
ITA
195X35
ALA

ALA Group
Interim Financial Report at 30 June 2023

Contents

MANAGEMENT REPORT

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 27 April 2023 until the approval of the 2025 Financial Statements

INTRODUCTION

The Group's Interim Financial Report at 30 June 2023 was prepared in accordance with the provisions of the "Euronext Growth Milan – Rules for Companies". The Consolidated Interim Financial Statements at 30 June 2023, included in the Interim Financial Report, were drawn up in compliance with OIC Accounting Standard 30 and with the provisions of Legislative Decree 127/91 and the provisions of Article 2423 et. seq. of the Italian Civil Code, as amended by Legislative Decree 139/2015, appropriately supplemented by the accounting standards issued by the Italian Standard Setter OIC, and consist of the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, as well as the explanatory notes.

The interim income, balance sheet and financial position at 30 June 2023 of the subsidiaries of ALA SpA were duly adjusted, where necessary, for alignment with the uniform accounting standards adopted by the Group and in line with OIC Accounting Standard 30 "Interim Financial Statements".

The Group's Consolidated Interim Financial Statements at 30 June 2023 were approved by the Board of Directors on 20 September 2023, as indicated in the financial calendar available on the Company's website, with publication on the same date.

These Consolidated Interim Financial Statements are audited on a voluntary and limited basis by PricewaterhouseCoopers SpA.

SIGNIFICANT EVENTS DURING THE PERIOD

The consolidated results at 30 June 2023 show a significant improvement in the Group's income and financial performance when compared with data for the same period in 2022. More importantly, in the first half of 2023 the ALA Group achieved major objectives in terms of organic growth, also thanks to the consolidation of the assets of the recently acquired SCP Sintersa for the entire period.

In particular, in the first six months of 2023 the ALA Group's EBITDA in absolute terms was higher than that recorded for the entire financial year 2019. This result, which further confirms the potential and great ability of the ALA Group's 550 people to continue creating value, is all the more impressive if we consider the global Covid-19 health emergency which began in January 2020 and officially ended in May 2023.

The ALA Group continues to occupy a solid and high-potential position in growing sectors such as Aerospace, Defense and Rail. Our corporate vision is to become one of the leading Supply Chain Integrators 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 we belong to.

Leonardo Supplier Awards

In March 2023, the second edition of the Leonardo Supplier Awards was held in Rome, an event that recognizes the Leonardo suppliers that stood out due to their commitment in terms of excellence, collaborative spirit and results achieved.

The ALA Group's growth path and constant commitment to generating sustainable value were recognized by Leonardo with two important awards: the **Vision for Growth Award**, for our dynamism and effectiveness in achieving the objectives of the LEAP (Leonardo Empowering Advanced Partnerships) Program, and the **Sustainability Award,** for our commitment to sustainable development.

Procurement Department Centralized

In the first half of 2023, the strategic project for the centralization of the procurement department was completed, with the procurement team at the Naples office taking over the majority of procurement activities previously carried out by ALA Israel and ALA North America. This strategic action will make it possible to further optimize the control, interaction and development activities of all ALA Group subsidiaries, from participation in new tenders to the coordinated management of strategic relationships with our main suppliers, all to the advantage of future commercial development opportunities on a global scale.

Air Supply Portal Goes Live

The ALA Group considers innovation and digitization one of the best ways to achieve the highest quality standards and to improve efficiency in the management of its supply chain. As a member of the BoostAeroSpace SAS Community, the digital platform hub for collaboration and the secure exchange of data within the European Aerospace and Defense Supply Chain, in March 2023, we started using the Air Supply portal with some of our key suppliers.

Incora Files for Chapter 11

In June 2023, Incora, arising from the merger between Wesco Aircraft and Pattonair and the ALA Group's biggest competitor, filed for Chapter 11 bankruptcy. While this scenario does not immediately present new business opportunities, thanks to the intense marketing campaigns carried out over the last 4 years our Company is well positioned to take advantage of any future re-sourcing and de-risking initiatives by key target customers deriving from this event.

Paris Astronautical Congress

In June 2023, the ALA Group attended the first edition of the Paris Air Show following the pandemic. The Show is the world's leading trade fair in the Aerospace & Defense sector, and the 54th edition held in Le Bourget saw the participation of over 200,000 industry professionals, representing 2,500 exhibitors from 46 different countries.

There were numerous signs of optimism deriving from the intense level of business at both a commercial level and in the defense sector, with a particular focus on the challenges related to supply chain performance and the opportunities arising from the expected increase in Airbus and Boeing production rates. The ALA Group seized the opportunity to present the capabilities and know-how of the recently acquired SCP Sintersa to the market and to meet with dozens of existing and target customers, suppliers and business partners, encountering a much higher level of interest and attention than in previous editions.

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

In the second half of 2023, the integration of the subsidiary ALA Israel in the Group management system was completed. On 1 January 2023, the go-live of ALA Israel on SAP 4/HANA was completed. This will enable us to optimize the control, interaction and development activities of 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.

Sustainability Report and ESG Scoring

In April 2023, the Group Parent Company ALA SpA published its new sustainability report for financial year 2022, a tool that year after year becomes increasingly important for the transparent and continuous communication the Company promises its stakeholders.

Starting from this edition, the document was drawn up in full compliance with the latest update of the Sustainability Reporting Standards published by the Global Reporting Initiative (GRI), which is internationally renowned as the global leader in sustainability reporting.

In addition, following the analysis of corporate ESG performance, the Group Parent Company ALA SpA obtained a sustainability rating that showed a high degree of awareness of the environmental, social and governance issues being scored.

SIGNIFICANT EVENTS AFTER 30 JUNE 2023

Cerved rating

In July 2023, Cerved Rating Agency, a rating agency specialized in assessing the creditworthiness of Italian non-financial companies, announced the important upgrade of ALA SpA's public rating from B1.1 ("Solvency") to A3.1 ("Security"). This upgrade to A3.1 reflects: (i) ALA's growing competitiveness within the industry; (ii) the positive result of operations posted in 2022, consistent with budget targets; and (iii) the continuing good financial equilibrium (NFP/EBITDA<2.0x) at the end of 2022, despite the M&A deal completed.

EN9120 Global Certification Surveillance Audit

In July 2023, the ALA Group completed the second surveillance audit for its EN9120 global certification, passing the stringent audit plan that involved the largest commercial and operational offices of the Group without any findings of non-compliance.

Sales Office Opened in Texas

In September 2023, ALA opened a new sales office in Fort Worth, Texas, US, dedicated exclusively to the development of business in the North American market.

BUSINESS OUTLOOK

Following the excellent results recorded in the first half of the year, in the second half of 2023 the Group will aim to achieve ambitious budget objectives for 2023 and to further strengthen its positioning as a leading global operator in the sector.

Special attention and emphasis will be given to cross-selling opportunities with the recently acquired SCP Sintersa and the development of the North American market, where ALA still occupies a marginal position compared to the existing potential.

From an operational point of view, attention will remain high in order to guarantee the maintenance of excellent service levels for customers in both the Service Provider and Distribution divisions, despite the less than satisfactory performance of certain major suppliers.

The second half of 2023 will see the Company engaged in the ramp-up of the logistics platform dedicated to Dassault Aviation. In this regard, it should be noted that at the end of 2022 the French customer reported the highest order book in its history, thanks to the success of the Rafale military program and the Falcon business jet line, confirming the many positive signals of market recovery.

We reasonably believe that the above, combined with the usual attention and careful management of all fixed and variable cost items, will allow the Company to continue on the path of international growth, constant improvement of profitability and creation of value for shareholders taken so far.

KEY FIGURES

MAIN ECONOMIC AND FINANCIAL RESULTS

Revenues
€ 113,6 M
FY - 2022: € 158,7 M
HY - 2022 : € 63,9 M
* Of which SCP Sintersa 21,9 mln

Gross Margin
€ 34,2 M
(30,1 %)
FY - 2022: € 48,5 M (30,5 %)
HY – 2022: € 19,5 M (30,6 %)

EBITDA
€12,3 M
(10,8 %)
FY - 2022: € 16,8 M (10,6 %)
HY - 2022 : € 7,1 M (11,1 %)

EBIT
€ 10,0 M
(8,8 %)
FY - 2022: € 13,6 M (8,6 %)
HY – 2022: € 5,8 M (9,1 %)

Net income
€ 5,8 M
(5,1 %)
FY - 2022: € 7,8 M (4,9 %)
HY – 2022: € 3,5 M (5,5 %)

ROE
16,3 %
*Net Income Last Twelve Months
DEC 2022: 12,9 %

ROIC*
17,5 %
*Ebitda Last Twelve Months
DEC 2022: 15,9 %

Net debt
€ 33,2 M
DEC 2022: € 28,7 M

Debt/Ebitda*
1,5
*Ebitda Last Twelve Months
DEC 2022: 1,5

Ebitda/Financial Charges
4,9
DEC 2022: 6,2

Debt To Equity Ratio
0,54
DEC 2022: 0,47

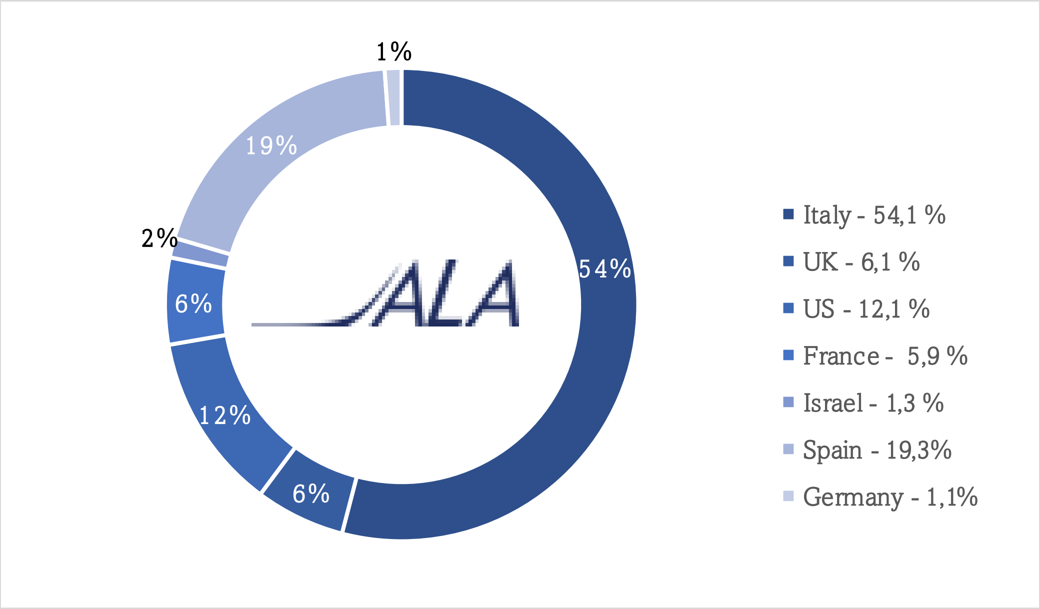
Amounts in Euro thousands	30 June 2023	30 June 2022
Revenues	113,645	63,908
Gross Margin	34,213	19,534
EBITDA	12,302	7,093
EBIT	10,031	5,831
Net Income	5,813	3,499
Gross Margin %	30.1%	30.6%
EBITDA %	10.8%	11.1%
EBIT %	8.8%	9.1%
ROS (EBIT/Turnover)	8.8%	9.1%
ROE (Net Income/Shareholders' Equity)	9.4%	6.1%
ROI (EBT/Invested Capital (1))	4.9%	5.6%

Amounts in Euro thousands	30 June 2023	31 December 2022
Net Working Capital	59,942	55,107
Fixed Assets	36,250	35,051
Non-Current Provisions/Liabilities	(916)	(1,012)
Net Invested Capital	95,276	89,147
Net Debt/(Cash)	33,229	28,699
Shareholders' Equity	62,047	60,448
Total Sources of Finance	95,276	89,147

(1) Net Invested Capital in operations

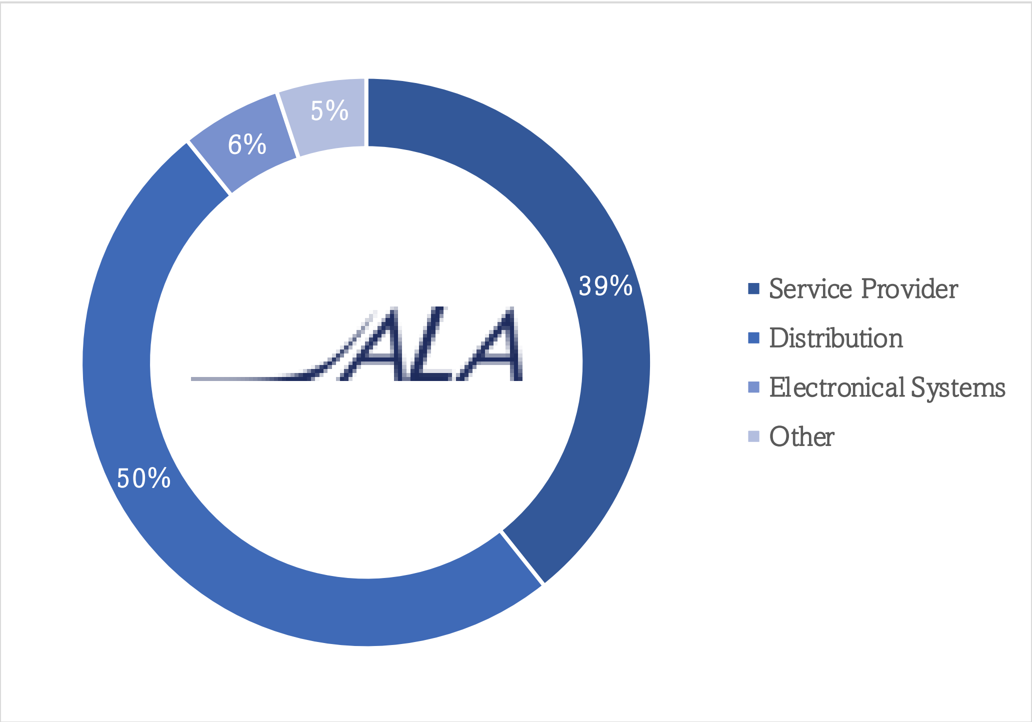
H1 2023 REVENUES BY GEOGRAPHIC AREA

The breakdown of revenues by geographic area is shown below:



H1 2023 REVENUES BY BUSINESS AREA

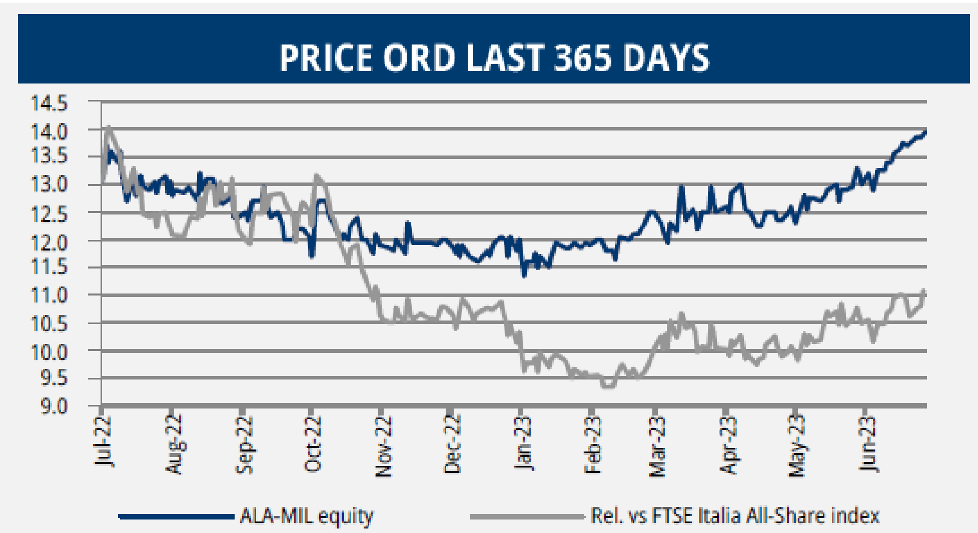
The breakdown of revenues by business area is shown below:



ALA AND THE FINANCIAL MARKETS

STOCK PERFORMANCE

In the first half of 2023, ALA stock recorded positive performance equal to +14.64%, closing the period with a value of Euro 13.70/share, compared to Euro 11.95/share at the end of 2022.



MACROECONOMIC SCENARIO

In the first half of 2023, air traffic continued along the road to recovery which began in 2022. IATA (International Air Transport Association) data from May 2023 indicates that global air traffic measured in RPKs (Revenue Passenger Kilometers) has reached 96% of pre-pandemic levels. In particular, domestic air traffic exceeded pre-Covid levels for the second consecutive month, while international air traffic reached 90%.

The sustained recovery in air traffic translates into new orders, especially for single-aisle aircraft with more efficient new-generation engines, adding to the already substantial order backlog.

The MRO (Maintenance, Repair & Overhaul) sector is also benefiting from the continued recovery in air traffic with the CAGR of the airline engine overhaul segment, which in terms of value accounts for approximately half of the entire commercial MRO sector, estimated at around 10% between 2023 and 2025.

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 counts on a very balanced business mix, both in terms of the division between civil and defense, and between production and aftermarket. 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 actual feasibility of new business models, dedicated to point-to-point passenger transport.
At the same time numerous challenges in the Aerospace and Defense industry remain, which risk limiting the speed of recovery. Supply chain solidity and performance, the rush to secure qualified human capital and the need to accelerate the path toward de-carbonization are worth mentioning, without forgetting inflationary situations involving raw materials, energy and transport, pressure on labor costs, interest rate rises and exchange rate volatility.

The ALA Group has invested and continues to invest in management processes and digital technologies/solutions (e.g. SAP 4/Hana, AirSupply, ISO 27001 certification, etc.) that are able 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.

The ALA Group is also 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.

Furthermore, 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 new technology such as the electric and hydrogen propulsion 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.

GROUP PERFORMANCE AND OPERATING RESULTS

The Management Report of the ALA Group at 30 June 2023, which we submit for your examination and attention, shows a net profit of Euro 5,813,215 (Euro 3,499,904 at 30 June 2022), of which Euro 5,809,528 attributable to the Group (Euro 3,430,677 at 30 June 2022).

Group Performance and Results

Income statement	30 June 2023	30 June 2022
Revenues Service Providers	44,650	39,416
Revenues Distribution	56,706	23,659
Revenues Electrical Systems	6,503	-
Revenues Others	5,785	834
Total Revenues	**113,645**	**63,908**
COGS	(79,432)	(44,374)
Gross Margin	**34,213**	**19,534**
% on Total Revenues	*30.1%*	*30.6%*
Service Costs	(7,965)	(4,376)
Leaseholds Costs	(1,463)	(1,039)
Other Operating Expenses	(322)	(434)
Labor Cost	(12,161)	(6,593)
Total Costs	**(21,911)**	**(12,441)**
EBITDA	**12,302**	**7,093**
% on Total Revenues	*10.8%*	*11.1%*
Depreciation	(350)	(50)
Amortization	(1,921)	(1,212)
Total D&A	**(2,271)**	**(1,262)**
Provision for Risks	-	-
EBIT	**10,031**	**5,831**
% on Total Revenues	*8.8%*	*9.1%*
Financial Income/Loss	**(2,501)**	**(739)**
Financial Adjust. (exchange difference)	(264)	(358)
EBT	**7,266**	**4,734**
% on Total Revenues	*6.4%*	*7.4%*
Taxes	**(1,453)**	**(1,234)**

Net income	5,813	3,499
% on Total Revenues	*5.1%*	*5.5%*

Amounts in Euro thousands

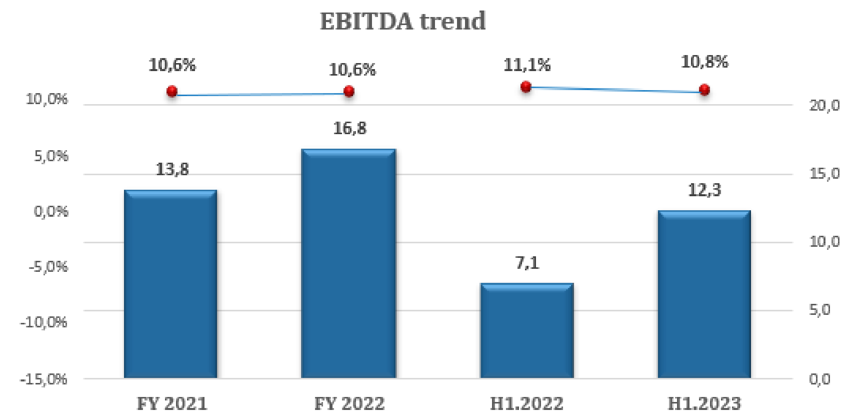
Revenues – Euro 113.6 million: net revenues at 30 June 2023 recorded a significant increase of approximately 77.8% compared to 30 June 2022, rising from Euro 63.9 million to Euro 113.6 million. This increase was definitely due to a significant improvement in the performance of the main business lines as well as the contribution in terms of turnover generated by the Spanish group SCP Sintersa, which joined the ALA Group in September 2022.

Cost of Goods Sold – Euro 79.4 million: the cost of goods sold reflected the increase in revenues, recording an increase in absolute value of approximately Euro 35.1 million compared to the prior-year period (Euro 44.3 million), representing a percentage on total revenues of approximately 69.9% compared to 69.4% in the first half of 2022.

Gross Margin – Euro 34.2 million: compared to the first half of 2022, in correlation with the increase in total revenues shown above, the Group showed a Gross Margin on Total Revenues of approximately 30.1%, compared to 30.6% of the prior-year period.

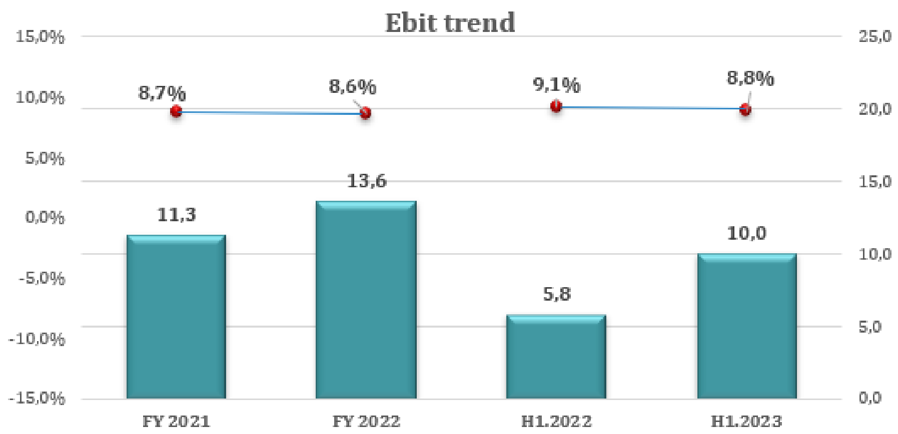
Total Costs – Euro 21.9 million: total costs increased by approximately Euro 9.5 million. The increase compared to the first half of 2022 was mainly due to the inclusion of the SCP Sintersa Group's results. In particular, the main increases were attributable to labor cost for approximately Euro 5.6 million and to service costs for approximately Euro 3.6 million.

EBITDA – Euro 12.3 million: EBITDA showed a significant increase of approximately 73.4% compared to 30 June 2022, mainly due to the joint effect of the rise in the gross margin, mentioned above, and the contribution from the Spanish companies.



Depreciation & Amortization – Euro 2.3 million: they increased by approximately Euro 1.0 million compared to the prior-year period, mainly as a result of the higher capex and goodwill relating to the purchase of the Spanish equity investments.

EBIT – Euro 10.03 million: as a result of the performance of the items described above, the operational management of the Group generated a strong result for the period, up approximately Euro 4.2 million from the value recorded at 30 June 2022 (Euro 5.8 million), mainly due to the increase in the value of production and the contribution from the Spanish companies.



Financial Income/Loss – loss of Euro 2.7 million: the item increased by approximately 1.7 million compared to the result at 30 June 2022. This increase was mainly due to financial charges related to the syndicated loan for approximately Euro 35 million, entered into for the M&A transaction in September 2022.

Earnings Before Tax – profit of Euro 7.3 million: the pre-tax result was around Euro 2.5 million higher than in the prior-year period, as a result of the above. The percentage on Total Revenues went from 7.4% in the first half of 2022 to 6.4% in the reporting period, showing a reduction of approximately 1 percentage point.

Taxes – equal to Euro 1.5 million: this amount was attributable to estimated current taxes of Euro 1.5 million.

In light of the above, **Net Income** at 30 June 2023 amounted to approximately Euro 5.8 million, up compared to the result at 30 June 2022 (Euro 3.5 million).

GROUP FINANCIAL POSITION AND CASH FLOWS

Amounts in Euro thousands	30 June 2023	31 December 2022	Change
Net Working Capital [(1)]	59,942	55,107	4,834
Fixed Assets	36,250	35,051	1,199
Non-Current Provisions/Liabilities	(916)	(1,012)	96
Net Invested Capital	**95,276**	**89,147**	**6,129**
Net Debt/(Cash)	33,229	28,699	4,530
Shareholders' Equity	62,047	60,448	1,599
Total Sources of Finance	**95,276**	**89,147**	**6,129**

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

Net Working Capital – Euro 59.9 million: net working capital at period end showed an increase, compared to year end, of approximately Euro 4.8 million, deriving mainly from the increase in inventories and trade receivables compared to 30 June 2022.

Fixed Assets – Euro 36.2 million: the change in this item was mainly attributable to amortization and depreciation in the period. It should be noted that following the M&A transaction in September 2022, this item mainly includes recognition of the goodwill that arose following the inclusion of the two Spanish companies in the scope of consolidation (approximately Euro 24 million).

Provisions – Euro 0.9 million: the change primarily refers to the release of the provision set aside for derivative financial instruments, which all had a positive fair value at 30 June 2023.

Net Invested Capital – Euro 95.3 million: this item increased by around Euro 6.1 million compared to December 2022 and the change mainly referred to an increase in fixed assets for approximately Euro 1.1 million and in current assets for approximately Euro 4.8 million.

Net Debt/(Cash) – Euro 33.2 million: the net financial position showed an increase in debt of approximately Euro 4.5 million, mainly attributable to the marked increase in medium-long term debt related to the loan granted for a total of Euro 31.5 million, secured by a pledge on the shares.

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

Amounts in Euro thousands	30 June 2023	31 December 2022	Change
Non-current Financial Liabilities	(40,805)	(46,067)	5,262
Current Financial Liabilities	(14,024)	(11,529)	(2,495)
Cash and Cash Equivalents	21,601	28,898	(7,297)
Net Debt/(Cash)	**(33,229)**	**(28,699)**	**(4,530)**

The Group strategy continues to be aimed at changing the composition of debt, favoring medium-long term debt.

Shareholders' Equity – Euro 62.0 million: this item changed due to the result for the period 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 at 31 December 2022:

Amounts in Euro thousands	30 June 2023	31 December 2022	Change
ASSETS			
Cash and Banks	21,601	28,898	(7,297)
Receivables from Customers	28,326	25,839	2,487
Prepayments and Accrued Income	1,066	552	514
Other Receivables	4,102	5,423	(1,321)
Inventories and WIP	78,813	65,967	12,846
A) Total Current Assets	**133,908**	**126,679**	**7,229**
Financial Assets	734	536	198
Technical Assets	3,936	3,420	516
Intangible Assets	31,580	31,095	485
Total Fixed Assets	**36,250**	**35,051**	**1,199**
TOTAL ASSETS	170,158	161,730	8,428

LIABILITIES	30 June 2023	31 December 2022	Change
Payables to Banks and Other MT Financial Payables/Receivables	14,024	11,529	2,495
Accounts Payable	42,243	35,584	6,659
Accrued Expenses and Deferred Income	891	153	738
Tax Payables	2,739	2,504	235
Other Payables	3,793	3,629	164
Advances from Customers	2,700	803	1,897
B) Total Current Liabilities	**66,390**	**54,203**	**12,187**
Payables to Banks and Other MLT Financial Payables	40,805	46,067	(5,262)
Provisions	916	1,012	(96)
Total MLT Liabilities	**41,721**	**47,079**	**(5,358)**
TOTAL LIABILITIES	108,111	101,281	6,829

Shareholders' Equity	30 June 2023	31 December 2022	Change
Share Capital	9,500	9,500	-
Legal Reserve	2,080	1,750	330
Other Reserves	3,598	3,537	62
Share Premium Reserve	17,900	17,900	-
Retained Profit Brought Forward	23,156	19,939	3,217
Profit (Loss) for the Period	5,813	7,823	(2,009)
Total Shareholders' Equity	**62,047**	**60,449**	**1,599**
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	170,158	161,730	8,428

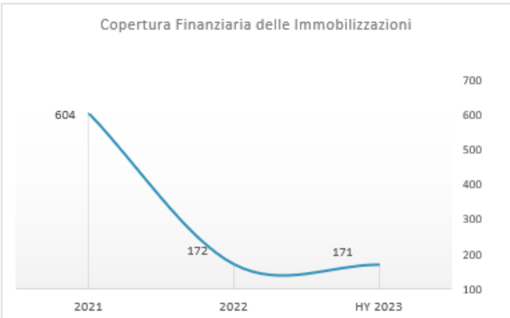
Net Working Capital (A-B)	**67,518**	**72,476**	**(4,958)**

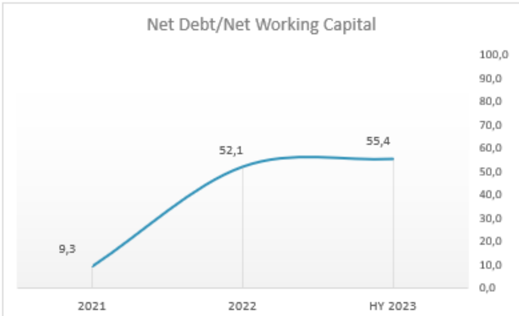
(Euro thousands)

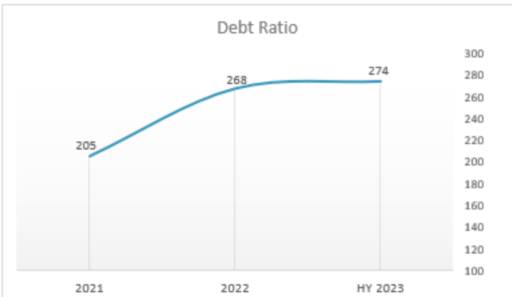
FINANCIAL PERFORMANCE INDICATORS

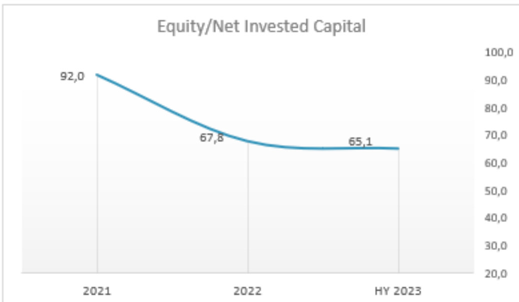
The main financial performance indicators at 31 December 2021, 31 December 2022 and 30 June 2023 are shown below. All indicators show a marked improvement of the financial structure and a high level of capitalization both with respect to investments and net working capital.

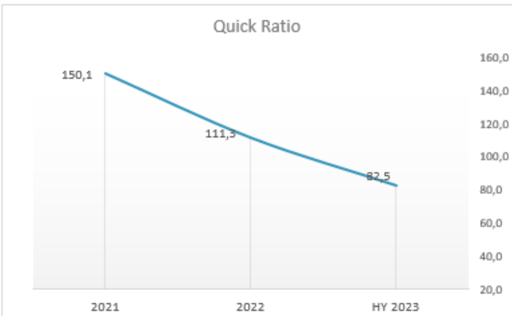
Financial KPIs	H1 2023	2022	2021
Fixed Asset Coverage Ratio	171	172	604
Net Debt/Net Working Capital	55.4	52.1	9.3
Debt Ratio	274	268	205
Equity/Net Invested Capital	65.1	67.8	92.0
Current Ratio	200	234	288
Quick Ratio	82.5	111.3	150.1

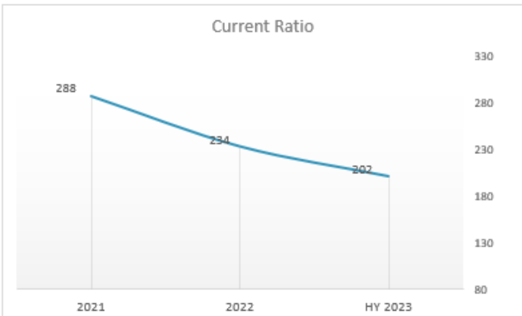












The trend of all financial indicators shows a satisfactory situation both in terms of liquidity and investment sustainability, largely covered by equity and an adequate debt ratio. In particular, equity/net invested capital decreased from 67.8 to 65.1 in percentage terms. The debt ratio rose from 268 at December 2022 to 274 at June 2023. Fixed asset coverage ratio and the net debt/net working capital ratio were equally positive. The former decreased from 172 to 171 at June 2023, while the net debt/net working capital ratio went from 52.1 in the previous period to 55.4 at 30 June 2023. As for immediate liquidity, the quick ratio decreased from 111.3 to 81.9 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

Consistent with the previous year's risk analysis, the Company re-assessed the impacts and probability of Country Risk as part of the risk analysis carried out in 2023.
In particular, it assessed the risk related to the sale of products to Countries or Companies directly or indirectly linked to Sanction Lists.
This risk was considered "High" in light of growing restrictions and the related increase in sanctions imposed by the US, the European Union and the UK.
In order to mitigate the aforementioned risk, the ALA Group decided to adopt a new software which enables real-time online screening of all counterparties interested in commercial transactions with ALA.

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 previous year's findings are confirmed, namely that the Group does not show significant exposure to risks relating to payables or receivables in currencies other than the Euro.

Credit Risk

As in the previous period, the ALA Group is not particularly exposed to credit risk given the quality of its customers, which are mainly companies of primary national and international standing.

Liquidity Risk

Low risk is confirmed as regards the possible unavailability of sufficient financial resources for the Group companies to meet their financial obligations within the established terms and deadlines or to cover any investments.

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 team 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, also in the first half of 2023 a general capacity loss (in terms of human resources, raw materials and availability of machinery) was confirmed by the majority of suppliers, with a consequent deterioration of our supply chain’s On-Time Delivery performance.

In fact, the Company recorded an average OTIF (On Time In Full) value of approximately 60% of the total ordered and expected in the first half of 2023.

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. For medium/long-term recovery, the Company has implemented a process that analyzes expected deliveries to Customers in order to anticipate and remodel changes in forecast consumption and intervene with spot purchases, with beneficial effects on the overall Service Level.

Risk of Sensitive Information Loss

As already emerged in 2022, 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 thus introduced a requirement for the Sales Department to exclusively use a controlled access database (on the Alfresco platform) to gather all sensitive information related to sales contracts and the related documentation in order to limit downloads/sharing, in a specific procedure (QSP 014 – Business Opportunities). In addition, the company personnel most exposed to this risk have signed NDAs.

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 30 June 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 Euronext Growth Milan (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. 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 30 June 2023 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 Interim Financial Report at 30 June 2023. 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	168,902	(2,819,236)
Total	**168,902**	**(2,819,236)**

Reconciliation of Costs/Revenues	ALA Spa	
	Costs	Revenues
A.I.P. ITALIA	268,352	55,418
Total	**268,352**	**55,418**

It should be noted that receivables recorded in the Interim Financial Statements at 30 June 2023 from the Parent Company AIP Italia SpA refer to commercial transactions which took place at normal market conditions and according to contractual agreements.

Payables to the Parent Company at 30 June 2023, on the other hand, amounted to approximately Euro 2,813,805 and almost entirely refer to tax payables, pursuant to the tax consolidation agreement between the parties.

The income statement items recorded in the Interim Financial Statements at 30 June 2023 refer to the remuneration of financial costs deriving from the guarantees given by the Parent Company A.I.P. Italia SpA by virtue of a three-year contract concluded in 2021 and ratified by the Board of Directors on 24 June 2021 for Euro 268 thousand, and to revenues for intercompany services rendered to the Parent Company for Euro 55 thousand.

PERSONNEL INFORMATION

At 30 June 2023, the Group counted 268 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 15 units compared to the prior-year period.
The table below shows the details of employment numbers for the three-year period.

	2021	2022	H1 2022	H1 2023
Average workforce	254	256	253	268

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 the first half of 2023, 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

As regards the Group's Quality System Certification, pursuant to standards EN 9120:2018 and ISO 9001:2015, it should be noted that in 2023 the Company decided to change certification body, switching to DNV.
The audits necessary to change body were carried out in March and a new Certificate was issued.
The surveillance audits, carried out by DNV at certain Group sites (according to a sampling plan envisaged by sector regulations) are scheduled for the May-July period and will conclude on 31 July 2023.
This year the certification cycle envisages 17 man-days and involves the Naples HQ, Cameri, Gallarate, San Maurizio Canavese, Toulouse and Bordeaux sites, as well as the new Esher (ALA UK) and Hamburg (ALA Germany) sites.

In addition to the third-party audit by DNV, in the first half of 2023 audits were also carried out internally (total of 22 audits) and at our suppliers (total of 10 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.

In addition to Group certification according to EN 9120:2018, please note that EN 9100:2018 certification was confirmed again this year for the ALA North America site in Bethpage, New York.
In February 2023, the re-certification audit was completed – also managed by the certification body DNV – without any findings of non-compliance.

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 the first half of 2023 three exports (intra-community transfers) to the affiliate ALA Germany Gmbh were recorded.

It should also be noted that all of the documentation necessary for the renewal of our Global Transfer License, due to expire on 17 October 2023, has already been prepared.

Environmental Management System

In the first half of 2023, the Group Parent Company ALA SpA confirmed monitoring activities and the constant updating of its Environmental Management System, in view of the re-certification audit scheduled before year-end.

Information Security Management System

Monitoring and updating activities are in progress for the aforementioned system, with the subsidiary ALA North America due for a new maintenance audit – in the second half of the year – for its ISO 27001 Certification.

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 30 June 2023, the Group adopted the simplified model envisaged 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 at 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 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 the share capital 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.

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 30 June 2023, 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 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.

Amount and Nature of Exceptional Revenue/Cost Items

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

GOING CONCERN

The Consolidated Financial Statements at 30 June 2023 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 reporting period, the analysis of related-party transactions and the significant events that occurred during the period.

In the first half of 2023, 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 30 June 2023 based on the going-concern assumption.

Naples, 20 September 2023

On Behalf of the Board of Directors
Roberto Tonna
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

02_CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET ASSETS

	30/06/2023	31/12/2022
B) Fixed Assets		
I – Intangible Assets		
1) Start-up and Expansion Costs	3,347,849	2,715,389
4) Concessions, Licenses, Trademarks and Similar Rights	381,551	398,566
5) Goodwill	26,528,323	25,742,237
6) Assets in Progress and Advance Payments	74,000	1,114,308
7) Other	1,248,174	1,124,247
Total Intangible Assets	*31,579,897*	*31,094,746*
II – Tangible Assets		
1) Land and Buildings	546,698	556,198
2) Plant and Machinery	1,346,095	1,064,470
3) Industrial and Commercial Equipment	1,431,241	1,239,249
4) Other Assets	611,946	560,372
5) Assets in Progress and Advance Payments	-	-
Total Tangible Assets	*3,935,980*	*3,420,289*
III – Financial Assets		
1) Equity Investments		
d-bis) Other Companies	20,000	20,000
Total Equity Investments	*20,000*	*20,000*
2) Receivables		
d-bis) Other Receivables		
due within the following period	564,894	325,844
Total Receivables	564,894	325,844
4) Derivative Financial Instruments	149,540	190,475
Total Financial Assets	*734,434*	*536,319*
Total Fixed Assets (B)	*36,250,310*	*35,051,354*
C) Current Assets		
I – Inventories		
4) Finished Products and Goods	76,035,559	63,670,681
5) Down Payments	2,777,643	2,296,767
Total Inventories	*78,813,202*	*65,967,448*
II – Receivables		
1) Receivables from Customers	28,157,042	25,710,596
due within the following period	28,157,042	25,710,596
4) Receivables from Parent Companies	168,902	128,342
due within the following period	168,902	128,342
5-bis) Tax Receivables	2,032,759	3,746,380
due within the following period	2,032,759	3,746,380
5-ter) Deferred Tax Assets	794,500	755,596
5-quater) Other Receivables	1,274,441	920,590
due within the following period	1,274,441	920,590
Total Receivables	*32,427,644*	*31,261,503*
IV – Cash and Cash Equivalents		
1) Bank and Postal Deposits	21,482,635	28,893,330
3) Cash at Hand and in Bank	117,869	4,583
Total Cash and Cash Equivalents	*21,600,504*	*28,897,913*
Total Current Assets (C)	*132,841,350*	*126,126,865*
D) Prepayments and Accrued Income	1,066,310	551,879
Total Assets	*170,157,970*	*161,730,099*

BALANCE SHEET LIABILITIES

	30/06/2023	31/12/2022
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	2,080,075	1,750,253
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	389,009	377,498
Rounding Reserve	-	-
Total Other Reserves	*3,300,954*	*3,289,443*
VII – Reserve for Expected Cash Flow Hedges	149,540	190,475
VIII – Profits (Losses) Carried Forward	23,155,799	19,939,020
IX – Profit (Loss) for the Period	5,809,528	7,692,270
X - Negative Reserve for Own Shares in Portfolio	-	-
Total Shareholders' Equity Attributable to the Group	*61,895,895*	*60,261,461*
Shareholders' Equity Attributable to Non-Controlling Interests		
Capital and Reserves Attributable to Non-Controlling Interests	147,841	56,719
Profit (Loss) for the Period Attributable to Non-Controlling Interests	3,687	130,419
Total Shareholders' Equity Attributable to Non-Controlling Interests	*151,528*	*187,138*
Total Consolidated Shareholders' Equity	*62,047,423*	*60,448,599*
B) Provisions for Risks and Charges		
2) Provisions for Taxes, including deferred	-	-
3) Provisions for Derivative Financial Instruments	-	-
4) Other	568,779	665,779
Total Provisions for Risks and Charges	568,779	665,779
C) Employee Severance Indemnity	347,160	346,106
D) Payables		
3) Payables for Shareholder Loans	-	-
4) Payables to Banks	53,856,223	56,897,867
due within the following period	13,051,306	10,830,846
due after the following period	40,804,917	46,067,021
5) Payables to Other Lenders	972,991	698,465
due within the following period	972,991	698,465
6) Advance Payments	2,700,466	803,300
due within the following period	2,700,466	803,300
7) Accounts Payable	39,424,215	34,382,856
due within the following period	39,424,215	34,382,856
11) Payables to Parent Companies	2,818,305	1,200,890
due within the following period	2,818,305	1,200,890
12) Tax Payables	2,739,233	2,504,477
due within the following period	2,739,233	2,504,477
13) Payables to Social Security Institutions	527,779	696,606
due within the following period	527,779	696,606
14) Other Payables	3,264,778	2,932,168
due within the following period	3,264,778	2,932,168
Total Payables	*106,303,991*	*100,116,630*
E) Accrued Expenses and Deferred Income	890,618	152,985
Total Liabilities	170,157,970	161,730,099

CONSOLIDATED INCOME STATEMENT

	30/06/2023	30/06/2022
A) Value of Production		
1) Revenues from Sales and Services	110,912,348	63,068,833
2) Change in Inventories of WIP, Semi-Finished and Finished Products	2,595,538	-
4) Increases in Capitalized Costs	-	265,379
5) Other Revenues and Income		
a) Grants	110,992	423,302
b) Other	30,227	150,777
Total Other Revenues and Income	*141,219*	*574,079*
Total Value of Production	*113,649,105*	*63,908,291*
B) Cost of Production		
6) Cost of Raw, Ancillary and Consumable Materials and Goods for Resale	91,200,887	43,987,879
7) Service Costs	6,507,183	3,971,527
8) Leasehold Costs	1,471,151	1,047,938
9) Labor Costs		
a) Wages and Salaries	9,338,861	4,938,970
b) Social Security Costs	2,098,800	1,087,076
c) Employee Severance Indemnity	325,164	291,058
e) Other Costs	317,868	216,178
Total Labor Cost	*12,080,693*	*6,533,281*
10) Amortization & Depreciation and Write-downs		
a) Amortization of Intangible Assets	1,532,214	991,013
b) Depreciation of Tangible Assets	389,000	221,092
c) Other Write-Downs of Fixed Assets	-	-
d) Write-Downs of Current Receivables and Cash and Cash Equivalents	350,000	50,000
Total Amortization & Depreciation and Write-Downs	*2,271,214*	*1,262,105*
11) Changes in Raw, Ancillary and Consumable Materials and Goods for Resale	(10,082,151)	1,012,126
12) Provisions for Risks	-	-
14) Other Operating Expenses	169,625	262,258
Total Cost of Production	*103,618,602*	*58,077,113*
Difference Between Value and Cost of Production (A - B)	**10,030,503**	**5,831,178**
C) Financial Income/Charges		
16) Other Financial Income d) Income Other Than the Above	65,294	-
Total Income Other Than the Above	*65,294*	-
Total Other Financial Income	*65,294*	-
17) Interest and Other Financial Charges		
Other	2,565,388	740,008
Total Interest and Other Financial Charges	*2,565,388*	*740,008*
17-bis) Gains and Losses on Foreign Exchange	(264,477)	(357,000)
Total Financial Income/Charges (15+16-17+-17-bis)	***2,764,571***	***1,097,008***
D) Financial Adjustments:		
18) Revaluations: d) of Derivative Financial Instruments	-	-
Total Revaluations	-	-
19) Write-Downs:		
a) of Equity Investments	-	-
d) of Derivative Financial Instruments	-	-
Total Write-Downs	-	-
Financial Adjustments	-	-
Earnings Before Tax (A-B+-C+-D)	**7,265,932**	**4,734,170**
20) Income Taxes for the Period – Current, Deferred and Prepaid		
a) Current taxes	1,437,546	1,230,240
b) Taxes Relating to Previous Years	-	-

c) Deferred and Prepaid Taxes	15,170	4,026
d) Income (Charges) from Tax Consolidation/Transparency Regime	-	-
Total Income Taxes for the Period – Current, Deferred and Prepaid	*1,452,717*	*1,234,266*
21) Profit (Loss) for the Period	5,813,215	3,499,904
Profit (Loss) for the Period Attributable to Non-Controlling Interests	3,687	69,227
Profit (Loss) for the Period Attributable to the Group	5,809,528	3,430,677

CONSOLIDATED CASH FLOW STATEMENT

	30/06/2023	30/06/2022
A) Cash Flows from Operating Activities (Indirect Method)		
Profit (Loss) for the Period	5,813,215	3,499,904
Income Taxes	1,452,717	1,234,266
Interest Expenses/(Income)	2,764,571	1,097,008
(Dividends)	-	-
(Capital Gains)/Losses Deriving from the Disposal of Assets	-	-
1) Profit (Loss) for the Period Before Income Taxes, Interest, Dividends and Capital Gains/Losses	*10,030,503*	*5,831,178*
Adjustments for Non-Cash Items Not Offset in Net Working Capital	-	-
Provisions	731,732	341,058
Amortization & Depreciation of Fixed Assets	1,921,214	1,212,105
Write-Downs for Impairment Losses	350,000	-
Adjustments for Non-Cash Financial Assets and Liabilities Related to Derivative Financial Instruments	-	-
Other Adjustments for Non-Cash Items	179,470	(3,020)
Total Adjustments for Non-Cash Items Not Offset in Net Working Capital	*3,183,416*	*1,550,143*
2) Cash Flow Before Changes in Net Working Capital	*3,183,416*	*7,381,320*
Changes in Net Working Capital		
Decrease/(Increase) in Inventories	(12,161,243)	633,663
Decrease/(Increase) in Accounts Receivables	(2,796,445)	2,019,376
Increase/(Decrease) in Accounts Payables	5,041,359	2,214,38
Decrease/(Increase) in Prepayments and Accrued Income	(514,431)	(521,604)
Increase/(Decrease) in Accrued Expenses and Deferred Income	737,632	184,816
Other Decreases/ (Other Increases) in Net Working Capital	4,196,636	661,860
Total Changes in Net Working Capital	*(5,496,492)*	*5,192,468*
3) Cash Flow After Changes in Net Working Capital	*(2,314,076)*	*12,573,778*
Other Adjustments		
Interest Collected/(Paid)	(2,190,773)	(786,508)
(Income Taxes Paid)	(755,197)	(49,934)
Dividends Collected	-	-
(Use of Provisions)	(1,621,016)	(654,277)
Other Collections/(Payments)	-	-
Total Other Adjustments	*(4,566,986)*	*(1,490,712)*
Cash Flow from Operating Activities (A)	*3,149,441*	*11,083,069*
B) Cash Flows from Investing Activities		
Tangible Assets		
(Investments)	(904,690)	(510,557)
Disposals	-	-

Intangible Assets		
(Investments)	(2,017,366)	(851,729)
Disposals	-	-
Financial Assets		
(Investments)	(239,050)	(313,237)
Disposals	-	-
(Acquisition of Business Units Net of Cash and Cash equivalents) *	-	-
Cash Flow from Investing Activities (B)	*(3,161,106)*	*(1,675,522)*
C) Cash Flows from Financing Activities		
Borrowings		
Increase/(Decrease) in Short-Term Payables to Banks	1,397,012	(2,582,760)
New Loans	5,000,000	4,000,000
(Loan Repayments)	(9,448,656)	(3,030,467)
Self-Financing		
Capital Increases	-	-
(Dividends and Interim Dividends Paid)	(4,244,100)	(4,244,100)
Cash Flow from Financing Activities (C)	*(7,285,744)*	*(5,857,327)*
Increase (Decrease) in Cash and Cash Equivalents (A ± B ± C)	*(7,297,409)*	*3,550,220*
Exchange Effect on Cash and Cash Equivalents	-	-
Cash and Cash Equivalents Acquired or Sold with the Acquisition/Disposal of Subsidiaries	-	-
Opening 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	3,583
Total Cash and Cash Equivalents at the Start of the Period	*28,897,913*	*32,502,767*
of which unavailable		
Closing Balance of Cash and Cash Equivalents		
Bank and Postal Deposits	21,482,635	32,497,184
Cheques	-	-
Cash at Hand and in Bank	117,869	5,583
Total Cash and Cash Equivalents at the End of the Period	*21,600,504*	*32,502,767*
of which unavailable	-	-

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 market managed by Borsa Italiana since 20 July 2021 (Euronext Growth Milan: ALA). 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 – currently relies on a talented workforce of more than 500 people and on the strength of a growing network of sales offices and operations offices across Europe (Italy, Spain, Portugal, the United Kingdom, France and Germany), Israel and North America.

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2023

The Group's Interim Financial Report at 30 June 2023 was prepared in accordance with the provisions of the "Euronext Growth Milan – Rules for Companies". The Consolidated Interim Financial Statements at 30 June 2023, included in the Interim Financial Report, were drawn up in compliance with OIC Accounting Standard 30 and with the provisions of Legislative Decree 127/91 and the provisions of Article 2423 et seq. of the Italian Civil Code, as amended by Legislative Decree 139/2015, appropriately supplemented by the accounting standards issued by the Italian Standard Setter OIC, and consist of the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity, as well as the explanatory notes.

The explanatory notes are reported in summary format and do not include all the information required in the annual financial statements, since they refer exclusively to the components which, in terms of amount, breakdown or changes, are essential for the purpose of understanding the Group's results of operations, financial position and cash flows. Therefore, the Financial Report must be read together with the Consolidated Financial Statements for the year ended 31 December 2022. In fact, its purpose is to provide an update with respect to the last Consolidated Annual Financial Statements, illustrating the facts and events that occurred during the period from 31 December 2022 to 30 June 2023.

The same accounting standards, recognition and measurement criteria, and consolidation criteria adopted for the preparation of the Consolidated Financial Statements at 31 December 2022, as well as for the Interim Financial Report at 30 June 2022, were used for the preparation of this Interim Financial Report.

It should also be pointed out that the Consolidated Interim Financial Statements require the Directors to make estimates and assumptions that affect the values of revenues, costs, assets, liabilities and disclosures relating to contingent assets and liabilities at the interim reporting date. If these estimates and assumptions, which are based on the Directors' best assessment, differ from actual circumstances in the future, they will be suitably adjusted in the period in which such circumstances change. It should also be noted that certain measurement processes, in particular more complex calculations such as the determination of any impairment of non-current assets, are generally carried out in full only during the preparation of the annual financial statements, when all necessary information is available, except in cases where there are indicators of impairment which require the immediate assessment of any impairment losses.

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 period and the comparative period shown.

The typical consolidation items with a zero balance in both the current period 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 30 June 2023 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 Interim Financial Statements at 30 June 2023 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 interim income, balance sheet and financial position at 30 June 2023 of the subsidiaries of ALA SpA were duly adjusted, where necessary, for alignment with the uniform accounting standards adopted by the Group and in line with OIC Accounting Standard 30 “Interim Financial Statements”.

The Consolidated Interim Financial Statements at 30 June 2023 of the Group were approved by the Board of Directors on 20 September 2023, as indicated in the financial calendar available on the Company’s website, with publication on the same date.

These Consolidated Interim Financial Statements are audited on a voluntary and limited basis by PricewaterhouseCoopers SpA.

SCOPE OF CONSOLIDATION

The Consolidated Interim Financial Statements at 30 June 2023 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 Interim Financial Statements at 30 June 2023 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 30 June 2023 and the operating results, financial position and cash flows at 30 June 2023 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 and State	Share Capital in Euro (**)	Profit (Loss) for the Last Period in Euro (**)	Shareholders' Equity in Euro (*)	Shareholding in Euro (*)	Shareholding %	Book Value
Westbury Electronic Service Inc	USA (New York)	18,406	(73,370)	1,668,039	1,668,039	100.00	2,079,960
A.L.A. North America Inc.	USA (New York)	46,015	851,567	4,733,411	4,733,411	100.00	2,545,390
ALA Uk ltd	UK (London)	116,512	58,041	8,426,196	8,426,196	100.00	10,010,755
ALA France Sas	France (Toulouse)	2,409,524	286,493	2,785,522	2,785,522	100.00	4,610,755
ALA Yail Aerotech Israel LTD (*)	Israel (Tel Aviv)	4,940	(33,711)	1,217,182	620,763	51.00	1,000,000
Aerel Srl	Italy (Rome)	10,710	5,408	248,800	148,800	100.00	205,133
ALA Germany Gmbh	Germany (Hamburg)	195,000	95,149	398,497	239,098	60.00	308,000
Suministros De Conectores Profesionales S. A	Spain (Madrid)	60,101	1,639,907	6,323,418	6,323,418	100.00	10,411,391
Sistemas De Interconexion, S. A	Spain (Madrid)	60,101	1,192,855	10,035,648	10,035,648	100.00	27,729,988

(*) Figures from the pro-forma accounting statements at 30/06/2023
(**) Figures from the financial statements approved by the respective corporate bodies, pursuant 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 Period in Euro	Shareholders' Equity 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 Interim Financial Statements at 30 June 2023 are based on the accounting statements at 30 June 2023 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 non-consolidated equity investments held-for-sale, which in any case would be measured at the lower value of 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 direct 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. There were no other changes compared to 30 June 2022 in the period under review.

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 shareholdings in subsidiaries, included in the financial statements of the Parent Company and, where present, in the financial statements of other Group companies, is eliminated against the related portion of shareholders' equity of the subsidiary pertaining to the Group, with recognition of the investee's assets and liabilities 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, and to each liability assumed. If the positive difference from elimination 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; prepaid taxes and deferred tax liabilities are also considered in the calculation of the gains/losses allocated.
   (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, net of deferred tax assets recognized against the allocated capital losses. 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 period 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 Period Attributable to Non-Controlling Interests") and income statement "Profit/Loss for the Period 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 period end. The consolidation difference is calculated on the date of consolidation, which coincides with the date of acquisition of control, or on the date that the company is included in the consolidation scope for the first time 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 period were eliminated.
9. Gains arising from the transfer of fixed assets between consolidated companies and margins on goods not yet sold to third parties were eliminated.
10. Write-downs and revaluations of equity investments in consolidated companies recorded under fixed assets were eliminated.

The Consolidated Financial Statements at 30 June 2023 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 period-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 period for income statement items.

The difference between the result for the period deriving from the conversion at average exchange rates and that resulting from the conversion at period-end exchange rates, and the effect of changes in exchange rates between the start and the end of the period on assets and liabilities are recorded in shareholders' equity under the account "Foreign Currency Translation Reserve".

Financial flows deriving from transactions in foreign currencies are recorded in the cash flow statement in Euro, applying the exchange rate between Euro and the foreign currency at the time the cash flow occurs to the amount in foreign currency. Unrealized gains or losses deriving from changes in exchange rates do not represent financial flows; the gain (or loss) for the period is therefore adjusted to account for these transactions which are not of a monetary nature. The effect of changes in exchange rates on cash and cash equivalents held in foreign currency is illustrated separately from the financial flows of operating, investing and financing activities.

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

Exchange Rates at 30 June	**30/06/2023**
EUR/USD	1.0866
EUR/GBP	0.8583
EUR/ILS	4.0486
Source: Bank of Italy	
Average Exchange Rates at 30 June	**30/06/2023**
EUR/USD	1.0807
EUR/GBP	0.8764
EUR/ILS	3.8828
Source: Bank of Italy	

BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2023

In accordance with Article 2423 of the Italian Civil Code, the principle of "relevance" (Article 29, Paragraph 3-bis, of Italian Legislative Decree 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 30 June 2023:

- 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 separate valuation of the heterogeneous elements making up the individual items, preventing the gains on certain items from offsetting the losses on others. In particular, profits were included only if realized by the closing date of the financial period, while risks and losses pertaining to the financial period were taken into account, even if known after period end.
- The application of the accrual basis resulted in the effect of transactions being recorded in the accounts of the financial period to which they refer and not in the period in which their collections and payments were made.
- The preparation of the Consolidated Financial Statements at 30 June 2023 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 period in which they are found to be necessary and appropriate, if such changes only affect such financial period, and in the following periods if the changes affect both current and subsequent periods.
- Continuity in the application of measurement criteria over time is necessary for the purpose of comparing the financial statements of the Company for various financial periods.

Translation of Items in Foreign Currency

Non-monetary assets and liabilities in foreign currency are recorded in the balance sheet at the exchange rate at the time of their purchase, i.e. at their initial entry cost (historical exchange rate). Exchange gains or losses realized upon the collection of assets or the payment of liabilities in foreign currency are recorded in the income statement.

Monetary items in foreign currency are translated in the financial statements at the spot exchange rate at the reporting date. The related exchange gains and losses are recorded in the income statement for the period.

Any net gains deriving from these differences, since not definitively realized, are allocated to a specific reserve which shall remain unavailable until realized (for the amount pertaining to the Group 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 30 June 2023, 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 30 June 2023 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 period, 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 present value of the expected cash flows of an asset or a cash-generating unit. Whereas fair value is understood as the amount obtainable from the sale of an asset in an ordinary transaction between market participants at the measurement date.

Goodwill, acquired against payment, was entered under balance sheet assets for an amount equal to the cost incurred and is amortized over its useful life. For the purposes of its recognition and accounting treatment, goodwill represents only the portion of consideration paid which is not attributable to the individual assets of the company acquired but rather to its intrinsic value.
The value of goodwill is determined as the difference between the total price paid for the acquisition of the company or business unit (or the contribution value of the same, the acquisition cost of the incorporated or merged company, or of the assets transferred from the spun-off company to the beneficiary company) and the present value attributed to the other assets and liabilities transferred.

Goodwill is amortized over its useful life. The useful life of goodwill is estimated at the time of its initial recognition and is not changed in subsequent years. For the purpose of calculating the useful life of goodwill, the company takes into consideration the available information to estimate the period over which it is probable the economic benefits associated with goodwill will arise.

The following points of reference are used during the process for calculating useful life:

1. The period of time over which the company expects to receive additional economic benefits linked to the favorable income prospects of the acquired company and the synergies generated by the extraordinary transaction. Reference is made to the period in which the realization of additional economic benefits can reasonably be expected.
2. The period of time over which the company expects to recover, in financial or income terms, the investment made (so-called payback period) according to the formal forecasts of the company's decision-making body.
3. The weighted average of the useful life of all core assets acquired in the business combination (including intangible assets).

When the application of the aforementioned elements gives an estimated useful life of goodwill greater than 10 years, the objective facts and circumstances supporting such estimate must be considered. In any case, the useful life of goodwill may not exceed 20 years. In exceptional cases where it is not possible to make a reliable estimate of useful life, goodwill is amortized over a period of no more than ten years.

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 30 June 2023.

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 disposal of assets (sales, scrapping, etc.) during the period 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 period, 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 period. 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 present value of the expected cash flows of an asset or a cash-generating unit. Whereas fair value is understood as the amount obtainable from the sale of an asset in an ordinary transaction between market participants 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 30 June 2023.

Financial Assets

Equity Investments

Equity investments recorded under financial assets are measured 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. Impairment losses are determined by comparing the book value of the equity investment with its recoverable value, determined based on the future benefits expected to flow to the investor. 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 for 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 of 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 recognized under current assets are recorded according to the amortized cost method, as defined by Article 2426, Paragraph 2, of the Italian Civil Code, on an accrual basis and taking into account the presumed realizable value in compliance with 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, 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.

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 period 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. In case of factoring transactions that involve the substantial transfer of all credit risks, the related receivables entered in the Company's balance sheet are cancelled. In case of assignments with recourse or assignments that do not transfer all the inherent risks, such receivables remain recorded in the balance sheet.

Prepayments and Accrued Income

The item "Prepayments and Accrued Income" shows the share of costs and revenues pertaining to the period but payable in subsequent periods, and the share of costs and revenues incurred before the end of the period but pertaining to future periods, according to the principle of accrual accounting. For multi-year items, the conditions that led to their recognition were assessed and the necessary changes made.

Cash and Cash Equivalents

Cash and cash equivalents at the end of the period are measured at nominal value. Cash and cash equivalents in foreign currency are measured at the exchange rate at the reporting date.

Own Shares

Own shares are recognized in the consolidated financial statements at a value corresponding to their purchase cost through the entry of a negative reserve "Negative Reserve for Own Shares in Portfolio", which is recorded under shareholders' equity pursuant to Article 2424 of the Italian Civil Code. This reserve is formed at the time such shares are purchased.

Provisions for Risks and Charges

Provisions are allocated to cover specific liabilities of a certain or probable nature, the amount or date of occurrence of which could not be determined at period 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 period 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 of 5 December 2005 or transferred to the INPS (Social Security Institute) Treasury.

Income Taxes

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

- an estimate of the tax burden referable to the period, calculated on the basis of the taxable income and effective tax rate in force at the reporting date;
- adjustments to the balances of deferred tax assets and liabilities to take into account changes that occurred during the period.

Deferred tax assets and liabilities are calculated on the temporary differences between the values of the assets and liabilities determined according to the statutory criteria and the corresponding value for tax purposes. They are measured taking into account the presumed tax rate that will apply to the Company in the year in which such differences will contribute to the formation of the tax result, considering the tax rates in force or already issued at the reporting date and are respectively recorded in balance sheet liabilities under the item "Provision for Deferred Taxes" of provisions for risks and charges, and in current assets under the item 5)-ter "Deferred Tax Assets".
Deferred tax assets are recognized for all deductible temporary differences, according to the principle of prudence, if there is reasonable certainty of the existence of a taxable income no lower than the amount of the differences to be offset in the years in which they will be reversed.
On the other hand, deferred taxes are recognized for all taxable temporary differences.
Deferred taxes relating to untaxed reserves are not recognized if it is unlikely these reserves will be distributed 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

Lease transactions are classified as finance leases when they involve the transfer of the majority of risks and benefits related to the underlying assets to the lessee (Article 2427, Point 22, of the Italian Civil Code). Lease transactions that cannot be defined finance leases on the basis of national legislation are classified as operating leases.
Finance lease transactions are shown in the consolidated financial statements according to the financial method, recording the assets received under finance leases in the consolidated balance sheet under fixed assets against obtaining a loan from the leasing company, and accounting for the depreciation of the assets and interest expenses on the loan obtained in the income statement.

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 related 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 recognized at the time their rights and obligations are acquired; they are measured at fair value both on the date of initial entry and at every subsequent reporting date. The accounting of hedging instruments differs based on the hedging objective, which can be to cover changes in fair value (fair value hedges) or to cover changes in future cash flows (cash flow hedges).

In the first case (fair value hedges), changes in fair value compared to the previous period are recorded in the income statement; in the case of instruments covering the risk of changes in the expected cash flows (cash flow hedges) of another financial instrument or a forecast transaction, the changes are recorded in a positive reserve under shareholders' equity.
Derivative financial instruments with a positive fair value are recorded in balance sheet assets. Their classification under fixed assets or current assets depends on the nature of the instrument:

- derivative financial instruments hedging the cash flow or fair value of an asset follow the classification, under current or fixed assets, of the underlying asset;
- derivative financial instruments hedging the cash flow or fair value of a liability, a firm commitment or a highly probable forecast transaction are classified under current assets;
- non-hedging derivative financial instruments are classified under the current assets of the subsequent period.

Changes in the fair value of the effective component of cash flow hedges are recorded in the "Reserve for Expected Cash Flow Hedges". Derivative financial instruments with a negative fair value are recorded in the balance sheet under "Provisions for Risks and Charges".

The Group adopts a simplified accounting model for cases in which the characteristics of the hedging instrument correspond or are closely aligned to those of the hedged item and the derivative contract was entered into at market conditions.

Information on Balance Sheet Assets

The amounts recorded in the balance sheet were measured 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 31,579,897 and were recorded at purchase cost, including ancillary costs and net of amortization.

Description	Initial Balance	Final Balance	Change	% Change
1) Start-up and Expansion Costs	2,715,389	3,347,849	632,460	23%
4) Concessions, Licenses, Trademarks and Similar Rights	398,566	381,551	(17,014)	-4%
5) Goodwill	25,742,237	26,528,323	786,086	3%
6) Assets in Progress and Advance Payments	1,114,308	74,000	(1,040,308)	-93%
7) Other	1,124,247	1,248,174	123,927	11%
Total	**31.094.746**	**31,579,897**	**485,151**	**2%**

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 Period	**2,715,389**	**398,566**	**25,742,237**	**1,114,308**	**1,124,247**	**31,094,746**
Increases	37,559	64,849	1,664,555	18,600	223,279	2,008,842
Decreases	-	-	-	-	-	-
Other Changes	1,058,908	-	-	(1,058,908)	-	-
Translation Differences	11,237	-	-	-	(2,713)	8,524
Amortization	(475,243)	(81,863)	(878,469)	-	(96,639)	(1,532,214)
Net Value at End of Period	**3,347,849**	**381,551**	**26,528,323**	**74,000**	**1,248,174**	**31,579,897**

Start-Up and Expansion Costs amounted to Euro 3,347,849 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 627 thousand, (ii) recognition as expansion costs of costs for internal work of approximately Euro 1,058 thousand incurred in France in relation to the Dassault project started at the beginning of 2023, and (iii) 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.

Start-up costs (and Euronext Growth Milan listing and associated costs) are capitalized and amortized over a five-year period since such costs are directly attributable to the new business and are limited to those incurred in the period prior to the time of possible start-up and to the extent that there is a reasonable prospect of future income.

Concessions, Licenses, Trademarks and Similar Rights, totaling Euro 381,551, 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 26,528,323 net of amortization for the period and referred to the goodwill incorporated in the purchase price for the two Spanish companies Sintersa and SCP for Euro 24,981 thousand, goodwill incorporated in the purchase price for the companies ALA France and ALA UK for Euro 1,454 thousand, and goodwill generated with the acquisition of ALA Germany, for approximately Euro 95 thousand. With reference to goodwill recognized on the acquisitions of ALA France, ALA UK and ALA Germany, it should be noted that the Company determined a useful life of 10 years. The increase for the period of Euro 1,665 thousand refers to the deferred price adjustment of the two Spanish companies Sintersa and SCP established on the basis of the clauses determining the price of the purchase contract.

With reference to goodwill recognized in relation to the acquisition of the Spanish group, an estimated payback period exceeding 20 years was calculated (with a WACC of approximately 9%). On the basis of these results, the above goodwill is amortized over a period of 20 years starting from 1 October 2022.

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

Data at 30 June 2023	Suministros De Conectores Profesionales S. A	Sistemas De Interconexion, S. A.
Price paid including ancillary charges	9,412,458	26,064,366
I Earnout paid at 31 December 2022	265,300	734,700
Deferred price adjustment including ancillary charges	733,633	930,922
Data at 30 September 2022		
Total assets acquired (fair value)	8,312,810	12,211,365
Value of 7% stake in SCP held by Sintersa	(238,963)	238,963
Total liabilities acquired (fair value)	(3,850,178)	(4,213,247)
Goodwill recognized	**6,187,722**	**19,731,870**

It should be noted that the assets and liabilities acquired were recognized on 30 September 2022 at fair value, which corresponds to their book value inferred from the balance sheets of the companies on such date.

For the above goodwill, even in the absence of impairment indicators since the results recorded in 2022 are substantially in line with the Company's business plan, an analysis of the recoverability of these book values was carried out using cash flows based on the multi-year plans prepared for the individual subsidiaries.

The item **Assets in Progress and Advance Payments**, equal to Euro 74,000, refers to expenses incurred by the Group Parent Company in relation to an ongoing project on "augmented reality". The decrease in the item instead refers to the recognition as assets of expansion costs for internal work carried out in France for the Dassault project, which actually began in January 2023.

Other Intangible Assets amounted to Euro 1,248,174 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 period was recorded in the income statement for a total of Euro 1,532,214.
Increases compared to the previous period mainly referred to investments made by the Group Parent Company ALA SpA.

Tangible Assets

Tangible assets amounted to Euro 3,935,980 and were recorded at purchase cost, including ancillary costs and net of depreciation.

Description	Initial Balance	Final Balance	Change	% Change
1) Land and Buildings	556,198	546,698	(9,500)	-2%
2) Plant and Machinery	1,064,470	1,346,095	281,625	26%
3) Industrial and Commercial Equipment	1,239,249	1,431,241	191,992	15%
4) Other Assets	560,372	611,946	51,574	9%
5) Assets in Progress and Advance Payments	-	-	-	0%
Total	3,420,289	3,935,980	515,690	15%

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 Period	556,198	1,064,470	1,239,249	560,372	-	3,420,289
Increases	4,100	404,404	358,439	140,750	-	907,693
Decreases/Other Changes	-	-	-	-	-	-
Translation Differences	-	4,150	(389)	(6,763)	-	(3,003)
Depreciation	(13,600)	(126,929)	(166,058)	(82,413)	-	(389,000)
Net Value at End of Period	546,698	1,346,095	1,431,241	611,946	-	3,935,980

Land and Buildings amounted to Euro 546,698 and referred to the properties, mainly warehouses, owned by the Group Parent Company.

Plant and Machinery, totaling Euro 1,346,095, consisted of various systems mainly owned by the Group Parent Company: electrical, fire and alarm systems, telephone equipment, including the OIC Accounting Standard 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".

Industrial and Commercial Equipment for Euro 1,431,241 included various small equipment, warehouse shelving and other miscellaneous equipment.

Other Assets, with a net worth of Euro 611,946, included office furniture and furnishings, mainly for the headquarters at Mostra d'Oltremare in Naples, and various electronic machinery and forklifts.

It should be noted that the multi-year component of capital grants received as research & development tax credits and tax credits for investments in Southern Italy by the Group Parent Company was recorded under deferred income in line with the duration of the depreciation of the underlying asset.

Depreciation for the period was recorded in the income statement for a total of Euro 389,000.

Financial Assets

Financial assets, at 30 June 2023, amounted to Euro 734,434 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.

List of Equity Investments in Other Companies:

Company Name	City, if in Italy, or Foreign Country	Share Capital in Euro	Profit (Loss) for the Last Period in Euro	Shareholders' Equity 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 564,894.

The breakdown of the individual items and changes for the financial period at 30 June 2023 are shown in the table below:

Description	Initial Net Value	Final Net Value	Change
Other Receivables (due within 12 months)	325,844	564,894	(239,050)
Total	**325,844**	**564,894**	**(239,050)**

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 Net Value	Final Net Value	Change
Derivative Financial Instruments	190,475	149,540	40,935
Total	**190,475**	**149,540**	**40,935**

Derivative Financial Instruments classified under assets amounted to Euro 149,540 (Euro 190,475 in the previous period). The item includes the positive fair value of the Interest Rate Swap agreements outstanding at 30 June 2023, aimed at hedging the fluctuation of interest rates on loans, entered into by the Group Parent Company A.L.A. SpA with UniCredit SpA, Banca Nazionale del Lavoro and BPER Banca. The details are shown below:

Bank	Transaction Type	Execution Date	Expiry Date	Initial Notional Value	Currency	Fair Value 2022 (Euro)
Banca Nazionale del Lavoro IRG05064253	Interest Rate Swap con floor	03/08/2021	03/08/2025	5.000.000	EUR	67
BPER IRG0002216	Interest Rate Swap con floor	23/03/2022	23/09/2023	3.000.000	EUR	2.547
Banca Nazionale del Lavoro IRG05064252	Interest Rate Swap con floor	03/08/2021	03/08/2025	5.000.000	EUR	146.925
Total Derivatives					**Total**	**190.540**

As regards the interest rate derivatives outstanding at 30 June 2023, the Group adopted the simplified model envisaged 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.

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 30 June 2023 amounted to Euro 78,813,202 net of the provision for inventory obsolescence for Euro 4,986,703.

Description	Initial Net Value	Final Net Value	Change	% Change
Inventories of Finished Products	63,670,681	76,035,559	12,364,878	19%
Down Payments	2,296,767	2,777,643	480,876	21%
Total Inventories of Finished Products	**65,967,448**	**78,813,202**	**12,845,754**	**19%**

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 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.

Inventories are recognized at the lower value of 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 31/12/2021	**5,560,556**
Use during the period	(711,143)
Translation difference	(241,860)
Provision for the period	1,063,661
Balance at 31/12/2022	**5,671,214**
Changes in the Provision for Inventory Obsolescence	
Balance at 31/12/2022	**5,671,214**
Use during the period	(1,199,905)
Translation difference	108,826
Provision for the period	406,568
Balance at 30/06/2023	**4,986,703**

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 32,427,644 (Euro 31,261,503 in the previous period).
The breakdown of individual items and changes during the year are shown below:

Description	Initial Balance	Final Balance	Change
Receivables from Customers	25,710,596	28,157,042	2,446,445
Receivables from Parent Companies	128,342	168,902	40,560
Tax Receivables	3,746,380	2,032,759	(1,713,620)
Deferred Tax Assets	755,596	794,500	38,904
Other Receivables	920,590	1,274,441	353,851
Total	**31,261,503**	**32,427,644**	**1,166,140**

Receivables from Customers totaled Euro 28,157,042 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 period end, taking into consideration uncollectible positions that have already arisen or that are deemed probable, and general economic, sector and country risks. At 30 June 2023, this provision amounted to Euro 1,108,663, of which Euro 921,310 allocated to the provision for doubtful debts recorded in the financial statements of the Group Parent Company.
The Group is involved in receivable factoring transactions through factoring companies. In case of non-recourse factoring 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 Changes in the Period	Provisions for the Period	Final Value
Provision for Doubtful Debts	758,663	-	350,000	1,108,663

Receivables from Parent Companies, equal to Euro 168,902 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 2,032,759, mainly include the VAT credit of the Group Parent Company for Euro 983,687, as well as tax credits which amounted to Euro 395,413 at 30 June 2023. This item also includes approximately Euro 472 thousand with reference to tax advances, recorded in the financial statements of the subsidiary ALA Israel.

Deferred Tax Assets, equal to Euro 794,500, 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 1,274,441, 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 30 June 2023 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	8,387,704	13,041,451	6,727,887	28,157,042
Receivables from Parent Companies	168,902	-	-	168,902
Tax Receivables	1,469,380	10,640	552,739	2,032,759
Deferred Tax Assets	715,566	12,553	66,381	794,500
Other Receivables	80,920	696,097	497,424	1,274,441
Total	**10,822,472**	**13,760,741**	**7,844,430**	**32,427,644**

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 21,600,504 at 30 June 2023.

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	28,893,330	21,482,635	(7,410,695)	-25.6%
Cash in Hand and at Bank	4,583	117,869	113,286	2472%
Total	**28,897,913**	**21,600,504**	**(7,297,409)**	**-25.3%**

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 30 June 2023 amounted to Euro 1,066,310.

Description	Initial Balance	Final Balance	Change	% Change
Accrued Income	-	-	-	-
Prepayments	551,879	1,066,310	514,431	93%
Total	**551,879**	**1,066,310**	**514,431**	**93%**

Prepayments and accrued income referred mainly to prepayments for software fees, database and telecommunications fees and maintenance of the Group Parent Company for Euro 892,102. It should be noted that at 30 June 2023 there were no items with a duration of more than 5 years.

Information on Balance Sheet Liabilities

Shareholders' Equity

Shareholders' equity at 30 June 2023 amounted to a total of Euro 62,047,423 (Euro 60,448,599 at 31 December 2022), of which Euro 61,895,895 attributable to the Group, and Euro 151,528 attributable to non-controlling interests.

With reference to the period 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 01.01.2023	Allocation Prior Results	Translation Differences	Dividend Distribution	Other Changes	Result for the Period	Balance at 30.06.2023
Shareholders' Equity:							
Attributable to the Group:							
I) Share Capital	9,500,000	-	-	-	-	-	9,500,000
IV) Legal Reserve	1,750,253	329,822	-	-	-	-	2,080,075
II) Share Premiums Reserve	17,900,000	-	-	-	-	-	17,900,000
VI) Other Reserves, separately indicated							
Advance for Future Capital Increase	1,720,000	-	-	-	-	-	1,720,000
Euro Rounding	(2)	-	-	-	-	-	(2)
Consolidation Reserve	1,191,947	-	-	-	-	-	1,191,947
Translation Reserve	377,499	-	11,510	-	-	-	389,009
Total VI) Other Reserves, separately indicated	3,289,444	-	11,510	-	-	-	3,300,954
2.A.VII Reserve for Expected Cash Flow Hedges	190,475	-	-	-	(40,935)	-	149,540
VIII) Profits (Losses) Carried Forward	19,939,020	7,362,448	-	(4,244,100)	98,431	-	23,155,799
IX) Profit (Loss) for the Period	7,692,270	(7,692,270)	-	-	-	5,809,528	5,809,528
X) Negative Reserve for Own Shares in Portfolio	-	-	-	-	-	-	-
Total Shareholders' Equity Attributable to the Group:	60,261,461	0	11,510	(4,244,100)	57,496	5,809,528	61,895,896
Attributable to Non-Controlling Interests:							

Capital and Reserves Attributable to Non-Controlling Interests	56,719	130,419	(92,241)	(20,205)	73,148	-	147,840
Profit (Loss) Attributable to Non-Controlling Interests	130,419	(130,419)	-	-	-	3,687	3,687
Total Shareholders' Equity Attributable to Non-Controlling Interests:	**187,138**	**-**	**(92,241)**	**(20,205)**	**73,148**	**3,687**	**151,527**
Total Shareholders' Equity:	**60,448,600**	**0**	**(80,730)**	**(4,264,305)**	**130,644**	**5,813,215**	**62,047,423**

Description	Balance at 01.01.2022	Allocation Prior Results	Translation Differences	Dividend Distribution	Other Changes	Result for the Period	Balance at 30.06.2022
Shareholders' Equity:							
Attributable to the Group:							
I) Share Capital	9,500,000	-	-	-	-	-	9,500,000
IV) Legal Reserve	1,448,653	301,600	-	-	-	-	1,750,253
II) Share Premiums Reserve	17,900,000	-	-	-	-	-	17,900,000
VI) Other Reserves, separately indicated							-
Advance for Future Capital Increase	1,720,000	-	-	-	-	-	1,720,000
Euro Rounding	(2)	-	-	-	-	-	(2)
Consolidation Reserve	1,191,947	-	-	-	-	-	1,191,947
Translation Reserve	146,175	-	467,507	-	-	-	613,683
Total VI) Other Reserves, separately indicated	**3,058,120**	**-**	**467,507**	**-**	**-**	**-**	**3,525,628**
2.A.VII Reserve for Expected Cash Flow Hedges	(280,838)	-	-	-	544,779	-	263,941
VIII) Profits (Losses) Carried Forward	18,976,373	5,747,202	-	(4,244,100)	(173,939)	-	20,305,536
IX) Profit (Loss) for the Period	6,048,802	(6,048,802)	-	-	-	3,430,677	3,430,677
X) Negative Reserve for Own Shares in Portfolio	-	-	-	-	-	-	-
Total Shareholders' Equity Attributable to the Group:	**56,651,110**	**(0)**	**467,507**	**(4,244,100)**	**370,840**	**3,430,677**	**56,676,034**
Attributable to Non-Controlling Interests:							
Capital and Reserves Attributable to Non-Controlling Interests	118,717	73,496	117,796	-	(139,559)	-	170,450
Profit (Loss) Attributable to Non-Controlling Interests	73,496	(73,496)	-	-	-	69,227	69,227
Total Shareholders' Equity Attributable to Non-Controlling Interests:	**192,213**	**-**	117,796	-	(139,559)	69,227	**239,677**
Total Shareholders' Equity:	**56,843,323**		**585,303**	**(4,244,100)**	**231,282**	**3,499,904**	**56,915,711**

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 Period as Reported in the Financial Statements of the Parent Company	58,836,534	3,291,861
Result for the Period of the Subsidiaries	3,449,353	3,449,353
Elimination of the Book Value of Consolidated Companies:		
a) Difference between the Book Value and Pro-Rata Value of Shareholders' Equity	2,009,086	-
b) Capital Gains/Losses Attributed at the Acquisition Date of the Investees	-	-
c) Consolidation Reserve	1,191,947	-
d) Translation Reserve	389,008	-
e) Change in the Scope of Consolidation	-	-
Amortization of Goodwill	(3,814,692)	(878,469)
Reversal of the Intercompany Cash-Flow Hedge Reserve	-	(28,244)
Release of Consolidated Risk Provisions	-	-

Elimination of the Effects of Transactions Between Consolidated Companies	-	-
Other Changes	(30,308)	(30,308)
Finance Lease Accounting Pursuant to IAS 17	16,495	9,022
Consolidated Shareholders' Equity and Net Income	**62,047,423**	**5,813,215**
Shareholders' Equity and Result for the Period Attributable to the Group	*61,895,894*	*5,809,528*
Shareholders' Equity and Result for the Period Attributable to Non-Controlling Interests	*151,528*	*3,687*

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	2,080,075	-	2,080,075	-
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	389,009	-	-	389,009
Reserve for Expected Cash Flow Hedges	149,540	-	-	149,540
Profits Carried Forward	23,155,799	-	23,155,799	-

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 2,080,075, is formed by the allocation of 5% of the profits from previous periods, as resolved by the Shareholders' Meeting.

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

Other Reserves amounted to Euro 3,300,954 and mainly consists of reserves pertaining to the Group Parent Company for Advance for Future Capital Increase, as well as the Consolidation Reserve, equal to Euro 1,191,947, and the Translation Reserve, equal to Euro 389,009.

Profits Carried Forward attributable to the Group amounted to Euro 23,155,799 and derive from the consolidated results of previous periods.

Profit for the Period was equal to Euro 5,813,215, of which Euro 5,809,528 attributable to the Group, and Euro 3.687 attributable to non-controlling interests.

There is also a **Reserve for Expected Cash Flow Hedges** equal to Euro 149,540. 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.

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

Provisions for Risks and Charges

At 30 June 2023, the Group recorded **Provisions for Risks and Charges** equal to Euro 568,779, broken down as follows:

Description	Initial Balance	Final Balance	Change
Deferred Taxes	-	-	-
Derivative Financial Instruments	-	-	-
Other	665,779	568,779	(97,000)
Total	**665,779**	**568,779**	**(97,000)**

The balance at 30 June 2023 amounted to approximately Euro 568,779, mainly attributable to the financial statements of the Group Parent Company and related to the estimate of the long-term incentive plan for top management and, for the remainder, to risks associated with early retirement incentives of a certain or probable nature, the exact amount or date of which, however, are unknown at the reporting date.

Employee Severance Indemnity

Employee Severance Indemnity referred exclusively to the balance of the Group Parent Company, which amounted to Euro 347,160 at 30 June 2023. The breakdown of individual items and changes during the period are shown below:

Description	Initial Balance	Provisions for the Period	Uses during the Period	Final Balance

Employee Severance Indemnity	346,106	325,164	324,110	347,160
Total	**346,106**	**325,164**	**324,110**	**347,160**

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 106,303,991 (Euro 100,116,630 at 31 December 2022).
The breakdown of the individual items is shown below:

Description	Initial Balance	Final Balance	Change
Payables to Banks	56,897,867	53,856,223	(3,041,645)
Payables to Other Lenders	698,465	972,991	274,526
Advance Payments	803,300	2,700,466	1,897,166
Accounts Payable	34,382,856	39,424,215	5,041,359
Payables to Parent Companies	1,200,890	2,818,305	1,617,415
Tax Payables	2,504,477	2,739,233	234,757
Payables to Social Security Inst.	696,606	527,779	(168,827)
Other Payables	2,932,168	3,264,778	332,610
Total	**100,116,630**	**106,303,991**	**6,187,361**

Payables to Banks, equal to Euro 53,856,223 at 30 June 2023, represent the actual debt to banks and are broken down as follows:

Payables to Banks	Initial Balance	Final Balance	Change
Due within 12 months	10,830,846	13,051,001	2,220,460
Due after 12 months	46,067,021	40,804,917	(5,262,104)
Of which over 5 years	*5,950,000*	*1,225,000*	*(4,725,000)*
Total Payables to Banks	**56,897,867**	**53,856,223**	**(3,041,645)**

The increase in long-term debt was mainly the result of the new loan entered into with a syndicate of banks led by Banco Popolare di Milano for a total of Euro 35 million, aimed at supporting the acquisition of the Spanish group SCP Sintersa.

Accounts Payable, equal to Euro 39,424,215, were ordinary in nature and included invoices to be received, net of credit notes pertaining to the period and yet to be received.

Payables to Parent Companies, equal to Euro 2,818,305 were attributable to the financial statements of the Group Parent Company and represented payables for tax consolidation. Since 21 May 2012, ALA SpA has participated 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 2,739,233; these mainly referred to i) the Parent Company's current tax payable for Euro 357 thousand, ii) VAT payable of the subsidiary ALA Germany for Euro 337 thousand, iii) the current tax payable of the subsidiary ALA France for Euro 237; and to

iv) the current tax payable and other tax obligations relating to the two newly acquired Spanish companies Sintersa and SCP for approximately Euro 1,363.

Payables to Social Security Institutions, equal to Euro 527,779, referred mainly to payables due by Group Companies and employees to social security institutions, of which approximately Euro 288 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.

The item **Other payables**, equal to Euro 3,264,778, was attributable to ALA SpA for approximately Euro 2,760 thousand and consisted of payables for deferred remuneration and payables to employees and other collaborators, as well as the first earn-out instalment of Euro 1 million due to the former shareholders of the Sintersa Group, as provided for by the purchase agreement of 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	Of which over 5 years	Total
Payables to Banks	13,051,001	40,804,917	1,225,000	53,856,223
Payables to Other Lenders	972,991	-		972,991
Advance Payments	2,700,466	-		2,700,466
Accounts Payable	39,424,215	-		39,424,215
Payables to Parent Companies	2,818,305	-		2,818,305
Tax Payables	2,739,233	-		2,739,233
Payables to Social Security Inst.	527,779	-		527,779
Other Payables	3,264,778	-		3,264,778
Total	**65,499,073**	**40,804,917**	**1,225,000**	**106,303,991**

Pursuant to Article 2427, Point 6, of the Italian Civil Code, it should be noted that payables due after five years refer to the syndicated loan entered into by the Group Parent Company on 30 September 2022, expiring on 30 September 2028.

The breakdown of Group payables at 30 June 2023 by geographical area is shown in the table below:

Description	Italy	EU	Non-EU	Total
Payables to Banks	50,566,319	2,145,518	1,144,385	53,856,223
Payables to Other Lenders	474,102	-	498,889	972,991
Advance Payments	214,225	2,125,796	360,445	2,700,466
Accounts Payable	22,769,460	9,328,860	7,325,895	39,424,215
Payables to Parent Companies	2,818,305	-	-	2,818,305
Tax Payables	403,706	1,937,475	398,052	2,739,233
Payables to Social Security Inst.	413,545	114,175	58	527,779
Other Payables	2,772,664	273,165	218,949	3,264,778
Total	**80,432,328**	**15,924,989**	**9,946,674**	**106,303,991**

Accrued Expenses and Deferred Income

Accrued Expenses and Deferred Income recorded under liabilities for a total of Euro 890,618 (Euro 152,985 in the previous period) refer mainly to research & development tax credits and tax credits for investments in Southern Italy by the Group Parent Company.

Description	Initial Balance	Final Balance	Change
Accrued Expenses and Deferred Income	152,985	890,618	737,632
Total	**152,985**	**890,618**	**737,632**

Information on the Income Statement

The income statement illustrates the result for the period.

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 operations that occur on an ongoing basis in the relevant sector for the performance of business activities, 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 operations generating income items that are a part of business activities but do not fall within ordinary or financial operations.

Value of Production

Value of Production at 30 June 2023 showed a balance of Euro 113,649,105 (equal to Euro 63,908,291 at 30 June 2022).

Value of Production	30 June 2023	30 June 2022	Change
Revenues from Sales and Services	63,068,833	110,912,348	47,843,515
Changes in Inventories of WIP, Semi-Finished and Finished Products		2,595,538	2,595,538
Increases in Capitalized Costs	265,379	-	(265,379)
Other Revenues and Income	574,079	141,219	(432,860)
Total	**63,908,291**	**113,649,105**	**49,740,814**

Revenues from Sales and Services

Revenues from Sales and Services amounted to Euro 110,912,348, recording an increase of approximately 75.9% (Euro 47,843,515 in absolute terms) compared to the result for the first half of 2022 (Euro 63,068,833). 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 Sintersa, which joined 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 WIP, Semi-Finished and Finished Products

The item under review shows a negative balance of Euro 2,595,538 at 30 June 2023, and refers exclusively to the Spanish group SCP Sintersa.

Other Revenues and Income

Other Revenues and Income recorded under value of production in the income statement amounted to Euro 141,219 (Euro 574,079 in June 2022). This item consisted mainly of government grants and other miscellaneous income.

Cost of Production

Cost of Production recorded a balance of Euro 103,618,602 (Euro 58,077,113 in the previous year). The main items are shown below, compared with the flows of the prior-year period.

Description	30 June 2023	30 June 2022	Change
Cost of Raw Materials	91,200,887	43,987,879	47,213,008
Service Costs	6,507,183	3,971,527	2,535,656
Leasehold Costs	1,471,151	1,047,938	423,213
Labor Costs	12,080,693	6,533,281	5,547,412
Amortization & Depreciation and Write-Downs	2,271,214	1,262,105	1,009,109
Changes in Raw, Ancillary and Consumable Materials and Goods for Resale	(10,082,151)	1,012,126	(11,094,277)
Provisions for Risks	-	-	-
Other Operating Expenses	169,625	262,258	(92,633)
Total	**103,618,602**	**58,077,113**	**45,541,489**

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 mentioned above, the increase compared to the first half of 2022 is mainly attributable to the inclusion of the SCP Sintersa group’s results. In particular, the main increases were attributable to labor cost for approximately Euro 5.6 million and to service costs and other expenses for approximately Euro 2.9 million.

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 91,200,887 (Euro 43,987,879 in the previous period). This increase is due partly to the increase in turnover, partly to the increase in warehouse safety stock and partly to the inclusion of the recently acquired Spanish companies in the scope of consolidation.

Service Costs

Service Costs recorded under cost of production in the income statement amounted to Euro 6,507,183 (Euro 3,971,527 in the previous period). This figure was higher than the previous period both in absolute terms (up Euro 2,535,656) and percentage terms (63.8%), an increase due to both the increase in turnover by business line and the inclusion of the Spanish companies in the scope of consolidation.

Leasehold Costs

Leasehold Costs recorded under cost of production in the income statement amounted to Euro 1,471,151 (Euro 1,047,938 in the previous period), 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 30 June 2023, labor costs amounted to Euro 12,080,693 (Euro 6,533,281 in the previous period), with an increase of approximately 85%, mainly due to streamlining operations to centralize certain operational functions at the Group Parent Company, and to the inclusion of the Spanish companies in the scope of consolidation.

Amortization & Depreciation and Write-Downs

This item included the amortization and depreciation calculated for the period according to the statutory valuation criteria for intangible (Euro 1,532,214) and tangible assets (Euro 389,000).

During the reporting period, only provisions for credits risks not covered by relevant policy for Euro 350,000 were set aside in relation to the Group Parent Company’s accounting position.

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	30 June 2023	30 June 2022	Change
Raw, Ancillary and Consumable Materials and Goods for Resale (initial / final inventory)	(10,082,151)	1,012,126	(11,094,277)
Total	**(10,082,151)**	**1,012,126**	**(11,094,277)**

The item under review shows a negative balance of Euro 10.082,151 at 30 June 2023, in contrast with the prior-year period's position, which showed a positive change of Euro 1,012,126, for the reasons already illustrated in the comments on "Inventories". The amount is stated net of write-downs the period for Euro 684,511, which reflect the obsolescence of goods that are no longer suitable for sale or slow moving.

Other Operating Expenses

Other Operating Expenses recorded under cost of production in the income statement amounted to Euro 169,625 (Euro 262,258 in the previous period).

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 period. As shown in the table below, the total value of the item was substantially in line with the first half of 2022. Instead, the trend differed for realized or unrealized gains and losses on foreign exchange, which recorded a more significant loss in the first half of 2022.

Financial Income/Charges	30 June 2023	30 June 2022	Change
Other Financial Income	65,294	-	65,294
Interest and Other Financial Charges	2,565,388	740,008	1,825,380
Gains (Losses) on Foreign Exchange	264,477	357,000	(92,523)
Total	**2,764,571**	**1,097,008**	**1,667,563**

Gains and Losses on Foreign Exchange

Losses on Foreign Exchange, equal to Euro 264,477 (gains for Euro 357,000 in the previous period) 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 30 June 2023, estimated on the basis of the exchange rates in force on the same date.

Income Taxes for the Period – Current, Deferred and Prepaid

This item showed a balance of Euro 1,452,717 (Euro 1,234,266 in the previous period), which represented the estimate of income taxes on profits realized at 30 June 2023 by the individual companies of the ALA Group based on the effective tax rate.

Description	30 June 2023	30 June 2022	Change
Current Taxes	1,437,546	1,230,240	207,306
Taxes Relating to Previous Years	-	-	-
Deferred and Prepaid Taxes	4,026	15,170	11,144
Income (Expenses) from Tax Consolidation	-	-	-
Total	**1,234,266**	**1,452,717**	**218,451**

Also in 2023, ALA SpA participated in the tax consolidation regime with its Parent Company A.I.P. Italia S.P.A.; 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.

Other Information

The additional disclosures regarding the Consolidated Financial Statements at 30 June 2023 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	2021	2022	H1 2022	H1 2023
Average number of employees	252	256	253	268

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 fees paid to the independent auditors for the Consolidated Financial Statements at 30 June 2023 is Euro 24,000.

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 Interim Financial Statements at 30 June 2023, 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 Interim Financial Statements at 30 June 2023, 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 period 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.

Furthermore, 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 30 June 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).

It should be noted that the receivables recorded in the interim balance sheet at 30 June 2023 from the Parent Company AIP Italia SpA refer to business transactions which took place at normal market conditions according to contractual agreements.

Payables to the Parent Company at 30 June 2023, on the other hand, amounted to approximately Euro 2,818,305 and almost entirely refer to tax payables, pursuant to the tax consolidation agreement between the parties.

The income items recorded in the Financial Statements at 30 June 2023 refer to the remuneration of financial costs deriving from the guarantees given by the Parent Company A.I.P. Italia SpA by virtue of a three-year contract signed in 2021 and ratified by the Board of Directors on 24 June 2021 for Euro 268 thousand, and to revenues for intercompany services rendered to the Parent Company for Euro 55 thousand.

Reconciliation of Trade Payables/Receivables	ALA Spa	
	Receivables	Payables
A.I.P. ITALIA	168,902	(2,818,305)
Total	**168,902**	**(2,818,305)**

Reconciliation of Costs/Revenues	ALA Spa	
	Costs	Revenues
A.I.P. ITALIA	268,352	55,418
Total	**268,352**	**55,418**

Information on Off-Balance-Sheet Agreements

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

Information on Significant Events After Period-End

As regards Article 2427, Point 22-quater, 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 period-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)
Banca Nazionale del Lavoro IRG05064253	Interest Rate Swap con floor	03/08/2021	03/08/2025	5.000.000	EUR	67
BPER IRG0002216	Interest Rate Swap con floor	23/03/2022	23/09/2023	3.000.000	EUR	2.547
Banca Nazionale del Lavoro IRG05064252	Interest Rate Swap con floor	03/08/2021	03/08/2025	5.000.000	EUR	146.925
Total Derivatives					**Total**	**190.540**

The financial assets recorded in the balance sheet were not recognized at a value higher than their fair value. As regards the interest rate derivatives outstanding at 30 June 2023, the Company adopted the simplified model envisaged 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 at 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.

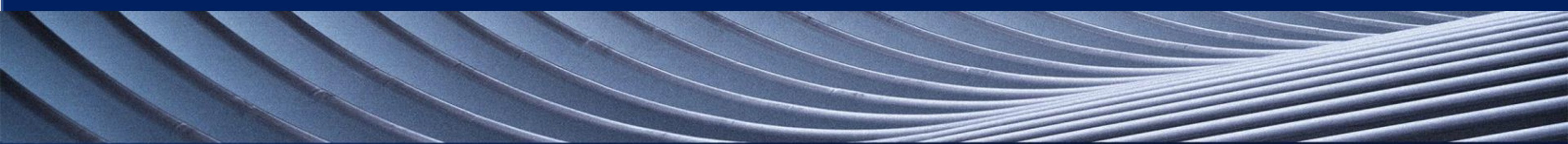
Final Remarks

These Consolidated Financial Statements at 30 June 2023, 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 for the period, and correspond to the results of the accounting records.

Naples, 20 September 2023

On Behalf of the Board of Directors

Roberto Tonna
Chief Executive Officer



ALA SpA
54, JF Kennedy
Mostra d'Oltremare
80125, Naples (NA) - Italy