ALA

2023 ANNUAL REPORT

2023 Annual Report

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01_MANAGEMENT REPORT

CORPORATE BODIES

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

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

[1]In office until 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 approval of the 2023 Financial Statements.
[3]Appointed by the Shareholders' Meeting of 27 April 2023 until approval of the 2025 Financial Statements.

INTRODUCTION

The consolidated results for fiscal year 2023 showed a significant improvement in terms of performance, compared to the 2022 figures. In 2023 the Group achieved important objectives in terms of organic growth and M&A activity. Today the Group is in a solid and high-potential position in growing sectors such as Aerospace, Defense and Rail. Our corporate vision is to become the leading supply chain partner for the most demanding high-tech industries, while remaining resolute and absolutely focused on creating long-term sustainable value for our customers, our shareholders, our people and the communities we belong to.

KEY FIGURES

MAIN ECONOMIC AND FINANCIAL RESULTS

Revenues	Gross Margin	EBITDA	EBIT	Net income
€ 233,1 M	€ 71,7 M (30,7 %)	€25,4 M (10,9 %)	€ 21,2 M (9,1 %)	€ 9,8 M (4,2 %)
FY - 2022: € 158,7 M FY 2022* : € 185,3 M	FY - 2022: € 48,5 M (30,5 %) FY 2022* : € 60,8 M (32,8%)	FY - 2022: € 16,8 M (10,6 %) FY 2022* : € 19,8 M (10,7%)	FY - 2022: € 13,6 M (8,6 %) FY 2022* : € 18,1 M (9,8%)	FY - 2022: € 7,8 M (4,9 %) FY 2022* : € € 10,2 M (5,5%)

ROE	ROIC	Net debt	Debt/Ebitda	Ebitda/Financial Charges	Debt To Equity Ratio
15,0 %	17,0 %	€ 29,2 M	1,15	4,1	0,45
DEC 2022: 12,9 %	DEC 2022: 15,9 %	DEC 2022: € 28,7 M	DEC 2022: 1,71	DEC 2022: 6,2	DEC 2022: 0,47

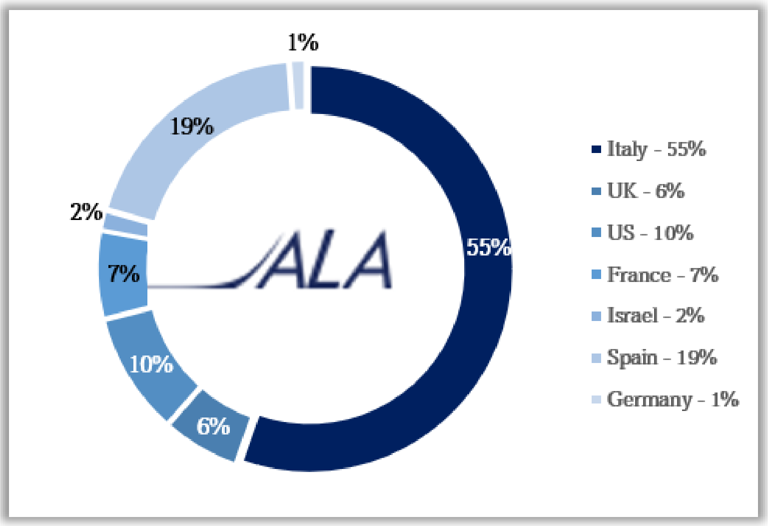
FY 2022: Full Year SCP – Sintersa*

Amounts in Euro thousands	2023	2022
Value of production	233,073	158,724
Gross Margin	71,660	48,477
EBITDA	25,408	16,817
EBIT	21,214	13,639
Net Income	9,787	7,823
Gross Margin %	30.7%	30.5%
EBITDA %	10.9%	10.6%
EBIT %	9.1%	8.6%
ROE (Net Income/Shareholders' Equity)	15.0%	12.9%
ROI (EBT/Invested Capital [(1)])	15.8%	12.3%
Net Working Capital	61,158	55,107
Fixed Assets	42,407	35,051
Non-Current Provisions/Liabilities	(8,933)	(1,012)
Net Invested Capital	94,632	89,147
Net Debt/(Cash)	29,173	28,699
Shareholders' Equity	65,459	60,448
Total Sources of Finance	94,632	89,147

(1) Net Invested Capital in operations

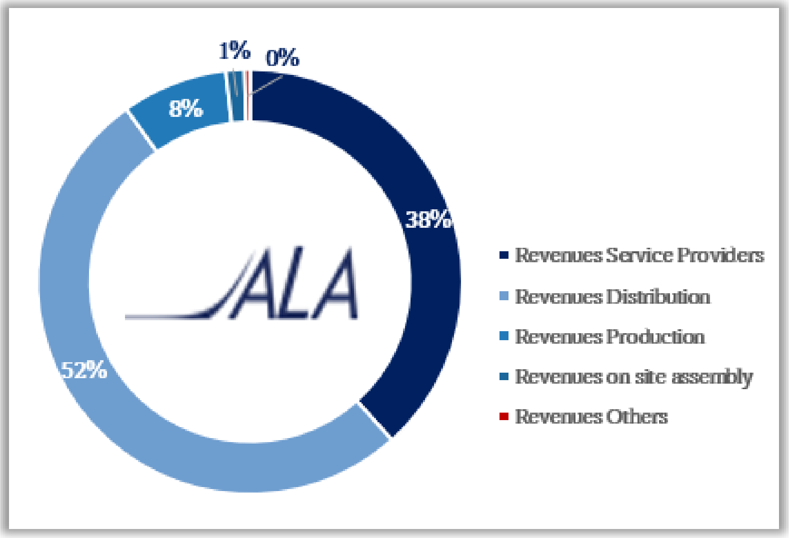
2023 REVENUES BY GEOGRAPHIC AREA

The breakdown of revenues by geographic area is shown below:



2023 REVENUES BY BUSINESS AREA

The breakdown of revenues by business area is shown below:



THE ALA GROUP

Leadership

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

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

Background

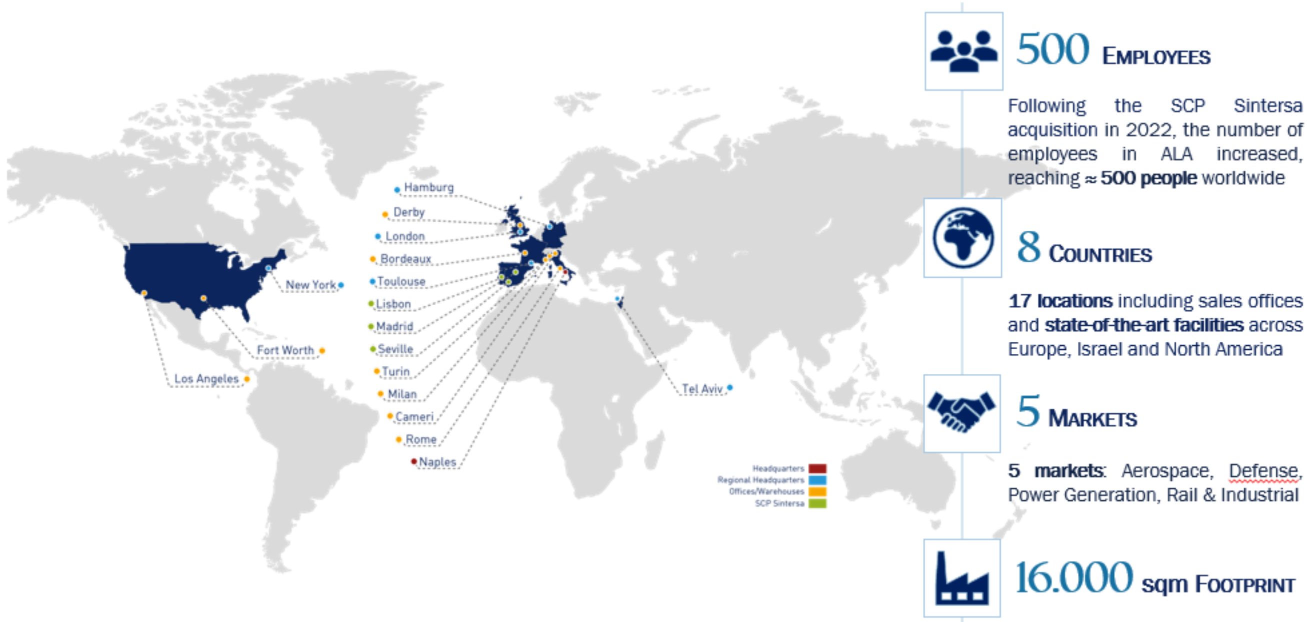
Over the last few years, the ALA Group has undergone a profound reorganization of company processes and procedures. It has completed major M&A operations with the aim of becoming a leading player in the international aerospace sector. Its acquisitions, which began in 2010 with Aerolyusa (US), have allowed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

Continuing its growth through external lines, in September 2022 the Group completed the acquisition of the entire share capital of S.C.P. Suministros De Conectores Profesionales S.A. and of Sintersa Sistemas De Interconexion, S.A., companies dealing with the production and distribution of electrical interconnection components and systems – an adjacent and complementary segment to those in which the ALA Group is already operating. Thanks to this synergistic acquisition, the ALA Group is expanding its product portfolio, which ranges from fasteners and indirect materials to raw materials and now electrical interconnection systems, significantly broadening its offer and, specifically, its ability to offer tailor-made services, designed to meet the specific needs of its customers.

The SCP Sintersa Group, active for over 35 years, is present in Spain with its headquarters and production hub in Madrid, a second production site in Seville and commercial offices in Barcelona, as well as in Lisbon (Portugal). The SCP Sintersa Group has over 230 employees and more than 1,000 active customers.

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

THE ALA GROUP AROUND THE WORLD



BUSINESS AREAS

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

Aerospace OEM & MRO

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

Defense

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

Power Generation

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

Rail & Industrial

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

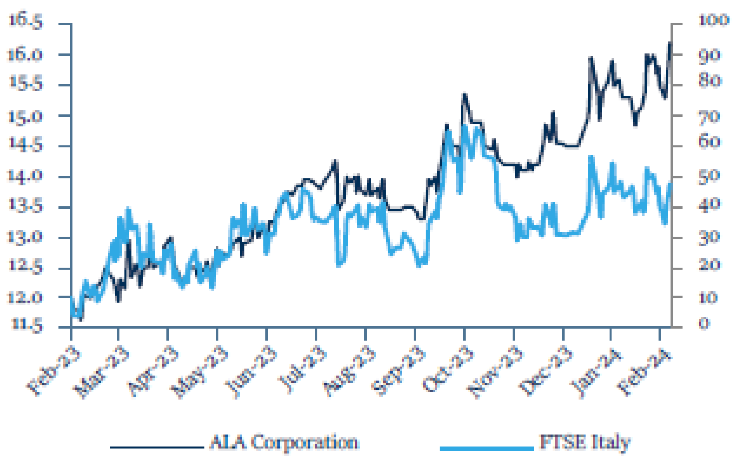
POZZUOLI *Office 1100 SQM* *11840 SQFT* Warehouse 2490 SQM 26802 SQFT	**TURIN** *Office 250 SQM* *2690 SQFT* Warehouse 880 SQM 9472 SQFT	**CAMERI** *Office 35 SQM* *376 SQFT* Warehouse 450 SQM 4843 SQFT
TOULOUSE *Office 365 SQM* *3930 SQFT* Warehouse 680 SQM 7320 SQFT	**BORDEAUX** *Office 550 SQM* *5920 SQFT* Warehouse 1100 SQM 11840 SQFT	**HAMBURG** *Office 60 SQM* *646 SQFT* Warehouse 130 SQM 1400 SQFT
LONDON *Office 274 SQM* *2960 SQFT* Warehouse 611 SQM 6576 SQFT	**NEW YORK** *Office 400 SQM* *4300 SQFT* Warehouse 1000 SQM 10770 SQFT	**TEL AVIV** *Office 100 SQM* *1080 SQFT* Warehouse 250 SQM 2700 SQFT
S.C.P.s.a. SINTERSA ALA Group	**MADRID** *Office 500 SQM* *5381 SQFT* Warehouse 3500 SQM 37673 SQFT	**SEVILLE** *Office 200 SQM* *2152 SQFT* Warehouse 1500 SQM 16145 SQFT

ALA AND THE FINANCIAL MARKETS

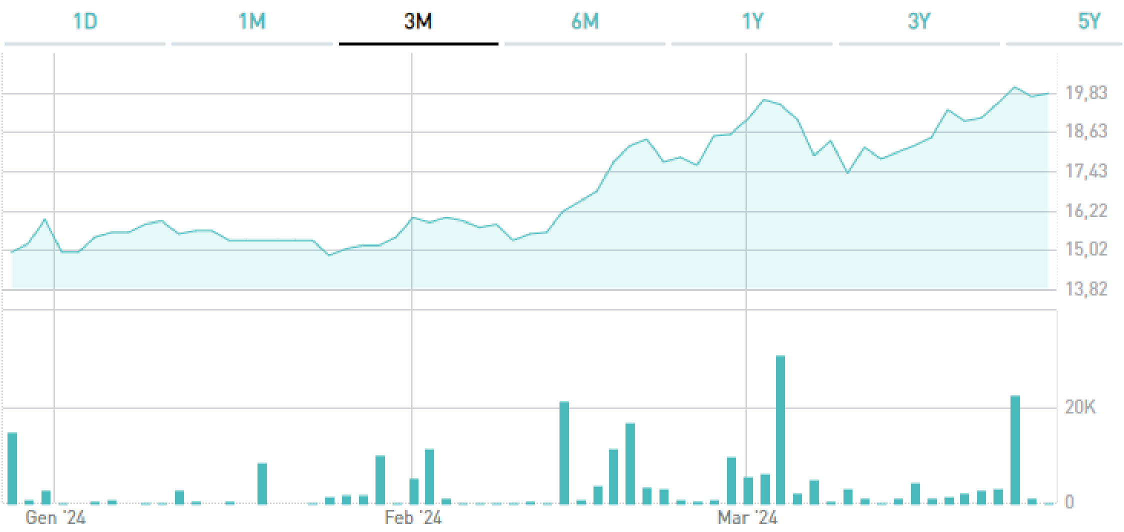
STOCK PERFORMANCE

In 2023, ALA stock posted a positive performance of +33.5%, closing the fiscal year at Euro 15.95 /share, compared to Euro 11.95 /share at the end of 2022.

(Fonte: https://www.borsaitaliana.it/)



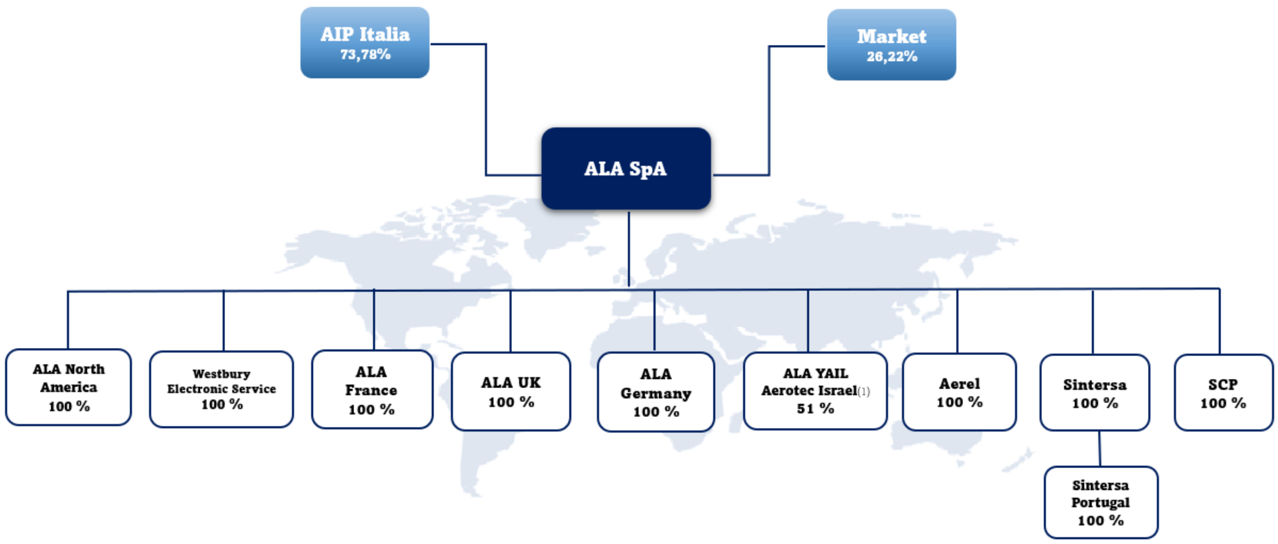
Below is the performance of the stock in the first quarter of 2024, where significant growth is highlighted. On March 26, 2024, the stock recorded a performance of €20.90/share, the highest of the quarter.



(Source: https://www.borsaitaliana.it/)

CORPORATE STRUCTURE

The Group structure and fully consolidated companies at 31 December 2023 are shown below.



(1) 49% held by Las Goor Management Ltd (Oren Goor)

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

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

ALA UK LTD
The company carries out activities in the aerospace sector in the UK, with headquarters in Esher.

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

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

ALA Germany GmbH
Industrio GmbH, already operating in the aeronautical market for decades, joined the ALA Group in March 2020 and became ALA Germany GmbH, based in Hamburg.

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

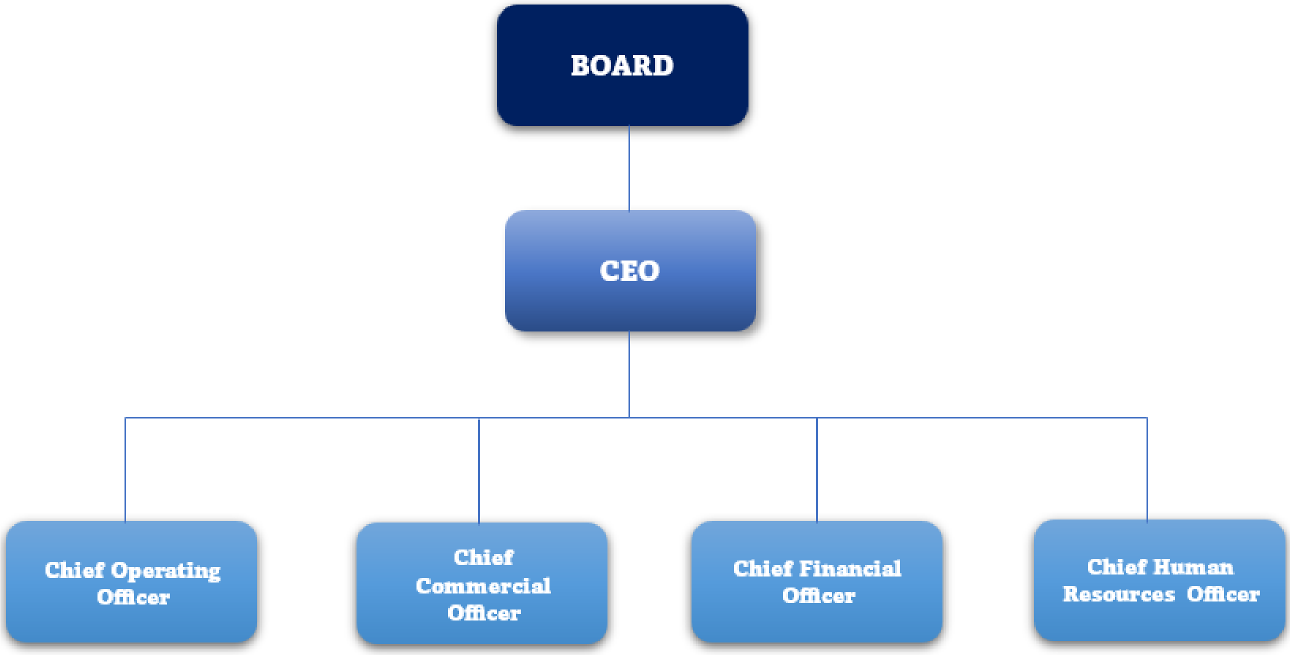
Suministros de Conectores Profesionales S.A.
Company with registered office in Madrid, operating in the production of assemblies of electrical interconnection systems, 100% of share capital acquired on 30 September 2022.

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

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

ORGANIZATIONAL STRUCTURE

Our people*



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

TOP MANAGERS
Directors

Fulvio Scannapieco
Founder and Chairman of the Board

Fulvio, together with his brother Franco and Vittorio Genna, founded AIP Italia in 1995, where he served as CEO first and subsequently as Chairman.
In 2009 Fulvio and Vittorio oversaw the merger of AIP Italia with Avio Import, starting the new company ALA SpA, now under the control of AIP Italia.
Fulvio served as CEO and Chairman of ALA from 2010 until 2015. Today Fulvio is Chairman of the Board of Directors.
Before founding AIP Italia, Fulvio worked for several years at Mededil – Società di Edilizia Mediterranea S.p.A., a state-owned company belonging to the IRI Italstat Group, where he was Head of General Affairs. Fulvio holds a Master's degree in Economics from the University of Naples Federico II.

Vittorio Genna
Founder and Vice-Chairman of the Board

In 1995, Vittorio, together with Franco and Fulvio Scannapieco, founded AIP Italia, where he is a member of the Board of Directors.
In 2009, Fulvio and Vittorio oversaw the merger of AIP Italia with Avio Import, starting the new company ALA SpA, now under the control of AIP Italia.
Vittorio is also Executive Vice President and Board Member of GA.FI. Soc.Coop.p.A. (Garanzia Fidi Società Cooperativa per Azioni).
At the end of 2018, Vittorio was awarded as "Commendatore dell'Ordine al merito della Repubblica italiana" one of the highest honors of the Italian Republic. In 2019 he was appointed Honorary Consul of Hungary in Campania and Calabria with residence in Naples. Vittorio holds a Master's degree in Engineering with a specialization in Transportation from the University of Naples Federico II.

Roberto Tonna
Chief Executive Officer

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

Chief Officers

Claudio Pezzullo
Chief Operating Officer & General Manager Italy

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

Christian De Santis
Chief Commercial Officer

Christian joined ALA in 2019 as Business Development & Sales Director, launching the company's new Business Unit based in Northern Italy.
In 2022 he was appointed Chief Commercial Officer. Christian has more than 15 years' experience in Commercial and Supply Chain management in the Aerospace & Defense sector.
In his previous role he was Commercial Director & Site Lead at Pattonair for Italy and the UK. Christian studied in Milan and graduated in Economics & Marketing at IULM University, earning a Master's Degree in Sales Excellence at SDA Bocconi School of Management.

Raffaele Carriola
Chief Financial Officer

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

Nevia Crispino
Chief Human Resources Officer

Nevia joined ALA in 2014 as Head of Human Resources for Italy, and is now Chief Human Resources Officer.
From 2010 to 2014 Nevia was Head of Human Resources at the De Nigris Group – Acetifici Italiani Modena.
Previously, she worked as Head of Recruitment, Training and Human Resources Development at EMA – Europea Microfusioni Aerospaziali S.p.A, part of the Rolls-Royce Group.
Nevia graduated in Law from the University of Naples Federico II.

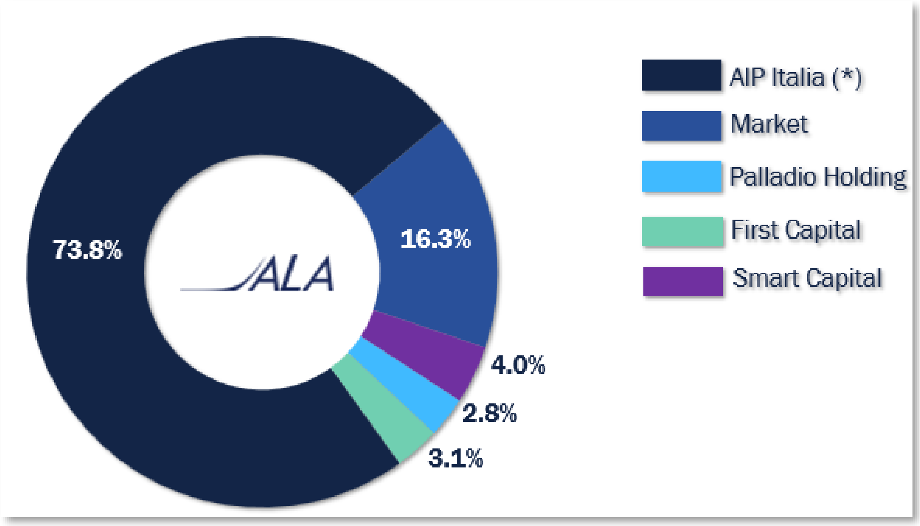
SHAREHOLDER STRUCTURE

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

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

The listing price of the shares involved in the offer was set at Euro 10.00 each, with expected capitalization of the Company at the initial trading date of approximately Euro 90.3 million, and an expected free float of 20.3% (23% assuming full exercising of the greenshoe option).
On 19 August 2021, the aforementioned greenshoe option was exercised for a total value of Euro 1,176,640. Following the institutional placement, the share capital of ALA amounted to Euro 9.5 million, made up of 9,030,000 ordinary shares with no par value.

On 31 December 2023, the free float of the Company accounted for 26.22% of outstanding shares, and significant shareholders (with holdings above 3%) accounted for approximately 4.65% of the share capital. Capitalization as at 31 December 2023 amounted to Euro 144,028,500 (vs. Euro 107,908,500 in December 2022). The share capital of ALA S.p.A. at 31 December 2023 was still Euro 9,500,000, represented by 9,030,000 ordinary shares with no par value. The shareholder structure at that date is shown below.



INVESTOR RELATIONS

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

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

To communicate half-yearly and annual results, the Company arranges specific conference calls with institutional investors and financial analysts. In 2023, relations with the financial market flourished and saw top managers attend a number of industry events and conferences, organized by leading international brokers, and participate in one-to-one and group meetings as well as themed roadshows with potential investors.

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

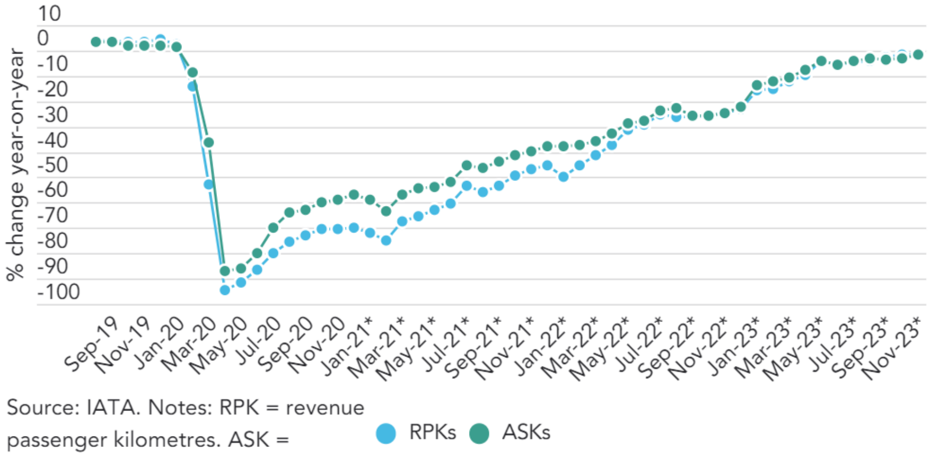
OPERATING CONTEXT

MACROECONOMIC SCENARIO

Data published in January 2024 by IATA (International Air Transport Association) clearly indicate that in 2023 global air traffic was well along the path to post-pandemic recovery.

In November 2023, the RPK (Revenue Passenger Kilometers) indicator grew by about 30% year-on-year, reaching 99% of pre-Covid levels practically 18 months ahead of previous forecasts.

Global air passenger market, demand and capacity trends



Source: IATA. Notes: RPK = revenue passenger kilometres. ASK = available seat kilometres. 2019 and 2020 data year on year. *2021, 2022 and 2023 data vs 2019

Domestic traffic even exceeded pre-Covid levels by almost 7%, while international traffic continued to grow, reaching almost 95% of volumes recorded at the end of 2019.

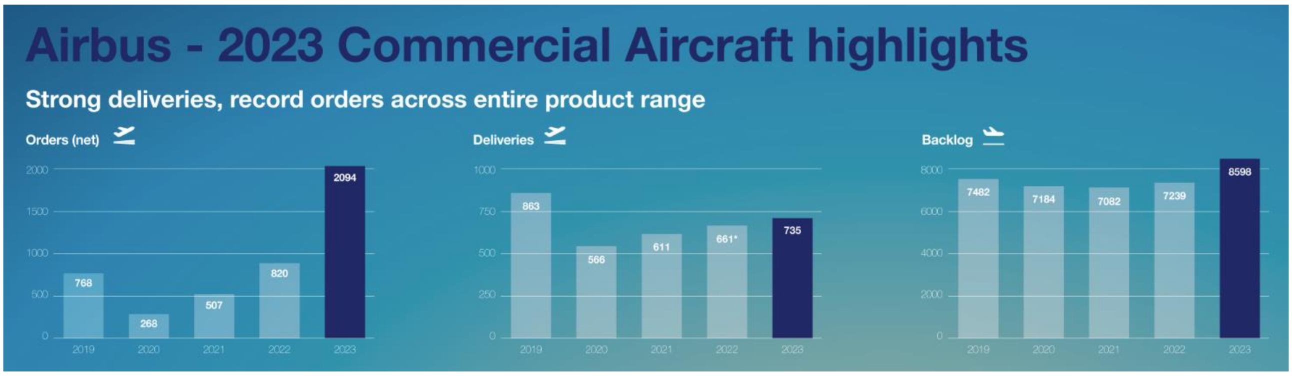
2023 therefore once again confirmed that the civil aviation sector has extremely sound macroeconomic fundamentals and drivers, and great resilience to destabilizing external events (such as the terrorist attacks of 11 September 2001, the global financial crisis of 2008/2010 and the COVID-19 pandemic).

Airbus vs Boeing

With the continuing recovery of air traffic demand, there has been no shortage of new and large orders for commercial aircraft, both single-aisle (e.g. A320, B737), equipped with next-generation engines and therefore more efficient in terms of fuel consumption, and wide-body (e.g. A350, B777, B787).

Both Airbus and Boeing closed 2023 with record order books: 8,598 aircraft for Airbus and 6,216 aircraft for Boeing. Airbus also set new records for gross orders (2,319) and net orders (2,094) in a single year.

Production also expanded, with Airbus and Boeing delivering 735 and 528 aircraft respectively built in 2023. In the previous twelve months Airbus had delivered 661 aircraft, Boeing 480. Interestingly, 2023 was the fifth consecutive year that Airbus delivered more aircraft than Boeing. By contrast, prior to 2019, Boeing had delivered more airplanes than Boeing every year since 2012.



Source: www. airbus.com

With a record order book, Airbus might return to 2019 delivery levels as early as 2024, while Boeing will most likely have to wait until 2025-2026. The battle for absolute leadership between these two major commercial aircraft manufacturers will undoubtedly intensify in the coming years. However, Boeing will first of all have to solve the product quality problems that have recently emerged before it can aspire to regain its role as market leader, currently firmly in the hands of Airbus.

It will be very interesting to observe in the coming years the ability of Airbus and Boeing to bring new products to the market. Airbus, for example, announced during the Paris Air Show that it was already working to bring the successor to its flagship product, the A320 NEO, to the market as soon as possible, with the aim of offering customer airlines fuel savings of up to 25%. For its part, Boeing has repeatedly stated that it will not launch a new aircraft this decade, attracting the criticism of some industry experts, who are deeply concerned that this decision will lead to a further erosion of Boeing's market shares.

Defense segment

The Defense segment, which has benefited significantly from considerable government support over the past four years, saw the volume of orders rise significantly in 2023, as a direct consequence of the continuing Russian-Ukrainian conflict and intensification of other geopolitical tensions. The order books of the world's largest defense companies have grown by at least 10% in the last two years, now reaching record levels. It is expected that the book-to-bill indicator for the Defense segment, i.e., the ratio between the value of orders and value of turnover, will continue to remain higher than one, and will contribute to a further growth in orders.

The Defense segment therefore continues to offer a significant guarantee of continuity and volumes. 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. In particular, the ALA Group offers its products and services for all three major aircraft in the Defense sector, such as Lockheed Martin's F-35 JSF, the Eurofighter consortium’s Typhoon and Dassault Aviation's Rafale.

Maintenance, Repair & Overhaul (MRO)

In line with IATA data, the MRO (Maintenance, Repair & Overhaul) segment is also benefiting from the continued recovery in air traffic demand. IATA estimates that 40.1 million flights will be available in 2024, compared to 36.8 million in 2023 and 38.9 million in 2019.

The reduced speed and lower-than-expected volumes of so-called "aircraft retirements" will also contribute to the segment's growth. Jefferies predicts that "widebody retirements" in 2024-2026 will total 348, compared to a previous estimate of 402. Meanwhile, "narrowbody retirements" will total an estimated 1,857 compared to a previous forecast of 2,024 in the same period. This is due to both well-known supply chain difficulties and the recent problems with Pratt & Whitney's GTF (Geared Turbofan) engine coming into service.

The value of turnover from MRO activities will grow further to reach 120% and 127% respectively of pre-pandemic levels in 2024 and 2025.

The MRO market currently remains very fragmented and with relatively limited production capacity, possibly paving the way for new investments and further consolidation activities by large players. The recent scandal linked to the London broker AOG Technics also paves the way for possible accelerations in terms of the application of blockchain technology in the spare parts market.

Growth prospects and challenges for the industry

Now the post-pandemic recovery phase is complete, there are numerous growth opportunities available for companies operating in the Aerospace and Defense sector such as the ALA Group.

At the same time, the speed of growth and the ability of companies to capitalize on the many development opportunities available remain highly subject to numerous challenges and critical factors. These include the performance of the entire supply chain, material supply times and the ability to comply with program execution times; the race to ensure and retain qualified human capital; the need for the entire sector to accelerate its path to decarbonization.

All this, of course, is in addition to the persistence of inflationary scenarios regarding raw materials, energy and transport costs; the pressure on labor costs; uncertainty regarding interest rates and the volatility of exchange rates in an increasingly interconnected global market.

Supply chain

Numerous risks and problems associated with an increasingly complex, long and global supply chain remain, such as: a tangible deterioration in the performance levels of various supply chain links is impacting OEMs and their sub-tiers, creating considerable uncertainty about the speed with which production rates can be raised; scarcity of components and raw materials (e.g. electronic components, titanium, forged products), with a consequent increase in supply times; greater restrictions on the availability of key imports and reduced capacity to export sensitive items due to growing geopolitical tensions; increase in transport times and costs, with a consequent lower visibility of the actual progress of orders, directly impacting the organization and efficiency of production lines.

The ALA Group has invested and continues to invest in advanced and increasingly digital management processes and technologies (e.g. SAP 4/HANA, AirSupply, Information Security Management System

Standard ISO 27001, digital twins solutions, etc.) capable of supporting the development of an increasingly robust, resilient, 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 solving its customers' risks and issues in order to support faster and more profitable growth.

Human Capital

The significant downsizing of the workforce during the Covid-19 pandemic has drastically reduced the availability of qualified personnel on the market, with inevitable pressures on wages.

New conditions pertaining to the labor market, human capital and the lack of qualified personnel will be an important and recurring issue which all companies in the industry, without exception, will have to demonstrably handle in the near future. The challenges will come not only from the quantity of resources needed to support development and growth, but also from the quality and levels of technical training and experience required.

A recent survey of companies in the industry reported that one third of respondents said their company had lost turnover in the last two years due to lack of personnel; one quarter indicated it would lose turnover over the next twelve months; one fifth said they would not be able to participate in new tenders for the same reason, i.e., lack of personnel.

The ALA Group is aware of the great importance of human capital for the success of the company, and remains committed to undertaking a series of initiatives aimed at attracting, developing and retaining key talented staff for the future. These include the Franco Scannapieco Award dedicated to innovation, cooperation with local universities, lifelong training, career development plans and the opportunity to gain work experience in a truly international context, such as that of the ALA Group.

Net-Zero CO2 Emissions Paris Agreement

The civil aviation sector has embarked on a path towards the ambitious goal of Net-Zero Emissions by 2050. Sustainability objectives will therefore entail further challenges and investments for the entire supply chain, with important technological repercussions.

The theme of decarbonization and sustainability in general will undoubtedly continue to dominate public opinion in the future, as the sector grapples with challenges that are difficult to manage and solve. We should therefore expect an acceleration towards the use of next-generation engines and alternative fuels (Sustainable Aviation Fuels or SAFs) and continuous investments in new technologies and innovation, in particular in the field of hydrogen propulsion and electric motors. IATA estimates, for example, that commercial aviation SAFs could contribute 62% to the so-called "carbon mitigation" needed to achieve the 2050 emission reduction targets.

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

TARGET MARKET

The ALA Group's activities are concentrated in the so-called Consumables & Expendables segment, which contains a multitude of mechanical, electrical and chemical products that are used for both the production and the maintenance, repair and reconditioning (MRO) of aircraft and their equipment. These commodities, used in high quantities and with a relatively low unit cost, are the subject of a continuous and growing outsourcing trend, in view of the ever-increasing need of OEMs (Original Equipment Manufacturers) to focus on their core business.

The ALA Group is well-known to be a flexible, customer-centric player specializing in tailor-made solutions, designed precisely to meet the specific needs of customers and able to offer both Stocking Distribution and Service Provider activities.

The production cycles of aerospace programs are known to have extremely broad visibility, especially when compared to those of other sectors. Given this characteristic, the ability to program, plan and optimize purchases is particularly critical. The Supply Chain of the Aerospace and Defense sector, both for the aircraft part and for the engine and system part, is broken down as follows:

- OEMs (Original Equipment Manufacturers) – Platform Primes
- Tier 1 – System Integrators
- Tier 2 – Assembly or Equipment Providers
- Tier 3 – Build to Print Components or Sub Assembly Suppliers
- Tier 4 – Processing or Material Suppliers

The company supports OEMs as well as Tier 1, Tier 2 and Tier 3.

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

In this context, the opportunities for a player such as the ALA Group appear to be significant, with reference to both the provision of component distribution services (by the Group’s Stocking Distribution business area) and the provision of integrated logistics services (by the Group’s Service Provider business area).

Competitive positioning and development

The current scenario sees ALA playing an increasingly leading role: having established itself as a leader in Italy in the distribution of fasteners and in integrated logistics for aeronautical companies, the ALA Group has seen its consolidated turnover rise from Euro 130 million in 2019 to about Euro 230 million as of 31 December 2023 (+77%; CAGR 15.3%).

With reference to its international competitive positioning, the ALA Group is a leading operator in the global market and one of the top independent players in a competitive environment.

As regards relationships with strategic suppliers, fiscal year 2023 confirmed the trends of the previous year, in which the ALA Group – also by virtue of its global reach – consolidated partnerships and agreements with numerous strategic suppliers.

In line with the strategic growth plan for the period 2024-2026, shareholders and management have confirmed their intention to continue looking at international growth opportunities to achieve an even greater position in the global market.

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

The ALA Group's business development model is strongly anchored on both organic and external growth. In particular, the ALA Group aims to expand the scope of its existing activities for customers thanks to the addition of new value-added services and products with a view to diversifying from the competition. Moreover, since its market shares outside Italy still have significant growth potential, the ALA Group, after acquiring Spanish companies SCP and Sintersa, is continuing to evaluate the market and the competition to identify forthcoming acquisition opportunities, both in Europe and in North America.

GROUP PERFORMANCE AND OPERATING RESULTS

The ALA Group's Management Report as at 31 December 2023, which we submit for your perusal, shows a net profit of Euro 9,787,480 (vs. Euro 7,822,689 at 31 December 2022), of which Euro 9,830,245 (vs. Euro 7,692,270 at 31 December 2022) pertaining to the Group.

Group Performance and Results

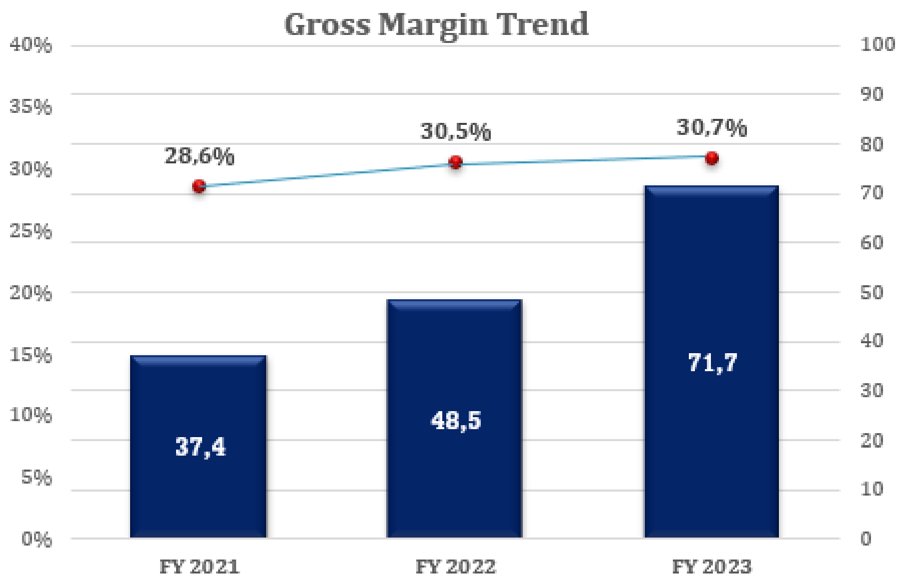
Income statement	2023	2022
Revenues Service Providers	89,529	82,035
Revenues Distribution	120,716	68,673
Revenues Production	18,793	3,582
Revenues On site assembly	3,267	3,185
Revenues Others	768	1,249
Total Revenues	**233,073**	**158,724**
COGS	(161,413)	(110,247)
Gross Margin	**71,660**	**48,477**
% of Total Revenues	*30.7%*	*30.5%*
Service costs	(17,287)	(11,660)
Leaseholds costs	(2,889)	(2,428)
Other operating expenses	(758)	(914)
Labor costs	(25,308)	(16,657)
Total Costs	**(46,252)**	**(31,660)**
EBITDA	**25,408**	**16,817**
% of Total Revenues	*10.9%*	*10.6%*
Depreciation	(61)	639
Amortization	(4,133)	(2,499)
Total D&A	**(4,194)**	**(3,138)**
Provision for risks	**-**	**(40)**
EBIT	**21,213**	**13,639**
% of Total Revenues	*9.1%*	*8.6%*
Financial Income/Loss	**(6,221)**	**(2,715)**
Financial adjust. (exchange difference)	(69)	69
EBT	**14,924**	**10,993**
% of Total Revenues	*6.4%*	*6.9%*
Taxes	**(5,136)**	**(3,171)**
Net income	**9,787**	**7,823**
% of Total Revenues	*4.2%*	*4.9%*

Amounts in Euro thousands

Revenues – Euro 233.1 million: total revenues at 31 December 2023 reached a record figure of Euro 233.1 million Euro (Euro 158.7 million in 2022) with a YoY increase of +46.8% compared to 2022 data, and +25.8% compared to the pro-forma situation, calculated by consolidating Sintersa in the Group for the entire fiscal year 2022, which highlights the significant organic growth of the Group.

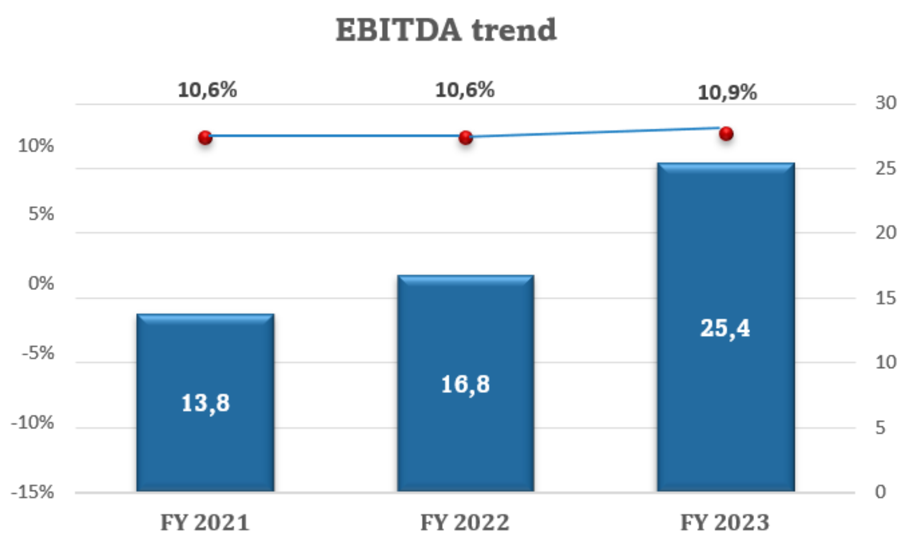
Cost of Goods Sold – Euro 161.4 million: the cost of goods sold, mirroring the increase in revenues, shows an absolute rise of approximately Euro 51.2 million compared to the previous year (Euro 110.3 million), with a lower incidence in percentage terms on revenues (approximately 69.3%, compared to 65.5% in 2022).

Gross Margin – Euro 71.7 million: compared to fiscal year 2022, and considering the increase in total revenues shown above, the Group posted a Gross Margin on Revenues of approximately 30.7%, an improvement of around 0.2% compared to the previous year.



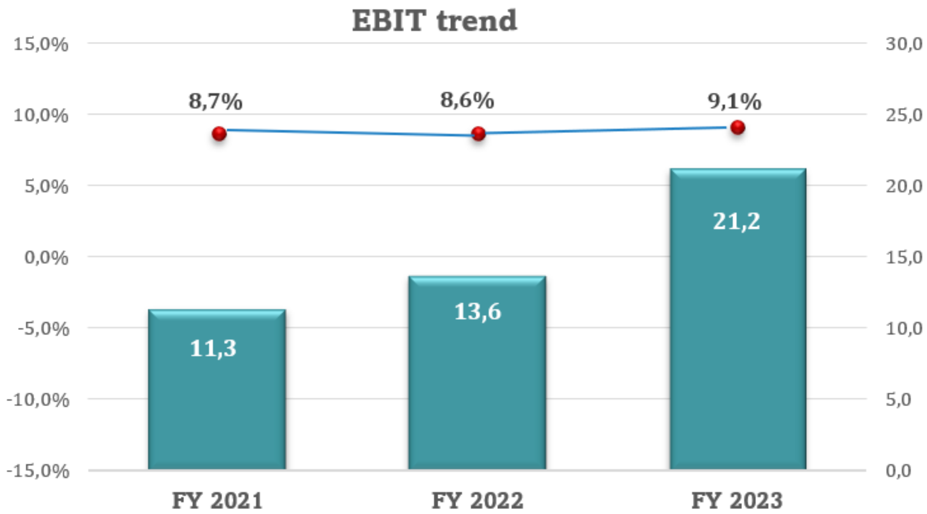
Total Costs – Euro 46.3 million: total costs rose by approximately Euro14.6 million. The increase is mainly attributable to the effect of the consolidation for the whole fiscal year 2023 of the economic results of the SCP Sintersa Group. In particular, the main increases were attributable to labor costs (approximately Euro 8.7 million) and service costs and other operating expenses (approximately Euro 5.9 million).

EBITDA (Gross Operating Margin) – Euro 25.4 million: EBITDA shows a more than significant growth of +51.2% compared to 2022 data, and +28.6% compared to the pro-forma situation calculated by fully consolidating Sintersa over the entire fiscal year 2022. This underlines the quality of additional turnover achieved by ALA in 2023.



Amortization, depreciation and write-downs – Euro 4.2 million: an increase of approximately Euro 1.1 million compared to the previous period, mainly due to the higher capex and goodwill relating to the purchase of the Spanish equity investments.

EBIT (Operating Result) – Euro 21.2 million: thanks to the performance of the items described above, the Group posted a strong result for the year, up by approximately Euro 7.6 million Euro the value recorded at 31 December 2022 (Euro 13.6 million), mainly due to the rise in the value of production. The EBIT trend shows a constant improvement on the previous years. The light asset structure adopted by the Group has allowed it to maintain an EBIT that does not differ significantly from EBITDA over time.



Financial Income/Loss – loss of Euro of 6.3 million: the item recorded a significant increase, due to financial charges related to the increase in interest rates, the greater use of factoring lines and the financial charges relating to the bank pool loan for approximately Euro 35 million, subscribed for the M&A transaction of last September 2022. In particular, it should be noted that the weighted average rate for 2023 was 5.68% compared to 2.47% in the previous year 2022.

	Average Rate	Spread	Average Euribor
2022	2,47	2,13	0,34
2023	5,68	2,26	3,42

Earnings Before Taxes – profit of Euro 14.9 million: the pre-tax result was around Euro 3.9 million higher than the previous year due to the above results. The percentage of Total Revenues rose from 6.9% in the previous year to 6.4% in the year under review, down by approximately 0.5 percentage points.

Taxes – Euro 5.1 million: this amount was attributable to current taxes for approximately Euro 4.5 million, plus the recognition of the reversal of deferred tax assets and deferred tax assets for an amount of approximately Euro 674 thousand. The tax rate for the year was approximately 34% compared to approximately 30% in the previous year 2022. The increase in EBT is attributable to higher depreciation and amortization of approximately Euro 1.5 million due to goodwill, amortized during consolidation, and the effect of the patent box.

In light of the above, Net Income at 31 December 2023 amounted to approximately Euro 9.8 million, up by around 25.1% from the result for 2022 (Euro 1.97 million).

GROUP FINANCIAL POSITION AND CASH FLOWS

In Euro thousands	2023	2022	Change
Net Working Capital [(1)]	61,158	55,107	6,050
Fixed Assets	42,407	35,051	7,356
Non-Current Provisions/Liabilities	(8,933)	(1,012)	(7,921)
Net Invested Capital	**94,632**	**89,147**	**5,485**
Net Debt/(Cash)	29,173	28,699	474
Shareholders' Equity	65,459	60,448	5,011
Total Sources of Finance	**94,632**	**89,147**	**5,485**

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

Net Working Capital – Euro 61.2 million: net working capital at year end was higher by approximately Euro 6.0 million than the figure recorded in the previous year, mainly as a result from the increase in inventory compared to 31 December 2022.

Fixed assets – Euro 42.4 million: the change in this item was attributable to depreciation and amortization for the year but mainly to the recognition of goodwill arising from the consolidation of the two Spanish companies (approximately Euro 33 million).

Provisions – Euro 8.9 million: the change mainly referred to the recording of the second and third earnout, for a total of Euro 7 million, to be paid to former shareholders of the Sintersa Group, as per the purchase agreement of September 2022.

Net Invested Capital – Euro 94.6 million: a rise of about Euro 5.4 million compared to 2022, mainly relating to the increase in working capital.

Net Debt / (Cash) – Euro 29.2 million: the net financial position is in line with the previous year, showing a slight increase in debt of approximately Euro 0.5 million.

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

In Euro thousands	2023	2022	Change
Non-current financial liabilities	(42,665)	(46,067)	3,402
Current financial liabilities	(20,760)	(11,529)	(9,231)
Cash and cash equivalents	34,252	28,898	5,354
Net Debt/(Cash)	**(29,173)**	**(28,699)**	**(474)**

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

Shareholders' Equity – Euro 65.5 million: the item changed due to the result for the year and the distribution of dividends last May, equal to approximately Euro 4.2 million.

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

In Euro thousands	2023	2022	Change
ASSETS			
Cash and Banks	34,252	28,898	5,354
Accounts receivable	30,044	25,839	4,205
Prepaid expenses and accrued income	904	552	352
Other receivables	4,754	5,423	(668)
Inventories and WIP	91,022	65,967	25,054
A) Total Current Assets	**160,976**	**126,679**	**34,297**
Financial Assets	472	536	(64)
Technical assets	4,584	3,420	1,163
Intangible Assets	37,352	31,095	6,257
Total Fixed Assets	**42,407**	**35,051**	**7,356**
TOTAL ASSETS	203,383	161,730	41,653

In Euro thousands	2023	2022	Change
LIABILITIES			
Payables to banks and other MT financial Payables/Receivables	20,760	11,529	9,231
Accounts payable	52,707	35,584	17,124
Accrued expenses and deferred income	262	153	109
Tax payables	2,707	2,504	226
Other payables	3,874	3,629	245
Customer advances	6,017	803	5,214
B) Total Current Liabilities	**86,326**	**54,203**	**32,124**
Payables to banks and other MLT financial payables	42,665	46,067	(3,402)
Provisions	8,933	1,012	7,961
Total MLT Liabilities	**51,597**	**47,079**	**4,519**
TOTAL LIABILITIES	137,924	101,281	36,642

In Euro thousands	2023	2022	Change
Shareholders' Equity			
Share Capital	9,500	9,500	-
Legal reserve	2,080	1,750	330
Other reserves	3,021	3,537	(515)
Share premium reserve	17,900	17,900	-
Retained profit carried forward	23,171	19,939	3,232
Profit (Loss) for the year	9,787	7,823	1,965
Total Shareholders' Equity	**65,459**	**60,449**	**5,011**
TOTAL LIABILITIES + SHAREHOLDERS' EQUITY	203,383	161,730	41,653

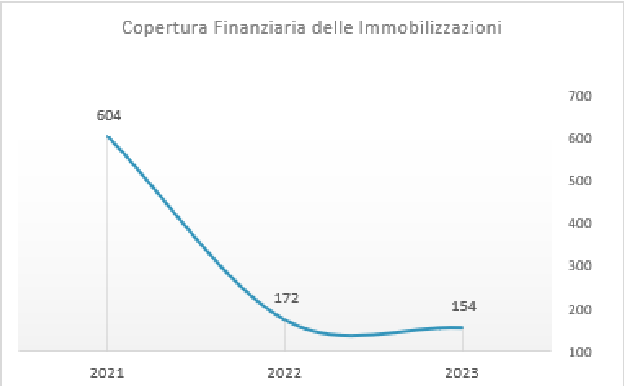
Net Working Capital (A-B)	74,650	72,476	2,173

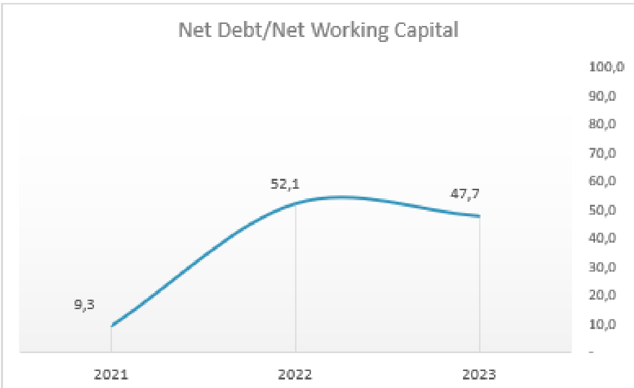
(In Euro thousands)

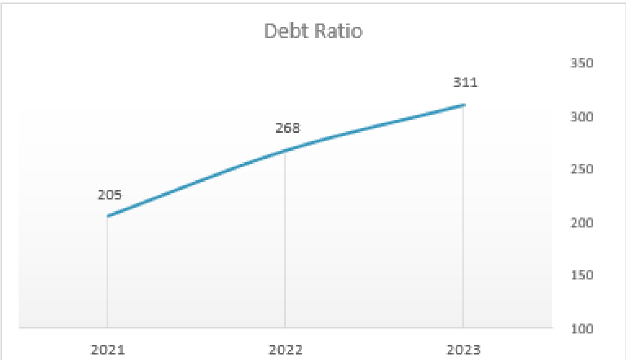
FINANCIAL PERFORMANCE INDICATORS

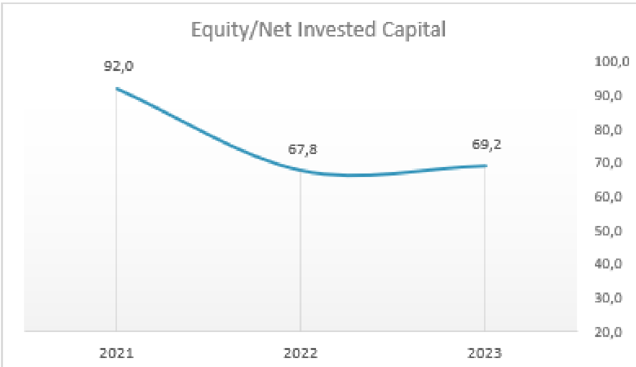
The main financial performance indicators at 31 December 2021, 31 December 2022 and 31 December 2023 are shown below. All indicators show a marked improvement of the financial structure and a high level of capitalization with regard to both investments and net working capital.

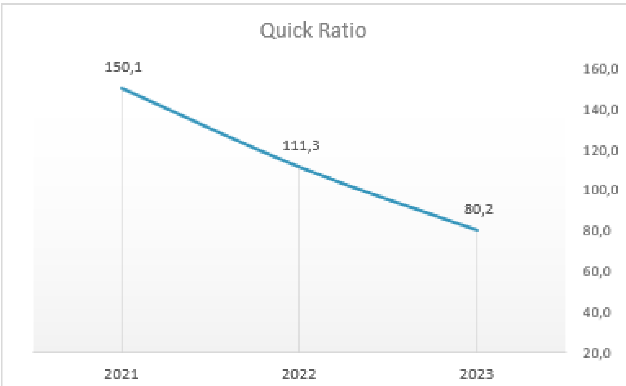
Financial KPIs	2023	2022	2021
Fixed Asset Coverage Ratio	154	172	604
Net Debt/Net Working Capital	47.7	52.1	9.3
Debt Ratio	311	268	205
Equity/Net Invested Capital	69.2	67.8	92.0
Current Ratio	186	206	288
Quick Ratio	80.2	111.3	150.1

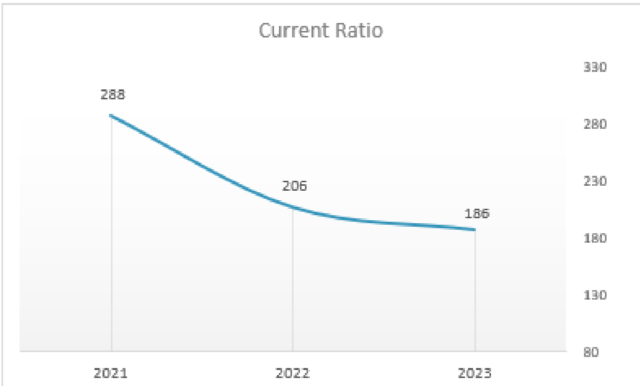












The performance of all financial indicators shows a somewhat satisfactory situation in terms of both liquidity and investment sustainability, largely covered by equity and an adequate debt ratio. In particular, the equity to net invested capital ratio rose in percentage terms from 67.8 to 69.2. The debt ratio grew from 268 in December 2022 to 311 in December 2023. The fixed asset coverage ratio fell from 172 to 154, while the net and current financial debt ratio went down from 52.1 in the previous year to 47.6 at 31 December 2023. Looking at immediate liquidity, the quick ratio fell from 111.3 to 80.2 as a result of the changes in cash and cash equivalents and current assets.

MAIN TYPES OF BUSINESS RISK

In accordance with Article 2428(1) of the Italian Civil Code, it is 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 Group's operating results, financial position and cash flows.

Country Risk

In addition to risks associated with the Russia-Ukraine conflict (for which the Group has already clarified that there are no significant impacts on its trading relations), recent tensions in the Middle East have added to the complexity of the situation, especially following the terrorist attack that took place in Israel on 7 October 2023.

Despite having a Group headquarters in Tel Aviv, with the subsidiary ALA Israel, it is believed that these tensions will not have an adverse impact on the sustainability of the business in that country which, precisely in order to deal with these growing tensions, is reacting with greater investments in the Aerospace and Defense sector. These trends were confirmed in the sales performance of the subsidiary ALA Israel in the final quarter of 2023.

More generally, the Group believes that the current geopolitical tensions may represent an opportunity to increase sales in the Military sector, and will therefore pursue new initiatives in this regard (for example, the opportunity to manage equipment repairs of some platforms such as M346 and C-130J).

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. The risk was classified as low, as the impacts of the previous two years proved to be sustainable. Furthermore, an increase in the attention threshold for this risk is not currently expected, as a further hike in rates in 2024 is considered highly unlikely.

Exchange Rate Risk

The Group does not have any significant exposure to risks related to payables or receivables in currencies other than the Euro, since the majority of contracts are concluded in the national currency.
This risk was classified as "medium", also taking into account the following aspects:

1) Adoption of the Consolidated Financial Statements, with the conversion of the local currency into Euro which produces an administrative (non-financial) effect that cannot be offset;

2) Presence of foreign currency material in stock (i.e., purchase and sale in the same currency): the effects of this parameter depend on the storage time of the product before its sale, which has a significant effect on the gross margin;

3) Cross Selling (i.e., purchase and sale of materials with different currency): in this case it is not possible to apply financial protection except by negotiating the purchase/sale currency with the supplier/customer respectively;

4) Financial Exchange Rate (due to the collection of payables and receivables in foreign currency): this is the only aspect that can be mitigated at the Finance level, producing an exchange rate considered to be below the EBITDA threshold.

Credit Risk

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

Liquidity Risk

During 2023, there was an increase in the risk related to liquidity availability. In fact, this risk increased from a "low" level recorded in 2022 to a "high" level identified at the end of 2023. The reasons for this rise in the risk threshold are mainly related to new business initiatives that required a higher safety stock level and thus larger capital investments.
To mitigate this risk, it was decided to:

1) update the appraisal/approval procedure for new Business Plans, which must evaluate the capital commitment related to the specific project not as a "stand-alone" investment but considering investments already approved and used.
2) Increase the frequency of monitoring of parameters related to the efficiency of inventory values (DOI, overbuy monitoring and leftover of orders/contracts, etc.).
3) Include a slow-moving clause in new Service Provider contracts.

Risk of Safety Stock Reduction

Compared to 2022, the risk of safety stock reduction went down sharply from a "high" to a "low" and, therefore, acceptable level.
There are still recurring supply-chain risk mitigation measures in place aimed at anticipating and reshaping forecasts of customers' consumption and intervening with spot purchases, with beneficial effects on the overall Service Level.

Risk of Export Sanctions

The risk of export violations in the various countries is continuously monitored and currently classified as "medium", down from the previous year. This is thanks to the implementation of a new procedure for screening

Sanction Lists using the Descartes SW (subscribed since the end of 2022), which allows all business partners to be scanned in real time.

OTHER INFORMATION

RELATED-PARTY TRANSACTIONS

It is 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 Resolution No. 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 implementing the provisions of Article 2391-bis of the Italian Civil Code.

The 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(8) of the Regulation, please note that at 31 December 2023 no material transactions (as defined in Article 1) or transactions with related parties having a significant impact on the consolidated balance sheet or on the results of the Group in the reporting period were concluded. Finally, it should be noted that there were no changes or developments in the related-party transactions described in the 2023 Management Report.

It is also noted that the receivables recorded in the Financial Statements as at 31 December 2023 relating to the Parent Company AIP Italia SpA refer to i) commercial transactions carried out under normal market conditions and in accordance with contractual agreements for approximately Euro 150,000, and ii) tax credits accrued in the current year for approximately Euro 819,000, as a result of the tax consolidation agreement between the respective parties.

At 31 December 2023 payables to the parent company amounted to approximately Euro 720,000, and referred to commercial transactions.

The income items recorded in the Financial Statements as at 31 December 2023 refer to i) the remuneration of financial costs amounting to approximately Euro 708,000 deriving from guarantees provided by the Parent Company A.I.P. Italia SpA under the three-year contract entered into in 2021 and ratified by the Board of Directors on 24 June 2021, and ii) revenues for intra-group services rendered to the Parent Company for approximately Euro 18,000.

In any case, please note that the above transactions are carried out under normal market conditions.

Reconciliation of Trade Payables/Receivables	ALA Spa	
	Receivables	Payables
A.I.P. ITALIA	150,302	(720,138)
Total	**150,302**	**(720,138)**

Reconciliation of Costs/Revenues	ALA Spa	
	Costs	Revenues
A.I.P. ITALIA	707,575	18,000
Total	**707,575**	**18,000**

INFORMATION ON PERSONNEL

At the end of 2023, the Group's workforce was made up of 507 employees, in Italy (Pozzuoli, Mostra d'Oltremare, Turin, Cameri (No), Rome and Gallarate (VA) and overseas, in New York (USA), London (UK), Toulouse (Fr), Tel Aviv (Israel), Hamburg (GER) and Spain (Madrid, Seville, Barcelona). The table below shows labor trends over the three-year period, taking into account the significant increase in the number of resources since the last quarter of 2022, thanks to the inclusion of the Spanish companies into the Group.

	2021	2022	2023
Average workforce	252	486	507

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

In 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 requirements have been mapped;
- the implementation of Group cost-saving policies with the aim of making best use of the total volumes of services purchased.

QUALITY & COMPLIANCE

Quality Management Systems

In fiscal year 2023, the Company performed activities aimed at maintaining certification for the Quality Management System according to the EN9120:2018 standards, operating at a Group level. The audit was completed on 31/07/2023, the external Evaluators not finding any non-compliance.

During 2023, in addition to the certification audit, auditing activities were also carried out internally (total of 31 audits) and at our suppliers (11 audits). The results of these controls were recorded in the Quality Management System, and all corrective measures that emerged have been completed or are in the implementation phase. In any case, no significant deviations from the reference standard were found.

Export Compliance

The Company confirmed the reduced efforts needed to complete export procedures for military material. Thanks to the reduction of the Military Goods List in the National Register of Companies and the demilitarization of several items previously considered as "military", during 2023 no. 5 intra-Community transfers to the affiliate ALA Germany Gmbh were recorded.

In October 2023, our Global Transfer License was renewed for a further three years, allowing the movement of military goods within the European Community without limits on the quantity or number of transactions.

Environmental Management System

In fiscal year 2023, the Group Parent Company ALA SpA confirmed the continuous monitoring and updating of its Environmental Management System, whose certification (according to ISO 14001:2015) was renewed in December 2023 without any findings by third-party evaluators.

Information Security Management System

For organizational reasons the subsidiary ALA North America will carry out the renewal audit for its Certification according to standard 27001:2013 in January 2024. Based on the results of internal audits already carried out, however, no difficulties are expected with the renewal of the aforementioned certificate, which is scheduled to expire in February 2024.

Assessments are currently being carried out to decide whether to extend this certification to the Naples headquarters in order to obtain multi-site certification in the second half of 2024.

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 tax purposes.

Financial instruments

As regards interest rate derivative contracts outstanding at 31 December 2023, the Group adopted the simplified model envisaged by OIC Accounting Standard 32 for simple hedging relationships, since they concern derivative financial instruments that have similar characteristics 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 applicable, is carried out with the consent of the data subjects in accordance with the methods and limits established by law.

Monetary revaluations

Pursuant to Article 10 of Italian Law no. 72 of 19 March 1983, as also referred to in subsequent monetary revaluation laws, it is 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 is noted that at the closing date of the Consolidated Financial Statements at 31 December 2023, there were no assets or loans allocated to a specific business transaction pursuant to Article 2427(1)(20-21) of the Italian Civil Code.

Management and Coordination

As of 18 January 2021, the Group controlled by A.I.P. Italia SpA is no longer subject to the management and coordination of the latter.

Amount and nature of exceptional revenue/cost items

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

SIGNIFICANT EVENTS DURING THE YEAR

The consolidated results at 31 December 2023 show a new and significant improvement in the economic and financial performance of the ALA Group, when compared with the data for 2022. More importantly, in 2023 the ALA Group achieved all the ambitious growth targets set in the budget and performed well above the average for the reference market. This is partly due to the consolidation for the entire period of the assets of the newly acquired Spanish companies SCP and Sintersa, which in turn posted performances above business plan expectations.

In 2023, the ALA Group posted an EBITDA in absolute terms that was more than twice that achieved in 2019. This result, further confirming the potential and 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 only 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 in the world in 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.

Pratt & Whitney LCS (Laboratory Control at Source) approval

In January 2023, the Group Parent Company ALA S.p.A. obtained the prestigious LCS qualification from Pratt & Whitney, one of the world's largest aircraft engine manufacturers and a part of the American RTX group.

This new qualification allows ALA to provide Pratt & Whitney and its subcontractors with materials for the production, installation and maintenance of aircraft engines for civil and military applications, opening up new opportunities for business development on a global scale.

New ALA Germany operational headquarters

Jointly with the new General Manager, it was agreed to relocate the operational headquarters of ALA Germany. At the end of January 2023, the headquarters were transferred from Neumarkt to Hamburg, which is known to be Germany's main aviation hub. This relocation will offer multiple advantages, ranging from proximity to major customers, both existing and potential, to greater attractiveness for sales resources specialized in business development.

New ALA UK operational headquarters

In the UK, it was also deemed appropriate to transfer the operational headquarters of the UK subsidiary from Walton-On-Thames to Esher at the beginning of March 2023. The new site, located a few miles away from the historic Walton-On-Thames headquarters, offers ALA UK employees a working environment in line with ALA standards, and enables the company to sustain future business growth thanks to a considerably higher product storage capacity than in the past.

Leonardo Supplier Awards

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

The ALA Group's growth path and continuous commitment to generating sustainable value have been recognized by Leonardo with two important awards: the Vision for Growth Award, a tribute to 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.

Air Supply Portal Goes Live

The ALA Group considers innovation and digitization two of the best ways to achieve the highest quality standards and 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, we started using the Air Supply portal with some of our key suppliers in March 2023.

AirSupply, the collaboration portal designed by SupplyOn, will enable the ALA Group to (i) connect all participating customers/suppliers through a global business network in real time, (ii) standardize and automate core processes, and (iii) accelerate and simplify collaboration between various internal and external functions/departments.

Sustainability Report and ESG Scoring

In April, the Group Parent Company ALA S.p.A. published its new sustainability report for 2022, an instrument that is taking on growing importance year after year in ensuring transparent and continuous communication between the Group and 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 S.p.A. obtained a sustainability rating that showed a high degree of awareness of the environmental, social and governance issues being scored.

Incora files for Chapter 11

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

Attendance of Paris Air Show

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, as seen from the intense activity in both the commercial and defense sectors, with a particular focus on challenges related to supply chain performance and opportunities arising from the expected increase in Airbus and Boeing output. The ALA Group seized the opportunity to present the capabilities and know-how of the recently acquired companies SCP and Sintersa to the market and to meet with dozens of existing and potential customers, suppliers and business partners, encountering a much higher level of interest and attention than in previous editions.

Centralization of Procurement Department

During the first half of 2023, the strategic project concerning the centralization of the procurement department at the Headquarters of the ALA Group was completed, with the procurement team of the Naples headquarters taking over most of the 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 key suppliers, benefiting future commercial development opportunities on a global scale.

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

In the second half of 2023, the subsidiary ALA Israel was fully integrated in the Group management system. On 1 January 2023, the go-live of ALA Israel on SAP 4/HANA was completed. This enables us to optimize the control, interaction and development activities at the Israeli subsidiary, favoring the commercial development of key customers such as IAI and Elbit. This major milestone also makes it possible to harmonize the Group activities of ALA Israel, streamlining its management in line with other subsidiaries.

Cerved Rating

In July 2023, Cerved Rating Agency, a rating agency specializing in assessing the creditworthiness of Italian non-financial companies, announced an important upgrade of the Group Parent Company ALA S.p.A.'s public rating from B1.1 ("Solvency") to A3.1 ("Security"). The A3.1 rating upgrade reflects (i) ALA's growing competitiveness within the industry; (ii) the positive result of operations posted in FY22, consistent with budget targets; and (iii) the continuing financial balance (NFP/EBITDA<2.0x) at the end of 2022, despite the M&A deal carried out.

EN9120 Global Certification Surveillance Audit

In July 2023, the ALA Group completed the second surveillance audit for its EN9120 global certification, passing a stringent audit plan involving most of the Group's commercial and operational offices without any non-compliance findings.

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. The commercial leadership of all ALA's activities and development and growth projects in North America was therefore entrusted to a team of US people with significant experience in the reference market.

Texas is known as one of the most important US States for the ALA Group's reference sector. 90% of the world's largest companies operating in the Aerospace and Defense sector have a strong operational presence in Texas, and all the major competitors of the ALA Group are present in Texas.

Acquisition of Further 40% of ALA Germany

As communicated to the market on 23 October 2023, the Group Parent Company ALA S.p.A., 3 years after purchasing 60% of ALA Germany Gmbh's shareholding, exercised its purchase option on the remaining 40% in advance, thus taking full control. This choice is the result of a strategic assessment which, taking into account the subsidiary's business outlook, allowed for potential savings by exercising the option early, rather than as scheduled in 2025.

Attendance of Dubai Airshow

In November 2023, the ALA Group attended the Dubai Airshow for the second time. During the event, Emirates airline, among others, announced a significant number of new orders for widebody aircraft such as Boeing's 777X and Airbus's A350.

The show allowed ALA's sales team to deepen their knowledge of the dynamics of a market that might open up new development opportunities in coming years, also considering the significant investments in MRO activities by Emirates itself.

The Israeli-Hamas Conflict

Unfortunately, the end of 2023 saw the outbreak of the conflict between Israel and Hamas. Thankfully ALA Israel colleagues were not directly affected by the events and, although this is clearly an emergency, they continue to ensure operations in support of local customers.

Dassault Aviation Contract

We report with satisfaction that ALA's logistics platform in Bordeaux, inaugurated in 2022 and dedicated to the multi-year service contract with the customer Dassault Aviation, came into full operation at the end of 2023. The contract is currently in the ramp-up phase, confirming the overcoming of initial delays due to a slow adaptation of the customer (and its suppliers) to the new commercial and operational setup.

Opening of Sales Office in Derby, UK

In December 2023, a new ALA Group office was opened in the Midlands, in Derby, UK, in the vicinity of strategic customers such as Rolls-Royce. This new office will allow ALA UK to intensify its business development activities in the territory, and raise its ability to attract new qualified personnel, focusing on the development of both customer relations and equally important relations with numerous British suppliers.

Integration of SCP and Sintersa Subsidiaries

Throughout 2023 activities to fully integrate the new Spanish subsidiaries SCP and Sintersa continued apace. A little more than a year after joining the ALA Group, the two subsidiaries have recorded very satisfactory service performances and commercial and economic-financial results exceeding the expectations of the business plan drawn up during the acquisition phase. This confirms the efficiency of the scouting and due diligence work carried out.

The subsidiary Sintersa has started preparatory work for the new operational headquarters in Seville, which is due to be inaugurated by the end of the first quarter of 2024. The new headquarters, adjacent to the current one and three times larger, will help with ramp-up plans for already contracted wiring production programs, and provide the necessary operating space to accommodate the products of new development initiatives.

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2023

Opening of Sintersa operating branch in Italy

In 2023, the ALA Group worked intensely to create as many commercial synergies as possible with the subsidiaries SCP and Sintersa. In February 2024, the ALA Group announced with great satisfaction the opening of the first foreign operating branch of Spanish subsidiary Sintersa, in northern Italy.

The presence of Sintersa in Italy, with its significant experience in complementary sectors to those of the ALA Group, in particular the industrialization, production, assembly, installation and repair of so-called "electrical interconnection systems", will allow the ALA Group to enter new strategic product and market segments and at the same time expand the market share of the ALA Group on the domestic market.

The opening of the Sintersa branch in Italy is a strong and concrete sign of the ALA Group's commitment and attention to the specific needs of its customers, offering cutting-edge solutions and a level of service second to none.

ALA Canada

As a sign of the continued growth of the entire ALA Group, with a particular focus on foreign subsidiaries, ALA North America has started procedures for the opening of an office in Canada, initially to be configured as the opening of a Canadian Business Number, starting from the first quarter of 2024. This initiative is an integral part of the business development project in North America, which began in 2023 with the inauguration of the new sales office in Fort Worth, Texas.

GOING CONCERN

The Consolidated Financial Statements at 31 December 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 year, the analysis of related-party transactions and the significant events that occurred during the year.
In financial year 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 2024 Budget, which is currently being updated in light of changing market conditions, the Group Parent Company and the Group will continue to operate for the foreseeable future. The Directors therefore considered it appropriate to prepare the Consolidated Financial Statements at 31 December 2023 based on the going-concern assumption.

BUSINESS OUTLOOK

We expect air traffic demand and defense sector spending to continue growing in 2024, with consequent new orders for aircraft and MRO services.

Trends regarding advanced technologies, greater sustainability, reduced emissions, higher-performance and lower-cost systems will continue to drive the Aerospace and Defense sector towards greater innovation and the introduction of new products in the future. In coming years emerging markets such as that of Urban Air Mobility (UAM) might also contribute to the development of the sector, depending of course on the ability of the numerous start-ups to successfully pass all the relevant phases of testing, qualification and certification.

In a market situation in which supply chain management difficulties, material procurement times and the ability to meet program execution schedules are of great concern to companies, the ALA Group continues to guarantee excellent service levels for all existing Service Provider agreements, and is managing to mitigate many of the manufacturers' delivery delays. This is due to excellent supplier planning and management skills. Overall performance, combined with customers' output estimates, allows us to look forward to 2024 with optimism, also considering the robust order book for the Stocking Distribution business line in 2023.

In the wake of the excellent results achieved in 2023, the ALA Group will aim to achieve its challenging budget targets for 2024 and further strengthen its position among the world's leading operators in the sector. Particular emphasis will be placed on cross-selling opportunities and commercial synergies with the newly acquired companies SCP and Sintersa and on the development of the North American market, which sees the ALA Group still occupying a marginal position in respect of 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 the Stocking Distribution divisions, despite the less than satisfactory performance of some major suppliers. In this regard, the ALA Group will invest in key profiles in both Europe and North America to further enhance its supply chain management capability.

2024 will naturally see the ALA Group engaged in the ramp-up of the logistics platform dedicated to its customer Dassault Aviation. In this regard, it is noted, confirming the multiple positive signs of the market recovery, that the French customer once again reported the highest order book in its history at the end of 2023, with 211 Rafale Jets (vs. 164 at the end of 2022) and 84 Falcon Business Jets (vs. 87 at the end of 2022).

We reasonably believe that the above, combined with the usual attention and careful management of all fixed and variable cost items, will enable the ALA Group to continue along the path of international growth, constant improvement of profit levels and creation of value for shareholders.

Naples, 28 March 2024

On behalf of the Board of Directors:
Roberto Tonna
CEO

02_CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS

	31/12/2023	31/12/2022
B) Fixed assets		
I - Intangible assets		
1) Start-up and expansion costs	3,003,732	2,715,389
4) Concessions, licenses, trademarks and similar rights	460,925	398,566
5) Goodwill	32,733,526	25,742,237
6) Assets in Progress and Advance Payments	-	1,114,308
7) Other	1,153,377	1,124,247
Total Intangible Assets	*37,351,560*	*31,094,746*
II - Tangible assets		
1) Land and buildings	533,495	556,198
2) Plant and machinery	1,592,690	1,064,470
3) Industrial and commercial equipment	1,509,535	1,239,249
4) Other assets	947,794	560,372
5) Assets in progress and advance payments	-	-
Total Tangible Assets	*4,583,514*	*3,420,289*
III - Financial Assets		
1) Equity investments in:		
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 year	369,268	325,844
Total Receivables	369,268	325,844
4) Derivative financial instruments	82,820	190,475
Total Financial Assets	*472,088*	*536,319*
Total Fixed Assets (B)	*42,407,161*	*35,051,354*
C) Current assets		
I - Inventories		
1) Raw, ancillary and consumable materials	954,182	831,122
2) WIP and semi-finished products	1,984,119	937,346
4) Finished products and goods	84,411,601	61,902,214
5) Down payments	3,671,712	2,296,767
Total Inventories	91.021.614	*65,967,448*
II – Receivables		
1) From customers	29,074,915	25,710,596
due within the following year	29,074,915	25,710,596
4) From parent companies	969,212	128,342
due within the following year	969,212	128,342
5-bis) Tax receivables	3,755,050	3,746,380
due within the following year	3,755,050	3,746,380
5-ter) Deferred tax assets	214,674	755,596
5-quater) Other receivables	784,591	920,590
due within the following year	784,591	920,590
Total Receivables	*34,798,441*	*31,261,503*
IV - Cash and cash equivalents		
1) Bank and postal deposits	34,248,219	28,893,330
3) Cash at hand and in bank	3,751	4,583
Total Cash and Cash Equivalents	*34,251,969*	*28,897,913*
Total Current Assets (C)	*160,072,024*	*126,126,865*
D) Prepaid Expenses and Accrued Income	903,873	551,879
Total Assets	***203,383,058***	***161,730,099***

BALANCE SHEET - LIABILITIES

	31/12/2023	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	2,080,076	1,750,253
VI - Other reserves, indicated separately		
Advance for future capital increase	1,719,998	1,719,998
Consolidation reserve	1,191,947	1,191,947
Translation reserve	153,987	377,498
Rounding reserve	-	-
Total Other Reserves	*3,065,932*	*3,289,443*
VII - Reserve for expected cash flow hedges	(153,039)	190,475
VIII – Profits (losses) carried forward	23,170,543	19,939,020
IX - Profit (loss) for the year	9,830,245	7,692,270
X - Negative reserve for treasury shares held in portfolio	-	-
Total Shareholders' Equity Attributable to the Group	*65,393,756*	*60,261,461*
Shareholders' equity attributable to non-controlling interests		
Capital and reserves attributable to non-controlling interests	108,345	56,719
Profit (loss) for the year attributable to non-controlling interests	(42,764)	130,419
Total Shareholders' Equity Attributable to Non-Controlling Interests	*65,581*	*187,138*
Total Consolidated Shareholders' Equity	*65,549,337*	*60,448,599*
B) Provisions for Risks and Charges		
2) Provisions for taxes, including deferred tax liabilities	316,372	-
3) Provisions for derivative financial instruments	235,858	-
4) Other	8,021,642	665,779
Total Provisions for Risks and Charges	8,573,872	665,779
C) Employee Severance Indemnity	358,832	346,106
D) Payables		
3) Payables for shareholder loans	-	-
4) Payables to banks	62,993,931	56,897,867
due within the following year	20,329,182	10,830,846
due after the following year	42,664,750	46,067,021
5) Payables to other lenders	430,643	698,465
due within the following year	430,643	698,465
6) Advance payments	6,016,852	803,300
due within the following year	6,016,852	803,300
7) Accounts payable	51,987,231	34,382,856
due within the following year	51,987,231	34,382,856
11) Payables to parent companies	720,138	1,200,890
due within the following year	720,138	1,200,890
12) Tax payables	2,706,889	2,504,477
due within the following year	2,706,889	2,504,477
13) Payables to social security institutions	934,576	696,606
due within the following year	934,576	696,606
14) Other payables	2,938,970	2,932,168
due within the following year	2,938,970	2,932,168
Total Payables	*128,729,231*	*100,116,630*
E) Accrued Expenses and Deferred Income	261,786	152,985
Total Liabilities	203,383,058	161,730,099

CONSOLIDATED INCOME STATEMENT

	31/12/2023	31/12/2022
A) Value of production		
1) Revenues from sales and services	229,566,577	155,330,713
2) Change in Inventories of WIP, semi-finished and finished products	2,981,826	1,161,583
4) Increases in capitalized costs	-	582,231
5) Other revenues and income		
a) Grants	342,436	406,597
b) Other	182,329	1,242,963
Total Other Revenues and Income	*524,765*	*1,649,561*
Total Value of Production	*233,073,167*	*158,724,087*
B) Cost of Production		
6) Cost of raw, ancillary and consumable materials and goods for resale	183,733,906	116,630,134
7) Service costs	15,898,906	10,168,809
8) Leasehold costs	2,871,302	2,427,750
9) Labor costs		
a) Wages and salaries	18,777,366	12,246,105
b) Social security costs	4,651,745	2,847,386
c) Employee severance indemnity	649,492	657,357
e) Other costs	1,257,077	906,545
Total Labor Costs	*25,335,680*	*16,657,392*
10) Depreciation. amortization and write-downs		
a) Amortization of intangible assets	3,329,265	2,059,730
b) Depreciation of tangible assets	803,908	438,863
c) Other write-downs of fixed assets	-	-
d) Write-downs of current receivables and cash and cash equivalents	60,954	639,232
Total Amortization, Depreciation and Write-downs	*4,194,126*	*3,137,825*
11) Changes in inventories of raw, ancillary and consumable materials and goods for resale	(20,932,536)	(4,891,520)
12) Provisions for risks	-	40,000
14) Other operating expenses	757,959	914,489
Total Cost of production	*211,859,343*	*145,084,878*
Difference between Value and Cost of Production (A - B)	**21,213,825**	**13,639,209**
C) Financial Income/Charges		
16) Other financial income d) Income other than the above	143,094	217,497
Total Income Other Than the Above	*143,094*	*217,497*
Total Other Financial Income	*143,094*	*217,497*
17) Interest and other financial charges		
Other	6,364,559	2,933,038
Total Interest and Other Financial Charges	*6,364,559*	*2,933,038*
17-bis) Gains and losses on foreign exchange	68,541	(69,681)
Total Financial Income and Charges (15+16-17+-17-bis)	***6,290,006***	***2,645,860***
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 Taxes (A-B+-C+-D)	**14,923,818**	**10,993,349**
20) Current income taxes and deferred tax assets/liabilities		
a) Current taxes	4,460,254	3,966,404

b)	Taxes relating to previous years	(133,791)	(235,816)
c)	Deferred tax assets/liabilities	809,876	(509,555)
d)	Income (expenses) from tax consolidation/transparency regime	-	(50,374)
	Total current income taxes and deferred tax assets/liabilities for the year	*5,136,338*	*3,170,660*
	21) Net Profit (Loss) for the year	9,787,480	7,822,689
	Profit (loss) for the year attributable to Non-Controlling Interests	(42,764)	130,419
	Profit (loss) for the year attributable to the Group	9,830,245	7,692,270

CONSOLIDATED CASH FLOW STATEMENT

	31/12/2023	31/12/2022
A) Cash Flows From Operating Activities (Indirect Method)		
Profit (loss) for the year	9,787,480	7,822,689
Income taxes	5,136,338	3,170,660
Interest expenses/(income)	6,290,006	1,878,253
(Dividends)	-	-
Capital (gains)/losses from disposal of assets	-	-
1) Profit (loss) for the Year Before Income Taxes, Interest, Dividends and Capital Gains/Losses	*21,213,824*	*12,871,602*
Adjustments for non-cash items not offset in net working capital	-	-
Provisions	10,711,578	2,172,397
Depreciation and amortization of fixed assets	4,133,172	2,498,592
Impairment losses	60,954	639,232
Adjustments for non-cash financial assets and liabilities related to derivative financial instruments	(567,025)	223,823
Other adjustments for non-cash items	139,434	1,762,523
Total adjustments for non-cash items not offset in net working capital	*14,478,113*	*7,296,567*
2) Cash flow before changes in net working capital	*35,691,937*	*20,168,170*
Changes in net working capital		
Decrease/(increase) in inventories	(25,621,170)	(6,719,431)
Decrease/(Increase) in accounts receivable	(3,437,967)	(458,351)
Increase/(Decrease) in accounts payable	17,604,375	9,871,279
Decrease/(Increase) in accrued income and prepaid expenses	(351,994)	(142,760)
Increase/(Decrease) in accrued expenses and deferred income	108,801	(53,982)
Other Decreases/(Increases) in net working capital	104,415	933,185
Total changes in net working capital	*(11,593,539)*	*3,429,940*
3) Cash flow after changes in net working capital	*24,098,398*	*23,598,109*
Other adjustments		
Interest received/(paid)	(4,993,240)	(1,172,737)
(Income taxes paid)	(1,481,603)	(2,196,151)
Dividends received	-	-
(Use of provisions)	(2,632,482)	(1,627,160)
Other receipts/(payments)	-	-
Total Other adjustments	*(9,107,326)*	*(4,996,048)*
Cash flow from operating activities (A)	*14,991,072*	*18,602,062*
B) Cash flow from investing activities		
Tangible assets		

(Investments)	(1,987,246)	(1,221,217)
Disposals	20,114	-
Intangible assets		
(Investments)	(9,586,079)	(2,407,830)
Disposals	-	-
Financial assets		
(Investments)	(43,424)	(10,193)
Disposals	-	-
Current financial assets		
Disposals	107,655	-
(Acquisition of business units net of cash and cash equivalents) *	-	(33,414,728)
Cash flow from investing activities (B)	*(11,488,979)*	*(37,053,969)*
C) Cash flows from financing activities		
Borrowings		
Increase/(Decrease) in short-term payables to banks	2,215,651	(4,429,494)
New loans	16,500,000	35,500,000
(Loan repayments)	(12,619,587)	(8,429,132)
Self-financing		
Capital increases	-	-
(Dividends and interim dividends paid)	(4,244,100)	(4,244,100)
Cash flow from financing activities (C)	*1,851,964*	*18,397,274*
Increase (decrease) in cash and cash equivalents (A ± B ± C)	*5,354,056*	*(54,634)*
Exchange effect on cash and cash equivalents	-	-
Cash and cash equivalents acquired or sold with the acquisition/disposal of subsidiaries	-	2,062,096
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	3,531
Total cash and cash equivalents at start of year	*28,897,913*	*28,952,547*
Of which unavailable		
Closing balance of cash equivalents		
Bank and postal deposits	34,248,219	28,893,330
Cheques	-	-
Cash and cash equivalents at bank	3,751	4,583
Total cash and cash equivalents at end of year	*34,251,969*	*28,897,913*
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 subsidiary S.C.P. Sintersa – today relies on the talent of over 500 people and the strength of a growing network of sales and operational offices in Europe (Italy, Spain, Portugal, UK, France and Germany), Israel and North America.

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

The Consolidated Financial Statements as at 31 December 2023 and these Explanatory Notes have been prepared in accordance with the rules of the Italian Civil Code regarding the Financial Statements as amended by Legislative Decree no. 139/15, implementing European Directive 2013/34, as well as with the provisions of the "Issuers Regulation - Euronext Growth Milan" and the national accounting standards and interpretative documents issued by the Italian Accounting Body (OIC) in force as at 31 December 2023. The Consolidated Financial Statements consist of the Balance Sheet (prepared in accordance with the format pursuant to Articles 2424 and 2424-bis of the Italian Civil Code), the Income Statement (prepared in accordance with the format referred to in Articles 2425 and 2425-bis of the Italian Civil Code), the Cash Flow Statement (prepared in accordance with the provisions of Article 2425-ter of the Italian Civil Code), drawn up also in light of the update of OIC Accounting Standard 17, and these Explanatory Notes.
The purpose of these Explanatory Notes is to illustrate, analyze and, in some cases, supplement data in the Financial Statements. They also contain the information required by Article 2427 of the Italian Civil Code in line with regulatory changes introduced by Legislative Decree no. 139/15 and with the provisions of the national accounting standards and interpretative documents issued by the Italian Accounting Body (OIC) in force as at 31 December 2023.
The financial statements of the subsidiaries have been appropriately adjusted, where necessary, to bring them into line with the Group Parent Company's accounting standards.

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

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

The items of the Consolidated Balance Sheet and Income Statement are shown according to the formats prescribed by Articles 2424 and 2425 of the Italian Civil Code with the addition of the necessary consolidation items, pursuant to Article 32 of Legislative Decree no.127/91.

The Balance Sheet and Income Statement items, ordered using by Arabic numerals and capital letters, as per Articles 2424 and 2425 of the Civil Code, are not indicated if they have a zero balance for the year under review and the comparative period shown.

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

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

The Consolidated Financial Statements at 31 December 2023 were prepared in Euro units pursuant to Article 2423(5) of the Italian Civil Code, and the conversion of accounting data, expressed in Euro cents, into balance sheet data, expressed in Euro units, was carried out by rounding.

The figures stated in the Explanatory Notes, unless otherwise specified, are expressed in Euros.
The preparation of the Consolidated Financial Statements at 31 December 2023 did not entail the need for derogations for exceptional cases, as provided for by Article 29(4) of Italian Legislative Decree no. 127/1991.

The Consolidated Financial Statements at 31 December 2023 of the Group were approved by the Board of Directors on 28 March 2024, as indicated in the financial calendar available on the Company's website, with publication on the same date.

These Consolidated Financial Statements are audited by PricewaterhouseCoopers SpA.

SCOPE OF CONSOLIDATION

The Consolidated Financial Statements at 31 December 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 no. 127/1991.

Consequently, the Consolidated Financial Statements at 31 December 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 31 December 2023 and the operating results, financial position and cash flows at 31 December 2023 of the subsidiaries listed below:

Company	Headquarters	% Equity interest	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 (USA)	100	A.L.A. SpA	Logistics and Distribution	31/12
Westbury Electronics Inc.	New York (USA)	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)	100	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 no. 127 of 9 April 1991, as subsequently amended.

List of Equity Investments in Subsidiaries

Name	City (if in Italy) or foreign country	Share Capital in Euro (**)	Profit (Loss) for the last year in Euro	Shareholders' equity in Euro (**)	Shareholding in Euro (**)	Shareholding in %	Book value
Westbury Electronic Service Inc	USA (New York)	18,100	(195,283)	1,519,349	1,519,349	100.00	2,079,960
A.L.A. North America Inc.	USA (New York)	45,249	756,168	4,568,208	4,568,208	100.00	2,545,390
ALA UK Ltd	UK (London)	115,068	56,932	8,319,689	8,319,689	100.00	10,010,755
ALA France Sas	France (Toulouse)	2,409,524	(105,538)	2,966,396	2,966,396	100.00	4,610,755
ALA Yail Aerotech Israel LTD (*)	Israel (Tel Aviv)	5,001	(87,135)	1,227,285	625,915	51.00	1,000,000
Aerel Srl	Italy (Rome)	10,710	4,707	248,099	248,099	100.00	205,133
ALA Germany Gmbh	Germany (Hamburg)	195,000	122,127	375,127	375,127	100.00	760,765
Suministros De Conectores Profesionales S.A.	Spain (Madrid)	60,101	2,791,387	6,528,363	6,528,363	100.00	12,294,024
Sistemas De Interconexion, S.A.	Spain (Madrid)	60,101	1,668,933	8,289,985	8,289,985	100.00	32,943,034

(**) Figures as per 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:

Name	City (if in Italy) or foreign country	Share Capital in Euro	Profit (Loss) for the last year in Euro	Shareholders' Equity in Euro	Shareholding in Euro	Shareholding in %	Book value
Distretto Tecnologico Aerospaziale della Campania S.C.A R.L. (as at 31.12.2022)	Via Partenope, 5 80122 NAPLES	907,500	-	827,501	20,629	2.27	20,000

Main criteria adopted for defining the scope of consolidation and applying the equity valuation principles

The Consolidated Financial Statements for the year ending 31 December 2023 is the result of the accounting situations at 31 December 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. In greater detail, 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%. As a matter of fact, with 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. ALA S.p.A. does not however hold any equity investments in associated companies.

Changes in the Scope of Consolidation

As previously indicated, on 23 October 2023, the Parent Company ALA S.p.A., 3 years after the purchase of 60% of the shares, exercised in advance the purchase option on the remaining 40% of ALA Germany Gmbh, thus obtaining control of 100% of the company.
There were no other changes compared to 31 December 2022 in the year 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 arising 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; deferred tax assets and 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" recorded under liability item "B) Provisions for Risks and Charges".
4. The total amount of assets, liabilities, costs and revenues of the consolidated companies were recognized, regardless of the size of the equity investment held.
5. The portions of shareholders' equity and the result for the year attributable to minority interests are entered, respectively, in specific items of the Balance Sheet ("Capital and reserves attributable to non-controlling interests" and "Profit/Loss for the year attributable to non-controlling interests") and Income Statement ("Profit/Loss for the year attributable to non-controlling interests").
6. The elimination of the equity investments included in the consolidation and the corresponding portions of shareholders' equity are carried out on the basis of the book values referring to year end. The elimination difference is calculated on the date of consolidation that coincides with the date of acquisition of control or the date on which 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 year 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 31 December 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 year-end exchange rate for balance sheet items, with the exception of shareholders' equity items, which are converted at the historical exchange rate at the date of entry;

(ii) the average exchange rate for the financial year for income statement items.

The difference between the result for the year deriving from the conversion at average exchange rates and that resulting from the conversion at year-end exchange rates, and the effect of changes in exchange rates between the start and the end of the year on assets and liabilities are recorded in Shareholders' Equity under the account "Foreign currency translation reserve".

Financial flows deriving from transactions in foreign currencies are recorded in the Cash Flow Statement in Euro, applying to the foreign currency amount the exchange rate between Euro and the foreign currency at the time the cash flow occurs. 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 31 December	2023
EUR/USD	1.1050
EUR/GBP	0.8691
EUR/ILS	3.9993
Source: Bank of Italy	
Average Exchange Rates at 31 December	2023
EUR/USD	1.0903
EUR/GBP	0.8617
EUR/ILS	4.0057
Source: Bank of Italy	

BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 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 31 December 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 measurement 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 year, while risks and losses for the year were taken into account, even if they became known after year end.
- The application of the accrual basis meant that the effect of the transactions was recognized in the accounts and attributed to the fiscal year to which they refer and not to the year in which the related receipts and payments were made.
- The preparation of the Consolidated Financial Statements at 31 December 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 year in which they are found to be necessary and appropriate, if such changes only affect one financial year, and in the following years if the changes affect both current and subsequent years.
- 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-cash 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.

Cash items in foreign currency are translated in the financial statements at the spot rate at the closing date of the financial year. The related profits and losses on exchanges are charged to the Income Statement for the year. 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(5) of the Italian Civil Code, since incompatible with providing a true and fair view of the Group's operating results, financial position and cash flows.

No other asset revaluations were carried out during the year pursuant to special laws on the subject. For the preparation of the Consolidated Financial Statements at 31 December 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 31 December 2023 are shown below.

Fixed Assets

Fixed assets are entered 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 benefits and is supported by reasonable forecasts of economic recovery through expected profits in the following financial years.

Pursuant to Article 10, of Law No. 72 of 19 March 1983, and as referred to in subsequent monetary revaluation laws, it is 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 the assets is shown net of accumulated amortization and write-downs. Amortization was computed in accordance with the following plan, which is believed to ensure a correct allocation of the cost incurred over the useful life of such assets:

Intangible Assets	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 has been applied systematically and in each financial year, in relation to the remaining economic useful life of each asset or expense. Under and for the purposes of

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

It is noted that no write-downs of intangible assets or long-term charges recorded under the "Intangible Assets" item were necessary pursuant to Article 2426(1)(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. Fair value is 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 purpose 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.

In the absence of specific rules in the OICs regarding the accounting treatment of the variable consideration to be paid to third parties for the purchase of the company or business unit, the company, in line with the provisions of OIC 11, has determined its own accounting policy which provides for the inclusion in the total price incurred for the acquisition of the company or business unit, also the value of the variable consideration to be paid. The directors therefore estimate the value of this variable consideration to be recognised in the total price incurred on the basis of the probability associated with the payment. If, subsequently, the estimate of this variable consideration changes, in line with the provisions of OIC 29, the directors will consequently update the value of the corresponding goodwill, in the year in which the aforementioned estimate is updated.

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 likely 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 with 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 an 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 indicators of potential impairment, it is not necessary to determine the recoverable amount. It should be noted that no write-downs pursuant to Article 2426(1)(3) of the Italian Civil Code were necessary since, as provided by OIC Accounting Standard 9, no impairment indicators for intangible assets were found at 31 December 2023.

Tangible assets

Tangible assets, recognized at the date on which the associated risks and rewards 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 assets, grouped into classes according to the nature and year of acquisition, is allocated to each reporting period during which they will presumably be used. This procedure is implemented through the systematic allocation of depreciation rates to the Income Statement according to plans defined at the time the asset is available and ready for use, with reference to the residual possible useful life of the assets. These depreciation plans are subject to annual review and are formed with reference to the gross value of the assets and assuming a realizable value of zero at the end of the process.

Depreciation of tangible assets, whose use is limited in time, was carried out in compliance with the following plan:

Tangible assets items	Depreciation rate %
General systems	15%
Equipment	15%
Telephone devices	20%
Furniture and fittings	12 %
Electronic and accounting equipment	20%
Miscellaneous and minor equipment	40%
Décor	10%
Forklifts	20%
Trucks	20%
Molds	15%
Lightweight buildings	10%
Industrial buildings	3%

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

For assets acquired during the year, the rates above were halved because the depreciation rate thus obtained is not significantly different from the one calculated from the time the asset is available and ready for use.

The criteria for the depreciation of tangible assets have not changed from those applied in the previous year. Pursuant to Article 10 of Law No. 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 is noted that no write-downs were necessary pursuant to Article 2426(1)(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. Fair value is the amount obtainable from the sale of an asset in an ordinary transaction between market participants at the measurement date.

If an asset's recoverable amount is lower than its net carrying amount, regardless of the depreciation already accounted for, the asset is written down to its recoverable amount. The difference is recognized in the Income Statement as an impairment loss. Durable impairment losses on tangible assets are classified under item B.10.c) of the Income Statement. If the reasons for the write-down cease to apply in subsequent years, the original value is restored, adjusted only by the amount of the depreciation.

In the absence of potential impairment indicators, it is not necessary to determine the recoverable amount. It is noted that no write-downs pursuant to Article 2426(1)(3) of the Italian Civil Code were necessary since, as provided by OIC Accounting Standard 9, no impairment indicators for tangible assets were found at 31 December 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. The impairment loss is determined by comparing the book value of the equity investment with its recoverable value, determined on the basis of the future benefits that are expected to flow to the investor's economy. Equity investments recorded under Fixed Assets represent a long-lasting and strategic investment by the Group.

Receivables

Receivables, including those recognized under Financial Assets, are recorded in the Consolidated Financial Statements according to the amortized cost method, on an accrual basis, taking into account the presumed realizable value. In particular, the initial book value is the nominal value of the receivable, net of all premiums, discounts and rebates, and inclusive of any costs directly attributable to the transaction that generated the receivable. Transaction costs, any commission income and 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 occurred, for example, in the case of receivables with a maturity of less than twelve months or, with reference to the amortized cost method, in the event that transaction costs, commissions and any other differences between the initial value and the nominal value at maturity were immaterial or, again, with reference to the discount method, when the interest rate inferable from the contractual terms was not significantly different 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(2) of the Italian Civil Code, on an accrual basis, in line with the provisions of Article 2426(1)(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 presumable realizable value.
This occurred, for example, in the case of payables with a maturity of less than twelve months or, with reference to the amortized cost method, in the event that transaction costs, commissions and any other differences between the initial value and the nominal value at maturity were immaterial or, again, with reference to the discount method, when the interest rate inferable from the contractual terms was not significantly different from the market interest rate.

Payables are classified among the various payables items based on their nature (or origin) with respect to ordinary operations regardless of the time period within which the liabilities are to be extinguished.

Inventories

Inventories of goods are valued at the lower 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 under item C.1.5 are initially recognized on the date on which the obligation to pay such amounts arises or, in the absence of such an obligation, at the time they are paid.

Receivables

Receivables classified under Current Assets are recognized in the Financial Statements according to the amortized cost method, as defined by Article 2426(2) of the Italian Civil Code, on an accrual basis, taking into account the presumed realizable value, in compliance with the provisions of Article 2426(1)(8) of the Italian Civil Code.
For the purposes of providing a true and fair view of the Company'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 occurred, for example, in the case of receivables with a maturity of less than twelve months or, with reference to the amortized cost method, in the event that transaction costs, commissions and any other differences between the initial value and the nominal value at maturity were immaterial or, again, with reference to the discount method, when the interest rate inferable from the contractual terms was not significantly different from the market interest rate.

A specific provision for doubtful debts was allocated against possible insolvency risks, the adequacy of which with respect to doubtful debt positions is verified periodically, and in any case at the end of each financial year, taking into account both uncollectible positions that have already arisen or that are deemed likely and general economic, industry and country risk conditions. In the case of factoring transactions that involve the substantial transfer of all credit risks, the related receivables entered in the Company's balance sheet are written off. In the case of assignments with recourse or without recourse that do not transfer all the inherent risks, such receivables remain recorded in the balance sheet.

Accruals and deferrals

Accruals and deferrals include portions of costs and revenues pertaining to the financial year, but payable/collectable in subsequent years, and portions of costs and revenues incurred/generated by the end of the year, but pertaining to subsequent years, on an accrual basis. 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 year end are measured at nominal value. Cash and cash equivalents in foreign currency are measured at the year-end exchange rate.

Treasury shares

Treasury 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 treasury shares held 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 for risks and charges 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 year end. These provisions have been valued according to general prudence and accrual principles, and no economically unjustified generic risk provisions were established.

Potential liabilities are recognized in the Consolidated Financial Statements and recorded under provisions as deemed likely, 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.

No account was taken of any remote risks. The provisions represent the best possible estimates based on the information available at the preparation date of the Consolidated Financial Statements.

In the absence of specific rules in the OICs regarding the accounting treatment of variable fees to be paid to third parties for the purchase of shareholdings, companies or business units, the company, in line with the provisions of OIC 11, has determined its own accounting policy which provides for the recognition in the risk provisions of the liabilities referring to such variable considerations, as they are of a determined, certain or probable nature, but nevertheless the same, at the end of the financial year, cannot be determined in terms of amount or the date of occurrence. The directors estimate the value of the liability to be recognised in the provisions for risks on the basis of the probability associated with the payment.

Provision for Employee Severance Indemnity (TFR)

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

The provision corresponds to all individual indemnities accrued up to 31 December 2006 due to employees at the reporting date net of advances paid, and is equal to the amount that would have been paid to employees in the event of termination of employment on that date. The provision does not include indemnities accrued starting from 1 January 2007, which are allocated to supplementary pension schemes pursuant to Italian Legislative Decree No. 252/2005 or transferred to the INPS (Social Security Institute) Treasury.

Income taxes

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

- the estimated tax burden pertaining to the year, 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 year.

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 the Company is expected to incur during 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 Tax Liabilities" among "Provisions for Risks and Charges" and under item 5)-ter "Deferred Tax Assets" in "Current 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 tax liabilities are recognized for all taxable temporary differences.

Deferred tax liabilities 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 rewards 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 related to foreign currency transactions are determined at the exchange rate in effect on the date on which the relevant transaction is completed.

Finance lease transactions

Lease transactions are classified as finance leases when they involve the transfer of the majority of risks and rewards related to the underlying assets to the lessee (Article 2427(22) of the Italian Civil Code). Lease transactions that cannot be defined as 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, by 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 its residual useful life.

On the other hand, operating lease transactions are represented in the Consolidated Financial Statements by recognizing the lease payments 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 have been indicated at nominal value, taken from the related documentation.

Risks for which the occurrence of a liability is likely are described in the Explanatory Notes, and a risk 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 allocating any provisions for risks according to relevant accounting standards. No account was taken of any remote risks.

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 at the initial recognition date and at every subsequent reporting date.
The accounting of hedging instruments differs based on the hedging objective, which may be to hedge changes in fair value (fair value hedges) or to hedge changes in future cash flows (cash flow hedges).
In the first case (fair value hedges), changes in fair value compared to the previous financial year are recorded in the Income Statement; in the case of instruments hedging the risk of changes in expected cash flows (cash flow hedge) of another financial instrument or a scheduled transaction, changes are recorded in a positive equity reserve.
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:

- a derivative financial instrument hedging the cash flow or fair value of an asset follows the classification, under Current or Fixed Assets, of the hedged asset;
- a derivative financial instrument hedging the cash flow or fair value of a liability, a firm commitment or a highly likely scheduled transaction is classified under Current Assets;
- a non-hedging derivative financial instrument is classified under Current Assets within the subsequent financial year.

Changes in the fair value of the effective component of derivative financial instruments hedging changes in cash flows 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 with those of the hedged item and the derivative contract was entered into under 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 37,351,560, and were recorded at purchase cost, including ancillary costs and net of amortization.

Description	Initial balance	Closing balance	Change	Change %
1) Start-up and expansion costs	2,715,389	3,003,732	288,344	11%
4) Concessions, licenses, trademarks and similar rights	398,566	460,925	62,359	16%
5) Goodwill	25,742,237	32,733,526	6,991,289	27%
6) Assets in progress construction and advance payments	1,114,308	-	(1,114,3058)	(100%)
7) Other	1,124,247	1,153,377	29,130	3%
Total	**31,094,746**	**37,351,560**	**6,256,814**	**20%**

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

Description	Start-up and expansion costs	Concessions, licenses, trademarks and similar rights	Goodwill	Assets in progress and advance payments	Other intangible assets	TOTAL
Net value at start of year	**2,715,389**	**398,566**	**25,742,237**	**1,114,308**	**1,124,247**	**31,094,746**
Increases	1,128,115	260,536	9,111,800	-	241,623	10,742,074
Decreases	-	-	-	(1,114,308)	-	(1,114,308)
Translation differences	(41,203)	-	-	-	485	(41,687)
Amortization	(798,568)	(198,177)	(2,120,511)	-	212,009	(3,329,265)
Net value at end of year	**3,003,732**	**460,925**	**32,733,526**	**-**	**1,153,377**	**37,351,560**

Start-up and expansion costs, amounting to net Euro 3,003,732, mainly refer, for approximately Euro 526.5 thousand, to (i) start-up costs (acquisition of logistics activities) related to the start of operations of the subsidiary ALA Israel, (ii) for approximately Euro 1,058 thousand to the reclassification into expansion costs of capitalized costs incurred in France for the implementation of the Dassault project started at the beginning of 2023, and, (iii) for the remainder, to the costs incurred by the Group Parent Company for the listing on Euronext Growth Milan and for a study on its product portfolio diversification strategy.

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

Concessions, licenses, trademarks and similar rights, totaling Euro 460,925, 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 includes 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 32,733,526 net of amortization for the year, referring to the goodwill incorporated in the purchase price for the two Spanish companies Sintersa and SCP for Euro 31,034 thousand, goodwill incorporated in the purchase price for the companies ALA France and ALA UK of Euro 1,229 thousand, and goodwill generated with the acquisition of ALA Germany, of approximately Euro 431 thousand. With reference to goodwill recognized on the acquisitions of ALA France, ALA UK and ALA Germany, it is noted that the Company determined a useful life of 10 years. The increase for the period of Euro 9,112 thousand refers for Euro 7 million to the registration of the second and third Sintersa earnout tranches and the deferred price adjustment of the two Spanish companies Sintersa and SCP, established on the basis of the price determination clauses of the purchase contract.

We recall that 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 price of Euro 43 million. Part of the price (Euro 8 million) will be paid as an earn-out over three years, 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 and Euro 7 million recognized at 31 December 2023).

In addition, with reference to goodwill recognized in relation to the acquisition of the Spanish group mentioned above, 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.

In line with the provisions of the paragraph relating to the valuation criteria for the items "Intangible assets" and "Provisions for risks", during the 2023 financial year, the directors, following the definitive allocation of the acquisition price of the SCP Sintersa Group, revised and completed after 31 December 2022, restated the consolidated balance sheet and income statement data as at 30 September 2022 and the fair value of the final price in order to reflect the final allocation fair value of the assets acquired and liabilities assumed through the related business combination. This estimate takes into account all new information obtained post-acquisition (including synergies expected from the combined transaction of the acquired group), relating to facts and circumstances prevailing at the acquisition date.

Data at 31 December 2023	Suministros De Conectores Profesionales S. A.	Sistemas De Interconexion, S. A.
Price paid including ancillary charges at the acquisition date	10,171,925	27,065,134
Earnout as of December 31, 2022	2,122,100	5,877,900
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	**8,070,356**	**24,944,916**

It is 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 that 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.

Other Intangible Assets amounted to Euro 1,153,377, and mainly included expenses for leasehold improvements incurred by the Group Parent Company for the renovation of the leased offices at the headquarters in the Teatro Mediterraneo – Mostra d'Oltremare complex in Naples.

Amortization for the year was recorded in the Income Statement for a total of Euro 3,329,265.
Increases compared to the previous year mainly referred to investments made by the Group Parent Company ALA SpA.

Tangible assets

Tangible assets amounted to Euro 4,583,514 and were recorded at purchase cost, including ancillary costs and net of depreciation.

Description	Initial balance	Closing balance	Change	Change %
1) Land and buildings	556,198	533,495	(22,703)	(4%)
2) Plant and Machinery	1,064,470	1,592,690	528,220	50%
3) Industrial and commercial equipment	1,239,249	1,509,535	270,286	22%
4) Other assets	560,372	947,794	387,421	69%

5) Assets under construction and advance payments	-	-	-	0%
Total	**3,420,289**	**4,583,514**	**1,163,224**	**34%**

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	Tangible assets in progress and advance payments	TOTAL
Net value at start of year	**556,198**	**1,064,470**	**1,239,249**	**560,372**	**-**	**3,420,289**
Increases	4,850	815,835	567,356	604,414	-	1,992,455
Decreases/Other changes	-	(1,867)	(2,493)	(15,753)	-	(20,114)
Translation differences	-	31	(151)	(5,089)	-	(5,209)
Depreciation	(27,553)	(285,778)	(294,425)	(196,151)	-	(803,908)
Net value at end of year	**533.495**	**1,592,690**	**1,509,535**	**947,794**	**-**	**4,583,514**

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

Plant and machinery, totaling Euro 1,592,690, 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 of Euro 451 thousand, used for consolidation purposes, of the leasing agreement entered into 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”. The item also includes increases of Euro 43 thousand for the purchase of new machinery for the new Esher headquarters of the subsidiary ALA UK and Euro 197.5 thousand for the purchase of new plants and machinery borne by Spanish company Sintersa.

Industrial and commercial equipment, totaling Euro 1,509,535, included various items of small equipment, warehouse shelving and other miscellaneous equipment. The increase for the year under review is attributable to ALA UK (Euro 117.7 thousand), the Group Parent Company (Euro 54.4 thousand), ALA France (Euro 35.2 thousand), and the company Sintersa (Euro 359 thousand).

Other assets, with a net worth of Euro 947,794, included office furniture and furnishings, mainly for the headquarters at Mostra d’Oltremare in Naples, various items of electronic machinery and forklifts. The increase for the year under review is attributable to ALA UK (Euro 76 thousand), the Group Parent Company (Euro 92.3 thousand), ALA North America (Euro 43.8 thousand), and Sintersa (Euro 366 thousand).

Depreciation for the year was recorded in the Income Statement for a total of Euro 803,908.

Financial assets

Financial assets, as at 31 December 2023, amounted to Euro 389,268, and consisted of the following:

Equity investments

The information regarding equity investments held directly or indirectly in other companies, not included in the scope of consolidation, is shown below:

List of equity investments in other companies:

Name	City (if in Italy) or foreign country	Share Capital in Euro	Profit (Loss) for the last year in Euro	Shareholders' equity in Euro	Shareholding in Euro	Shareholding in %	Book value
Distretto Tecnologico Aerospaziale della Campania S.C.A R.L. (as at 31.12.2022)	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 369,268.

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

Description	Initial net value	Final net value	Change
Other Receivables (due within 12 months)	325,844	369,268	(43,424)
Total	**325,844**	**369,268**	**(43,424)**

The item "Other receivables" mainly refers to the security deposits of the Group Parent Company and the subsidiary ALA France. Pursuant to Article 2427(6) of the Italian Civil Code, it is 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	82,820	107,656
Total	**190,475**	**82,820**	**107,656**

Derivative financial instruments classified under assets amounted to Euro 82,820 (Euro 190,475 in the previous year). The item refers to the positive fair value of the Interest Rate Swap derivative contracts outstanding at 31 December 2023, aimed at hedging interest rate fluctuations on loans and entered into by the Group Parent Company A.L.A. SpA with Unicredit SpA, Banca Nazionale del Lavoro and BPER Banca. Details are shown below:

Bank	Type of contract	Transaction number	Contractual notional amount	Underlying currency	Execution date	Start date	Maturity date	MTM Euro 31.12.2023
BNL	Interest Rate Swap with floor +0.0%	IRG05064253	5,000,000	EUR	03-Aug-21	03-Aug-21	03-Aug-25	**82,820**

As regards interest rate derivative contracts outstanding at 31 December 2023, the Group adopted the simplified model envisaged by OIC Accounting Standard 32 for simple hedging relationships, since they concern derivative financial instruments that have similar characteristics to the hedged item, entered into at 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(8-11-bis) of the Italian Civil Code. The criteria used for the respective items of the Consolidated Financial Statements are illustrated in the relevant paragraphs.

Inventories

Inventories at 31 December 2023 amounted to Euro 91,021,614 net of the provision for inventory obsolescence of Euro 8,273,695.

Description	Initial net value	Final net value	Change	Change %
Raw materials, ancillary materials and consumables	831,122	954,182	123,061	15%
Works in progress and semi-finished products	937,346	1,984,119	1,046,773	112%
Finished Products and goods	61,902,214	84,411,601	22,509,387	36%
Down payments	2,296,767	3,671,712	1,374,945	60%
Total inventories of finished products and goods	**65,967,448**	**91,021,614**	**25,054,166**	**38%**

Inventories of finished products and goods were mainly attributable to the management of the Provider contract with the customer Leonardo SpA. The inventory shows a typical rotation for the sector that is physiological in nature in relation 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 is 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, on a weighted average cost criterion per movement basis) 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 31/12/2022	**7,706,691**
Use during the year	(1,754,080)
Translation difference	50,724
Provision for the year	2,270,364
Balance at 31/12/2023	**8,273,695**

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

Receivables under Current Assets

Receivables classified under Current Assets amounted to Euro 34,798,441 (Euro 31,261,503 in the previous year).
The breakdown and movements of individual items are provided below:

Description	Initial balance	Final balance	Change
Accounts receivable	25,710,596	29,074,915	3,364,318
Receivables from parent companies	128,342	969,212	840,870
Tax receivables	3,746,380	3,755,050	8,670
Deferred tax assets	755,596	214,674	(540,922)
Other receivables	920,590	784,591	(135,999)
Total	**31,261,503**	**34,798,441**	**3,536,938**

Accounts receivable, totaling Euro 29,074,915, consisted of ordinary trade receivables, including invoices to be issued, net of any credit notes to be issued and the provision for doubtful debts. A specific provision for doubtful debts has been allocated to protect against possible insolvency risks, the adequacy of which is checked periodically and, in any case, at year end with respect to doubtful accounts, taking into consideration both uncollectible positions that have already arisen or that are deemed probable and general economic, industry and country risk conditions. As at 31 December 2023, this provision amounted to Euro 832,311, of which Euro 602 thousand constituting the provision for bad debts recorded in the Group Parent Company's Financial Statements and Euro 140 thousand referring to the provision for bad debts of US subsidiary ALA North America.
The Group carries out receivables assignment transactions through factoring companies. In the case of non-recourse factoring involving the substantial transfer of all credit risks, the related receivables entered in the balance sheet are written off. In the 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 during the year	Provisions for the year	Final value
Provision for doubtful debts	758,663	24,238	49,410	832,311

Receivables from Parent Companies, totaling Euro 969,212, referred to trade receivables recorded by Group Parent Company ALA SpA due from its Parent Company A.I.P. Italia SpA.

Tax receivables of Euro 3,755,050 mainly included the VAT credit of the Group Parent Company for Euro 2,137 thousand, as well as tax credits amounting to Euro 491 thousand as at 31 December 2023, including the "Bonus Sud" for Euro 189,708, usable in three years, credit for investments in capital goods 4.0 for Euro 111,414, credit for advertising investments 2023 for Euro 3,711, the 2022 energy credit for Euro 10,930 and residual credits relating to previous years.

Deferred tax assets of Euro 214,674 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, amounting to Euro 784,591, mainly referred to residual receivables due to subsidiaries from third parties.

Pursuant to Article 2427(6) of the Italian Civil Code, it is noted that the Group does not have any residual receivables recorded under Current Assets with a maturity of more than 5 years.

The breakdown of Group receivables at 31 December 2023 by geographic area, net of the provision for doubtful debts, is shown in the table below:

Description	Italy	EU	Non-EU	Total
Accounts receivable	7,774,529	15,910,537	5,389,849	29,074,915
Receivables from parent companies	969,212	-	-	969,212
Tax receivables	2,498,020	1,124,257	132,772	3,755,050
Deferred tax assets	152,786	32,791	29,097	214,674
Other receivables	150,363	483,325	150,903	784,591
Total	**11,544,910**	**17,550,910**	**5,702,621**	**34,798,441**

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 value at 31 December 2023 was Euro 34,251,969.

Details of changes in the individual items are shown in the table below:

Description	Initial balance	Closing balance	Change	Change %
Bank and postal deposits	28,893,330	34,248,219	5,354,889	18.5%
Cash in hand and at bank	4,583	3,751	(832)	(18.2%)
Total	**28,897,913**	**34,251,969**	**5,354,056**	**18.5%**

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

Prepaid expenses and accrued income

Prepaid expenses and accrued income at 31 December 2023 amounted to Euro 903,873.

Description	Initial balance	Closing balance	Change	Change %
Prepaid expenses	551,879	903,873	351,993	64%
Total	**551,879**	**903,873**	**351,993**	**64%**

The item, amounting to Euro 903,873, mainly referred to prepaid expenses related to software fees, database and telecommunications fees and maintenance of the Group Parent Company. It is noted that at 31 December 2023 there were no items with a duration of more than 5 years.

Information on Balance Sheet Liabilities

Shareholders' Equity

Shareholders' Equity at 31 December 2023 totaled Euro 65,249,765 (Euro 60,448,600 at 31 December 2022), of which Euro 65,312,448 attributable to the Group, and Euro (62,683) attributable to non-controlling interests.

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

Description	Balance at 01/01/2022	Result allocation	Translation differences	Dividend distribution	Other changes	Result for the year	Balance at 31/12/2022
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 premium reserve	17,900,000	-	-	-	-	-	17,900,000
VI) Other Reserves, indicated separately							-
Advance for future capital increase	1,720,000	-	-	-	-	-	1,720,000
Euro rounding reserve	(2)	-	-	-	-	-	(2)
Consolidation reserve	1,191,947	-	-	-	-	-	1,191,947
Translation reserve	146,175	-	231,323	-	-	-	377,499
Total VI) Other Reserves, indicated separately	**3,058,120**	**-**	**231,323**	**-**	**-**	**-**	**3,289,443**
2.A.VII Reserve for expected cash flow hedges	(280,838)	-	-	-	471,313	-	190,475
VIII) Profits (Losses) carried forward	18,976,373	5,747,202	(149,434)	(4,244,100)	(391,021)	-	19,939,020
IX) Profit (Loss) for the year	6,048,802	(6,048,802)	-	-	-	7,692,270	7,692,270
X) Negative reserve for treasury shares held in portfolio	-	-	-	-	-	-	-
Total Shareholders' equity attributable to the Group:	**56,651,110**	**(0)**	**81,890**	**(4,244,100)**	**80,292**	**7,692,270**	**60,261,461**
Attributable to non-controlling interests:							
Capital and reserves attributable to non-controlling interests	118,717	73,496	(71,257)	(64,236)	-	-	56,719
Profit (Loss) attributable to non-controlling interests	73,496	(73,496)	-	-	-	130,419	130,419
Total Shareholders' equity attributable to non-controlling interests:	**192,213**	**-**	**(71,257)**	**(64,236)**	**-**	**130,419**	**187,138**
Total Shareholders' equity:	**56,843,323**	**-**	**10,632**	**(4,308,336)**	**80,292**	**7,822,689**	**60,448,599**

Description	Balance at 01.01.2023	Result allocation	Translation Differences	Dividend Distribution	Other changes	Result for the year	Balance at 31.12.2023
Shareholders' equity:							
Attributable to the Group:							
I) Share Capital	9,500,000	-	-	-	-	-	9,500,000
IV) Legal Reserve	1,750,253	329,822	-	-	-	-	2,080,076
II) Share premium reserve	17,900,000	-	-	-	-	-	17,900,000
VI) Other Reserves, indicated separately	-						-
Advance for future capital increase	1,720,000	-	-	-	-	-	1,720,000
Euro rounding reserve	(2)	-	-	-	-	-	(2)
Consolidation reserve	1,191,947	-	-	-	-	-	1,191,947
Translation reserve	377,499	-	(223,511)	-	-	-	153,988

Total VI) Other Reserves, indicated separately	**3,289,443**	**-**	**(223,511)**	**-**	**-**	**-**	**3,065,933**
2.A.VII Reserve for expected cash flow hedges	190,475	-	-	-	(343,514)	-	(153,039)
VIII) Profits (Losses) carried forward	19,939,020	7,362,448	-	(4,244,100)	113,175	-	23,170,543
IX) Profit (Loss) for the year	7,692,270	(7,692,270)	-	-	-	9,830,245	9,830,245
X) Negative reserve for treasury shares held in portfolio	-	-	-	-	-	-	-
Total Shareholders' equity attributable to the Group:	**60,261,461**	**(0)**	**(223,511)**	**(4,244,100)**	**(230,339)**	**9,830,245**	**65,393,756**
Attributable to non-controlling interests:							
Capital and reserves attributable to non-controlling interests	56,719	130,419	15,348	-	(94,141)	-	108,345
Profit (Loss) attributable to non-controlling interests	130,419	(130,419)	-	-	-	(42,764)	(42,764)
Total Shareholders' equity attributable to non-controlling interests:	**187,138**	**-**	**15,348**	**-**	**(94,141)**	**(42,764)**	**(42,764)**
Total Shareholders' equity:	**60,448,599**	**-**	**(208,163)**	**(4,244,100)**	**(324,480)**	**9,787,480**	**65,459,337**

Reconciliation of the Shareholders' equity of the Parent Company with the Consolidated Shareholders' equity is shown in the statement below:

	Shareholders' Equity	Result
Shareholders' Equity and Result for the year as reported in the Financial Statements of the Parent Company	65,346,570	10,127,113
Result for the Year of Subsidiaries	5,012,299	5,012,299
Elimination of the book value of Consolidated Companies:		
a) difference between the book value and pro-rata value of Shareholders' equity	1,984,333	-
b) Capital gains/losses attributed at the acquisition date of investee companies	-	-
c) Consolidation Reserve	1,191,947	-
d) Translation Reserve	153,988	-
e) Change in the scope of consolidation	-	-
Amortization of Goodwill	(5,056,734)	(2,120,511)
Reversal of the intercompany cash-flow hedge reserve	-	50,882
Release of consolidated risk provisions	-	-
Elimination of the effects of transactions carried out between consolidated companies	-	-
Other changes	(3,198,584)	(3,198,584)
Finance Lease accounting using the financial method (IAS 17)	25,518	18,044
Consolidated Shareholders' equity and Net income	**65,459,337**	**9,787,480**
Shareholders' equity and result for the year attributable to the Group	*65,393,756*	*9,830,245*
Shareholders' equity and result for the year attributable to non-controlling interests	*(65,581)*	*(42,764)*

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	2,080,076	-	2,080,076	-
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	153,987	-	-	153,987
Reserve for expected cash flow hedges	(153,039)	-	-	(153,039)
Profits carried forward	23,170,543	-	23,170,543	-

Share Capital, totaling Euro 9,500,000, is represented by the entire Share Capital of the Group Parent 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 for 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 treasury 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 /treasury 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**, amounting to Euro 2,080,076, is formed by the allocation of 5% of the profits from previous years, as resolved by the Shareholders' Meeting.

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

Other Reserves amounted to Euro 3,067,524, mainly consisting of the reserves attributable to the Group Parent Company for Advances for future capital increase of Euro 1,719,998, the Consolidation Reserve, amounting to Euro 1,191,947, and the Translation Reserve amounting to Euro 153,987.

Profits Carried Forward attributable to the Group amounted to Euro 23,170,543, and derive from the consolidated results of previous years.

Profit for the year totaled Euro 9,787,480, of which Euro 9,830,245 attributable to the Group and Euro (42,764) attributable to non-controlling interests.

It is also noted that there is a **Reserve for expected cash flows** hedges totaling Euro (153,039). The Italian Civil Code (Article 2426, Point 11-bis) establishes that in the case of transactions to hedge the cash flows (use of a derivative or financial asset/liability to hedge the risk of changes in expected cash flows) of another financial instrument or planned transaction, the change in the fair value of the derivative instrument is charged directly to a positive or negative reserve in Shareholders' equity and not to the Income Statement. Future cash flows deriving from various types of transactions can be hedged, such as receivables and payables financed at floating rates, or floating rate bonds.

At 31 December 2023 this reserve consisted of the positive fair value of the derivative recorded under balance sheet assets for the same amount.

The item **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.

Provisions for risks and charges

At 31 December 2023 the Group recorded P**rovisions for risks and charges** of Euro 8,573,872, consisting of:

Description	Initial balance	Closing balance	Change
Deferred taxes	-	316,372	316,372
Derivative financial instruments	-	235,858	235,858
Other	665,779	8,021,642	7,355,863
Total	**665,779**	**8,573,872**	**7,908,093**

The balance at 31 December 2023 was Euro 8,573,872, mainly attributable to the Group Parent Company's financial statements, consisting of the recording of the earnout shares to be paid to former shareholders of the Sintersa Group, amounting to Euro 7 million, as set forth in the purchase contract of September 2022, the estimate of the long-term incentive plan for top management, namely Euro 464 thousand, and the remainder pertaining 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. The difference of Euro 235,858 relates to the provision allocated for financial derivatives, whose fair value at 31 December 2023 was negative.

Bank	Type of contract	Transaction number	Contractual notional amount	Underlying currency	Execution date	Start date	Maturity date	MTM Euro 31.12.2023
Unicredit	Interest Rate Swap	MMX24928970	3,000,000	EUR	02-Sep-19	04-Set-19	31-Mar-23	-
BPM	Amortizing collar with premium payment plan	01-1-108	9,000,000	EUR	20-Jan-23	31-Mar-23	31-Jul-27	**(79,148)**
DEUTSCHE BANK	Amortizing collar with premium payment plan	346877	8,330,000	EUR	20-Jan-23	31-Mar-23	31-Jul-27	**(76,096)**
BPER	Amortizing collar with premium payment plan	2023/0000619	7,170,000	EUR	20-Jan-23	31-Mar-23	31-Jul-27	**(67,187)**
BPER	Interest Rate Swap with floor +0.0%	2023/0009540	3,000,000	EUR	15-Nov-23	15-Nov-23	15-May-25	**(13,027)**
BPER	Interest Rate Swap with floor +0.0%	2022/0002216	3,000,000	EUR	23-Mar-22	23-Mar-22	23-Sep-23	-
	Total derivatives							(235,858)

Employee Severance indemnity

Employee Severance Indemnity (TFR) referred exclusively to the balance of the Group Parent Company, amounting to Euro 358,833 at 31 December 2023. The breakdown and movements of individual items are provided below:

Description	Initial balance	Provisions for the year	Use during the year	Final balance
Employee Severance Indemnity	346,106	682,967	670,240	358,833
Total	**346,106**	**682,967**	**670,240**	**358,833**

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

Payables

Payables recorded under balance sheet liabilities amounted to Euro 128,729,231 (Euro 100,116,630 at 31 December 2022).
The individual items are broken down as follows:

Description	Initial balance	Closing balance	Change
Payables to banks	56,897,867	62,993,931	6,096,064
Payables too other lenders	698,465	430,643	(267,822)
Advance payments	803,300	6,016,852	5,213,553
Accounts payable	34,382,856	51,987,231	17,604,375
Payables too parent companies	1,200,890	720,138	(480,752)
Tax payables	2,504,477	2,706,889	202,412
Payables to social security institutions	696,606	934,576	237,970
Other payables	2,932,168	2,938,970	6,802
Total	**100,116,630**	**128,729,231**	**28,612,601**

Payables to banks, amounting to Euro 62,993,931 at 31 December 2023, represent the actual debt to banks, and are made up of the following:

Payables to banks	Initial balance	Closing balance	Change
Due within 12 months	10,830,846	20,329,182	9,498,335
Due after12 months	46,067,021	42,664,750	(3,402,271)
Total Payables to banks	**56,897,867**	**62,993,931**	**6,096,064**

The increase in long-term debt is mainly the result of the new loan being taken out to support the acquisition of the Spanish group SCP Sintersa, with a pool of banks, and bank agent Banco Popolare di Milano, for a total of Euro 35 million.

Accounts payable, amounting to Euro 51,987,231, were ordinary in nature and included invoices to be received, net of credit notes pertaining to the year and yet to be received.

Payables to parent companies, amounting to Euro 720,138, were attributable to the financial statements of the Group Parent Company, and represented trade payables with the parent company AIP Italia SpA.

Tax payables, all attributable to current operations, amounted to Euro 2,706,889; they mainly referred to VAT and current tax payables.

Payables to Social Security Institutions, amounting to Euro 934,576, referred mainly to amounts due from Group Companies and employees to social security institutions, of which approximately Euro 260 thousand payable to INPS (National Social Security Institute). All social security payables were duly paid in accordance with the law, and there are no overdue and unpaid debts.

Other Payables, amounting to Euro 2,938,970, were attributable to ALA SpA (approximately Euro 1,624 thousand) and consisted of payables for deferred pay and amounts due to employees and other staff.
The breakdown of payables by maturity, pursuant to Article 2427(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	20,329,182	42,664,750	-	62,993,931
Payables to other lenders	430,643	-	-	430,643
Advance payments	6,016,852	-	-	6,016,852
Accounts payable	51,987,231	-	-	51,987,231
Payables to parent companies	720,138	-	-	720,138
Tax payables	2,706,889	-	-	2,706,889
Payables to social security institutions	934,576	-	-	934,576
Other payables	2,938,970	-	-	2,938,970
Total	**86,064,481**	**42,664,750**	**-**	**128,729,231**

Pursuant to Article 2427(6) of the Italian Civil Code, it is 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 31 December 2023 by geographic area is shown in the table below:

Description	Italy	EU	Non-EU	Total
Payables to banks	59,385,119	3,002,779	606,033	62,993,931
Payables to other lenders	419,935	-	10,708	430,643
Advance payments	255,359	5,488,604	272,890	6,016,852
Accounts payable	26,060,207	16,707,251	9,219,773	51,987,231
Payables to parent companies	720,138	-	-	720,138
Tax payables	298,139	2,133,905	274,845	2,706,889
Payables to social security institutions	628,696	305,880	-	934,576
Other payables	1,712,772	1,039,415	186,784	2,938,971
Total	**89,480,364**	**28,677,835**	**10,571,032**	**128,729,231**

Accrued expenses and deferred income

Accrued Expenses and Deferred Income recorded under liabilities for a total of Euro 261,786 (Euro 152,985 in the previous year) refer mainly to tax credits for Research & Development and the Group Parent Company's investment in Southern Italy.

Description	Initial balance	Closing balance	Change
Accrued expenses and deferred income	152,985	261,786	108,801
Total	**152,985**	**261,786**	**108,801**

Information on the Income Statement

The Income Statement shows the result for the year.

It provides a representation of management operations through a summary of positive and negative income components that have contributed to determining the operating result. The positive and negative components of income, recorded in the Consolidated Financial Statements pursuant to Article 2425-bis of the Italian Civil Code, are classified based on the nature of Group's business activities: core, ancillary and financial.

The core business consists of income-generating operations conducted on an ongoing basis and in the sector relevant to the performance of activities, identifying and qualifying the specific and distinctive business carried out by the Group to achieve its purpose.

The financial activity consists of operations that generate financial income and charges.

On a residual basis, the ancillary activity consists of income-generating operations that are part of the Group's ordinary activities but do not fall within its core business or financial activity.

Value of production

Value of production at 31 December 2023 shows a balance of Euro 233,073,167 (Euro 158,724,087 at 31 December 2022).

Value of Production	31 December 2022	31 December 2023	Change
Revenues from Sales and Services	155,330,713	229,566,577	74,235,864
Changes in inventories of WIP, semi-finished and finished products	1,161,583	2,981,826	1,820,243
Increases in capitalized costs	582,231	-	(582,231)
Other revenues and income	1,649,561	524,765	(1,124,796)
Total	**158,724,087**	**233,073,167**	**74,349,080**

Revenues from Sales and Services

Revenues from sales and services amounted to Euro 229,566,577, rising by about 47.8% (Euro 74,235,864 in absolute terms) compared to 2022 (Euro 155,330,713). The increase was certainly attributable to a significant improvement in the performance of the main business lines, and to the inclusion for the entire year of the turnover of Spanish group SCP Sintersa (approximately Euro 42 million), which we recall joined the ALA Group in September 2022.

Revenues were recorded on an accrual basis, net of returns, rebates, discounts, and premiums, as well as taxes directly connected to the same. With regard to the sale of assets, the related revenues are recognized upon the substantial and non-formal transfer of ownership, assuming the transfer of risks and rewards as a 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 showed a value at 31 December 2023 of Euro 2,981,826, and referred exclusively to the Spanish group SCP Sintersa.

Other revenues and income

Other revenues and income were recorded under Value of production in the Income Statement, and amounted to Euro 524,765 (Euro 1,649,561 in the previous year). This item consisted mainly of government grants and other miscellaneous income.

Cost of production

Cost of Production recorded a balance of Euro 211,860,604 (Euro 145,084,878 in the previous year). The main items are shown below, compared with the flows of the previous year.

Description	31 December 2022	31 December 2023	Change
Cost of raw materials	116,630,134	183,733,906	67,103,773
Service costs	10,168,809	15,898,906	5,730,097
Leasehold costs	2,427,750	2,871,302	443,552
Labor costs	16,657,392	25,335,680	8,678,288
Amortization, depreciation and write-downs	3,137,825	4,194,126	1,056,302
Change in inventories of raw, ancillary and consumable materials and goods for resale	(4,891,520)	(20,932,536)	(16,041,016)
Provisions for risks	40,000	-	(40,000)
Other operating expenses	914,489	757,959	(156,530)
Total	**145,084,878**	**211,860,604**	**66,774,465**

With regard to the purchase of goods, the related costs are recognized upon the substantial, non-formal transfer of ownership, assuming the transfer of risks and rewards as a 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 highlighted above, the increase was mainly attributable to the inclusion in economic data of the results for the entire year of the SCP Sintersa Group. In particular, the main increases were attributable to labor costs, approximately Euro 8.7 million, and service costs and other operating expenses for approximately Euro 7.0 million.

Cost of raw materials

Cost of raw materials was recorded under Cost of production in the Income Statement and amounted to Euro 183,733,906 (Euro 116,630,134 in the previous year). This rise of approximately 57.5% was partly due to the increase in turnover, partly to the increase in warehouse safety stock and partly to the inclusion of the Spanish companies in the scope of consolidation.

Service costs

Service costs were recorded under Cost of production in the Income Statement, and amounted to Euro 15,898,906 (Euro 10,168,809 in the previous year). The item is up compared to the previous year both in absolute terms (increase of Euro 5,730,097) and in percentage terms (+56.3%). The increase is partly attributable to the increase in turnover and the inclusion of the Spanish companies in the scope of consolidation.

Leasehold costs

Leasehold costs were recorded under Cost of production in the Income Statement, and totaled Euro 2,871,302 (Euro 2,427,750 in the previous year), net of the accounting of finance leases pursuant to IAS 17. This item mainly consisted of rents, vehicle and equipment leasing instalments and operating lease payments.

Labor costs

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

At 31 December 2023 labor costs amounted to Euro 25,335,680 (Euro 16,657,392 in the previous year), about 52.1% higher, mainly due to the inclusion of Spanish companies in the scope of consolidation, with relative costs totaling Euro 8.7 million.

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 3,329,265) and tangible assets (Euro 803,908).

In financial year 2023, only the provision for credit risks not covered by insurance policy was allocated, for approximately Euro 40 thousand, relating to the Group Parent Company's accounting position, and approximately Euro 18 thousand, to the subsidiary ALA North America.

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

Change in inventories of raw, ancillary and consumable materials and goods for resale

Change in inventories	31 December 2022	31 December 2023	Change
Raw, ancillary and consumables and goods for resale (initial/final inventory)	(4,891,520)	(20,932,536)	(16,041,016)
Total	**(4,891,520)**	**(20,932,536)**	**(16,041,016)**

The Change in inventories showed a negative value to the tune of Euro 20,932,536 at 31 December 2023. The amount is stated net of write-downs for the period of Euro 567,004, which reflect the obsolescence of goods that are no longer suitable for sale or are slow moving.

Other operating expenses

Other operating expenses are recorded under Cost of production in the Income Statement, and totaled Euro 757,959; these included residual cost components, of which Euro 285 thousand related to the Group Parent Company's accounting position.

Financial income and charges

The Group's financial income and charges were recorded on an accrual basis in relation to the portion accrued during the year. As shown in the table below, the total value of the item was substantially in line with financial year 2022. There was however a different trend for realized and unrealized gains and losses on foreign exchange, which recorded a more significant loss in financial year 2023.

Financial income and charges	31 December 2022	31 December 2023	Change
Other financial income	217,497	143,094	(74,404)
Interest and other financial charges	(2,933,038)	(6,364,559)	3,431,521
Gains and (losses) on foreign exchange	69,681	(68,541)	(138,222)
Total	**(2,645,860)**	**(6,290,006)**	**(3,644,146)**

Gains and losses on foreign exchange

Gains on foreign exchange of Euro 68,541 (vs. losses of Euro 69,681 in the previous year) represent the amount accrued as currency differences on foreign purchase and sales transactions. In accordance with OIC Accounting Standard 26, these included unrealized gains and losses on foreign exchange at 31 December 2023, estimated on the basis of the exchange rates in force on the same date.

Income taxes for the year - Current taxes and deferred tax assets/liabilities

This item showed a balance of Euro 5,136,338 (Euro 3,170,660 in the previous year), representing the estimate of income taxes on profits realized at 31 December 2023 by individual companies of the ALA Group based on the effective tax rate.

Description	31 December 2022	31 December 2023	Change
Current income taxes	3,966,404	4,460,254	493,849
Taxes relating to previous years	(235,816)	(133,791)	102,025
Deferred tax assets/liabilities	(509,555)	809,876	1,319,430
Income (expenses) from tax consolidation	(50,374)	-	50,374
Total	**3,170,660**	**5,136,338**	**1,965,678**

Also in 2023, the Group adhered to the tax consolidation regime with the Parent Company A.I.P. Italia S.P.A., according to which a single taxable base is determined for the Parent Company, corresponding to the algebraic sum of the taxable income of each company participating in the same regime. In particular, tax consolidation expenses totaled Euro 2,544,632.

Consolidation expenses also included the tax benefit arising from the so-called Patent Box regime. The benefit arising from Patent Box 2021 (third and final instalment) amounted to Euro 44,188, while that resulting from Patent Box 2022 (first of three instalments) amounted to Euro 72,880.

IRAP for the year, not included in the tax consolidation, amounted to Euro 844,106.

Further information

Further information regarding the Consolidated Financial Statements at 31 December 2023 required by the Italian Civil Code is shown below.

Employment figures

The table below shows the average number of employees for all Group Companies as well as labor trends over the three-year period, taking into account the significant increase in the number of resources since the last quarter of 2022, thanks to the consolidation of the Spanish companies into the Group.

Average workforce	2021	2022	2023
Average number of employees	252	486	507

Fees, advances and credits granted to directors and statutory auditors, and commitments on their behalf

The following table shows the annual remuneration of directors and statutory auditors, as required by Article 2427(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(16-bis) of the Italian Civil Code, the annual fees paid to the independent auditors and the auditing firm of the Group are shown in the table below:

Description	Amount
Remuneration of the auditing firm for the statutory audit of the Financial Statements and the Consolidated Financial Statements (Parent Company) *	66,000
Remuneration of the auditing firm for the limited audit of the Consolidated Interim Financial Statements at 31 December 2022	24,000
Other audit services performed for the Parent Company **	6,000

Remuneration of other auditing firms for the statutory audit of the Financial Statements (subsidiaries of the Group Parent Company ALA SpA)	80,000
Total	176,000

(*) The amount shown does not include value added tax, ISTAT adjustments or out-of-pocket expenses.
(**) These refer to activities carried out by the auditing firm regarding the certifications relating to R&D and 4.0 training tax credits.

Details on other financial instruments issued by the Group

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

Commitments, guarantees, and contingent liabilities not included in the Balance Sheet

Pursuant to Article 2427(9) of the Italian Civil Code, please note that there were no commitments, guarantees or contingent liabilities included in the Company's balance sheet.

Assets allocated to a specific business transaction

At the reporting date of the Consolidated Financial Statements at 31 December 2023, there were no assets allocated to a specific business transaction pursuant to Article 2427(20) of the Italian Civil Code.

Financing allocated for a specific business transaction

At the reporting date of the Consolidated Financial Statements at 31 December 2023 no financing was allocated to a specific business transaction pursuant to Article 2427(21) of the Italian Civil Code.

Information on related-party transactions

During the financial year related-party transactions were carried out, concerning the reciprocal supply of goods, services and loans, executed at normal market conditions pursuant to Article 2427(1)(22bis) 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 the 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 is noted that the ALA Group has adopted an ad hoc “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 Resolution No. 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 (hereafter the “Provisions”), and implementing Article 2391-bis of the Italian Civil Code.

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

It is also noted that the receivables recorded in the Financial Statements as at 31 December 2023 from the Parent Company AIP Italia SpA refer to i) commercial transactions carried out under normal market conditions and in accordance with contractual agreements for approximately Euro 150 thousand, and ii) tax credits accrued in the current year for approximately 819 thousand Euro, as a result of the tax consolidation agreement between the parties.

At 31 December 2023, payables recorded to the parent company amounted to Euro 720,138, referring to commercial transactions carried out under normal market conditions and in accordance with contractual agreements.

The income items recorded in the Financial Statements as at 31 December 2023 refer to i) the remuneration of financial costs amounting to Euro 708 thousand deriving from guarantees provided by the Parent Company A.I.P. Italia SpA under the three-year contract entered into in 2021 and ratified by the Board of Directors on 24 June 2021, and ii) revenues for intra-group services rendered to the Parent Company for Euro18 thousand.

Reconciliation of trade payables/receivables	ALA Spa	
	Receivables	Payables
A.I.P. ITALIA	150,302	(720,138)
Total	**150,302**	**(720,138)**

Reconciliation of costs/revenues	ALA Spa	
	Costs	Revenues
A.I.P. ITALIA	707,575	18,000
Total	**707,575**	**18,000**

Information on off-balance-sheet agreements

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

Information on significant events after the year end

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

Information on financial derivatives 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 financial derivatives held by the Group Parent Company, accounted for pursuant to the provisions of OIC Accounting Standard 32, is shown below:

Type of contract	Transaction number	Contractual notional amount	Underlying currency	Execution date	Start date	Maturity date	MTM Euro 31.12.2023	Settlement
Interest Rate Swap	MMX24928970	3,000,000	EUR	02-Sep-19	04-Set-19	31-Mar-23	-	SETTLED IN MARCH 2023
Amortizing collar with	01-1-108	9,000,000	EUR	20-Jan-23	31-Mar-23	31-Jul-27	**(79,148)**	

premium payment plan								
Amortizing collar with premium payment plan	346877	8,330,000	EUR	20-Jan-23	31-Mar-23	31-Jul-27	(76,096)	
Amortizing collar with premium payment plan	2023/0000619	7,170,000	EUR	20-Jan-23	31-Mar-23	31-Jul-27	(67,187)	
Interest Rate Swap with floor +0.0%	IRG05064253	5,000,000	EUR	03-Aug-21	03-Aug-21	03-Aug-25	82,820	
Interest Rate Swap with floor +0.0%	2023/0009540	3,000,000	EUR	15-Nov-23	15-Nov-23	15-May-25	(13,427)	
Interest Rate Swap with floor +0.0%	2022/0002216	3,000,000	EUR	23-Mar-22	23-Mar-22	23-Sep-23	-	SETTLED IN SEPTEMBER 2023
Total derivatives					Total		(153,038)	

Financial assets were recorded at a value higher than their fair value. As regards interest rate derivative contracts outstanding at 31 December 2023, the Group adopted the simplified model envisaged by OIC Accounting Standard 32 for simple hedging relationships, since they concern derivative financial instruments that have similar characteristics to the hedged item, entered into at market conditions and with a fair value close to zero at the initial recognition date.

It should also be noted that on 20 January 2023, as provided for in the loan agreement granted by the syndicate of banks, with agent bank Banco Popolare di Milano, for the purchase of the total equity investment in the Spanish group SCP Sintersa, an Interest Rate Collar contract was entered into to hedge the risk of interest rate fluctuations on 70% of the amount financed. This derivative contract had a fair value close to zero at 30 June 2023.

Summary of the 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 the management and coordination of the latter.

Final remarks

These Consolidated Financial Statements at 31 December 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, 28 March 2024

On behalf of Board of Directors

Roberto Tonna
Chief Executive Officer