primarily to the purchase of user licenses for the SAP 4HANA management software and Qlik business intelligence software, their implementation and specific consultancy for the entire Group. The item also included the investment in the in-house software created for the “augmented reality” project that integrates

computer vision and machine learning technologies with the aim of supporting material procurement and supply operations for customers.

Goodwill amounted to Euro 25,742,237 net of amortization for the year and referred to the goodwill incorporated in the purchase price for the two Spanish companies Sintersa and SCP for Euro 24,255 thousand, and goodwill incorporated in the purchase price for the companies ALA France and ALA UK for Euro 1,675 thousand, and goodwill generated with the acquisition of ALA Germany, for approximately Euro 102 thousand.

Relate to goodwill recognized in response to the acquisitions of ALA France, ALA UK and ALA Germany, it should be noted that the Company has a useful life of 10 years.

Relate to goodwill recognized in response to the acquisition of the Spanish group, there is an estimated payback period of more than 20 years (calculated with a WACC of approximately 9%). On the basis of these findings, the mentioned goodwill is amortized for a duration of 20 years starting from 1 October 2022.

On 30 September 2022, ALA S.p.A. completed the purchase of 100% of the shares of Suministros De Conectores Profesionales S. A and Sistemas De Interconexion, S. A. ("SCP Sintersa Group") for a maximum total consideration of EUR 43 million. Part of the consideration, equal to 8 million euros, will be paid as an earn-out over three years, only upon the achievement by the SCP Sintersa Group of specific growth targets set in terms of turnover and EBITDA, to be verified at the end of the financial years 2022, 2023 and 2024 (of which Euro 1 million already registered at 31 December 2022).

	Suministros De Conectores Profesionales S. A	Sistemas De Interconexion, S. A.
Price paid including ancillary charges	9.412.458	26.064.366
Total assets acquired (fair value)	8.312.810	12.211.365
7% of SCP held by Sintersa	(238.963)	238.963
Total liabilities acquired (fair value)	(3.850.178)	(4.213.247)
Goodwill	5.188.789	18.066.248

It should be noted that the values of the assets and liabilities acquired are recorded at fair value as at 30 September 2022, which correspond to the book value that can be inferred from the financial statements of the companies at the same date.

For these goodwills, despite the absence of impairment indicators, as the results achieved in 2022 are substantially in line with the Company's business plan, an analysis was carried out of the recoverability of carrying values, using cash flows based on the multi-year plans drawn up for the individual companies.

Assets in Progress and Advance Payments, equal to Euro 1,114,308, referred to expenses incurred by the Group Parent Company for the "augmented reality" project currently being developed for approximately Euro 218 thousand, and for the remainder to internal work capitalized in France for the realization of the Dassault project.

Other Intangible Assets amounted to Euro 1,124,247 and mainly included expenses for leasehold improvements incurred by the Group Parent Company for the renovation of the leased offices at the headquarters in the Teatro Mediterraneo – Mostra d'Oltremare complex in Naples.

Amortization for the year was recorded in the Income Statement for a total of Euro 2,059,730.

Increases compared to the previous year mainly referred to investments made by the Group Parent Company ALA SpA.

Tangible Assets

Tangible Assets amounted to Euro 3,420,289 and were recorded at purchase cost, including ancillary costs and net of depreciation.

Description	Initial Value	Final Value	Change	% Change
1) Land and Buildings	583,679	556,198	(27,480)	-5 %
2) Plant and Machinery	217,904	1,064,470	846,566	389 %
3) Industrial and Commercial Equipment	497,929	1,239,249	741,320	149 %
4) Other Assets	314,408	560,372	245,964	78 %
5) Assets in Progress and Advance Payments	1,226	-	(1,226)	-100 %
Total	1,615,146	3,420,289	1,805,144	112 %

The breakdown of individual items and changes during the year are shown in the table below:

Description	Land and Buildings	Plant and Machinery	Industrial and Commercial Equipment	Other Assets	Assets in Progress and Advance Payments	TOTAL
Net Value at Start of Year	583,679	217,904	497,929	314,408	1,226	1,615,145
Increases	-	972,056	853,489	344,862	-	2,170,406
Decreases/Other Changes	-	-	43,080	-	(1,226)	41,854
Translation Differences	-	-	(525)	32,271	-	31,746
Depreciation	(27,480)	(125,490)	(154,724)	(131,169)	-	(438,863)
Net Value at End of Year	556,198	1,064,470	1,239,249	560,372	-	3,420,289

Land and Buildings amounted to Euro 556,198 and referred to the properties, mainly warehouses, owned by the Group Parent Company.

Plant and Machinery, totaling Euro 1,064,470, consisted of various systems owned by the Group Parent Company: electrical, fire and alarm systems, telephone equipment, including the OIC 17 reclassification for Euro 535 thousand, used for consolidation purposes, of the leasing agreement signed by the Group Parent Company for a “4.0 company network, with systems for monitoring and controlling the working conditions of production systems, interfaced with information systems and cloud solutions”. This item includes increases of approximately Euro 332,579 related to the new Spanish companies, included for the first time into the scope of consolidation.

Industrial and Commercial Equipment for Euro 1,239,249 included various small equipment, warehouse shelving and other miscellaneous equipment. The increase during the year under review is attributable to ALA France (Euro 270 thousand), the Group Parent Company (Euro 71 thousand) and equipment contributed by the newly acquired Spanish companies Sintorsa and SCP (Euro 512 thousand) due to their entry into the scope of consolidation. This item includes increases of approximately Euro 475,958 related to the new Spanish companies, included for the first time into the scope of consolidation.

Other Assets, with a net worth of Euro 560,372, included office furniture and furnishings, mainly for the headquarters at Mostra d'Oltremare in Naples, and various electronic machinery and forklifts. This item includes increases of approximately Euro 182,506 related to the new Spanish companies, included for the first time into the scope of consolidation.

Depreciation for the year was recorded in the Income Statement for a total of Euro 438,863.

Financial Assets

Financial assets at 31 December 2022 amounted to Euro 556,319, broken down as follows:

Equity Investments

The details of equity investments, directly or indirectly held in other companies and not included in scope of consolidation, are shown below:

Company Name	City, if in Italy, or Foreign Country	Share Capital in Euro	Profit (Loss) for the Last Year in Euro	Share Capital in Euro	Shareholding in Euro	Shareholding %	Book Value
Distretto Tecnologico Aerospaziale della Campania S.C.A R.L. (data at 31/12/2021)	VIA Partenope, 5 80122 NAPLES	907,500	-	827,501	20,629	2.27	20,000

Financial Assets – Receivables

Receivables classified under financial assets amounted to Euro 325,844.

The breakdown of the individual items and changes for the financial year at 31 December 2022 are shown in the table below:

Description	Initial Value	Final Value	Change
Other receivables (due within 12 months)	315,651	325,844	(10,193)
Total	315,651	325,844	(10,193)

The item “Other Receivables” refers mainly to the security deposits of the Group Parent Company and the subsidiary ALA France. Pursuant to Article 2427, Paragraph 6, of the Italian Civil Code, it should be noted that the Group does not have any residual receivables entered under financial assets with a maturity of more than 5 years.

Financial Assets – Derivative Financial Instruments

Description	Initial Value	Final Value	Change
Derivative Financial Instruments	1,200	190,475	(189,275)
Total	1,200	190,475	(189,275)

This item amounted to Euro 190,475 at December 2022 Euro 1,200 in the previous year). It refers to the positive fair value of derivative instruments hedging interest rate risk (Interest Rate Swaps) entered into by the Group Parent Company A.L.A. SpA with Unicredit SpA, Banca Nazionale del Lavoro and BPER Banca.

Bank	Transaction Type	Execution Date	Expiry Date	Initial Notional Value	Currency	Fair Value 2022 (Euro)
Unicredit MMX24928970	Interest Rate Swap	04/09/2019	31/03/2023	3,000,000	EUR	1,507
BPER IRG05064253	Interest Rate Swap with floor	23/03/2022	23/09/2023	3,000,000	EUR	13,157
Banca Nazionale del Lavoro IRG05064253	Interest Rate Swap with floor	03/08/2021	03/08/2025	5,000,000	EUR	175,811
Total						190,475

As regards the interest rate derivatives outstanding at 31 December 2022, the Group adopted the simplified model laid down by IAS 39 for simple hedging relationships, since they concerned derivative financial instruments that have similar characteristics to the hedged item, entered into under market conditions and with a fair value close to zero at the initial recognition date.

Current Assets

Current assets are measured according to the provisions of Article 2426, Points from 8 to 11-bis, of the Italian Civil Code. The criteria used for the respective items of the Consolidated Financial Statements are illustrated in the relevant paragraphs.

Inventories

Inventories at 31 December 2022 amounted to Euro 65,967,448 net of the provision for inventory obsolescence for Euro 5,671,214.

Description	Initial Value	Final Value	Change	% Change
Inventories of Finished Products	49,764,197	63,670,681	13,906,484	281%
Down Payments	1,384,087	2,296,767	912,680	66%
Total Inventories of Finished Products	51,148,284	65,967,448	14,819,164	29%

Inventories of Finished Products and Goods were mainly attributable to the management of the Provider contract with the customer Leonardo SpA. The warehouse shows typical rotation for the sector whose physiological nature is linked to the Service Provider activity carried out. The supplies of goods are scheduled at the request of the customer and are contractually bound to the long-term needs of the latter's production lines. The value is shown net of a specific provision for inventory obsolescence in relation to goods that are no longer suitable for the company's production plans or that are slow-moving. It should be noted that Service Provider contracts include safeguard clauses for obsolescence and slow-moving and/or non-moving materials purchased on behalf of the customer.

This item increased to a total of Euro 13,906,484, of which Euro 9,344,108 refers to the inventories of the newly acquired Spanish companies.

Inventories are recognized at the lower value between cost (calculated, for fungible goods, using the weighted

average cost criterion per movement) and realizable value based on market trends.

Changes in the provision for inventory obsolescence are shown below:

Changes in the Provision for Inventory Obsolescence	
Balance at 31/12/2020	5,212,742
Use during the year	-
Translation difference	291,560
Provision for the year	56,254
Balance at 31/12/2021	5,560,556
Changes in the Provision for Inventory Obsolescence	
Balance at 31/12/2021	5,560,556
Use during the year	(711,143)
Translation difference	(241,860)
Provision for the year	1,063,661
Balance at 31/12/2022	5,671,214

Down Payments refer to advance payments to suppliers for the purchase of finished products and goods.

Receivables in Current Assets

Receivables classified under current assets amounted to Euro 31,261,503 (Euro 26,675,176 in the previous year).

The breakdown of individual items and changes during the year are shown below:

Description	Initial Balance	Final Balance	Change
Receivables from Customers	20,674,185	25,710,596	5,036,411
Receivables from Parent Companies	136,382	128,342	(8,040)
Tax Receivables	4,868,311	3,746,380	(1,121,931)
Deferred Tax Assets	427,099	755,596	328,497
Other Receivables	569,199	920,590	351,390
Total	26,675,176	31,261,503	4,586,327

Receivables from Customers totaled Euro 25,710,596 and consisted of ordinary trade receivables, including invoices to be issued, net of any credit notes to be issued and the provision for doubtful debts. A specific provision for doubtful debts has been allocated to protect against possible insolvency risks, the adequacy of which is checked periodically and, in any case, at year end with respect to doubtful accounts, taking into consideration uncollectible positions that have already arisen or that are deemed probable, and general economic, sector and country risks. At 31 December 2022, this provision amounted to Euro 758,663, of which Euro 571,310 allocated to the provision for doubtful debts recorded in the financial statements of the Group Parent Company.

The Group carries out assignment of receivables through factoring companies. In the case of non-recourse assignment, which involves the substantial transfer of all credit risks, the receivables accounted are cancelled. In the case of non-recourse and non-recourse assignments that do not transfer substantially all the risks inherent in the credit, the latter remains accounted in the financial statements.

In case of non-recourse factoring transactions that involve the substantial transfer of all credit risks, the related receivables entered in the Balance Sheet are cancelled. In case of assignments with recourse or assignments without recourse that do not transfer all the inherent credit risks, such receivables remain recorded in the Balance Sheet.

	Initial Value	Use / Other Movements During the Year	Provisions for the Year	Final Value
Provision for Doubtful Debts	515,439	(396,008)	639,232	758,663

Receivables from Parent Companies, equal to Euro 128,342 referred to trade receivables recorded by Group Parent Company ALA SpA due from the Parent Company A.I.P. Italia SpA.

Tax Receivables equal to Euro 3,746,380, mainly included the VAT credit of the Group Parent Company for Euro 2,885,436, as well as tax credits that at 31 December 2022 amounted to Euro 381,287, including the “Innovation 4.0” credit for financial year 2022 equal to Euro 27,139, to be used over three years, credit for investments in capital goods for Euro 19,452, and “Bonus Sud” credit for Euro 209,564.

Deferred Tax Assets, equal to Euro 755,596, mainly consisted of the tax deferral associated with non-deductible foreign exchange losses. The directors of the Company reasonably expect the recovery of these prepaid taxes in relation to the expected future taxable income.

Other Receivables, equal to Euro 920,590, mainly referred to residual receivables due to the subsidiaries from third parties.

Pursuant to Article 2427, Point 6, of the Italian Civil Code, it should be noted that the Group does not have any residual receivables recorded under current assets with a maturity of more than 5 years.

The breakdown of Group receivables at 31 December 2022 by geographical area, net of the provision for doubtful debts, is shown in the table below:

Description	Italy	EU	Non-EU	Total
Receivables from Customers	9,876,395	9,560,510	6,273,692	25,809,35
Receivables from Parent Companies	128,342	-	-	128,342
Tax Receivables	3,270,741	-	475,639	3,746,380
Deferred Tax Assets	715,566	12,412	27,617	755,596
Other Receivables	64,371	602,969	253,250	920,590
Total	14,055,415	10,175,890	7,030,197	31,261,503

Cash and Cash Equivalents

Cash and Cash Equivalents were recorded at nominal value representing the estimated realizable value and consist of bank current account balances as well as cash balances. The item amounted to Euro 28,897,913 at 31 December 2022.

The details of changes in the individual items are shown in the table below:

Description	Initial Balance	Final Balance	Change	% Change
Bank and Postal Deposits	28,949,016	28,893,330	(55,685)	-0,2%
Cash in Hand and at Bank	3,531	4,583	1,052	30%
Total	28,952,547	28,867,913	(54,634)	-0,2%

For further details on the cash flows, please refer to the information shown in the Management Report and the Consolidated Cash Flow Statement.

Prepayments and Accrued Income

Prepayments and Accrued Income at 31 December 2022 amounted to Euro 551,879.

Description	Initial Balance	Final Balance	Change	% Change
Accrued Income	19,858	-	(19,858)	-100%
Multi-year Prepayments	449	-	(449)	-100%
Prepayments	388,812	551,879	163,067	42%
Total	409,119	551,879	142,761	35%

Accruals and deferred income refer to Euro 523,997 mainly to deferrals on software fees, database and telecommunications fees and maintenance of the Parent Company. It should be noted that at 31 December 2022 there were no items with a duration of more than 5 years.

Information on Balance Sheet Liabilities

Shareholders' Equity

Shareholders' Equity at 31 December 2022 amounted to a total of Euro 60,448,599 (Euro 56,843,322 at 31 December 2021), of which Euro 60,261,461 attributable to the Group, and Euro 187,138 attributable to non-controlling interests.

With reference to the year under review, changes in the individual items of Shareholders' Equity and the details of other reserves included in the Consolidated Financial Statements are shown in the tables below:

Description	Balance at 01/01/2021	Allocation Prior Results	Translation Differences	Dividend Distribution	Other Movements	Result for the Year	Balance at 31.12.2021
Shareholders' Equity:							
Attributable to the Group:							
I) Share Capital	7,400,000	-	-	-	2,100,000	-	9,500,000
II) Share Premium Reserve	-	-	-	-	17,900,000	-	17,900,000
IV) Legal Reserve	1,207,881	240,772	-	-	-	-	1,448,653
VI) Other Reserves, separately indicated							
Advance for Future Capital Increase	2,090,000	-	-	-	(370,000)	-	1,720,000
Euro Rounding	(2)	-	-	-	-	-	(2)
Consolidation Reserve	1,191,947	-	-	-	-	-	1,191,947
Translation Reserve	(1,233,220)	-	1,379,395	-	-	-	146,175
Total VI) Other Reserves, separately indicated	2,048,725	-	1,379,395	-	(370,000)	-	3,058,120
2.A.VII Reserve for Expected Cash Flow Hedges	(129,218)	-	-	-	(151,620)	-	(280,838)
VIII) Profits (Losses) Carried Forward	17,027,756	5,726,993	-	(3,370,000)	(408,376)	-	18,976,373
IX) Profit (Loss) for the Year	5,967,765	(5,967,765)	-	-	-	6,048,802	6,048,802
X) Negative Reserve for Own Shares in Portfolio	(370,000)	-	-	-	370,000	-	-
Total Shareholders' Equity Attributable to the Group:	33,152,909	-	1,379,395	(3,370,000)	19,440,004	6,048,802	56,651,110
Attributable to non-controlling interests:							
Capital and Reserves Attributable to Non-Controlling Interests	(9,324)	78,366	145,489	-	(95,814)	-	118,717
Profit (Loss) Attributable to Non-Controlling Interests	78,366	(78,366)	-	-	-	73,496	73,496
Total Shareholders' Equity Attributable to Non-Controlling Interests:	69,042	-	145,489	-	82,726	18,444	191,504
Total Shareholders' Equity:	33,221,951	-	1,524,884	(3,370,000)	19,344,190	6,122,298	56,843,323

Descrizione	Saldo al 01.01.2022	Giroconto risultato	Differenze traduzione	Distribuzione Dividendi	Altri movimenti	Risultato d'esercizio	Saldo al 31.12.2022
Patrimonio netto:							
Di spettanza del Gruppo:							
I) Capitale	9.500.000	-	-	-	-	-	9.500.000
IV) Riserva Legale	1.448.653	301.600	-	-	-	-	1.750.253
II) Riserva sovrapprezzo azioni	17.900.000	-	-	-	-	-	17.900.000
VI) Altre riserve, distintamente indicate							-
Versamenti in conto futuro aumento di capitale	1.720.000	-	-	-	-	-	1.720.000
Arrotondamento all'unità di Euro	(2)	-	-	-	-	-	(2)
Riserva di consolidamento	1.191.947	-	-	-	-	-	1.191.947
Riserva di traduzione	146.175	-	231.323	-	-	-	377.499
Totale VI) Altre riserve, distintamente indicate	3.058.120	-	231.323	-	-	-	3.289.443
2.A.VII Riserva op. copertura flussi finanziari attesi	(280.838)	-	-	-	471.313	-	190.475
VIII) Utili (Perdite)portati a nuovo	18.976.373	5.747.202	(149.434)	(4.244.100)	(391.021)	-	19.939.020
IX) Utile (perdita) di periodo	6.048.802	(6.048.802)	-	-	-	7.692.270	7.692.270
X) Riserva negativa per azioni proprie in portafoglio	-	-	-	-	-	-	-
Totale patrimonio netto del Gruppo:	56.651.110	(0)	(101.298)	(4.244.100)	80.292	7.692.270	60.261.461
Di spettanza di terzi:							
Capitale e riserve di terzi	118.717	73.496	(71.257)	(64.236)	-	-	56.719
Utile (Perdita) di terzi	73.496	(73.496)	-	-	-	130.419	130.419
Totale patrimonio netto di terzi:	192.213	-	(71.257)	(64.236)	-	130.419	187.138
Totale patrimonio netto:	56.843.323	-	10.632	(4.308.336)	80.292	7.822.689	60.448.599

Reconciliation of the shareholders' equity of the parent company with the consolidated shareholders' equity is shown in the statement below:

	Shareholders' Equity	Result
Shareholders' Equity and Result for the Year as Reported in the Financial Statements of the Parent Company	59,857,952	6,596,454
Result for the Year of the Subsidiaries	1,834,457	1,834,457
Elimination of the Book Value of Consolidated Companies:		
a) Difference between the Book Value and Pro-Rata Value of Shareholders' Equity	375,445	-
b) Capital Gains/Losses Attributed at the Acquisition Date of the Investees	-	-
c) Consolidation Reserve	1,191,947	-
d) Translation Reserve	377,498	-
e) Change in the Scope of Consolidation	-	-
Amortization of Goodwill	(3,122,382)	(639,951)
Reversal of the Cash-Flow Hedge Reserve	-	94,216
Release of Consolidated Risk Provisions	-	-
Elimination of the Effects of Transactions Between Consolidated Companies	-	3,834
Other Movements	(71,999)	(71,999)
Finance Lease Accounting Pursuant to IAS 17	5,680	5,680
Consolidated Shareholders' Equity and Net Income	60,448,599	7,822,690
<i>Shareholders' Equity and Result for the Year Attributable to the Group</i>	<i>60,261,461</i>	<i>7,692,270</i>
<i>Shareholders' Equity and Result for the Year Attributable to Non-Controlling Interests</i>	<i>187,138</i>	<i>130,419</i>

The breakdown of the Group's shareholders' equity by origin, availability and distribution is shown below:

Description	Final Balance	Shareholder Contributions	Profits	Other
Share Capital	9,500,000	9,500,000	-	-
Legal Reserve	1,750,253	-	1,750,253	-
Share Premium Reserve	17,900,000	-	-	17,900,000
Other Reserves: Advance for Future Capital Increase	1,719,998	1,719,998	-	-
Other Reserves: Various	-	-	-	-
Other Reserves: Consolidation Reserve	1,191,947	-	-	1,191,947
Other Reserves: Translation Reserve	377,498	-	-	377,498
Reserve for Expected Cash Flow Hedges	190,475	-	-	190,475
Profits Carried Forward	19,939,020	-	19,939,020	-

Share Capital, which totaled Euro 9,500,000, is represented by the entire Share Capital of the Group Parent Company A.L.A. SpA. The capital increase of Euro 20 million refers to the issue of 2,000,000 ordinary shares deriving from the capital increase to service the placement of its ordinary shares for trading on the multilateral trading facility Euronext Growth Milan (formerly "AIM Italia"), organized and managed by Borsa Italiana S.p.A. ("Borsa Italiana"). The Extraordinary Shareholders' Meeting of 1 February 2021 resolved the cancellation of own shares (3,700 shares with a par value of Euro 100.00 each) equal to 5% of the share capital (Euro 370,000) on the date of purchase. Given that indication of the shares' par value was eliminated, the cancellation of 3,700 own shares resulted exclusively in the reduction of the number of shares representing the share capital without reducing the amount of the latter, and therefore in the simultaneous increase in the book value of the residual shares.

The Share Capital of the Group Parent Company consists of 9,030,000 ordinary shares without par value. The breakdown of the shareholding structure is illustrated in the table below:

Shareholders	No. Shares	%
AIP Italia S.p.A.	6,662,336	73.78%
Market	2,367,664	26.22%
Total	9,030,000	100%

The **Legal Reserve**, equal to Euro 1,750,253, is formed by the allocation of 5% of the profits from previous years, as resolved by the Shareholders' Meeting.

The **Share Premium Reserve** amounted to Euro 17,900,000.

Other Reserves amounted to Euro 3,289,443 and mainly consists of reserves pertaining to the Group Parent Company for Advances for Future Capital Increase, as well as the Consolidation Reserve, equal to Euro 1,191,947, and the Translation Reserve, equal to Euro 377,498.

Profits Carried Forward attributable to the Group amounted to Euro 19,939,020 and derive from the consolidated results of previous years.

Profit for the Year was equal to Euro 7,822,689, of which Euro 7,692,270 attributable to the Group, and Euro 130,419 attributable to non-controlling interests.

There is also a **Reserve for Expected Cash Flow Hedges** equal to Euro 190,475. The Italian Civil Code (Article 2426, Point 11-bis) establishes that in case of transactions to hedge the cash flows (use of a derivative or financial asset/liability to hedge the risk of changes in expected cash flows) of another financial instrument or planned transaction, the change in the fair value of the derivative instrument is charged directly to a positive or negative reserve in shareholders' equity and not to the income statement. Future cash flows deriving from various types of transactions can be hedged, such as receivables and payables financed at floating rates, or floating rate bonds.

At 31 December 2022, this reserve consisted of the positive fair value of the derivative recorded under balance sheet assets for the same amount.

Capital and Reserves Attributable to Non-Controlling Interests refers to the share of consolidated equity attributable to the minority shareholders of ALA Yail Aerotech Israel Ltd and ALA Germany GmbH.

Provisions for Risks and Charges

At 31 December 2022, the Group recorded **Provisions for Risks and Charges** equal to Euro 665,779, broken down as follows:

Description	Initial Balance	Final Balance	Change
Deferred Taxes	230,392	-	(230,392)
Derivative Financial Instruments	289,538	-	(289,538)
Other	287,185	665,779	378,594
Total	807,116	665,779	(141,337)

The balance refers to Euro 665,779 pertaining mainly to the financial statements of the Group Parent Company relating to estimated liabilities in relation to the acquisition of ALA Germany for Euro 200 thousand, estimates for the long-term incentive plan for top management for Euro 411 thousand, and the remainder for risks connected to early retirements of a certain or probable existence, the exact amount or date of occurrence of which was not known at year end. The change of Euro 289,358 refers to the release of the fund allocated for passive derivative financial instruments, whose fair values at December 31, 2022 are all positive.

Employee Severance Indemnity

Employee Severance Indemnity referred exclusively to the balance of the Group Parent Company, which amounted to Euro 346,106 at 31 December 2022. The breakdown of the individual items and changes are shown below:

Description	Initial Balance	Provisions During the Year	Use During the Year	Final Balance
Employee Severance Indemnity	321,052	657,357	632,303	346,106
Total	321,052	657,357	632,303	346,106

The provision represents the debt accrued at the reporting date due to employees for severance indemnities.

Payables

Payables recorded under balance sheet liabilities amounted to Euro 100,116,630 (Euro 58,413,225 at 31 December 2021).

The breakdown of the individual items is shown below:

Description	Initial Balance	Final Balance	Change
Payables to Banks	33,764,183	56,897,867	23,133,685
Payables to Other Lenders	142,568	698,465	555,898
Advance Payments	156,063	803,300	647,237
Accounts Payable	19,789,381	34,382,856	14,593,476
Payables to Parent Companies	1,868,211	1,200,890	(667,322)
Tax Payables	919,418	2,504,477	1,585,058
Payables to Social Security Institutions	435,696	696,606	260,910
Other Payables	1,337,706	2,932,168	1,594,462
Total	58,413,225	100,116,630	41,703,405

Payables to Banks, equal to Euro 56,897,867 at 31 December 2022, represent the effective debt to banks and are broken down as follows:

Payables to Banks	Initial Balance	Final Balance	Change
Due within 12 months	12,421,652	10,830,846	(1,590,805)
Due after 12 months	21,342,531	46,067,021	24,724,490
Total Payables to Banks	33,764,183	56,897,867	23,13,685

The increase in long-term debt is mainly due to the signing of the new loan, aimed at supporting the acquisition of the Spanish group SCP Sintorsa, with a pool of banks led by Banco Popolare di Milano, for a total of Euro 35 million.

Accounts Payable, equal to Euro 34,832,856, were ordinary in nature and included invoices to be received, net of credit notes pertaining to the year and yet to be received.

Payables to Parent Companies, equal to Euro 1,200,890 were attributable to the financial statements of the Group Parent Company and represented payables for tax consolidation. Since 21 May 2012, ALA SpA participates in the tax consolidation regime with its Parent Company AIP Italia SpA; the contract is regularly renewed every three years.

Tax Payables, all attributable to current operations, amounted to Euro 2,504,477; these referred to VAT payable of the subsidiary ALA Germany for Euro 221,533, advance tax payments of the subsidiary ALA France for Euro 495,997, and advance tax payments and other tax obligations relating to the two newly acquired Spanish companies Sintorsa and SCP for approximately Euro 1,168,034.

Payables to Social Security Institutions, equal to Euro 696,606, referred mainly to payables due by Group Companies and employees to social security institutions, of which approximately Euro 239 thousand payable to INPS (National Social Security Institute). All social security payables were duly paid in accordance with the law and there are no overdue and unpaid debts.

Other Payables, equal to Euro 2,932,168, were attributable to ALA SpA for approximately Euro 2,420 thousand and consisted of payables for deferred pay and amounts due to employees and other staff, as well as the first tranche of earnouts of 1 million euros, to be paid to the former shareholders of the Sintorsa Group, as provided for in the purchase contract of last September 2022.

The breakdown of payables by maturity, pursuant to Article 2427, Point 6, of the Italian Civil Code, is shown below:

Description	Within 12 months	After 12 months	Total
Payables to Banks	10,830,846	46,067,021	56,897,867
Payables to Other Lenders	698,465	-	698,465
Advance Payments	803,300	-	803,300
Accounts Payable	34,382,856	-	34,382,856
Payables to Parent Companies	1,200,890	-	1,200,890
Tax Payables	2,504,477	-	2,504,477
Payables to Social Security Institutions	696,606	-	696,606
Other Payables	2,932,168	-	2,932,168
Total	54,049,609	46,067,021	100,116,630

Pursuant to Article 2427, Point 6, of the Italian Civil Code, it should be noted that the Group has payables with a maturity of more than 5 years, refer to the pool loan stipulated by the parent company on 30 September 2022 maturing on 30 September 2028.

The breakdown of Group payables at 31 December 2022 by geographical area is shown in the table below:

Description	Italy	EU	Non-EU	Total
Payables to Banks	54,823,968	1,125,572	948,327	56,897,867
Payables to Other Lenders	528,269	-	170,196	698,465
Advance Payments	227,144	381,096	195,060	803,300
Accounts Payable	19,499,408	7,259,641	7,623,808	34,382,856
Payables to Parent Companies	1,200,890	-	-	1,200,890
Tax Payables	410,667	1,885,751	208,059	2,504,477
Payables to Social Security Inst.	535,607	160,999	-	696,606
Other Payables	2,428,601	226,997	276,570	2,932,168
Total	79,654,553	11,040,055	9,422,021	100,116,630

Accrued Expenses and Deferred Income

Accrued Expenses and Deferred Income recorded under balance sheet liabilities amounted to Euro 152,986 (Euro 206,967 in the previous year), and refer mainly to tax credits for R&D and tax credits for investment of the South of the Parent Company

Description	Initial Balance	Final Balance	Change
Accrued Expenses and Deferred Income	206,967	152,986	(53,982)
Total	206,967	152,986	(53,982)

Information on the Income Statement

The Income Statement illustrates the result for the year.

It provides a representation of management operations, through a summary of the positive and negative elements of income that contributed to determining the operating result. The positive and negative items of income, recorded in the Consolidated Financial Statements pursuant to Article 2425-bis of the Italian Civil Code, are classified by type of operation: ordinary, ancillary or financial.

Ordinary operations identify income items generated by transactions that occur on an ongoing basis in the relevant sector for the performance of operations, which identify and qualify the specific and distinctive business carried out by the Group to achieve its purpose.

Financial operations consist of operations that generate financial income and charges.

On a residual basis, ancillary operations consist of transactions generating income items that are a part of ordinary operations but do not fall within normal or financial activities.

Value of Production

Value of Production at 31 December 2022 showed a balance of Euro 158,724,087 (equal to Euro 130,709,748 at 31 December 2021).

Value of Production	31 December 2021	31 December 2022	Change
Revenues from Sales and Services	129,663,149	155,330,713	25,667,564
Changes in Inventories of WIP, Semi-Finished and Finished Products	-	1,161,583	1,161,583
Increases in Capitalized Costs	580,235	582,231	1,996
Other Revenues and Income	466,364	1,649,779	1,183,416
Total	130,709,748	158,724,087	28,014,340

Revenues from Sales and Services

Revenues from Sales and Services amounted to Euro 155,330,713, recording an increase of approximately 19.8% (Euro 25,667,564 in absolute terms) compared to the result for financial year 2021 (Euro 129,663,149). This increase was certainly attributable to significant improvement in the performance of the main business lines, and the inclusion of revenues of the Spanish group SCP Sintorsa in the final quarter of the year, after joining the ALA Group in September 2022.

Revenues were recorded on an accrual basis, net of any returns, rebates, discounts and premiums, as well as taxes directly connected to the same. As regards the sale of goods, the related revenues are recorded upon the substantial and non-formal transfer of ownership, assuming the transfer of risks and benefits as the reference benchmark for substantial transfer. Revenues from services are recorded when the service is provided or carried out; in particular, in the case of ongoing services, the related revenues are recorded for the portion accrued over time.

Changes in inventories of work-in-progress, semi-finished and finished products

This item shows a negative value at December 31, 2022, for an amount of Euro 1,161,583, and refers exclusively to the Spanish SCP Sintorsa group.

Increases in Capitalized Costs

This item included internal improvements of approximately Euro 582 thousand, which referred exclusively to the subsidiary ALA France Sas in relation to investments made for the construction of the new operational site in Pessac, dedicated to the management of the new contract with Dassault.

Other Revenues and Income

Other Revenues and Income recorded under value of production in the income statement amounted to Euro 1,649,779 (Euro 466,364 in the previous year). This item consisted mainly of government grants and other miscellaneous income.

Cost of Production

Cost of Production recorded a balance of Euro 145,084,878 (Euro 119,380,990 in the previous year). The main items are shown below, compared with the flows of the previous year.

Description	31 December 2021	31 December 2022	Change
Cost of Raw Materials	83,581,141	116,630,134	33,048,993
Service Costs	7,498,699	9,585,294	2,086,595
Leasehold Costs	1,927,754	2,427,750	499,996
Labor Costs	12,781,657	16,657,392	3,875,735
Amortization & Depreciation and Write-Downs	2,513,352	3,137,825	624,472
Changes in Raw, Ancillary and Consumable Materials and Goods for Resale	10,741,548	(4,891,520)	(15,663,069)
Provisions for Risks	-	40,000	40,000
Other Operating Expenses	336,838	1,498,004	1,161,165
Total	119,380,990	145,084,878	25,703,888

As regards the purchase of goods, the related costs are recorded upon the substantial and non-formal transfer of ownership, assuming the transfer of risks and benefits as the reference benchmark for substantial transfer. For the purchase of services, the related costs are recorded when the service is received or once the service has been completed, while for ongoing services, the related costs are recorded for the portion accrued over time.

As previously mentioned, this increase was mainly due to the inclusion of the economic results of the SCP Sintorsa Group for the last quarter of 2022. In particular, the main increases were attributable to labor cost for approximately Euro 3.8 million and to service costs and other operating expenses for approximately Euro 3.7 million. As regards the latter item, thanks to reduced restrictions in relation to the Covid-19 health emergency, the Group resumed travel between its offices and above all participation in industry events and trade fairs, as well scouting activities for new M&A projects during the year under review.

Cost of Raw, Ancillary and Consumable Materials and Goods for Resale

Cost of Raw, Ancillary and Consumable Materials and Goods for Resale recorded under cost of production in the Income Statement totaled Euro 116,630,134 (Euro 83,581,141 in the previous year). This increase, equal to approximately 40% in percentage terms, is partly referred to the increase in turnover, partly to the increase in warehouse safety stocks and partly to the entry into the scope of consolidation of the newly acquired Spanish companies.

Service Costs

Service Costs recorded under cost of production in the Income Statement amounted to Euro 9,585,294 (Euro 7,498,699 in the previous year). This item increased compared to the previous year both in absolute terms (increase of Euro 2,086,595) and in percentage terms (+27,8%) since, thanks to reduced restrictions in relation to the Covid-19 health emergency, the Group resumed travel between its offices and above all participation in industry events and trade fairs, as well scouting activities for new M&A projects during the year under review.

Leasehold Costs

Leasehold Costs recorded under cost of production in the Income Statement amounted to Euro 2,427,750 (Euro 1,927,754 in the previous year), net of the accounting of finance leases pursuant to IAS 17. This item mainly consisted of rents, vehicle and equipment leasing instalments and operating lease payments.

Labor Costs

This item included all expenses for employees, including costs for deferred charges accrued pursuant to the law and collective labor agreements.

At 31 December 2022, labor costs amounted to Euro 16,657,003,92 (Euro 12,781,657 in the previous year), with an increase of approximately 30,3%, mainly due to streamlining operations to centralize certain operational functions at the Group Parent Company.

Amortization & Depreciation and Write-Downs

This item included the amortization and depreciation calculated for the year according to the statutory valuation criteria for intangible (Euro 2,059,730) and tangible assets (Euro 438,863).

In financial year 2022, provisions were only made for credit risks not covered by insurance policy for Euro 639,232, of which Euro 571 thousand pertaining to the accounting situation of the Group Parent Company, and the remainder to the other Group companies.

For more details about amortization and depreciation items, please refer to the previous sections on tangible and intangible assets.

Changes in Raw, Ancillary and Consumable Materials and Goods for Resale

Change in Inventories	31 December 2021	31 December 2022	Change
Raw, Ancillary and Consumable Materials and Goods for Resale (initial / final inventory)	10,741,548	(4,891,520)	(15,633,069)
Total	10,741,548	(4,891,520)	(15,633,069)

The change in inventories showed a negative balance at 31 December 2022 for a total of Euro 4,891,520, in contrast with the situation of the previous year, which showed a positive change of Euro 10,741,548, for the reasons already provided in the comments under "Inventories". The amount is net of the net impairment for the year of Euro 110,658, which reflects the obsolescence of goods no longer suitable for sale or with slow turnover.

Other Operating Expenses

Other Operating Expenses recorded under cost of production in the Income Statement amounted to Euro 1,498,004 (Euro 336,838 in the previous year).

Financial Income / Charges

The financial income and charges of the Group were recorded on an accrual basis in relation to the portion accrued during the year.

As shown in the table below, the total value of the item was substantially in line with financial year 2021. Instead, the trend differed for gains and losses on foreign exchange, which recorded a more significant loss in financial year 2022.

Financial Income / Charges	31 December 2021	31 December 2022	Change
Other Financial Income	19,501	217,497	197,996
Interest and Other Financial Charges	2,270,753	2,933,038	662,285
Gains (Losses) on Foreign Exchange	100,560	(69,681)	(170,241)
Total	2,351,812	2,645,860	(294,048)

Gains and Losses on Foreign Exchange

Losses on Foreign Exchange, equal to Euro 69,681 (gains for Euro 100,560 in the previous year) represented the amount accrued as currency differences on foreign purchase and sales transactions. In accordance with OIC Accounting Standard 26, these included unrealized exchange gains and losses at 31 December 2022, estimated on the basis of the exchange rates in force on the same date.

Income Taxes for the Year – Current, Deferred and Prepaid

This item showed a balance of Euro 3,170,660 (Euro 2,634,230 in the previous year), which represented the estimate of income taxes on profits realized at 31 December 2022 by the individual companies of the ALA Group based on the effective tax rate.

Description	31 December 2021	31 December 2022	Change
Current Taxes	716,648	3,966,404	3,249,756
Taxes Relating to Previous Years	11,561	(235,816)	(247,377)
Deferred and Prepaid Taxes	(406,567)	(509,555)	(102,987)
Income (Expenses) from Tax Consolidation	2,312,588	(50,374)	(2,362,962)
Total	2,634,230	3,120,660	536,430

Again in 2022, Group Parent Company ALA SpA participated in the tax consolidation regime with its Parent Company A.I.P. Italia SpA; according to this tax regime, a single taxable base is determined by the Parent

Company, corresponding to the algebraic sum of the taxable income of each company participating in the same. In particular, expenses from tax consolidation totaled Euro 2,724,637 while IRAP (regional income tax) was equal to Euro 712,758.

Consolidation expenses also included the tax benefit arising from the Patent Box regime of the Group Parent Company. In particular, the benefit arising from 2020 Patent Box (third and last tranche) is equal to Euro 24,560, while that arising from 2021 Patent Box (second tranche out of three) corresponds to Euro 44,188.

In the 2022 financial statements, the tax benefit coming from the so-called "New Patent Box Regime" pursuant to Law no. 234 of 17/12/2021 and with subsequent amendments to the law of 30/12/2021, on the 2021 tax period, based on the registration with the SIAE of a self-made software developed by the Company, was also reported as income from consolidation: "Platform to support procurement operations that integrates technologies such as Computer Vision and Machine Learning". The total benefit amounts to Euro 189,186.

Other Information

The additional disclosures regarding the Consolidated Financial Statements at 31 December 2022 required by the Italian Civil Code are shown below.

Employment Figures

The following table shows the average number of employees, for all Group Companies.

Average workforce	2020	2021	2022
Average number of employees	261	252	256

Fees, Advances and Credits Granted to Directors and Statutory Auditors & Commitments on their Behalf

The following table shows the annual remuneration of directors and statutory auditors, as required by Article 2427, Point 16, of the Italian Civil Code, specifying that no advances or credits were granted, nor were any commitments undertaken on behalf of the administrative body as a result of guarantees of any kind:

Description	Amount
Directors' Fees	800,000
Statutory Auditors' Fees	35,000
Total	835,000

Remuneration of the Auditing Firm

As required by Article 2427, Point 16-bis of the Italian Civil Code, the annual fees paid to the independent auditors and the auditing firm of the Group are shown in the table below:

Description	Amount
Remuneration of the auditing firm for the statutory audit of the financial statements and the consolidated financial statements (parent company)	65,000
Remuneration of the auditing firm for the limited audit of the consolidated interim financial statements at 31 December 2022	27,000
Remuneration of specified procedures for the Reporting Packages of the companies Sistema De Interconexion S.A. and Suministros De Conectores Profesionales S.A	19,200
Remuneration of additional services for the Group Parent Company ALA SpA	6,000
Remuneration of other auditing firms for the statutory audit of the financial statements (subsidiaries of the Group Parent Company ALA SpA)	55,500
Total	172.700

Details on Other Financial Instruments Issued by the Group

The Group did not issue any financial instruments pursuant to Article 2346, Point 6, of the Italian Civil Code.

Commitments, Guarantees and Contingent Liabilities not included in the Balance Sheet

Pursuant to Article 2427, Point 9, of the Italian Civil Code, please note that there were no commitments, guarantees or contingent liabilities resulting from the company's balance sheet.

Assets Allocated to a Specific Business Transaction

At the reporting date of the Consolidated Financial Statements at 31 December 2022, there were no assets allocated to a specific business transaction pursuant to Article 2427, Point 20, of the Italian Civil Code.

Financing Allocated to a Specific Business Transaction

At the reporting date of the Consolidated Financial Statements at 31 December 2022, there was no financing allocated to a specific business transaction pursuant to Article 2427, Point 21, of the Italian Civil Code.

Information on Related-Party Transactions

During the financial year related-party transactions were carried out, concerning the reciprocal supply of goods, services and loans, executed at normal market conditions pursuant to Article 2427, Paragraph 1, Point 22-bis, of the Italian Civil Code. Please note that there were no atypical or unusual related-party transactions, extraneous to normal business operations or such as to cause damage to operating results, financial position and cash flows of the Group. Where the nature, value or specific characteristics of the transaction so require, the Board of Directors consults independent experts.

It should also be noted that ALA Group has adopted a specific "Procedure for Transactions with Related Parties" - approved by the Board of Directors on 15 July 2021, and subsequently amended by resolution on 30 June 2022 - pursuant to the "Regulation containing provisions on transactions with related parties" issued by Consob with resolution no. 17221 of 12 March 2010 and the Provisions on related parties issued by Borsa Italiana S.p.A. applicable to companies issuing shares admitted to trading on Euronext Growth Milan, as well as in implementation of art. 2391-bis of the Italian Civil Code.

The mentioned Procedure is available on the Company's website (www.alacorporation.com, Investor Relations section, "Corporate Documentation" / "Procedures and Regulations" area).

It should be noted that the receivables recorded in the financial statements as of 31 December 2022 from the parent company AIP Italia SpA refer to commercial transactions, which took place under normal market conditions and according to contractual agreements.

At December 31, 2022, the payables recorded towards the parent company amounted to approximately Euro 1,200,890 and are almost entirely related to tax debt, as established in the tax consolidation contract between the parties.

The income items recorded in the financial statements as at 31 December 2022 refer to costs of Euro 510,118, remuneration of financial costs coming from the guarantees provided by the parent company A.I.P. Italia SpA under the three-year contract signed in 2021, and ratified by the Board of Directors on June 24, 2021, and Euro 18,000 to revenues for intragroup services rendered to the parent company.

Information on Off-Balance-Sheet Agreements

No off-balance-sheet agreements were entered into during the year.

Information on Significant Events After Year-End

As regards Article 2427, Point 22-quarter, of the Italian Civil Code, please refer to the detailed information provided in the Management Report for an analysis of the significant events that occurred after year-end.

Information on Derivative Financial Instruments pursuant to Article 2427-bis of the Italian Civil Code

In order to provide a true and fair view of corporate commitments, the relevant information relating to the derivative financial instruments held by the Group Parent Company, accounted for pursuant to the provisions of OIC Accounting Standard 32, is shown below:

Bank	Transaction Type	Execution Date	Expiry Date	Initial Notional Value	Currency	Fair Value 2022 (Euro)
UniCredit MMX24928970	Interest Rate Swap	04/09/2019	31/03/2023	3,000,000	EUR	1,507
BPER IRG05064253	Interest Rate Swap with floor	23/03/2022	23/09/2023	3,000,000	EUR	13,157
Banca Nazionale del Lavoro IRG05064253	Interest Rate Swap with floor	03/08/2021	03/08/2025	5,000,000	EUR	175,881
Total Derivatives					Total	190,475

The financial assets present in the balance sheet were not recognized at a value higher than their fair value. As regards the interest rate derivatives outstanding at 31 December 2022, the Group adopted the simplified model laid down by OIC Accounting Standard 32 for simple hedging relationships, since they concerned derivative financial instruments that have similar characteristic to the hedged item, entered into under market conditions and with a fair value close to zero at the initial recognition date.

Summary Financial Statements of the Company Exercising Management and Coordination

It should be noted that as of 18 January 2021, the Group controlled by A.I.P. Italia SpA is no longer subject to management and coordination by the latter.

Final Remarks

These Consolidated Financial Statements at 31 December 2022, comprising the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes, provide a true and fair view of operating results, financial position and cash flows, and correspond to the results of the accounting records.

Naples, 28 March 2023

On Behalf of the Board of Directors

Roberto Tonna
Chief Executive Officer

