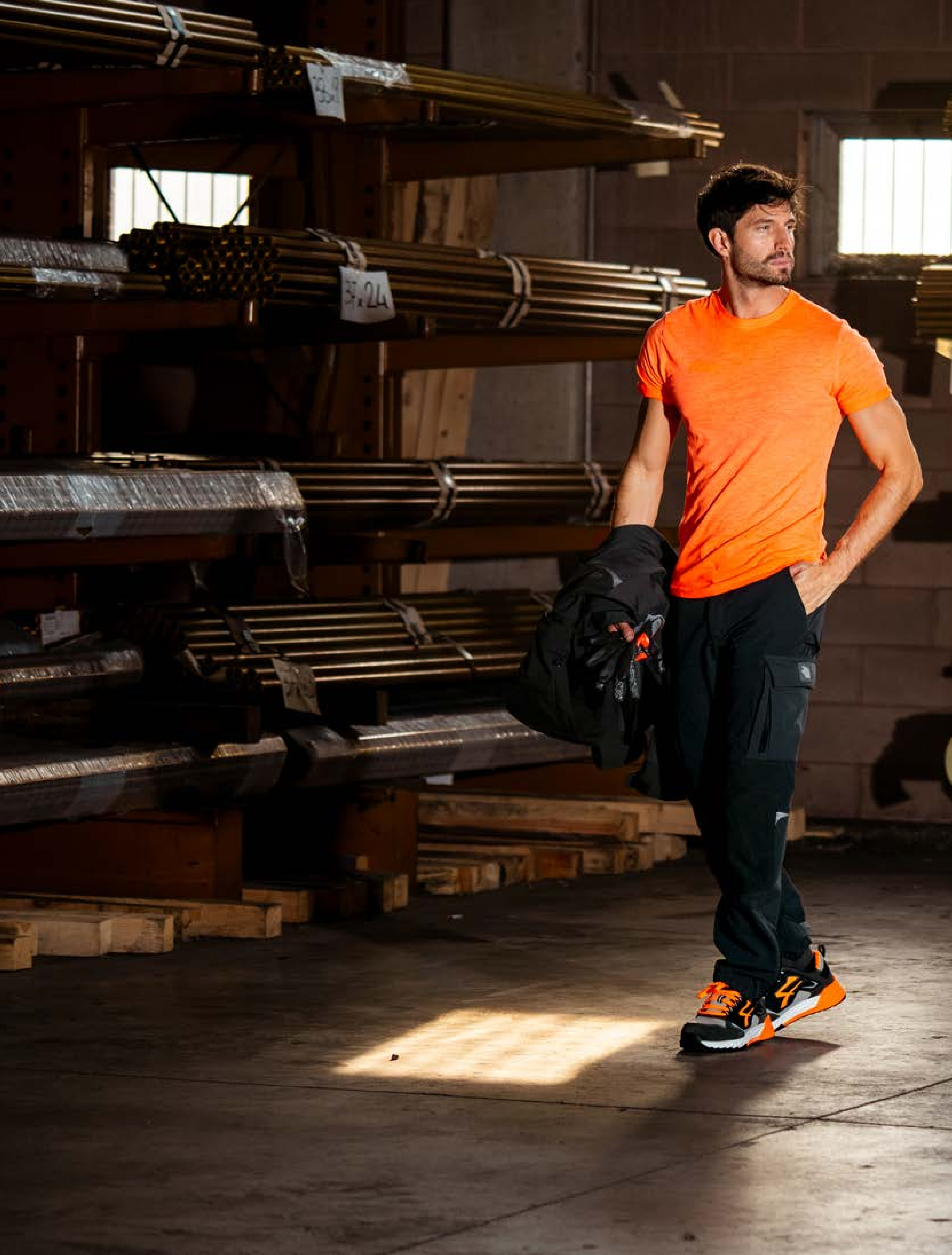
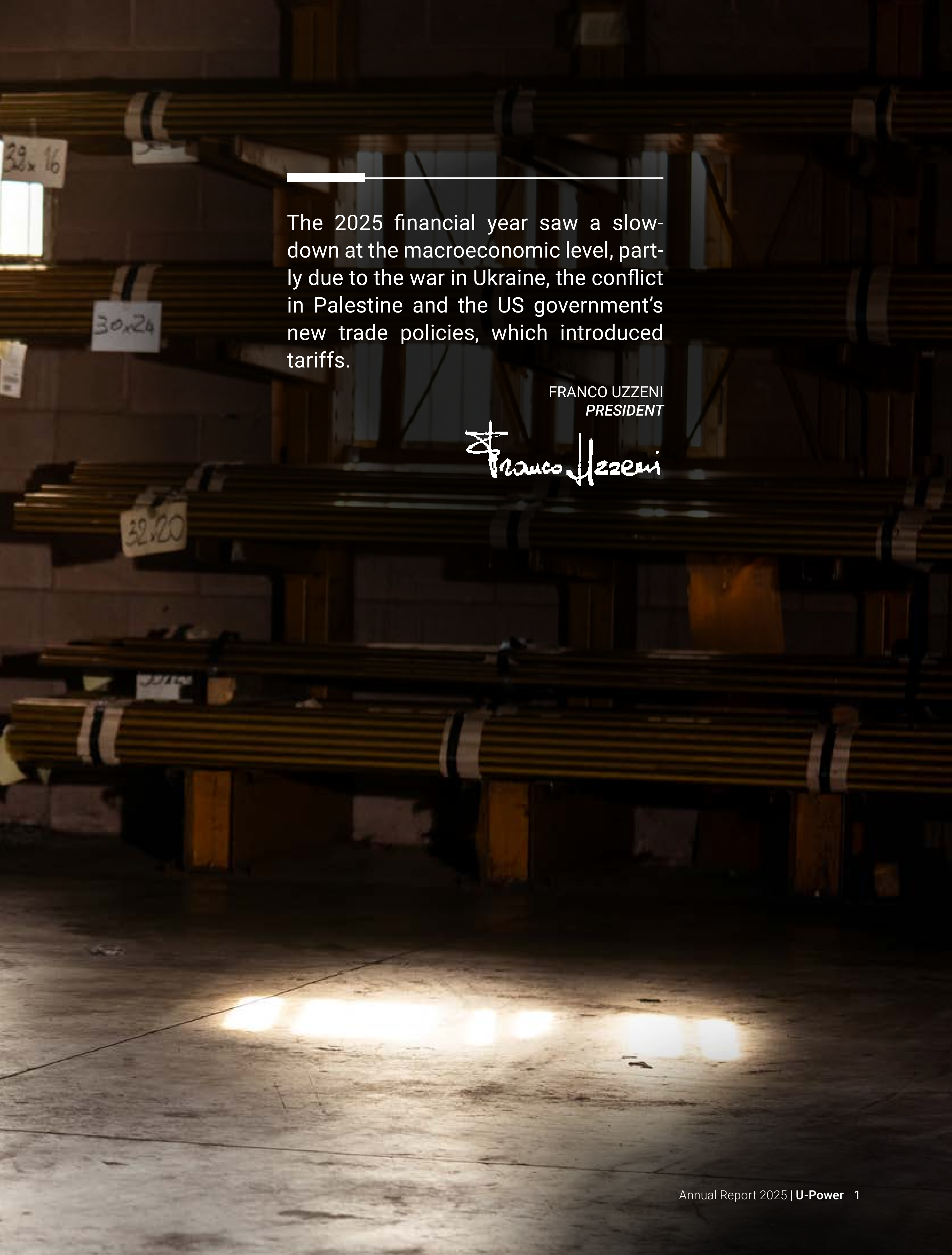
U.Power

Don't worry... be happy!

2025

ANNUAL REPORT

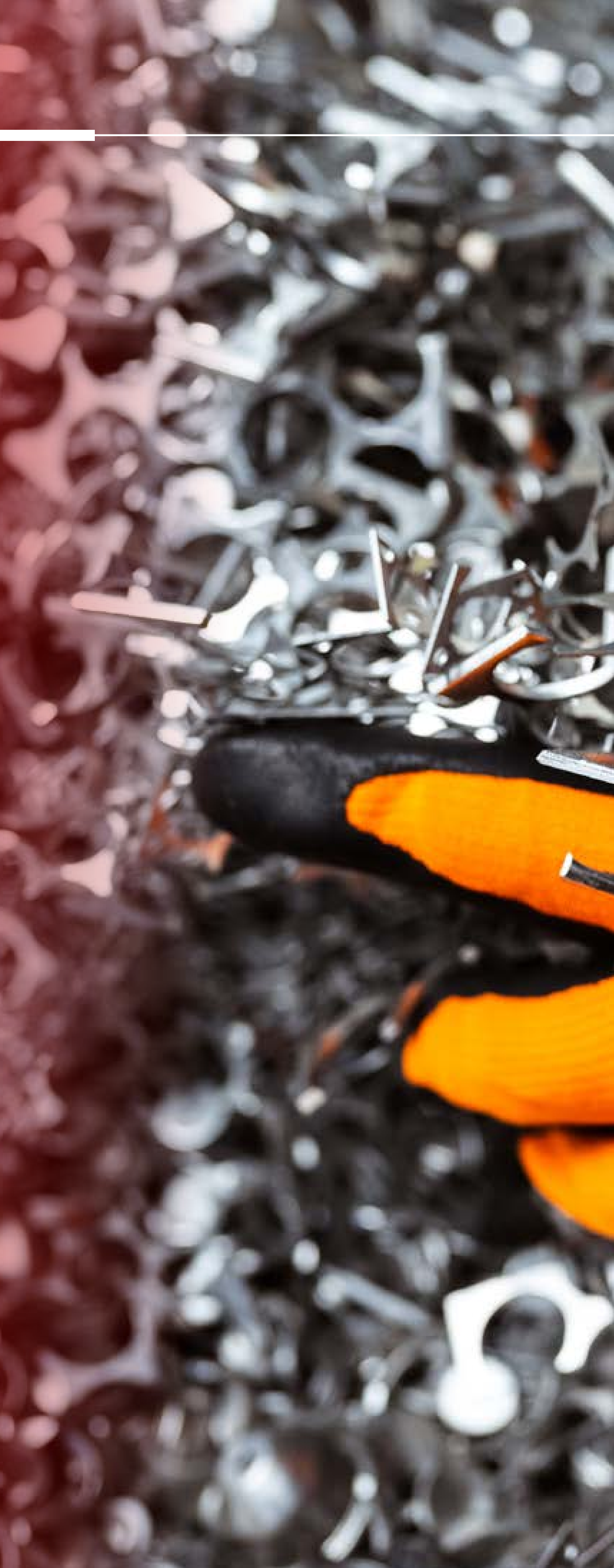




The 2025 financial year saw a slowdown at the macroeconomic level, partly due to the war in Ukraine, the conflict in Palestine and the US government's new trade policies, which introduced tariffs.

FRANCO UZZENI
PRESIDENT

HIGHLIGHTS



EBITDA

81.3 MLN€

EBIT

54,038 MLN€

NET PROFIT

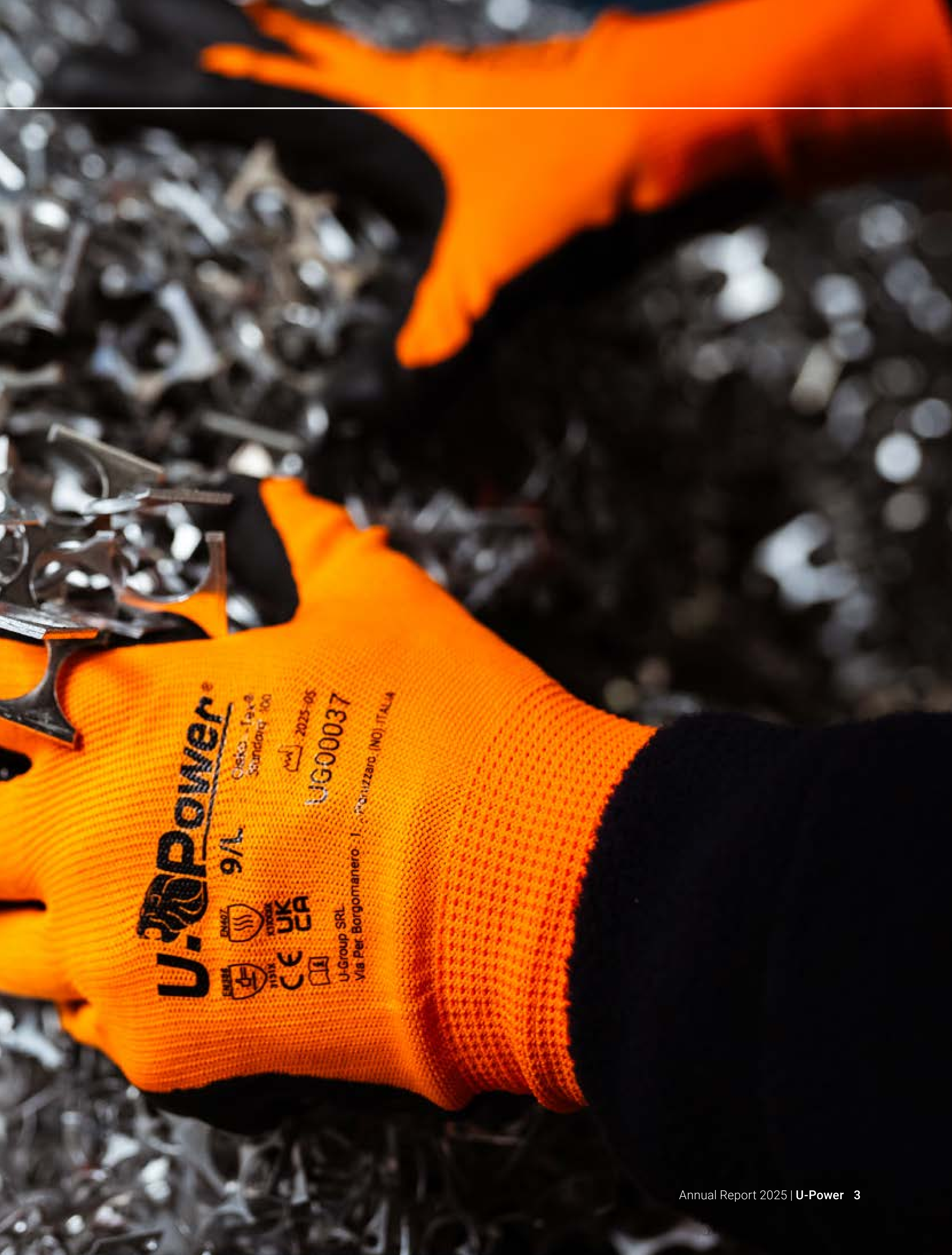
18.4 MLN€

NET FINANCIAL POSITION

186.3 MLN€

CASH FLOWS FROM OPERATING ACTIVITIES

40 MLN€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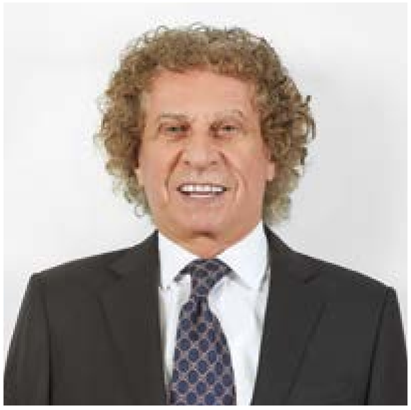
LETTER OF STAKEHOLDERS



FRANCO UZZENI
CHAIRMAN

Despite the overall environment, the Group managed to maintain 2024 revenue levels

Dear Shareholder,

The 2025 financial year saw a slowdown at the macroeconomic level, partly due to the war in Ukraine, the conflict in Palestine and the US government's new trade policies, which introduced tariffs.

Despite the overall environment, the Group managed to maintain 2024 revenue levels for safety products, while there was a decline in non-core business products such as the URBAN line.

It should be noted that during the first half of the year, the US company U-Power USA, Inc., wholly owned by U-Power Group S.p.A., was established to handle sales of the Group's products in the United States of America, and that this company became fully operational from the fourth quarter of this financial year.

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

We present to you the Consolidated Financial Statements as at 31 December 2025, consisting of the Consolidated Statement of Financial Position, the Consolidated Statement of Profit/(Loss) for the year, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Explanatory Notes to the Consolidated Financial Statements.

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

For the financial year ended 31 December 2025, the Company prepared the Consolidated Financial Statements of the group as it did not avail itself of the exemption option provided for in Article 27, paragraph 3 of Italian Legislative Decree No. 127/1991.

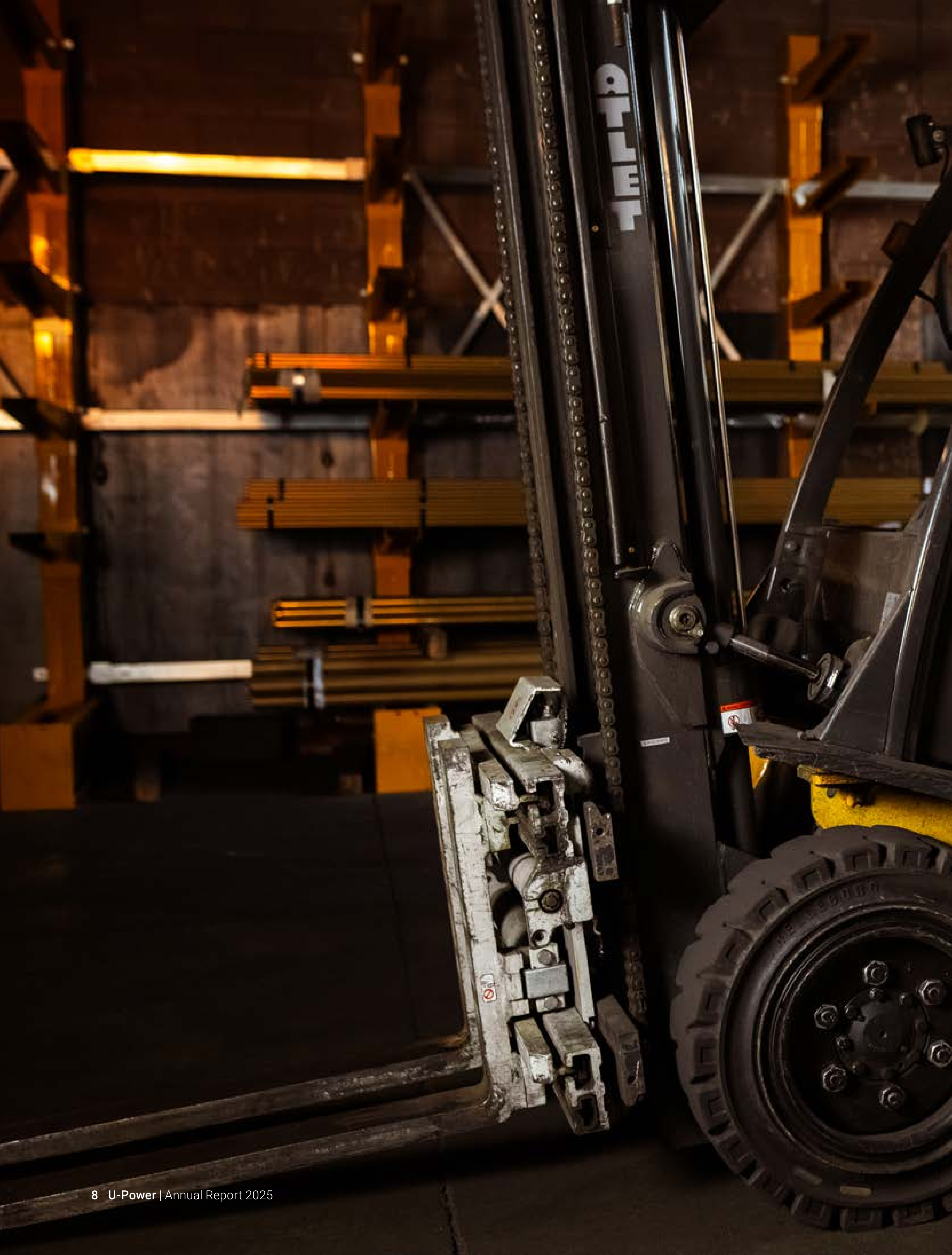
Franco Uzzeni

~ 310 MLN€
REVENUES

~ 81.3 MLN€
EBITDA

~ 18.4 MLN€
NET PROFIT

INDEX


ATLET

REPORT ON OPERATIONS

VALUES AND PURPOSE

U-POWER GROUP S.P.A. is an ever evolving company that is constantly reinventing and developing, while remaining true to itself.

"We like to think that every day can be the beginning of something wonderful. A new challenge, a new opportunity, an unexpected situation that puts us to the test and allows us to show our full value. We are convinced that positive thinking is not an illusion, but a concrete way to face life with a smile, confident in ourselves and strong in our abilities."

...This explains our philosophy of life: don't worry, be happy!

SEARCHING FOR EXCELLENCE

We always try to do better, as individuals and as a company. We never get tired of learning and redefining the rules.

LEVERAGING CREATIVITY

We are unique and non-conventional. We give space to our inner genius.

BELIEVING IN TOMORROW

We look at challenges always oriented to the future, continuing to search for sustainable solutions where they have not yet been found.

INVOLVING PEOPLE

Bringing empathy, building trust to create long-term relationships.

EXPERIENCING DIVERSITY

We are always open to different voices. We thrive on diversity and dialogue with all generations.

PURSUING SUSTAINABLE SUCCESS

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

THE COMPANY

The structure of the Group as at 31 December 2025 is shown below:

U-POWER GROUP S.P.A.

Italy

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

100%
U-Logistics S.r.l.

Italy

100%
Jallatte S.a.s.

France

100%
U-Power USA, Inc.

USA

100%
U-Group S.r.l.

Italy

Branch FR
Branch DE
Branch E
Branch UK

100%
Martek S.u.a.r.l.

Tunisie

Company that manages all the logistical activities related to order processing and product deliveries.

French company that deals with the production and marketing of finished products (footwear only) using the logistics services provided by U-Logistics.

US company responsible for marketing finished products on the US market (footwear only).

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

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

Legend

Holding

Production

Sales

Research and Development

Procurement of raw materials

Logistics

Registered office in Paruzzaro (NO) - Via Borgomanero 1
Share capital: €10,000,000 fully paid up
Tax Code and MONTEROSA LAGHI ALTO PIEDMONT Companies' Register No. 08482990150
MONTEROSA-LAGHI-ALTO PIEDMONT Chamber of Commerce enrolment No. 163970 Economic and Administrative

BUSINESS MODEL

The integrated management of the entire value chain, from R&D to production and marketing, guarantees flexibility and rapid response to market needs.

The Group is active in the research and development, production and marketing of a wide range of safety footwear, intended for the protection and individual safety in the working environments of operators belonging mainly, but not only, to different sectors of industry, agriculture and commerce that are highly regulated in terms of safety standards (such as the chemical industry, building, construction in general, services), as well as the marketing of workwear.

In Safety Footwear (with the exception of a number of product lines whose production is commissioned by the Group to third-party manufacturers located in China), the Group controls the entire value chain, according to a vertically integrated business model, with a workforce of about 4,300 employees.

R&D activities are conducted globally at the Group's two R&D centres located in Italy (Trani and Paruzzaro).

R&D activities are oriented towards the constant search for and identification of raw materials, materials and production components and/or production techniques capable of improving and enhancing the quality and technological standards of products.

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

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

The main shoe production plant is a state-of-the-art plant stretching over 100,000 square meters in Tunisia, with a local workforce of approximately 4,000 employees, where the Group produces medium/high-end products (64% of pairs produced). The group also has a sales and production facility in France (~ 5% of production). For certain Safety Footwear lines, production is outsourced to selected Asian manufacturers (~ 31% of total production).

In the Technical Apparel segment, on the other hand, the Group is involved in the R&D, industrialisation and marketing of technical apparel, entrusting their production to third-party manufacturers located in APAC countries.

The Group markets its own-brand products and, to a lesser extent, third-party ("Private Label") products, through Business to Business ("B2B") sales.

The Group's customers are represented by (i) operators of large-scale retail trade ("Distributors") and (ii) small and medium-sized retailers, such as hardware shops and work shops ("Retailers"), through which products are sold to end users (such as artisans, small entrepreneurs, workers in medium-sized and large enterprises), mainly operating in the European market.

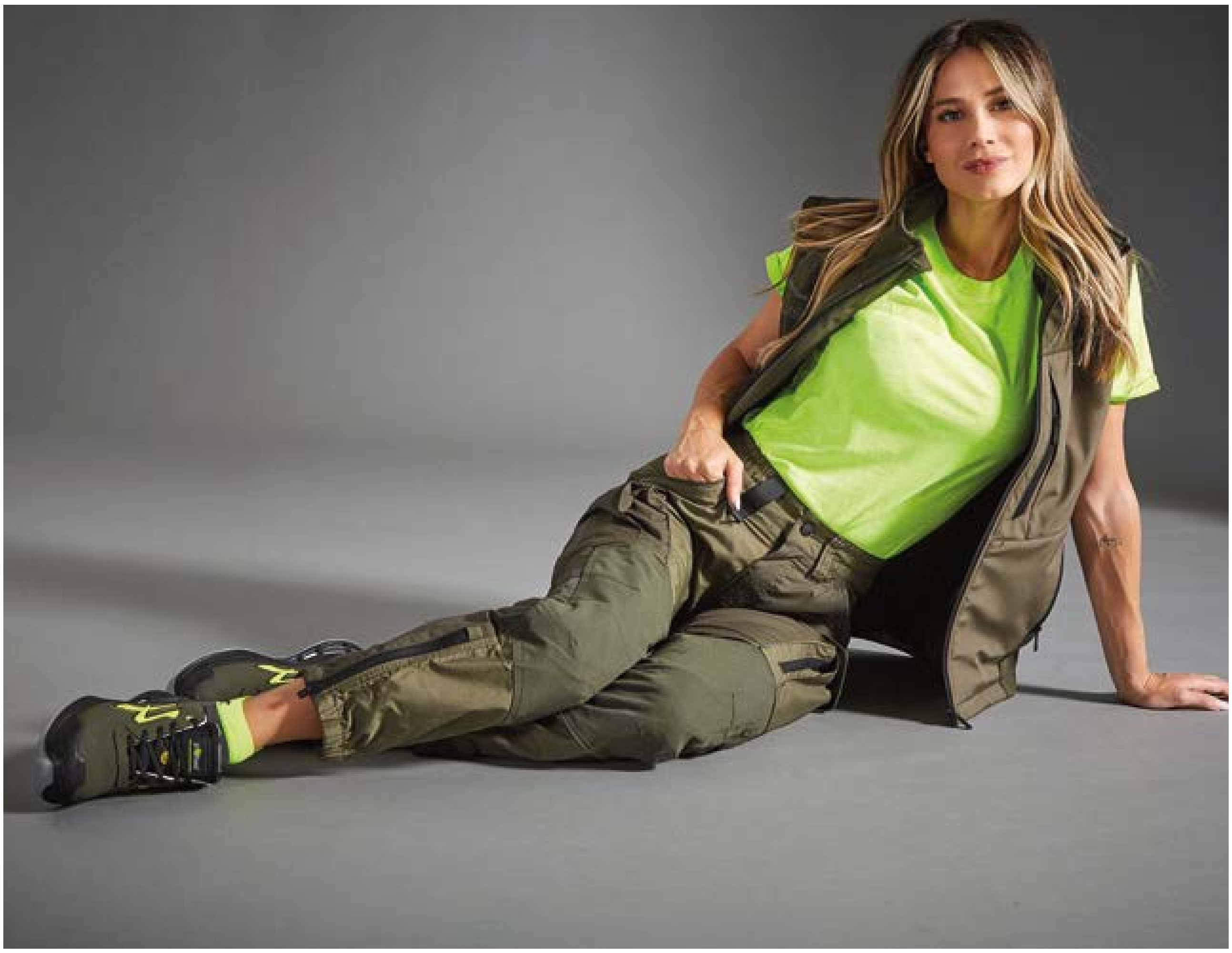
Sales take place mainly through sales agents who deal with thousands of Resellers and Distributors.

The Group's proprietary brands are mainly the following:

These brands cover almost all product ranges, from TOP of the range to basic products, but not the low-cost ones as they are not considered profitable.

High quality, constant technological innovation and product design, strong distinctiveness and recognisability of its brands and models, timeliness and quality of customer service, including a capillary distribution system in the markets in which it operates, are characteristics that are believed to represent some of the keys to the Group's European expansion.

T-Shirt Fuo Yf – Brio Dg Vest – Hike Dg Pants – Ermes Shoes – Red Premium Line



THE HISTORY OF THE GROUP

A long history of success

1950 1987

Almar: the early years

- Pier Franco Uzzeni took over the Italian company founded in 1950 by his father in Soriso (NO), Italy: Almar. Production focuses on safety shoes, but at the same time, sports shoes are also produced, from brands such as Puma and Adidas.

1988 2000

Focus on safety footwear

- Almar registered the Aimont brand, specialised in safety shoes. During these years, production was transferred to Tunisia and there was a significant increase in the number of pairs produced per year. The product is now differentiated by features, price and geographical area.

2000 2005

Jal Group

Consolidation

- Pier Franco Uzzeni sells majority stake in Almar to the CVC investment fund. Almar is consolidated with leading European competitors Jallatte and Lupos to create the JAL Group. Uzzeni becomes Group CEO.

2006 2013

U-Invest Group

Establishment of U-Group

- In 2005, Pier Franco Uzzeni left the JAL Group and founded U-Power with the aim of manufacturing and distributing safety footwear under his own brand, immediately establishing a leading position in the European market.

2013 2017

Acquisition and relaunch of JAL Group

- In 2013, sector leader U-Power acquired the main assets and brands of JAL Group (Jallatte, Aimont and Lupos), thus founding U-Power Group.
- In 2017, the Group financial figures showed a sustained growth, mainly due to the introduction of the Red Lion line, and the first signs of recovery began to emerge for the acquired brands.

2017 2023

U-Power Group

The new technological era

These are the years of the Group greatest growth:

- U-Power launches the revolutionary new lines with Infinergy® technology from BASF
- The Group financial figures show growth for all brands.
- Clothing sales also experienced exponential growth.
- In 2023, turnover is 286 million euro, +6% compared to 2022.

2023 2025

New shareholders

- In September 2023 NB Renaissance acquired 70% of U-Power Group through its holding companies.
- In 2024, the first lifestyle footwear line (Urban) was launched.
- In 2025, the Lifestyle footwear range is expanded.
- The US subsidiary U-Power USA is opened.

THE STRATEGY

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

- Consolidation of the leadership position in key markets;
- Development of markets with high growth potential (Germany, the UK and other European areas);
- Expansion of products in niches of complementary markets;
- Development of markets for work gloves and helmets;
- Entry into the US market;
- Strategic acquisitions to develop markets and business areas;
- Product diversification.

These objectives are considered achievable through products with consistently innovative content and also through marketing and communication strategies aimed at developing brand awareness and strengthening customer loyalty.

SUSTAINABILITY

For U-Power, the value of a company is also determined by the way in which its business is conducted, by the contribution made to society as a whole and by compliance with the commitments undertaken.

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

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

FCS - CRITICAL SUCCESS FACTORS OF THE U-POWER GROUP

The key elements of U-Power's strategy underlying its competitive success can be summarised as follows:

- Integrated value chain with flexible logistics platform
- Brand recognisability
- Perception of value by the consumer towards the product purchased, with respect to the origin of production/source of the product
- Content technology and design of safety footwear in relation to different "occasions of use", differentiated in relation to target markets and countries
- Quality of service to the customer/distributor: ability to guarantee very short delivery and order processing times and to "*refill*" customers' assortment in terms of breadth and depth of range
- Well-diversified portfolio of complementary brands with a wide range of products
- Highly diversified customer portfolio

CONTEXTUAL CONDITIONS AND BUSINESS DEVELOPMENT

The Group's reference market is that of personal protective equipment (PPE) and, in particular, the safety footwear and workwear segments.

In the past, growth was largely driven by the introduction of uniform occupational safety standards throughout Europe and compliance with strict regulations requiring the use of safety shoes in the workplace.

Demand for safety shoes is expected to grow as a result of increased awareness among authorities and safety officers in industries including manufacturing, pharmaceuticals, oil and gas, construction, transport and chemicals.

In addition, the growth of a highly skilled and more specialised industrial and manufacturing workforce in Europe, the do-it-yourself trend for manual labour and artisans/self-employed workers are pushing for greater investment in research and development for high-performance, price-competitive, functional and fashionable safety footwear, in turn stimulating a larger segment of end consumers beyond employers.

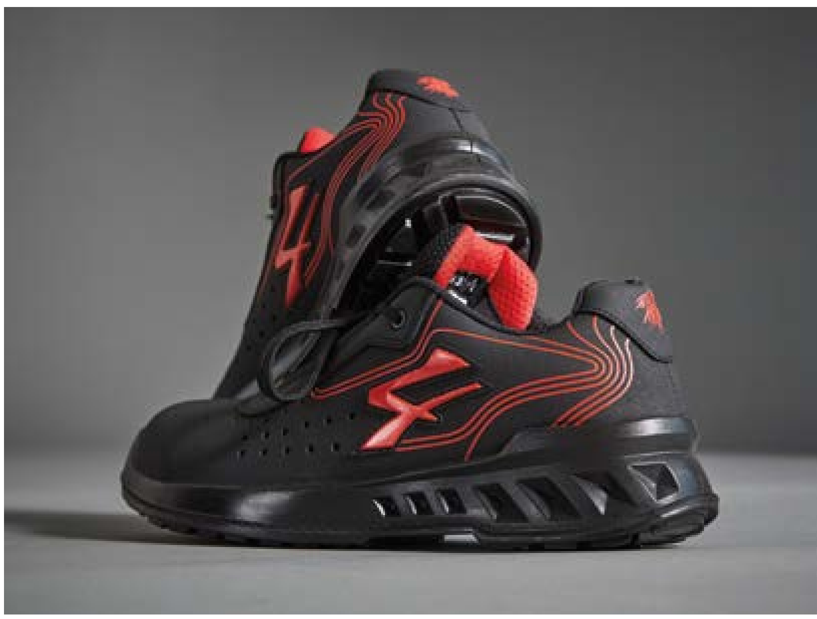
Similar to what has been observed for safety footwear, stricter European occupational safety regulations, together with innovation in fit and user comfort, have contributed to the demand for Technical Workwear products.

Europe is the Group's main geographical area of operation, where it generated about 94% of its revenues in 2025.

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

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

Brant Shoes – Red Level Line



SIGNIFICANT EVENTS

During the 2025 financial year, the Group aimed to grow both geographically, with a strong focus on the potential of the North American market (for which the company U-Power USA, Inc. was established), and in terms of its product range. Indeed, in addition to new models of work footwear (which remain the core business), gloves, work helmets and polyurethane boots have been added to the Group's product range or will be added shortly.

Within the plan to diversify geographical risk, the Group transferred part of its footwear production to our strategic partners in China; this enabled an increase in overall efficiency, with a reduction of approximately one thousand workers in Tunisia, and access to higher-performance technologies for product improvement.

To achieve its growth objectives, in addition to organic growth, the Group is also considering synergistic acquisitions in Europe and beyond; in this context, in November 2025, U-Power Group signed a binding agreement to acquire 100% of Cerva Group, one of Europe's leading players in the personal protective equipment market. The transaction was completed in March 2026.

Based in Jeneč, on the outskirts of Prague, Cerva is one of Europe's leading suppliers of workwear and personal protective equipment. With over 30 years of experience, a strategic location in the heart of Europe and an extensive distribution network, Cerva boasts an established presence in Central and Eastern Europe and the Nordic countries, employs 600 people, and operates logistics hubs covering a total area of nearly 100,000 m^2.

Cerva's extensive 'head-to-toe' product range is underpinned by a portfolio of proprietary brands – including Cerva, OS, Panda, Litz, Vektor, Hygotrend, fridrich&fridrich, KIXX, Pride and Gloves Pro – which generate approximately 80% of turnover, complemented by the distribution of leading international brands.

The transaction will create a leading pan-European group in the personal protective equipment sector, with combined revenues of nearly €500 million, a commercial presence in over 60 markets, and one of the most comprehensive and recognised portfolios of brands and products in the industry. The new entity will benefit from highly diversified geographical coverage, with leading positions in Western, Central and Eastern Europe and the Nordic countries, as well as an extensive distribution network and advanced logistics infrastructure.

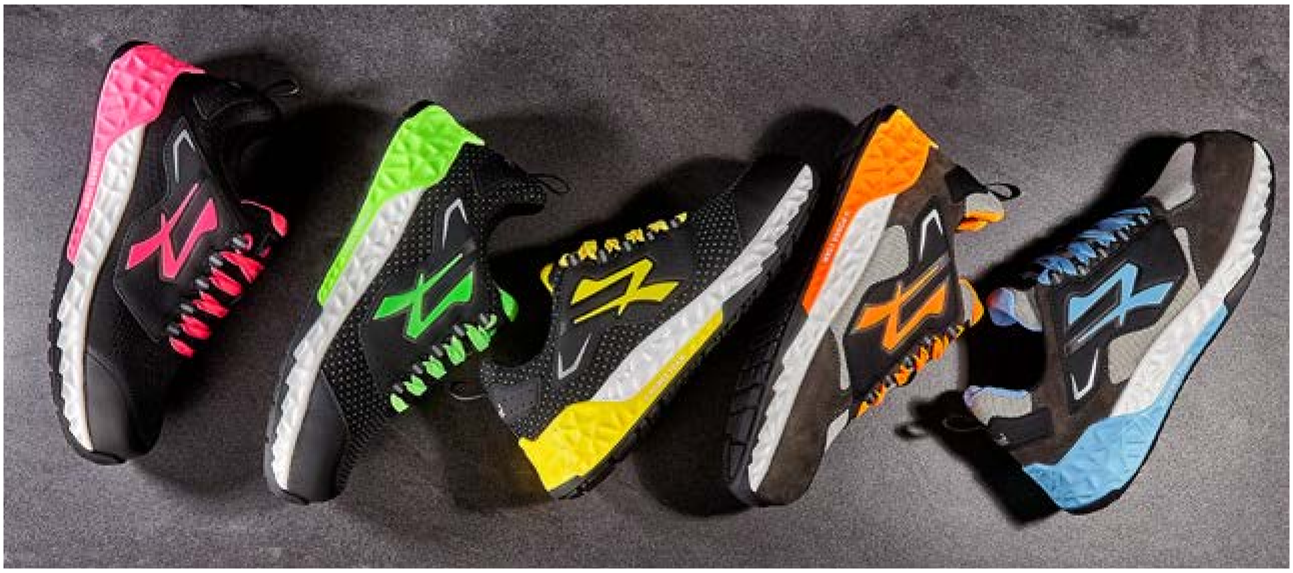
The integration of two complementary platforms – U-Power, a leader in safety footwear with a strong presence in Italy, France and Spain, and Cerva, a benchmark in Central and Eastern Europe and Scandinavia with an extensive range of 'head-to-toe' products – will enable the generation of significant commercial and operational synergies. These include accelerating the penetration of U-Power footwear in Cerva's key markets, developing new collections in categories such as gloves and workwear, and jointly optimising production and logistics capabilities.

With its combined scale, resources and expertise, the new group will be able to drive international growth, invest in research and development, innovation and marketing, and fully seize the opportunities offered by a PPE sector undergoing a significant consolidation phase, further strengthening its European leadership.

The integration of U-Power and the Cerva Group aims to create commercial and production synergies, with the objective of further accelerating the penetration of U-Power products in Central European markets by leveraging Cerva's extensive distribution network and the reputation of its brands.

Of course, great attention will be paid to social and environmental responsibility actions.

Red Stratos Collection



REPORT ON OPERATIONS

2025 is still characterized and influenced by the war in Ukraine, which is affecting the European Union economy, and by the conflict in the Middle East. However, energy prices and raw material costs have decreased in part, inflation growth has fallen and the less restrictive monetary policies of the European Central Bank are leading to an easing in financial charges.
Under these market conditions, the Group's core business improved slightly over the period: in particular, the Spanish market is experiencing strong growth, while the German market is slowing down.
Revenue from contracts with customers in 2025 totalled €310 million, comprising approximately €271.9 million from safety footwear (compared to €268.9 million in 2024), €36.7 million from workwear and gloves (approximately 11.8% of the Group's total revenue and an increase of 10.6% compared to 2024), and approximately €1 million from the Urban lifestyle line (compared to €6 million in 2024).

During 2025 total production costs amounted to €230.8 million; the differential between gross operating costs and revenues (EBITDA) was therefore positive for approximately €81.3 million, equal to 26.2% of total turnover.

However, it should be noted that the following non-recurring costs were incurred:

- For the reduction of staff at the Tunisian subsidiary, in the amount of €1.1 million,
- For the reduction of staff associated with the Lifestyle range, in the amount of €0.4 million,
- €0.6 million for the development of the new website,
- Acquisition costs for the Cerva Group, amounting to €0.5 million,
- €0.2 million for costs related to the search for the new ERP system,
- For the start-up U-Power USA INC, in the amount of €1 million
- For marketing, in the amount of €1.7 million

EBITDA adjusted for these costs would amount to €86.7 million (28%).

In the reporting period of 2025, amortisation, depreciation and write-downs were accounted for in the amount of €27.2 million; the item relating to financial costs amounts to €23.1 million and basically refers to interest on payables to banks that financed the Group's purchase transaction, as well as to costs for exchange differences.
Taxes for the period amounted to about €12.5 million.
The period ended with a net profit of about €18.4 million.

ECONOMIC SITUATION

To provide a clearer understanding of the Group's operating performance, a reclassified income statement is presented below.

INCOME STATEMENT

(Euro thousand)

Item	2025	%	2024	%	2025 vs 2024	%
REVENUE FROM CONTRACTS WITH CUSTOMERS	**309,959**	**100.0%**	**308,076**	**100.0%**	**1,883**	**0.6%**
+ Other revenues and income	2,158	0.7%	2,319	0.8%	(161)	-6.9%
- Consumption of raw materials	(103,204)	-33.3%	(100,649)	-32.7%	(2,555)	2.5%
- Costs for services	(79,590)	-25.7%	(80,988)	-26.3%	1,398	-1.7%
VALUE ADDED	**129,323**	**41.7%**	**128,758**	**41.8%**	**565**	**0.4%**
- Personnel costs	(45,410)	-14.7%	(43,284)	-14.0%	(2,126)	4.9%
- Other operating expenses	(2,626)	-0.8%	(3,291)	-1.1%	665	-20.2%
GROSS OPERATING MARGIN (EBITDA)	**81,287**	**26.2%**	**82,183**	**26.7%**	**(896)**	**-1.1%**
- Depreciation, amortisation and impairment losses	(27,249)	-8.8%	(26,989)	-8.8%	(260)	1.0%
OPERATING PROFIT (EBIT)	**54,038**	**17.4%**	**55,194**	**17.9%**	**(1,156)**	**-2.1%**
+ Financial income	147	0.0%	1,637	0.5%	(1,490)	-91.0%
+ Foreign exchange gains and (losses) and valuation adjustments on financial assets	(980)	-0.3%	(518)	-0.2%	(462)	89.2%
- Financial charges	(22,297)	-7.2%	(26,582)	-8.6%	4,285	-16.1%
PROFIT BEFORE TAX	**30,908**	**10.0%**	**29,731**	**9.7%**	**1,177**	**4.0%**
- Income taxes for the financial year	(12,554)	-4.1%	(9,714)	-3.2%	(2,840)	29.2%
NET INCOME	**18,354**	**5.9%**	**20,017**	**6.5%**	**(1,663)**	**-8.3%**

Revenues from contracts with customers increased by approximately €1.9 million compared to 2024.

Raw material consumption increased compared to 2024 due to higher purchases of finished products from Asian suppliers, while there was a decrease in the cost of services; as a result, value added remained stable at 41.7%, which is broadly in line with the previous year.

EBITDA decreased slightly to €81.3 million, which, as mentioned, is affected by non-recurring costs of approximately €5.4 million and would therefore amount to €86.7 million (28% of revenue).

The depreciation and amortization trend is in line with the same period the previous year.

Financial charges decreased as a result of the lower interest rates applied to the Facility A and Facility B loans, an effect attributable both to the partial repayment of the principal on the Facility A loan and to the fall in the Euribor rate, as well as to the reduction in the spread achieved through the improvement in leverage as at 31/12/2024.

ALTERNATIVE ECONOMIC PERFORMANCE INDICATORS

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

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

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

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

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

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

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

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

The Group's alternative economic performance indicators for the periods ended at 31 December 2025 and 31 December 2024 are presented below.

(Euro thousand)

	Notes	2025	2024
EBIT	1	54,038	55,194
EBIT Margin	1	17.4%	17.9%
EBITDA	1	81,287	82,183
EBITDA Margin	1	26.2%	26.7%
ROE	2	3.2%	3.7%
ROI	3	7.2%	7.2%

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

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

The Group calculates the EBIT margin as the ratio between EBIT and Revenues from contracts with customers.

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

The Group calculates the EBITDA margin as the ratio between EBITDA and Revenues from contracts with customers.

The reconciliation of profit for the year with EBITDA for the periods ended 31 December 2025 and 2024 is presented below:

(Euro thousand)

	2025	**% of total Revenues from contracts with customers**	**2024**	**% of total Revenues from contracts with customers**
Profit for the financial year	18,354	6.9%	20,017	6.5%
+ income taxes	12,554	3.1%	9,714	3.2%
+ Other income and expenses	980	0.3%	518	0.2%
+ Financial charges	22,297	7.2%	26,582	8.6%
- Financial income	(147)	(0.0%)	(1,637)	(0.5%)
EBIT	**54,038**		**55,194**	
EBIT margin		**17.4%**		**17.9%**
+ Depreciation, amortisation and impairment losses	27,249	8.8%	26,989	8.8%
EBITDA	**81,287**		**82,183**	
EBITDA margin		**26.2%**		**26.7%**

NOTA 2 - ROE

ROE is the ratio of net profit for the year to shareholders' equity at the end of the reporting period. The calculation of this ratio for the periods ended 31 December 2025 and 31 December 2024 is detailed below.

(Euro thousand)

	2025	**2024**
Net profit	18,354	20,017
Net assets	567,298	547,935
ROE – Net profit for the period / Shareholders' equity	**3.2%**	**3.7%**

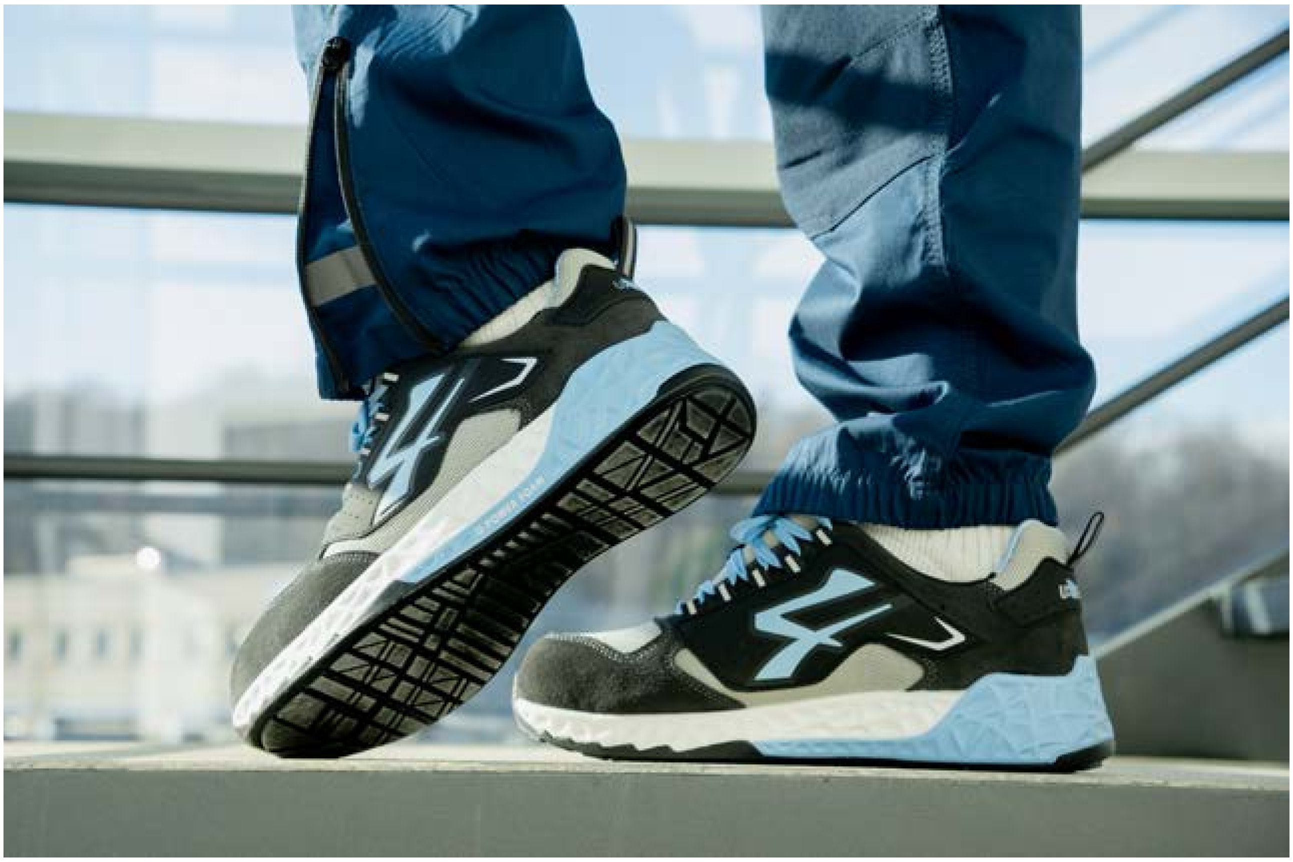
NOTE 3 - ROI

ROI is the ratio of EBIT, as defined in Note 1, to net invested capital at the end of the reporting period. The calculation of this ratio for the periods ended 31 December 2025 and 31 December 2024 is detailed below.

(Euro thousand)

	2025	2024
EBIT	54,038	55,194
Net Invested Capital	756,926	767,281
ROI – EBIT / Net Invested Capital	**7.2%**	**7.2%**

Arya Shoes – Red Stratos Collection



STATEMENT OF ASSETS AND FINANCIAL POSITION

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

BALANCE SHEET

(Euro thousand)

ASSETS	31-Dec-2025	%	31-Dec-2024	%
WORKING CAPITAL	**245,111**	**25.0%**	**239,276**	**24.0%**
Cash and cash equivalents	**59,813**	**6.1%**	**43,183**	**4.3%**
Cash and cash equivalents	59,813	6.1%	43,183	4.3%
Deferred cash and cash equivalents	**91,615**	**9.3%**	**107,668**	**10.8%**
Short-term current receivables	91,615	9.3%	107,668	10.8%
Inventories	**93,683**	**9.5%**	**88,425**	**8.9%**
FIXED ASSETS	**736,449**	**75.0%**	**756,709**	**76.0%**
Intangible fixed assets	636,690	64.9%	654,913	65.8%
Tangible fixed assets	72,974	7.4%	72,722	7.3%
Rights of use	13,977	1.4%	16,589	1.7%
Other non-current assets	314	0.0%	309	0.0%
Prepaid taxes	12,494	1.3%	12,176	1.2%
TOTAL ASSETS	**981,560**	**100.0%**	**995,985**	**100.0%**

The excellent performance during the financial year enabled a significant increase in cash and cash equivalents.

The item "short-term current receivables" is primarily composed of trade receivables (for €78.5 million) and advances to suppliers for the purchase of clothing and footwear from Asian manufacturers and other items.

The value of inventories, shown net of an obsolescence provision worth €19.5 million, amounts to €93.7 million and increased with respect to the end of the previous year.

The item "Intangible fixed assets" mainly refers to the value of the goodwill for €339.9 million, the value assigned to the customer portfolio for €151.3 million and the U-Power, Jallatte, Aimont trademarks and other minor trademarks relating to products marketed by the Group in the footwear and safety apparel sector for a value of €143.9 million.

As regards trademarks, considered by management as assets with a definite useful life and amortised over 20 years, no impairment indicators or indicators that would lead to the identification of a useful life different from the current one emerged during the year, based on future plans.

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

- Land and buildings for €43.5 million: this consists mainly of industrial buildings located in Tunisia, the warehouse buildings located in Italy, the parent company's office building and the buildings in Jallatte.
- Plant, machinery and equipment for €27.9 million, also mainly located in the Tunisian production plants;
- Assets under construction and advance payments for €0.3 million;
- Other assets for €1.3 million.

The balance sheet value, according to IFRS 16, concerning rights of use and leases on property and machinery/equipment is €14 million net of depreciation calculated during the year and mainly refers to the installation of the automated warehouse of the subsidiary U-Logistics.

Please refer to the Notes to the Consolidated Financial Statements for more details on the financial statement items.

(Euro thousand)

LIABILITIES	31 December 2025	%	31 December 2024	%
CURRENT LIABILITIES	**90,443**	**9.2%**	**100,825**	**10.1%**
Current financial liabilities	20,342	2.1%	15,363	1.5%
Other short-term payables	70,101	7.1%	85,462	8.6%
CONSOLIDATED LIABILITIES	**323,819**	**33.0%**	**347,225**	**34.9%**
Medium-/long-term payables	226,099	23.0%	247,166	24.8%
Deferred tax liabilities	89,723	9.1%	91,901	9.2%
Provisions for risks and charges	6,866	0.7%	6,924	0.7%
Employee severance indemnities	1,131	0.1%	1,234	0.1%
NET ASSETS	**567,298**	**57.8%**	**547,935**	**55.0%**
Group shareholders' equity	**567,298**	**57.8%**	**547,935**	**55.0%**
Capital	10,000	1.0%	10,000	1.0%
Reserves	438,647	44.7%	437,638	43.9%
Retained earnings (losses)	100,297	10.2%	80,280	8.1%
Profit (loss) for the financial year	18,354	1.9%	20,017	2.0%
TOTAL LIABILITIES	**981,560**	**100.0%**	**995,985**	**100.0%**

Current financial liabilities consist of the portion of bank loans due within the year for €15.5 million and payables to leasing companies, for rights of use and to other providers of finance for a total of €4.8 million.

The loans under consolidated liabilities are mainly composed of medium/long-term bank loans amounting to approximately €220.3 million, payables on rights of use and leases of €4.3 million and derivative financial instruments for €1.4 million.

Other payables due within one year include trade payables of €51.9 million, payables due to the parent company of €4.1 million (for tax consolidation), tax payables of €2 million, sundry payables of approximately €3.9 million, and payables to employees and social security institutions of €8.2 million.

The item “provisions for risks and charges” mainly comprises the compensation for termination of agent contracts for €3.5 million of the subsidiary U-Group, a risk provision on contributions to employees of the Tunisian branch for approximately €2.4 million, and the TFM (End of Mandate Indemnity) of the parent company for €0.4 million and a pension fund and indemnities due to employees of the French branch for approximately €0.3 million.

The employee severance indemnity refers to the Italian companies (the parent company U-Power Group, U-Group and U-Logistics) and its valuation for IAS purposes follows the method of projecting the present value of the defined benefit obligation with the estimated benefits accrued by employees.

The table below shows the change in Net Financial Debt:

(Euro thousand)

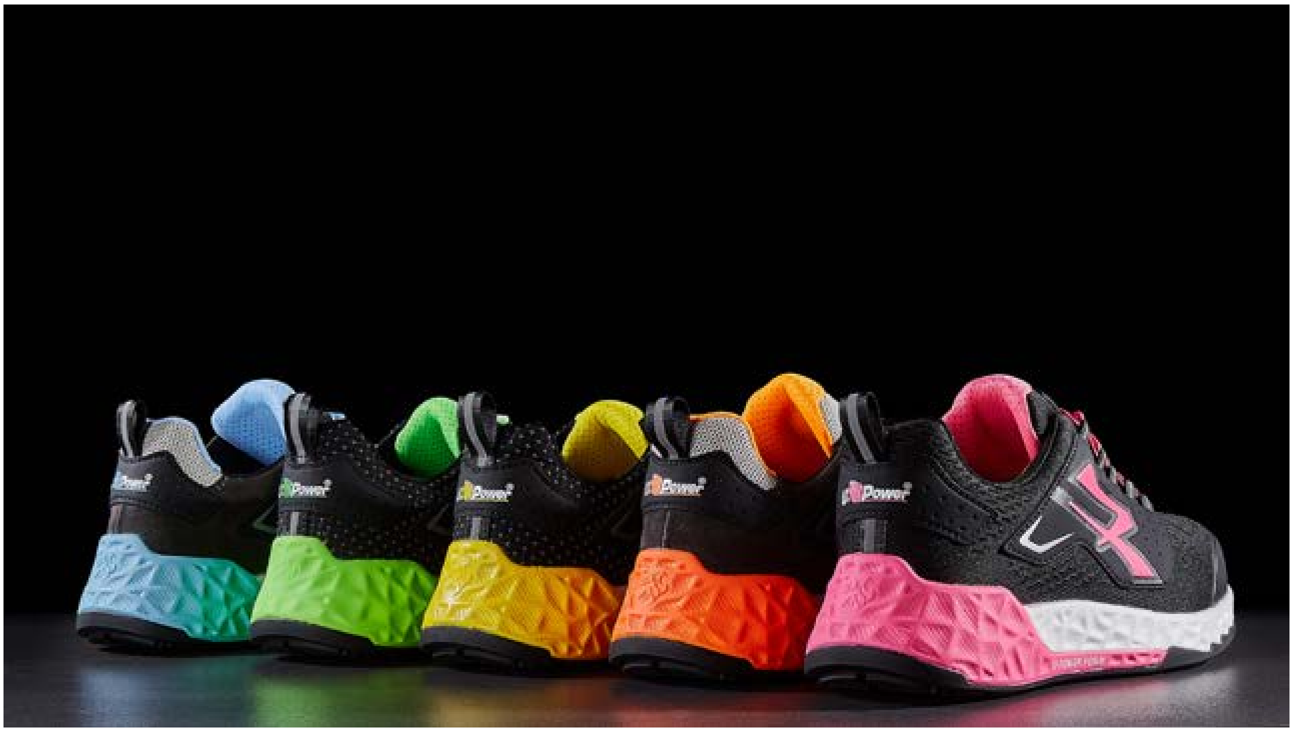
Net Financial Debt	31 December 2025	31 December 2024	Change
Current financial liabilities	(20,342)	(15,363)	(4,979)
Medium-/long-term payables	(226,099)	(247,166)	21,067
Cash and cash equivalents	293	766	(483)
Cash and cash equivalents	59,813	43,183	16,630
	(186,335)	**(218,580)**	**32,235**

The following table shows the reconciliation between shareholders' equity and profit for the year of the parent company and the consolidated financial statements:

(amounts in thousands of euros)

	Shareholders' equity as at 31 December 2025	Profit for the 2025 financial year
As per statement of financial position of U-Power Group S.p.A.	552,006	19,219
Surplus of net assets, including profit or loss for the financial year, over the carrying value of equity investments	36,324	47,822
Consolidation adjustments	(21,032)	(6,827)
Elimination of dividends	-	(41,860)
As per the consolidated financial statements	567,298	18,354

Red Stratos Collection



ALTERNATIVE FINANCIAL AND EQUITY PERFORMANCE INDICATORS

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

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

(i) these indicators are constructed exclusively on the basis of historical data of the Group and are not indicative of the future performance of the Group itself;

(ii) the APIs are not provided for by IFRS and, although they are derived from consolidated financial statements, they are not subject to auditing;

(iii) the reading of said APIs must be carried out together with the economic information of the Group taken from the consolidated financial statements;

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

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

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

- the net financial debt, together with other equity indicators of composition of assets and liabilities and financial elasticity indicators, allow a better assessment of the overall level of capital solidity of the Group and its ability to maintain a situation of structural equilibrium over time;
- the net working capital, the operating working capital, the fixed assets and the net invested capital allow a better assessment of both the ability to meet short-term commercial commitments through current trade assets, and the consistency between the structure of loans and that of funding sources in terms of time.

The Alternative Equity and Financial Performance Indicators for the periods ended 31 December 2025 and 31 December 2024 of the Group are presented below.

(Euro thousand)

	Notes	31 December 2025	31 December 2024
Current ratio	1	(2.81)	(2.37)
Net working capital	2	119,260	117,096
Net working capital	2	112,395	110,172
Fixed assets	2	736,449	756,709
Net invested capital	2	756,926	767,281
Ratio – Net invested capital / Shareholders' equity	2	1.33	1.40
Ratio – Net financial debt / EBITDA	*3*	2.30	2.67
Ratio – Fixed assets / Invested capital	4	96.0%	97.0%
Equity to invested capital ratio	5	0.75	0.71
Ratio – Financial charges / EBITDA	6	0.27	0.32
Trade receivables turnover ratio	7	3.9	4.1
Average collection days for trade receivables	7	92	90
Trade payables turnover ratio	8	3.6	2.9
Average days to pay trade payables	8	101	126
Inventory turnover ratio	9	3.4	3.6
Average days in inventory	9	107	102

NOTE 1 - AVAILABILITY RATIO

The availability ratio is defined as the ratio of: (i) the sum of trade receivables, other current assets and inventories, and (ii) short-term non-financial payables, calculated as the sum of trade payables and other current liabilities.

The calculation of this ratio for the periods ended 31 December 2025 and 31 December 2024 is detailed below.

(Euro thousand)

	31 December 2025	31 December 2024
Trade receivables (A)	78,489	75,815
Other current assets (B)	13,126	23,294
Inventories (C)	93,683	88,425
Trade payables (E)	(51,936)	(64,763)
Other current liabilities (F)	(14,102)	(14,234)
Short-term non-financial payables (G) = (E) + (F)	(66,038)	(78,997)
Availability ratio (H) = (A+B+C) / G	**(2.81)**	**(2.37)**

The availability ratio as at 31 December 2025 was 2.81 compared to 2.37 as at 31 December 2024.

NOTE 2 - NET WORKING CAPITAL, NET OPERATING CAPITAL, FIXED ASSETS, NET INVESTED CAPITAL AND NET INVESTED CAPITAL / SHAREHOLDERS' EQUITY RATIO

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

Details of the calculation of Net Working Capital, Net Operating Capital, Fixed Assets and Net Invested Capital for the periods considered are shown below:

(Euro thousand)

	31 December 2025	31 December 2024	2025 vs 2024	2025 vs 2024 %
USES				
Net working capital	119,260	117,096	2,164	1.8%
Provisions for risks and charges	(6,866)	(6,924)	58	-0.8%
Net working capital	112,394	110,172	2,222	2.0%
Intangible assets	636,690	654,913	(18,223)	-2.8%
Property, plant and equipment	86,951	89,311	(2,360)	-2.6%
Other non-current assets	314	309	5	1.6%
Deferred tax assets	12,494	12,176	318	2.6%
Fixed assets	736,449	756,709	(20,260)	-2.7%
Employee benefit liabilities	(1,131)	(1,234)	103	-8.3%
Payables to related parties	(4,063)	(6,465)	2,402	-37.2%
Non-current tax liabilities	(89,723)	(91,901)	2,178	-2.4%
Net invested capital	**753,926**	**767,281**	**(13,355)**	**-1.7%**
SOURCES				
Net assets	567,298	547,935	19,363	3.5%
Net financial debt	186,628	219,346	(32,718)	-14.9%
Total sources	**753,926**	**767,281**	**(13,355)**	**-1.7%**

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

(Euro thousand)

	31 December 2025	31 December 2024
Net invested capital (A)	753,926	767,281
Shareholders' equity (B)	567,298	547,935
Ratio – Net invested capital / Shareholders' equity (C)=(A) / (B)	**1.33**	**1.40**

The ratio of net invested capital to shareholders' equity was 1.33 as at 31 December 2025, compared to 1.40 as at 31 December 2024.

NOTE 3 – NET FINANCIAL DEBT TO EBITDA RATIO

The net financial debt to EBITDA ratio is calculated as the ratio of (i) net financial debt to (ii) EBITDA.

The calculation of this ratio for the periods ended 31 December 2025 and 31 December 2024 is detailed below:

(Euro thousand)

	31 December 2025	31 December 2024
Net financial debt (A)	186,628	219,346
EBITDA (B)	81,287	82,183
Ratio – Net financial debt (A) / EBITDA (C)=(A) / (B)	**2.30**	**2.67**

NOTE 4 - FIXED ASSETS / NET INVESTED CAPITAL RATIO

The ratio of fixed assets to net invested capital is given by the ratio of (i) fixed assets, defined as the sum of tangible assets, intangible assets and goodwill and (ii) net invested capital.

The calculation of this ratio for the periods ended 31 December 2025 and 31 December 2024 is detailed below:

(Euro thousand)

	31 December 2025	31 December 2024
Fixed assets (A)	723,955	744,533
Net invested capital (B)	753,926	767,281
Fixed assets / Net invested capital (A / B)	**96.0%**	**97.0%**

The ratio of fixed assets to net invested capital is improving and was 96% as at 31 December 2025, compared to 97% as at 31 December 2024.

NOTE 5 - OWN FUNDS / NET INVESTED CAPITAL RATIO

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

The calculation of this ratio for the periods ended 31 December 2025 and 31 December 2024 is detailed below:

(Euro thousand)

	31 December 2025	31 December 2024
Own funds (A)	567,298	547,935
Net invested capital (B)	753,926	767,281
Own funds / Net invested capital (A / B)	**0.75**	**0.71**

The ratio of own funds to net invested capital was 0.75 as at 31 December 2025, compared to 0.71 as at 31 December 2024.

NOTE 6 – FINANCIAL CHARGES / EBITDA RATIO

The ratio of finance costs to EBITDA indicates the impact of the cost of financial debt on EBITDA and is calculated as the ratio of (i) finance costs to (ii) EBITDA.

The calculation of this ratio for the periods ended 31 December 2025 and 31 December 2024 is detailed below:

(Euro thousand)

	31 December 2025	31 December 2024
Financial charges (A)	22,297	26,582
EBITDA (B)	81,287	82,183
Financial charges / EBITDA (A / B)	**0.27**	**0.32**

The ratio of net financial debt to EBITDA has decreased and stands at 0.27.

NOTE 7 – TRADE RECEIVABLES TURNOVER RATIO AND AVERAGE COLLECTION PERIOD IN DAYS

The trade receivables turnover ratio is calculated as the ratio of revenue to trade receivables as at the reporting date.
The average collection period for trade receivables is calculated as the ratio of trade receivables as at the reporting date to revenue from contracts with customers for the period 31 December 2024 – 31 December 2025, multiplied by 365.

The details of the trade receivables turnover ratio and the trend in the average collection period as at 31 December 2025 and 31 December 2024 are set out below:

(Euro thousand)

	31 December 2025	31 December 2024
Revenues from contracts with customers (A)	309,959	308,076
Trade receivables (B)	78,489	75,815
Trade receivables turnover ratio (A/B)	**3.9**	**4.1**
Average collection period for trade receivables (B/A)*365	**92**	**90**

Note: The calculation and trends of the ratios shown in the table are also affected by the value-added tax component, which, given the global scale of the Group's business relationships, is not applied uniformly across all subsidiaries.

The trade receivables turnover ratio was 3.9 as at 31 December 2025, compared to 4.1 as at 31 December 2024.
The average collection period for trade receivables was 92 days as at 31 December 2025 and 90 days as at 31 December 2024.
The above ratios show a decrease of 0.2 and an increase of 2 days, respectively.

NOTE 8 – TRADE PAYABLES TURNOVER RATIO AND AVERAGE PAYMENT DAYS

The trade payables turnover ratio is calculated as the ratio of (i) the sum of costs for raw materials, consumables and services and (ii) trade payables as at the reporting date.
The average payment period for trade payables, in days, is calculated as the ratio of (i) trade payables as at the reporting date to (ii) the sum of costs for raw materials, consumables and services for the period 31 December 2024 to 31 December 2025, multiplied by 365.

The details of the trade payables turnover ratio and the trend in the average payment period as at 31 December 2025 and 31 December 2024 are shown below:

(Euro thousand)

	31 December 2025	31 December 2024
Purchases of Raw Materials and consumption materials	108,462	105,999
Costs for services	79,590	80,988
subtotal (A)	188,052	186,987
Trade payables (B)	51,936	64,763
Trade payables turnover ratio (A/B)	**3.6**	**2.9**
Average days to pay trade payables (B/A)*365	**101**	**126**

Note: The calculation and trends of the ratios shown in the table are also affected by the value-added tax component, which, given the global scale of the Group's business relationships, is not applied uniformly across all subsidiaries.

The trade payables turnover ratio was 3.6 as at 31 December 2025, compared to 2.9 as at 31 December 2024.
The average days payable for trade payables were 101 as at 31 December 2025, compared to 126 as at 31 December 2024.

NOTE 9 – INVENTORY TURNOVER RATIO AND AVERAGE DAYS IN INVENTORY

The inventory turnover ratio is calculated as the ratio of revenue from contracts with customers for the period 31 December 2024 – 31 December 2025 to inventories as at the reporting date.

The following table provides a detailed breakdown of the calculation of the inventory turnover ratio and the average days in inventory for the periods ending 31 December 2025 and 31 December 2024:

(Euro thousand)

	31 December 2025	31 December 2024
Revenues from contracts with customers (A)	309,959	308,076
Opening inventories (B1)	88,425	83,075
Closing inventories (B2)	93,683	88,425
Average inventories (B) = ((B1 + B2)/2)	91,054	85,750
Inventory turnover ratio (A/B)	**3.4**	**3.6**
Average inventory turnover period in days (B/A) * 365	**107**	**102**

Note: The calculation and trends of the ratios shown in the table are also affected by the value-added tax component, which, given the global scale of the Group's business relationships, is not applied uniformly across all subsidiaries.

This ratio is primarily affected by the increase in inventories. The average days in inventory are 102 as at 31 December 2024 and 107 as at 31 December 2025.
The inventory turnover ratio decreases from 3.6 as at 31 December 2024 to 3.4 as at 31 December 2025.
The above ratios show a decrease of 0.2 and an increase of 5 days, respectively, primarily attributable to the increase in inventories.

SUMMARY OF THE STATEMENT OF FINANCIAL POSITION OF U-POWER GROUP S.P.A.

In order to better understand the economic, equity and financial position of the parent company, we hereby provide the reclassified Income Statement and Balance Sheet of U-Power Group S.p.A.:

INCOME STATEMENT

(Euro thousand)

	2025	%	2024	%
REVENUE FROM CONTRACTS WITH CUSTOMERS	**11,870**	**100.0%**	**11,933**	**100.0%**
+ Other revenues and income	349	2.9%	314	2.6%
- Costs for services	(3,804)	-32.0%	(3,627)	-30.4%
VALUE ADDED	**8,416**	**70.9%**	**8,620**	**72.2%**
- Personnel costs	(4,797)	-40.4%	(4,392)	-36.8%
- Other operating expenses	(287)	-2.4%	(497)	-4.2%
GROSS OPERATING MARGIN (EBITDA)	**3,332**	**28.1%**	**3,732**	**31.3%**
- Depreciation, amortisation and impairment losses	(8,284)	-69.8%	(8,076)	-67.7%
OPERATING PROFIT (EBIT)	**(4,953)**	**-41.7%**	**(4,344)**	**-36.4%**
+ Financial income and revaluation of financial assets	45,477	383.1%	53,368	447.2%
+ Gains and (losses) on foreign exchange and derivatives	(400)	-3.4%	457	3.8%
- Financial charges and impairment of financial assets	(21,651)	-182.4%	(25,789)	-216.1%
PROFIT BEFORE TAX	**18,472**	**155.6%**	**23,692**	**198.5%**
- Income taxes for the financial year	747	6.3%	7,775	65.2%
NET INCOME	**19,219**	**161.9%**	**31,466**	**263.7%**

BALANCE SHEET – ASSETS

(Euro thousand)

ASSETS	31 December 2025	%	31 December 2024	%
WORKING CAPITAL (A)	**125,472**	**15.0%**	**108,482**	**13.8%**
Cash and cash equivalents	**2,235**	**0.3%**	**9,144**	**1.2%**
Cash and cash equivalents	2,235	0.3%	9,144	1.2%
Deferred cash and cash equivalents	**123,236**	**14.8%**	**99,338**	**12.7%**
Short-term current receivables	123,236	14.8%	99,338	12.7%
Inventories	**0**	**0.0%**	**0**	**0.0%**
FIXED ASSETS (B)	**708,938**	**85.0%**	**675,749**	**86.2%**
Intangible fixed assets	467,976	56.1%	475,020	60.6%
Tangible fixed assets	7,342	0.9%	7,541	1.0%
Rights of use	33	0.0%	71	0.0%
Financial fixed assets	227,655	27.3%	226,249	28.8%
Prepaid taxes	5,931	0.7%	-33,132	-4.2%
TOTAL LOANS (C)	**834,409**	**100.0%**	**784,231**	**100.0%**

BALANCE SHEET – LIABILITIES

(Euro thousand)

LIABILITIES	31 December 2025	%	31 December 2024	%
CURRENT LIABILITIES (D)	**19,515**	**2.3%**	**13,245**	**1.7%**
Current financial liabilities	15,937	1.9%	11,104	1.4%
Other short-term payables	3,578	0.4%	2,141	0.3%
CONSOLIDATED LIABILITIES (E)	**262,888**	**31.5%**	**239,197**	**30.5%**
Medium-/long-term payables	221,687	26.6%	238,795	30.4%
Non-current tax liabilities	40,721	4.9%	0	0.0%
Provisions for risks and charges	335	0.0%	268	0.0%
Employee severance indemnities	145	0.0%	134	0.0%
NET ASSETS (F)	**552,006**	**66.2%**	**531,789**	**67.8%**
Group shareholders' equity	**552,006**	**66.2%**	**531,789**	**67.8%**
Capital	10,000	1.2%	10,000	1.3%
Reserves	401,934	48.2%	400,936	51.1%
Retained earnings (losses)	120,853	14.5%	89,387	11.4%
Profit (loss) for the financial year	19,219	2.3%	31,466	4.0%
TOTAL SOURCES (G)	**834,409**	**100.0%**	**784,231**	**100.0%**

DISCLOSURES PURSUANT TO ART. 2428 OF THE ITALIAN CIVIL CODE

The following is a more detailed analysis of the information as specifically required by Article 2428 of the Italian Civil Code is analysed in greater detail below.

RESEARCH AND DEVELOPMENT

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

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

TRANSACTIONS WITH PARENT COMPANIES AND RELATED PARTIES

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

	CREDITS	PAYABLES	REVENUE	COSTS
Fin Reporter S.r.l.	-	6	3	61
Fin Lavorare S.r.l.	-	-	-	54
LION HOLDCO S.P.A.	-	4,058	-	-
Total	**-**	**4,063**	**3**	**116**

Payables to the parent company Lion Holdco S.p.A. refer to the tax consolidation regime in place; while receivables and costs due to Fin Reporter S.r.l./Fin Lavorare S.r.l. refer to buildings lease payments.

INFORMATION ON THE ENVIRONMENT AND PERSONNEL

It should be noted that the company carries out its business in compliance with the provisions relating to the environment, hygiene in the workplace, and safety pursuant to Legislative Decree 81/2008.

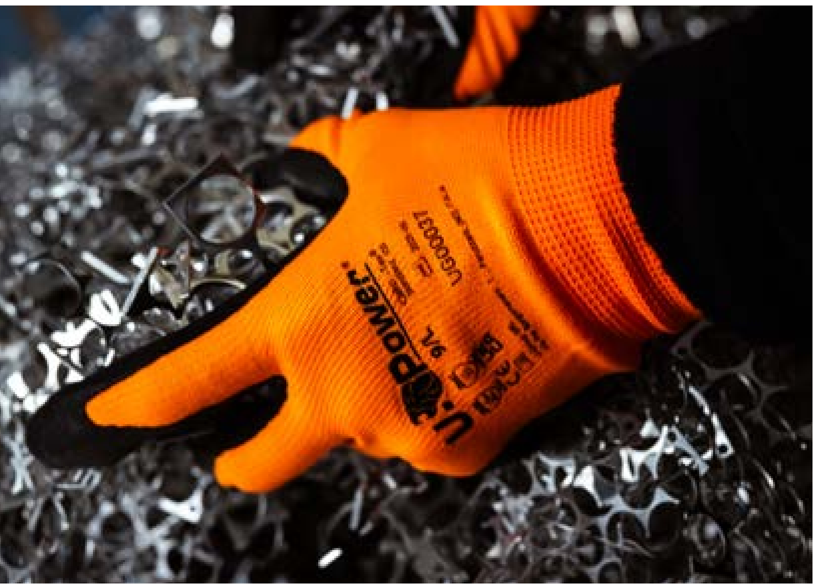
It is noted that no significant information is currently present. This information will be provided whenever there are concrete, tangible and significant environmental impacts, such as to generate potential financial and income consequences for the Company.
In relation to personnel, it should be noted that during the year:

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

With reference to the environment, it should be noted that during the 2025 financial year:

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

Mus Glove – Mechanical Protection



MAIN RISK FACTORS TO WHICH THE COMPANY IS EXPOSED

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

A) MARKET RISKS:

Market risk refers to the performance of the market for personal protective equipment, and in particular safety shoes and technical workwear in which the Group operates.

The Group has implemented policies aimed at increasing penetration in reference markets and actions to rationalise and strengthen the sales structure, achieving an increase in sales both at a national and European level. It should be noted that the outlet markets of the company's products and the uncertain conditions that characterise them are constantly monitored.

B) CREDIT RISK:

The Group is exposed to credit risk mainly arising from commercial relations with its customers and, in particular, due to any delays or failure to fulfil its payment obligations within the agreed terms and conditions. In this case, there are no particular risks, although it should be noted that there are still delays in the collection of receivables, as has occurred historically, and should be considered physiological.

However, the exposure to customers is divided among a large number of customers operating in different product sectors and geographic markets.

The financial soundness of the main customers is in any case regularly monitored through the use of information and customer assessment procedures, and any risks are covered in the financial statements by appropriate provisions.

C) LIQUIDITY RISKS

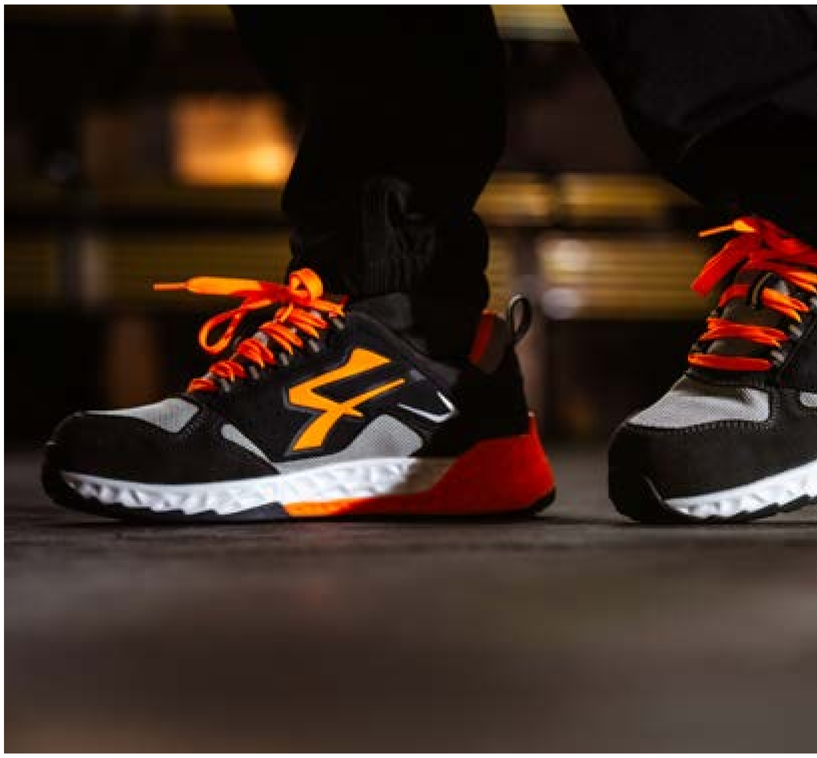
Liquidity risk, understood as the failure to obtain adequate financial resources necessary for operations and for the repayment of debts, including financial debts, as well as for the development of industrial and commercial activities, is deemed to be under control. Liquidity risk is limited thanks to the credibility the Group enjoys in the reference financial markets.
As far as financing from the credit system is concerned, the Group currently has an adequate amount of credit availability to be used in the event of the need to finance working capital; however, further actions are in progress to increase and improve financing lines.
Liquidity risk management is based above all on the strategy of containing debt, self-financing and maintaining financial balance.

D) INTEREST RATE RISKS

The risk of interest rate fluctuations is mainly related to medium-/long-term loans negotiated at variable rates. Consequently, any fluctuations in interest rates could have a negative impact on the Group's income statement and balance sheet.

The Group's approach to interest rate risk management is to hedge the risk through interest rate swap contracts, which are recognised in the balance sheet at fair value. The Group's approach to interest rate risk management is therefore prudent.

Jaime Esd Shoe – Red Stratos Line



E) RISKS ASSOCIATED WITH FOREIGN EXCHANGE RATES

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

OUTLOOK

The macroeconomic environment in 2026 is characterised by high and persistent geopolitical uncertainty, attributable both to the ongoing conflict between Russia and Ukraine and to the recent escalation of tensions between the United States and Iran. The war in Ukraine continues to have structural effects on European markets, particularly in terms of the volatility of energy and commodity prices, supply chain tensions, inflationary trends and the international sanctions regime. At the same time, the conflict between the US and Iran has further exacerbated the instability of the energy and transport markets, including in relation to the risk of disruptions to trade flows through the Strait of Hormuz, a strategic hub for a significant proportion of global oil and gas trade. For businesses, these developments may result in higher energy, transport and insurance costs, greater volatility in raw material prices, and potential pressure on working capital and operating margins.
At the reporting date, these factors had not had any impact on the Company's ability to continue as a going concern, nor had they necessitated any adjustments to the carrying amounts recognised. However, given the dynamic nature and high degree of uncertainty of the geopolitical environment, the Company is continuously monitoring developments and their potential effects on key economic and financial indicators, including procurement costs, operating margins, liquidity, access to energy sources and supply chain resilience, in order to promptly detect any prospective impacts on business performance.

During 2026, the Group intends to continue its growth in the Safety Footwear and Technical Workwear market at a higher rate than the reference market average and strengthen its position through the following strategic actions:

- continuous product innovation with the launch of new collections, which will allow it to increase its market share and margins in the segments with greater added value;
- additional growth in commercial presence on key markets (Italy, France, and Spain) and expansion in Germany and the UK, based on the implementation of small and medium-sized local distributors network;
- increase in brand awareness through new marketing initiatives;
- further drive on existing clothing products, with the entry into the helmets and protective gloves segments in all the main European countries;
- entry into the US market.
- Strategic acquisitions to develop markets and business areas, as was the case with the Cerva Group, as described above.

Therefore, there are clear growth prospects, driven by consolidation in the main geographic markets, expansion in those not yet served also through acquisitions and a further focus on workwear, and in the lifestyle, helmet and protective gloves segments that offer additional revenue opportunities.

Also during 2026, the Group will maintain its focus on the strategic strengthening of its own brands, confirming its marketing campaigns.

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

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

In conducting its business, the Group intends to pursue purposes of the common good, operating in a responsible, sustainable and transparent manner in relation to people, the territory, the environment and other stakeholders, with the goal of generating measurable social value and building the foundations to maintain satisfactory income results that are sustainable over time.

These forecasts on future trends are in any case, by their nature, uncertain as they are linked to the developments of the conflict in Ukraine; however, it should be noted that the Group's presence in the countries affected by the conflict is totally marginal. In any case, both geo-political and macroeconomic aspects will be carefully monitored. To date, the Group has not identified any reasons to forecast significant negative effects on the 2026 results.

OTHER INFORMATION

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

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

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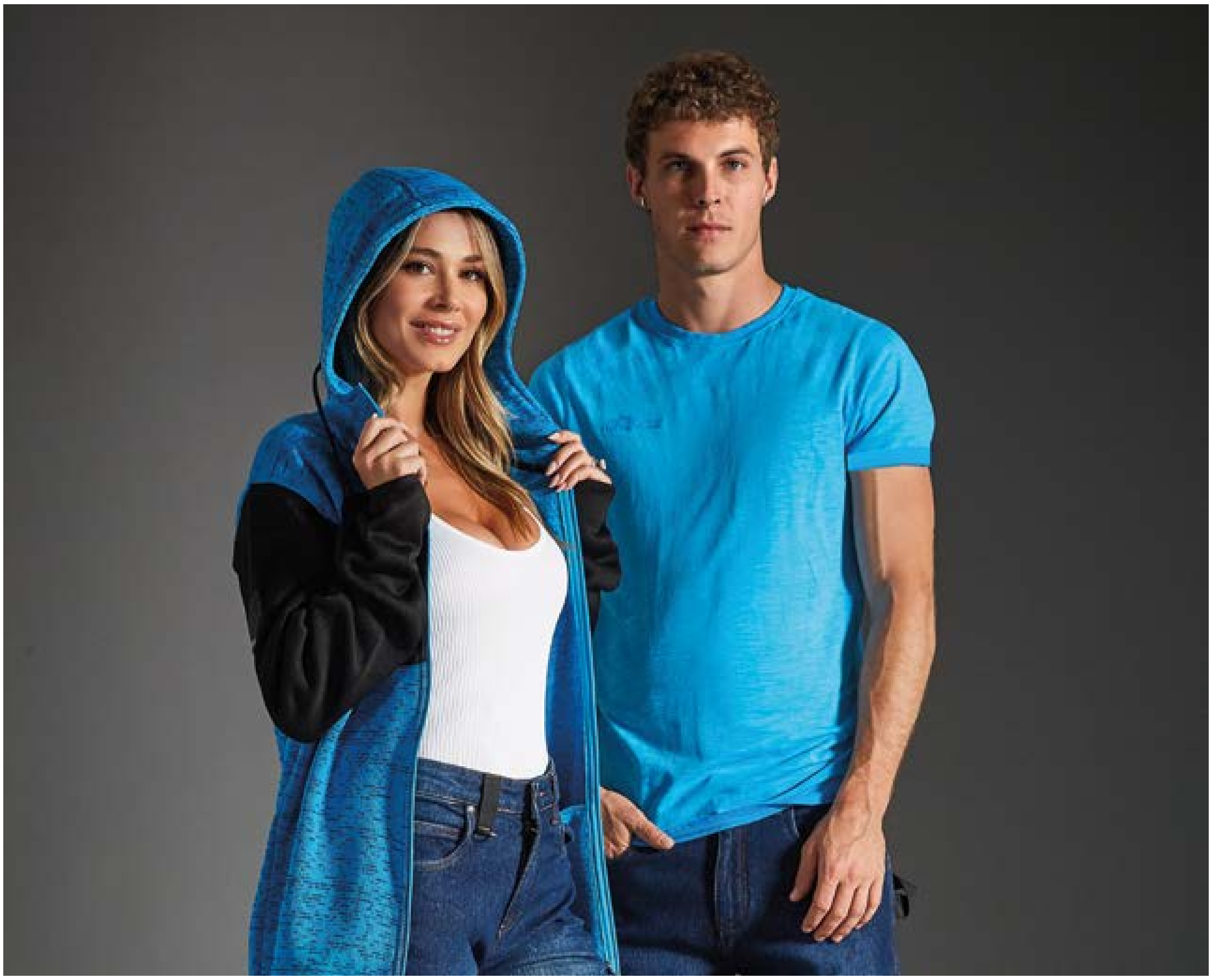
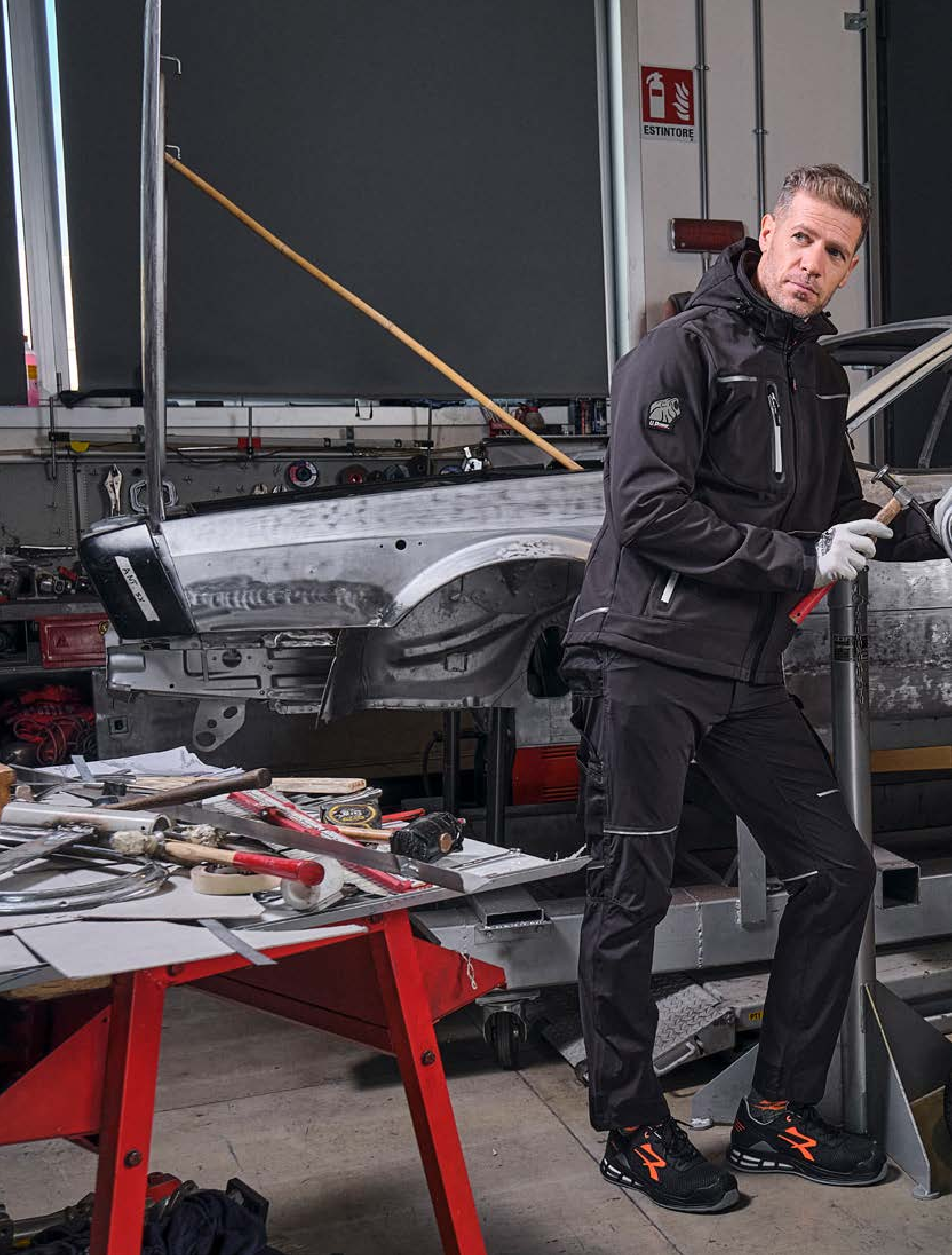
Paruzzaro, 08 April 2026

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

Rainbow Cf Sweatshirt – Fluo Cf T-Shirt – Pepper Gj Jeans

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CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

STATEMENT OF FINANCIAL POSITION – ASSETS

(amounts in thousands of euros)

	NOTES	31 December 2025	31 December 2024
NON-CURRENT ASSETS			
Intangible assets	6	636,690	654,913
Property, plant and equipment	7	72,974	72,722
Rights of use	8	13,977	16,589
Deferred tax assets	9	12,494	12,176
Other non-current assets	10	314	309
Total non-current assets		**736,449**	**756,709**
CURRENT ASSETS			
Inventories	11	93,683	88,425
Trade receivables	12	78,489	75,815
Receivables from related parties	13	-	8,559
Tax receivables	14	525	554
Other current assets	15	12,601	22,740
Cash and cash equivalents and short-term deposits	16	59,813	43,183
Total current assets		**245,111**	**239,276**
TOTAL ASSETS		**981,560**	**995,985**

BALANCE SHEET – LIABILITIES

(amounts in thousands of euros)

	NOTES	31 December 2025	31 December 2024
NET ASSETS	**17**		
Share capital		10,000	10,000
Other reserves		430,047	429,038
Reserve for shareholder capital contributions		8,600	8,600
Retained earnings		100,297	80,280
Profit for the financial year		18,354	20,017
Total Group shareholders' equity		**567,298**	**547,935**
Non-controlling interests' equity		-	-
Total shareholders' equity		**567,298**	**547,935**
NON-CURRENT LIABILITIES			
Employee severance indemnity and other provisions relating to personnel	18	1,131	1,234
Provisions for risks and charges	19	6,866	6,924
Non-current financial liabilities	**20**	**226,099**	**247,166**
Deferred taxes	21	89,723	91,901
Total non-current liabilities		**323,819**	**347,225**
CURRENT LIABILITIES			
Current financial liabilities	20	20,342	15,363
Trade payables	22	51,936	64,763
Payables to related parties	23	4,063	6,465
Current tax liabilities	24	1,996	2,765
Other current liabilities	25	12,106	11,469
Total current liabilities		**90,443**	**100,825**
TOTAL LIABILITIES		**414,262**	**448,050**
TOTAL EQUITY AND LIABILITIES		**981,560**	**995,985**

CONSOLIDATED STATEMENT OF PROFIT/(LOSS) FOR THE YEAR AS AT 31 DECEMBER 2025

(amounts in thousands of euros)

Income Statement	NOTES	2025	2024
Revenues from contracts with customers	26	309,959	308,076
Other revenues and income	27	2,158	2,319
Total revenues and income		**312,117**	**310,395**
Purchases of Raw Materials and Changes in Inventory	28	(103,204)	(100,649)
Personnel costs	29	(45,410)	(43,284)
Costs for services	30	(79,590)	(80,988)
Other costs and charges	31	(2,626)	(3,291)
Depreciation	32	(27,259)	(26,933)
Write-downs	33	10	(56)
Operating profit		**54,038**	**55,194**
Financial income	34	147	1,637
Financial charges	35	(22,297)	(26,582)
Other net financial income/expenses	36	(980)	(518)
Profit before tax		**30,908**	**29,731**
Income Taxes	37	(12,554)	(9,714)
Group profit for the financial year		**18,354**	**20,017**
Minority interest profit for the financial year		-	-
Total profit for the financial year		**18,354**	**20,017**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME AS AT 31 DECEMBER 2025

(amounts in thousands of euros)

	NOTES	2025	2024
Profit for the financial year	**17**	**18,354**	**20,017**
Other comprehensive income components			
Other components of comprehensive income that will subsequently be reclassified to profit or loss for the financial year: (Net of tax)			
Change in fair value of cash flow hedge derivative financial instruments	20	985	(2,018)
Total other components of comprehensive income that will subsequently be reclassified to profit/(loss) for the year, net of tax		**985**	**(2,018)**
Other components of comprehensive income that will not be subsequently reclassified to profit/(loss) for the financial year, net of tax			
(Loss)/gain on remeasurement of defined benefit plans		24	(5)
Total other components of comprehensive income that will not be subsequently reclassified to profit/(loss) for the financial year, net of tax		**24**	**(5)**
Total other components of comprehensive income, net of tax		**1,009**	**(2,023)**
Total Group comprehensive profit/(loss) after tax		**19,363**	**17,994**
Total comprehensive profit/(loss) after tax attributable to non-controlling interests		-	-
Total comprehensive profit/(loss) after tax		**19,363**	**17,994**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2024 AND 31 DECEMBER 2025

(amounts in thousands of euros)

	Share capital	Other reserves	Reserve for shareholder capital contributions	Retained earnings	Operating result	Total Group shareholders' equity	Non-controlling interests	Total shareholders' equity
NOTES	17	17	17	17	17	17	17	17
Balance as at 1 January 2024	**10,000**	**523,979**	**-**	**-**	**(4,038)**	**529,941**	**-**	**529,941**
Lion Bidco reverse merger	-	(92,918)	8,600	**84,318**	**-**	**-**	**-**	**-**
Profit/loss for the previous financial year	-	-	-	**(4,038)**	**4,038**	**-**	**-**	**-**
Profit for the financial year	-	-	-	**-**	**20,017**	**20,017**	**-**	**20,017**
Other comprehensive income components	-	(2,023)	-	**-**	**-**	**(2,023)**	**-**	**(2,023)**
Balance as at 31 December 2024	**10,000**	**429,038**	**8,600**	**80,280**	**20,017**	**547,935**	**-**	**547,935**
Profit/loss for the previous financial year	-	-	-	**20,017**	**(20,017)**	**-**	**-**	**-**
Profit for the financial year	-	-	-	**-**	**18,354**	**18,354**	**-**	**18,354**
Other comprehensive income components	-	1,009	-	**-**	**-**	**1,009**	**-**	**1,009**
Balance as at 31 December 2025	**10,000**	**430,047**	**8,600**	**100,297**	**18,354**	**567,298**	**-**	**567,298**

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2025

(amounts in thousands of euros)

	NOTES	2025	2024
Operating Activities:			
PROFIT FROM OPERATING ACTIVITIES AFTER TAX		**18,354**	**20,017**
Adjustments to reconcile profit before tax to net cash flow:			
Amortisation and impairment of intangible fixed assets	6-32	19,277	19,142
Amortisation and impairment of property, plant and equipment	7-32	5,165	5,195
Amortisation and impairment of rights of use	8-32	2,817	2,596
Financial income	34	(147)	(1,637)
Financial charges	35	22,297	26,582
Other net financial income/expenses	36	980	518
Income Taxes	37	12,554	9,714
Write-down of current assets	33	(10)	56
Subtotal of operating assets		**81,287**	**82,183**
Net change in employee severance indemnity and pension provisions	18	(109)	(4)
Net change in provisions for risks and charges	19	(20)	837
Interest paid		(19,659)	(25,151)
Income taxes paid		(9,992)	(15,452)
Impact of changes in exchange rates	36		
Changes in working capital:			
(Increase)/decrease in inventories	11	(5,258)	(5,350)
(Increase)/decrease in trade receivables	12	(3,576)	376
(Increase)/decrease in other non-financial assets		7,592	(4,950)
Increase/(decrease) in trade payables	22	(12,828)	8,204
Increase/(decrease) in other non-financial liabilities		2,547	460
NET CASH FLOWS FROM OPERATING ACTIVITIES		**39,984**	**41,153**
Investing activities:			
Net investments in intangible fixed assets	6	(1,436)	(986)
Net investments in tangible fixed assets	7	(5,417)	(10,894)
(Increase)/decrease in financial assets		4	1,018
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(6,849)**	**(10,862)**
Financing activities:			
Increase in non-current borrowings	20	0	0
(Repayment of) non-current borrowings	20	(16,612)	(6,424)
(Repayment of)/increase in current borrowings	20	107	(5,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(16,505)**	**(11,424)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**16,630**	**18,867**
Net cash and cash equivalents at the start of the financial year	16	43,183	24,316
Net cash and cash equivalents at the end of the financial year		**59,813**	**43,183**

CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Scope of consolidation

U-POWER GROUP S.P.A. is a company registered and domiciled in Italy.
Its registered office is located in Paruzzaro (NO), via Borgomanero 1.

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

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

The Group's consolidated financial statements include the following companies:

					% ownership	
Name	Registered office	Type of control	Currency	Functional currency	2025	2023
U-Power Group S.p.A. (Parent Company)	Italy	N/A	EUR	EUR	N/A	N/A
U-Group S.r.l.	Italy	Direct	EUR	EUR	100%	100%
U-Logistics S.r.l.	Italy	Direct	EUR	EUR	100%	100%
Martek Suarl	Tunisia	Direct	TND	EUR	100%	100%
Jallatte SAS	France	Direct	EUR	EUR	100%	100%
U-Power USA, INC	USA	Direct	USD	EUR	100%	N/A

The Tunisian and the American companies used the Euro as their functional currency.

The affiliate U-Group S.r.l. has branches in France, Spain, Germany and England.

The Group's scope of consolidation for the financial year under review remains substantially unchanged compared with 31 December 2024. However, it should be noted that in the 2025 financial year, a trading company was established in the United States of America, wholly owned by the Parent Company, which has been fully consolidated and has been contributing to the Group's results since April 2025.

The ultimate parent company

The ultimate parent company of the U-POWER GROUP S.P.A. Group is Lion Holdco S.p.A., also domiciled in Italy, which holds 100% of the shares. Lion Holdco S.p.A. is in turn 70% owned by Renaissance (indirectly, through the subsidiary Galileo Dodici S.à.r.l., a company incorporated under Luxembourg law) and the remaining 30% by Fin Reporter S.r.l.

2. DRAFTING PRINCIPLES AND CHANGES IN THE GROUP'S ACCOUNTING STANDARDS

2.1. DRAFTING PRINCIPLES

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).
The consolidated financial statements have been prepared in accordance with the historical cost convention, except for investment property, certain office buildings (classified under property, plant and equipment), derivative financial instruments, financial assets represented by equities or bonds in the portfolio, and contingent consideration, which are recognised at fair value.
The carrying amount of assets and liabilities that are the subject of fair value hedges and would otherwise be recorded at amortised cost is adjusted for changes in fair value attributable to the hedged risks.
The consolidated financial statements consist of the statement of financial position, the statement of profit/(loss) for the year, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

These consolidated financial statements as at 31 December 2025 are prepared by U-Power Group S.p.A. and present, for comparative purposes, the balance sheet and economic data as taken from the consolidated financial statements as at 31 December 2024 approved by the Shareholders meeting held on 8 April 2025.

The Company has chosen, from the various options permitted by IAS 1, to present balance sheet items according to the distinction 'current/non-current' and the income statement by classifying costs by nature. The cash flow statement has instead been prepared using the indirect method.

The Group has prepared these financial statements on the assumption of business continuity. The directors consider that there are no significant uncertainties that could give cause to doubt this assumption. They have assessed that there is a reasonable expectation that the Group will have adequate resources to continue its operations in the immediate future, not less than 12 months from the reporting date.

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand, unless otherwise indicated.

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

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

Lack of exchangeability – Amendments to IAS 21

The amendments to IAS 21 Effects of Changes in Foreign Exchange Rates specify how an entity should assess whether a currency is exchangeable and how it should determine the spot exchange rate when exchangeability does not exist. The amendments also require the disclosure of information that enables users of the financial statements to understand how a currency that is not exchangeable for another currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. Such amendments had no relevant impact on the Group's financial statements.

2.3. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of U-Power Group S.p.A. and its subsidiaries at 31 December 2025.

Control is achieved when the Group is exposed to or entitled to variable returns from its relationship with the entity being invested in and, in the meantime, can affect those returns by exercising its power over that entity.
Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee entity (i.e. it has valid rights that give it the current ability to direct the relevant activities of the investee entity);
- the exposure to or rights to variable returns arising from the relationship with the entity being invested in;
- the ability to exercise its power over the invested entity to affect the number of its returns.

Generally, there is a presumption that most voting rights involve control. To support this presumption and when the Group holds less than a majority of the voting (or similar) rights, the Group considers all relevant facts and circumstances to determine whether it controls the investee, including:

- Contractual arrangements with other holders of voting rights;
- Rights under contractual agreements;
- Voting rights and potential voting rights of the Group.

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

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

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

If the Group loses control of a subsidiary, it must derecognise the related assets (including goodwill), liabilities, non-controlling interests and other components of shareholders' equity, and any gain or loss is recognised in the income statement. Any retained interest must be recognised at fair value.

2.4. SUMMARY OF THE MAIN ACCOUNTING STANDARDS

2.4.1. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value as at the date of acquisition and the amount of the minority stake in the acquisition. For each business combination, the Group defines whether to measure the minority stake in the acquisition at fair value or in proportion to the share of the minority stake in the net identifiable assets of the acquisition. Acquisition costs are expensed during the year and classified under administrative expenses. The Group determines that it has acquired a business activity when the integrated set of assets and goods includes at least one production factor and one substantial process which, together, significantly contribute to the ability to generate an output. The acquired process is considered substantial if it is crucial for the ability to continue to generate an output and the acquired production factors include an organised workforce that has the necessary skills, knowledge or experience to carry out that process or to significantly contribute to generating an output and is considered unique or scare or cannot be replaced at no cost, without effort or significant delays for the ability to generate an output. When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other relevant conditions existing as at the acquisition date. This includes verifying whether an embedded derivative should be separated from the primary contract. Any potential consideration to be recognised is recorded by the buyer at fair value as at the date of acquisition. The potential consideration classified as equity not subject to remeasurement and its subsequent payment is accounted for with the balancing entry of shareholders' equity. The change in fair value of contingent consideration classified as an asset or liability, such as a financial instrument within the scope of IFRS 9 Financial Instruments, shall be recognised in the income statement following IFRS 9. Contingent consideration that is not within the scope of IFRS 9 is measured at fair value at the balance sheet date, and changes in fair value are recognised in the income statement. Goodwill is initially recognised at cost, represented by the excess of the total amount paid and the amount recorded for minority interests, compared with the identifiable net assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total amount paid, the Group again checks whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognised as at the date of acquisition. If the new valuation still shows a fair value of the net assets acquired higher than the consideration, the difference (profit) is recognised in the income statement. After initial recognition, goodwill is valued at cost, net of accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired in a business combination is allocated, as of the date of acquisition, to each cash-generating unit of the Group which is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to said units. If the goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of that unit, the goodwill associated with the divested business is included in the carrying amount of the asset when determining the profit or the loss of disposal. The goodwill associated with the divested business is determined on the basis of the relative values of the divested business and the retained part of the cash-generating unit.

2.4.2. Current/non-current classification

The assets and liabilities in the Group's financial statements are classified according to the current/non-current criterion. An asset is current when:

- it is expected to be generated, or is held for sale or consumption, in the normal course of business;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months after the reporting period; or
- consists of cash or cash equivalents unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Assets and liabilities for pre-paid and deferred tax are classified as non-current assets and liabilities.

2.4.3. Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.
The fair value is the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability, in a regular transaction between market operators on the valuation date. A fair value assessment assumes that the sale of the asset or the transfer of the liability takes place:

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

The main market or the most advantageous market must be accessible to the Group.
The fair value of an asset or liability is assessed by adopting the assumptions that market operators would use in determining the price of the asset or liability, assuming that they act to best satisfy their economic interest.
A fair value measurement of a non-financial asset considers the ability of a market operator to generate economic benefits by using the asset to its maximum and best use or by selling it to another market operator who would use it to its maximum and best use.
The Group uses valuation techniques that are suitable for the circumstances and for which there is sufficient data available to assess the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which the fair value is measured or shown in the financial statements are categorised according to the fair value hierarchy, as described below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the valuation date;
- Level 2 - Inputs other than the listed prices included in Level 1, observable directly or indirectly for the asset or liability;
- Level 3 - valuation techniques for which the input data are not observable for the asset or liability.

The fair value measurement is classified entirely in the same level of the fair value hierarchy in which the input of the lowest hierarchy level used for the valuation is classified.
For assets and liabilities recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers between levels of the hierarchy have occurred by reviewing the categorisation (based on the lowest level input that is significant to the fair value measurement in its entirety) at each reporting date.

For the purposes of fair value disclosures, the Group determines the classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as illustrated above.
Information on the fair value of financial instruments and non-financial assets measured at fair value is disclosed in Note 5.

2.4.4. Revenues from contracts with customers

The Group is engaged in the supply of safety footwear and technical apparel.
Revenues from contracts with customers are recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. The Group has generally concluded that it acts as a principal for the majority of arrangements from which revenues are derived because it usually controls the goods and services before they are transferred to the customer. The Group has concluded that the sale of the products is the only performance obligation of the contract.

Sale of safety footwear and technical apparel

Revenues from the sale of safety footwear and technical apparel are recognised when control of the goods passes to the customer, generally upon delivery of the goods to the customer's home. The usual terms of trade extend from 30 to 120 days from shipment.
In determining the price of the sale transaction for safety footwear and technical apparel, the Group considers the effects of variable consideration, such as volume discounts, and estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

Contractual balances - trade receivables

A receivable is recorded if the consideration is unconditionally owed by the customer (i.e., it is only necessary that the time elapses for the payment of the consideration to be obtained). Please refer to the section on principles in Section 2.4.12 Financial Instruments - Initial Recognition and Subsequent Measurement.

2.4.5. Income Taxes

Current taxes

Current tax assets and liabilities for the year are valued at the amount expected to recover from or pay to the tax authorities. The tax rates and regulations used to calculate the amount are enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates its taxable income.
Current income taxes relating to items recognised directly in equity are also recognised in equity and not in the profit/(loss) statement for the period. Management periodically assesses the position taken in the tax return in cases where tax rules are subject to interpretation and, where appropriate, makes provisions.

Deferred taxes

Deferred taxes are calculated by applying the liability method to timing differences between the tax bases of assets and liabilities and their corresponding carrying amounts at the balance sheet date.
Deferred tax liabilities are recognised on all taxable timing differences, with the following exceptions:

- deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the financial statement result nor the tax result;
- the reversal of taxable timing differences associated with investments in subsidiaries, associates and joint ventures can be controlled, and it is probable that it will not occur in the foreseeable future.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will

be available in the future to allow all or part of that credit to be utilised. Unrecognised deferred tax assets are reviewed at each balance sheet date. They are recognised to the extent that it becomes probable that taxable profit will be sufficient to allow the recovery of those deferred tax assets.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when those assets are realised, or those liabilities are settled, taking into account tax rates that have been enacted or substantively enacted by the balance sheet date.
Deferred taxes relating to items recognised outside the income statement are also recognised outside the income statement. Therefore, in shareholders' equity or the statement of comprehensive income, consistently with the item they relate.
Deferred tax assets and deferred tax liabilities are offset where there is a legal right to offset current tax assets and current tax liabilities, and the deferred taxes relate to the same taxpayer and tax authority.
Tax benefits acquired as a result of a business combination, but which do not meet the criteria for separate recognition at the acquisition date, are recognised at a later date when new information on changes in facts and circumstances is obtained. The adjustment is recognised as a reduction of goodwill (up to the amount of goodwill), if recognised during the measurement period, or in the income statement, if recognised subsequently.
The Group offsets deferred tax assets and deferred tax liabilities if and only if there is a legal right to offset current tax assets and current tax liabilities and the deferred tax assets and liabilities relate to income taxes owed to the same tax authority by the same or different taxpayers who intend to settle the current tax assets and liabilities on a net basis or realise the asset and settle the liability simultaneously, with respect to each future period in which the deferred tax assets and liabilities are expected to be settled or recovered.

Indirect Taxes

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost recognised in the income statement;
- trade receivables and payables include the applicable indirect tax.

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

2.4.6. Translation of foreign currency items

The consolidated financial statements are presented in euros, which is the functional and presentation currency adopted by the parent company. Each Group company defines its own functional currency, which is used to measure the items included in the individual financial statements. The Group uses the direct consolidation method; the gain or loss reclassified to the income statement upon disposal of a foreign subsidiary represents the amount that arises from using this method.

2.4.6.1. Tunisian companies included in the consolidation area

The Tunisian companies have decided to use the Euro as their functional currency as indicated by IAS 21.
IAS 21 defines the functional currency as the currency of the primary economic environment in which the entity operates, i.e. the environment in which the entity generates and uses its cash. IAS 21 outlines a number of factors and indicators that an entity should consider in determining its functional currency.

Management believes that the euro currency more closely represents the economic effects of underlying events, transactions and conditions based on the following indicators:

- Influence of selling prices of goods and services (which in most cases will coincide with the currency in which the selling prices of goods and services are denominated and settled);
- Country whose competitive forces and regulations mainly determine the selling prices of goods and services;
- Influence of labour, material procurement and other costs of providing goods and services (which in most cases will coincide with the currency in which these costs are denominated and settled).

2.4.7. Dividends

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

2.4.8. Property, plant and equipment

Property, plant and equipment are recognised at historical cost, less accumulated depreciation and accumulated impairment losses. This cost includes costs for the replacement of part of machinery and plant at the time they are incurred, if they meet the recognition criteria. Where it is necessary to replace significant parts of plant and equipment on a regular basis, the Group depreciates them separately based on their specific useful lives. Similarly, in the case of major overhauls, the cost is included in the carrying amount of the plant or machinery as in the case of replacement, where the criterion for recognition is met. All other repair and maintenance costs are recognised in the income statement when incurred. The present value of the cost of dismantling and removing the asset at the end of its useful life is included in the cost of the asset if the criteria for recognition for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Land and buildings	from 3% to 10%
Plant and equipment	from 10% to 15%
Industrial and commercial equipment	from 10% to 25%

Other assets

• Electronic office machines	from 20% to 33%
• Furniture	from 10% to 12%

The carrying amount of an item of property, plant and equipment and any significant components initially recognised are derecognised on disposal (i.e. when the acquirer obtains control) or when no future economic benefits are expected from their use or disposal. The gain or loss arising on derecognition of the asset (calculated as the difference between the asset's carrying amount and the net consideration) is recognised in the income statement when the item is derecognised.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each financial year-end and, where appropriate, adjusted prospectively.

2.4.9. Leasing

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

The Group as lessee

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets. The Group recognises the liabilities relating to lease payments and the right-of-use asset representing the right to use the underlying asset.

i) Right-of-use assets

The Group recognises right-of-use assets on the lease commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets comprises the amount of recognised lease liabilities, initial direct costs incurred and lease payments made on or before the commencement date net of any incentives received. Lease assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the asset consisting of the right of use or the end of the lease term, whichever is earlier, as follows:

• Land and buildings	from 3% to 10%
• Industrial plants, machinery and equipment	from 10% to 25%
• Other assets	from 10% to 33%

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee shall depreciate the right-of-use asset from the effective date until the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment. Please refer to Section 2.3.15 Impairment of Non-Financial Assets.

ii) Right of Use Liabilities

At the lease inception date, the Group recognises lease liabilities by measuring them at the present value of the lease payments due but unpaid at that date. Payments due include fixed payments (including fixed payments in substance) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid as security for the residual value. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the option will be exercised by the Group and lease termination penalty payments if the lease term takes into account the Group's exercise of its lease termination option.

Variable lease payments that are not index- or rate-dependent are recognised as expenses in the period (unless incurred to produce inventories) in which the event or condition giving rise to the payment occurs.

In calculating the present value of payments due, the Group uses the marginal financing rate at the commencement date if the implied interest rate is not readily determinable. After the commencement date, the amount of the lease liability increases to reflect interest on the lease liability and decreases to reflect payments made. In addition, the carrying amount of the lease liability is restated in the event of any changes to the lease or for the revision of the contractual terms for the change in payments; it is also restated for changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine such payments.

The Group's leasing liabilities are included in the item Financial liabilities (see Note 21).

iii) Short-term leases and leases of low-value assets

The Group applies the exemption for the recognition of short-term leases related to machinery and equipment (i.e., leases that have a term of 12 months or less from the commencement date and do not contain an option to purchase). The Group has also applied the exemption for leases relating to low-value assets in respect of leases relating to office equipment whose value is considered low. Lease payments related to short-term leases and low-value asset leases are recognised as expenses on a straight-line basis over the lease term.

2.4.10. Financial charges

Financial charges directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time before it is available for use are capitalised on the cost of the asset. All other financial charges are recognised as an expense in the period in which they are incurred. Financial charges are made up of interest and other costs incurred by an entity in connection with obtaining loans.

2.4.11. Intangible assets

Intangible assets acquired separately are initially recognised at cost, whilst those acquired through business combinations are recognised at fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally produced intangible assets, except for development costs, are not capitalised and are recognised in the year's income statement in which they are incurred.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with a finite useful life are amortised over their useful life and are subject to a verification of the adequacy of their value whenever there are indications of a possible loss in value. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or in the manner in which the future economic benefits associated with the asset will be realised are recognised through changes in the period or method of amortisation, as appropriate, and are considered changes in accounting estimates. The amortisation rates of intangible assets with a finite useful life are recognised in the profit/(loss) for the year in the cost category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested annually for impairment, both at the individual and cash-generating unit level. The assessment of the indefinite useful life is reviewed annually to determine whether this allocation continues to be sustainable, otherwise, the change from indefinite to finite useful life is applied on a prospective basis.

An intangible asset is eliminated at the time of disposal (i.e., on the date on which the buyer obtains control of it) or when no future economic benefits are expected from its use or disposal. Any profit or loss resulting from the elimination of the asset (calculated as the difference between the net consideration for the disposal and the book value of the asset) is included in the income statement.

Concessions, licences, and trademarks

The item includes the Group's trademarks, partly corresponding to the purchase cost, and partly arising from the allocation of the initial positive cancellation difference generated upon first-time consolidation within the limit of the

current value of these assets and, in any case, for values not exceeding their recoverable value, including deferred tax assets and liabilities recognised against allocated capital gains. Trademarks are amortised on a straight-line basis over a period of 10 years, corresponding, on the basis of appraisals prepared by specialists, to the year of production and marketing of the products to which they refer.
This item also includes software recognised at purchase cost and amortised on a straight-line basis over a period of five years.

Research and development costs
Research costs are charged to the income statement of the year in which they are incurred. Development costs incurred in connection with a specific project are recognised as intangible assets when the Group is able to demonstrate:

- the technical possibility of completing the intangible asset so that it is available for use or sale;
- the intention to complete the asset and its ability and intention to use or sell it;
- the manner in which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably estimate the cost attributable to the asset during development.

After initial recognition, development assets are measured at cost less accumulated amortisation or accumulated impairment losses. Amortisation of the asset begins when the development is completed and the asset is available for use. Development assets are amortised over a period of five years. During the development year, the asset is subject to an annual impairment test.
The Group recognised no development costs in recent financial years.

2.4.12. Financial instruments - Recognition and evaluation

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

i) Financial assets
Initial recognition and measurement
Upon initial recognition, financial assets are classified, as appropriate, according to subsequent measurement methods, i.e. at amortised cost, at fair value through OCI and at fair value through profit or loss.
The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model the Group uses to manage them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value, through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as illustrated in paragraph (2.3.4) Revenues from contracts with customers.
For a financial asset to be classified and measured at amortised cost or fair value through OCI, it must generate cash flows that depend solely on principal and interest on the amount of principal to be repaid (so-called 'solely payments of principal and interest (SPPI)'). This evaluation is referred to as the SPPI test and is performed at the instrument level. Financial assets whose cash flows do not meet the above requirements (e.g., SPPI) are classified and measured at fair value through profit or loss.
The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will arise from collecting contractual cash flows, the sale of financial assets or both.
Financial assets classified and measured at amortised cost are held as part of a business model whose objective is to own financial assets to collect contractual cash flows. In contrast, financial assets that are classified and measured at fair value through OCI are held as part of a business model whose objective is to collect contractual cash flows and sell financial assets.
The purchase or sale of a financial asset that requires delivery within a period generally established by regulation or market convention (a so-called standardised sale or regular way trade) is recognised on the trade date, i.e. the date on which the Group has committed to purchase or sell the asset.

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

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income with the reclassification of accumulated gains and losses (debt instruments);

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

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

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

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

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

- the rights to receive cash flows from the asset are extinguished, or
- the Group has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and (a) has transferred all the risks and rewards of ownership of the financial asset substantially, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of it.

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

Impairment
The Group recognises an expected credit loss ('ECL') write-down for all financial assets represented by debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due following the contract. All cash flows that the Group expects to receive are discounted to approximate the original effective interest rate. Expected cash flows will include cash flows arising from the enforcement of collateral held or other credit guarantees that are integral to the contractual terms.
Expected losses are recognised in two stages. With regard to credit exposures for which there has not been a significant increase in credit risk since initial recognition, the credit losses deriving from the estimate of default events that are possible within the next 12 months (12-month ECL) must be recognised. For credit exposures for which there has been a significant increase in credit risk since initial recognition, expected losses that relate to the remaining life of the exposure must be recognised in full, regardless of when the event of default is expected to occur ('Lifetime ECL').
For trade receivables and contract assets, the Group applies a simplified approach in calculating expected losses. Therefore, the Group does not monitor changes in credit risk, but recognises the expected loss in full at each reporting date. The Group has defined a matrix system based on historical information, revised to consider prospective elements with reference to specific types of debtors and their economic environment, as a tool for determining expected losses.

For assets represented by debt instruments measured at fair value through OCI, the Group applies the simplified approach allowed for low credit risk assets. At each balance sheet date, the Group assesses whether the debt instrument is considered to have low credit risk using all available information that can be obtained without undue cost or effort. In making this assessment, the Group monitors the creditworthiness of the debt instrument. In addition, the Group assumes that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers a financial asset to be in default when contractual payments have been past due for 180 days. In some cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to recover the contractual amounts in full before taking into account credit guarantees held by the Group. A financial asset is derecognised when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and assessment

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

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

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

Subsequent evaluation

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

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

Only the second type is present in the Group.

Financial liabilities at amortised cost (financing and loans).

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

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

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

Cancellation

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

iii) Offsetting of financial instruments

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

2.4.13. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments including interest rate swaps to hedge interest rate risks on loans. These derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedging transaction, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedging relationship meets hedge effectiveness requirements (including analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). The hedging relationship meets the eligibility criteria for hedge accounting if it satisfies all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not outweigh the changes in value resulting from the hedging relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

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

2.4.14. Inventories

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

2.4.15. Impairment of non-financial assets

At each balance sheet date, the Group assesses whether indicators of asset impairment exist. In this case, or in cases where an annual impairment test is required, the Group estimates the recoverable amount. The recoverable amount is the higher of the fair value of the asset or cash-generating unit, less costs to sell, and its value in use. The recoverable amount is determined for each individual asset, except when that asset generates cash flows that are largely independent of those generated by other assets or groups of assets. If the carrying amount of an asset is greater than its recoverable amount, the asset is impaired and written down to its recoverable amount accordingly.
In determining value in use, the Group discounts estimated future cash flows to present value using a pre-tax discount rate that reflects market assessments of the present value of money and the risks specific to the asset. Recent market transactions are considered when determining the fair value less costs to sell. An appropriate valuation model is used if such transactions cannot be identified.
The Group bases its impairment tests on detailed budgets and forecast calculations, prepared separately for each cash-generating unit of the Group to which individual assets are allocated. These budgets and forecast calculations cover a three-year period. To project future cash flows beyond the third year, a long-term growth rate is calculated.
Impairment losses on continuing transactions are recognised in the profit/(loss) statement for the year in the cost categories consistent with the function of the asset that caused the impairment loss.
For assets other than goodwill, at each balance sheet date the Group assesses whether there is any indication of the reversal (or reduction) of previously recognised impairment losses and, if such indication exists, estimates the recoverable amount of the asset or CGU. The value of a previously impaired asset may be reinstated only if there has been a change in the assumptions underlying the calculation of the determined recoverable amount since the last impairment loss was recognised. The reversal may not exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised in prior periods. This recovery is recognised in profit/(loss) for the period.
Intangible assets with indefinite useful lives are tested for impairment at least annually at the cash-generating unit level and when circumstances indicate that an impairment loss may occur.

2.4.16. Cash and cash equivalents and short-term deposits

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

cash equivalents as defined above, net of bank overdrafts, as these are considered an integral part of the Group's cash management.

2.4.17. Provisions for risks and charges

Provisions for risks and charges are made when the Group has a present obligation (legal or constructive) due to a past event. An outflow of resources will probably be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group considers that a provision for risks and charges will be partly or fully reimbursed, for example, in the case of risks covered by insurance policies, the indemnity is recognised separately as an asset if, and only if, it is practically certain. In this case, the cost of the provision, if any, is presented in the statement of profit or loss net of the amount recognised for compensation.

If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liabilities. When the liability is discounted, the increase in the provision due to the passage of time is recognised as a financial expense.

2.4.18. Pension funds and other post-employment benefits

The Employee Severance Indemnity (TFR), which is mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is in the nature of deferred compensation and is related to the length of the working life of employees and the salary received.

As a result of the Supplementary Pension Reform, the TFR quotas accrued up to 31 December 2006 will continue to remain with the company, configuring a defined benefit plan (obligation for accrued benefits subject to actuarial valuation), while the quotas accruing from 1 January 2007 (with the exception of employees of companies with less than 50 employees) as a result of the choices made by the employees, are allocated to supplementary pension schemes or transferred by the company to the treasury fund managed by INPS, being configured as defined contribution plans (no longer subject to actuarial valuation) from the moment the choice is formalised by the employee.

For benefits subject to actuarial valuation, the liability relating to the employee severance indemnity must be calculated by projecting the amount already accrued to the future moment of termination of employment and then discounting the amount to the balance sheet date using the actuarial 'Projected Unit Credit Method'. The discount rate used to determine the liability is that relating to the "Composite" interest rate curve of securities issued by AA-rated corporate issuers.

From an accounting point of view, through the actuarial valuation, the interest cost, which is the notional charge that the company would incur by asking the market for a loan of an amount equal to the employee severance indemnity, is recognised in the income statement under the item "Financial charges/income", and the current service cost, which defines the amount of the rights accrued during the year by employees only for those Group companies with less than 50 employees and which therefore have not transferred the amounts accrued since 1 January 2007 to the supplementary pension fund, is recognised in the item "labour cost". Actuarial gains and losses that reflect the effects of changes in the actuarial assumptions used are recognised directly in equity without ever going through the income statement and are shown in other comprehensive income.

It should be noted that, in accordance with the legislation of the respective countries, the French and Tunisian subsidiaries do not have employee severance indemnity.

2.4.19. Earnings per share (basic and diluted)

Basic earnings per share is obtained as the ratio of the Group's result resulting from the consolidated financial statements to the weighted average number of shares outstanding during the year, net of any treasury shares held.

Diluted earnings per share correspond to basic earnings per share as there are no instruments with a potential dilutive effect.

3. ASSUMPTIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimates and Assumptions

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

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

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The calculation of value in use is based on a discounted cash flow model. The cash flows are derived from the budget of the next three years and do not include restructuring activities for which the Group has not yet committed or significant future investments that will increase the results of the business included in the cash-generating unit being measured. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for extrapolation.

Taxes

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.
Significant management judgement is required to assess the likelihood of the recoverability of deferred tax assets, considering all possible evidence, both negative and positive, and to determine the amount that can be recognised in the financial statements, based on the timing and amount of future taxable income, future tax planning strategies and the tax rates in effect at the time of their reversal. However, if it becomes apparent that the Group will not be able to recover all or part of the recognised deferred tax assets in future years, the resulting adjustment will be recognised in the income statement of the year in which this occurs.
IFRIC 23 requires an entity to consider whether a tax authority is likely to accept uncertain tax treatment. If the entity concludes that it is in a position where it is not probable that its position will be accepted, the effects of this uncertainty must be reflected in the accounting for income taxes.
Further details on taxes are provided in Note 37.

Defined Benefit Plans (Pension Funds)

The cost of defined benefit pension plans and other post-employment benefits and the present value of the defined benefit obligation are determined using actuarial valuations. Actuarial valuations require various assumptions to be made that may differ from actual future developments. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually. The discount rate is the parameter most subject to change. In determining the appropriate discount rate, the directors use as a benchmark the interest rate of bonds (corporate bonds), in currencies consistent with the currencies of the defined benefit obligations, that have a minimum rating of AA, assigned by internationally recognised rating agencies, and with average maturities corresponding to the expected duration of the defined benefit obligation. Bonds are subjected to further qualitative analysis and those with a credit spread deemed excessive are excluded from the basket of bonds from which the discount rate is calculated, as they do not represent a high quality bond category. The mortality rate is based on available country-specific mortality tables. These tables tend to vary only in response to a change in demographic assumptions. Future wage and pension increases are based on expected inflation rates for each country. Further details, including a sensitivity analysis, are provided in Note 19.

Fair value of financial instruments

When the fair value of a financial asset or financial liability recognised in the statement of financial position cannot be measured by reference to prices in an active market, fair value is determined using various valuation techniques, including the discounted cash flow model. The inputs into this model are taken from observable markets where possible, but where this is not possible, some degree of estimation is required to define fair value. The estimates include considerations of variables such as liquidity risk, credit risk and volatility. Changes in assumptions about these elements could have an impact on the fair value of the financial instrument recognised.

Inventory obsolescence provision

The Group usually makes forecasts in relation to the realisable value of obsolete, excess or slow-moving inventories. This estimate is essentially based on historical experience, also taking into account the characteristics of each stock. The actual realisable value of inventories may differ from the estimated value due to the uncertainty surrounding the conditions underlying the estimates adopted.

Lease - Estimated marginal financing rate

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

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

The Group determines the lease term as the non-cancellable exercise of the lease to which are added both the periods covered by the lease extension option where there is reasonable certainty of exercising that option and the periods covered by the lease termination option where there is reasonable certainty of not exercising that option.

The Group has the option, for some of its leases, to extend the lease or to terminate it early. The Group applies its judgement in assessing whether there is a reasonable certainty of exercising the renewal options. That said, the Group considers all factors noted that may result in an economic incentive to exercise the renewal options or to terminate the lease. After the commencement date, the Group revises its estimates of the lease term in the event of a significant event or significant change in circumstances within its control that may affect the ability to exercise (or not exercise) the renewal or early termination option (e.g. investment in leasehold improvements or significant specific changes to the leased asset).

The Group has included the renewal exercise as part of the term of leases relating to plant and equipment with a short non-cancellable lease term (e.g. three to five years). The group usually exercises its renewal option for these leases as there would be a negative impact on its operations if alternative assets were not available. Renewal options for leases of plant and machinery with a longer non-cancellable contractual term (e.g., 10–15 years) have not been included when determining the lease term, as there is no reasonable certainty that they will be exercised. In addition, renewal options for vehicle leases are not included in determining the lease term because the group does not usually use these assets for a period longer than five years and therefore does not exercise any renewal options. Finally, periods covered by early cancellation options are included in the lease term only when it is reasonably certain that they will not be exercised.

Climate change

The U-Power Group has initiated qualitative assessments with respect to potential physical and transitional risks deriving from climate change to adapt to the implications of the new directive on non-financial reporting (see Corporate Sustainability Reporting Directive). In this context, the assessments carried out by the Company lead us to believe that the Group is not particularly exposed, over the short term, to physical risks related to climate change, considering the nature of its business and the geographical location of its production sites. As far as transitional risks are concerned, the analysis carried out by the Group focused in particular on certain aspects, such as changing consumer preferences (an aspect managed with the creation of the U-Green line's "offset emissions" models).

These impacts are taken into account by the Group in the application of international accounting standards when significant, assessing their effects, both in the application of individual accounting standards and on the Group's ability to continue as a going concern. In this context, it should be noted that for the Group, no significant impacts have been noted from the application of the individual standards and no doubts or uncertainties have arisen relative to events or conditions that could call into question the ability to operate as a going concern.

Geopolitical conflicts and tensions

The conflict between the national states of Ukraine and Russia has led to an uncertainty situation that does not yet allow to outline in the short term the effects that it may produce. In this context, it should be noted that for the Group, no significant impacts were recorded, since the Group is not present in Russia and Ukraine with its own production plants, research centres or representative offices.

Recent tensions in the Middle East, in particular the conflict involving Israel, the USA, Iran and other players in the region, are also contributing to an unstable global environment and are having a significant impact on international energy costs. Navigational difficulties in the Strait of Hormuz and, more generally, in the areas of the Gulf of Oman and the Persian Gulf have further increased the level of risk.
The situation in the Red Sea also remains highly critical, where Houthi attacks on commercial vessels transiting the Bab-el-Mandeb Strait have led to the diversion of the main shipping routes. Indeed, shipping companies are opting to circumnavigate the Cape of Good Hope, which has led to increases in shipping rates and an extension of transport times by approximately 15 days for goods originating from Asia.
With reference to the indirect impacts of the conflict on revenues, costs, investments and expected cash flows, and to possible cost increases (primarily transport costs), the Group has not revealed any significant impacts to date. In particular, the Group was not impacted by the increase in the cost of energy, as most of its production takes place in Tunisia, a country where the cost of energy has remained constant to date.

4. STANDARDS ISSUED BUT NOT YET IN FORCE

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for the presentation of the income statement, including specific totals and subtotals. In addition, entities must classify all costs and revenues in the income statement within four categories: operating, investment, finance, income taxes and discontinued operations, where the first three categories are new.
The standard also requires disclosure on the basis of the new definition of performance indicators defined by management (management-defined performance measures (MPMs)), subtotals of costs and revenues, and includes new provisions for the combination and unbundling of financial information based on the identified roles of the "Primary Financial Statements" (PFS) and the notes.
In addition, amendments were introduced to IAS 7 Statement of Cash Flows, which include the change in the starting point for the determination of cash flows from operations on the basis of the indirect method; from profit or loss to operating profit or loss and the removal of the right to classify cash flows from dividends and interest. In addition, consequent changes were made to many other accounting standards.
IFRS 18, and the amendments to the other standards, are effective for years beginning on or after 1 January 2027, but early application is permitted subject to disclosure. IFRS 18 will apply retrospectively.
The Group is currently working to identify the impacts that the changes will have on its financial statements and on the notes to the financial statements. Preliminary assessments of the main expected impacts on the Group's consolidated financial statements are as follows:

- Rental income, changes in the fair value of investment property, and the share of profit from an investee and a joint venture will be classified under the 'investment' category in the income statement.
- Foreign exchange differences shall be classified within the category in which the related income and expenses that gave rise to the foreign exchange difference were classified.
- New disclosures will be introduced with regard to: (a) 'management-defined performance measures'; (b) costs by nature, where costs are presented by function under the 'operating' category in the statement of profit/(loss) for the period; and (c) a reconciliation, for each income statement item, between the amounts restated in accordance with IFRS 18 and those previously presented in accordance with IAS 1. Interest income and interest expense will be classified, respectively, as investing activities and financing activities in the cash flow statement.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to opt for a reduction of their disclosure requirements while continuing to apply the provisions for recognition, measurement and presentation in the other IFRS accounting standards. To be eligible, at the end of the year, an entity must be a subsidiary as defined in IFRS 19, cannot have public accountability and must have a parent company (ultimate or intermediate) that prepares the consolidated

financial statements, available to the public, prepared in accordance with the IFRS accounting standards.
IFRS 19 will become effective for years beginning on or after 1 January 2027, with the possibility of early application.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, entitled Amendments to the Classification and Measurement of Financial Instruments (the 'Amendments'). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date', and the introduction of an accounting policy option (where specific conditions are met) to derecognise financial liabilities settled via electronic payment systems before the settlement date;
- Additional guidance on how to measure contractual cash flows for financial assets with environmental, social and governance (ESG) or similar characteristics;
- Clarifications on what constitutes a 'non-recourse feature' of an instrument and what constitutes a feature of contractually linked instruments;
- The introduction of disclosure requirements for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods beginning on or after 1 January 2026, with early adoption permitted only for the classification of financial assets and related disclosures.
The Group does not expect the amendments to have a material effect on the consolidated financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11

In July 2024, the IASB issued nine amendments of limited scope as part of its regular maintenance of IFRSs. The amendments include clarifications, simplifications, corrections or changes aimed at improving consistency in the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and the related Guidance on Implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows.
The amendments will be effective for financial years beginning on or after 1 January 2026. Early adoption is permitted, and appropriate disclosure must be made in this regard.
These amendments are not expected to have a material impact on the Group's consolidated financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued amendments to IFRS 9 and IFRS 7, Contracts Referencing Nature-dependent Electricity. The amendments apply exclusively to contracts that refer to this type of electricity and:

- clarify the application of the own-use requirements for contracts falling within their scope;
- amend the requirements for designating a hedged item in a cash flow hedging relationship for the contracts in question;
- introduce new disclosure requirements to enable investors to understand the effects of such contracts on a company's financial performance and cash flows.

The amendments will be effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, but appropriate disclosures must be made.
The amendments relating to the own-use exception are to be applied retrospectively, while those concerning hedge accounting are to be applied prospectively to new hedging relationships designated from the date of first application. Furthermore, the amendments to the disclosures required by IFRS 7 must be implemented in conjunction with the amendments to IFRS 9. If an entity does not restate comparative information, it will not be able to present comparative disclosures.
The Group does not expect these amendments to have a material impact on its consolidated financial statements.

5. FAIR VALUE MEASUREMENT

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

(amounts in thousands of Euro)

	31 December 2025				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss					
UniCredit securities	293	293	293		
Total	**293**	**293**	**293**		-
Financial liabilities at amortised cost					
Variable-rate loans	235,792	235,792		235,792	
Fixed-rate loans	9,210	9,210		9,210	
Total	**245,002**	**245,002**		**245,002**	-
Derivative financial instruments					
Effective hedging derivatives	1,360	1,360		1,360	
Total	**1,360**	**1,360**		**1,360**	-

(amounts in thousands of Euro)

	31 December 2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss					
UniCredit securities	284	284	284		
Total	**284**	**284**	**284**		-
Financial liabilities at amortised cost					
Variable-rate loans	246,372	246,372		246,372	
Fixed-rate loans	13,500	13,500		13,500	
Total	**259,873**	**259,873**		**259,873**	-
Derivative financial instruments					
Effective hedging derivatives	2,656	2,656		2,656	
Total	**2,656**	**2,656**		**2,656**	-

Management has verified that the fair value of cash and cash equivalents and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximates the carrying value as a result of the short-term maturities of these instruments.

6. INTANGIBLE ASSETS

Intangible assets, as detailed in the table below, amounted to €636,690 thousand as of 31 December 2025.

(amounts in thousands of Euro)

	Concessions, licences, and trademarks	Assets under construction and advance payments	Customer portfolio	Goodwill	Total
Historical cost					
As at 1 January 2025	174,406		174,428	339,923	688,757
Increases	592	462			1,054
Disposals					
as at 31 December 2025	**174,988**	**462**	**174,428**	**339,923**	**689,811**
Accumulated depreciation					
As at 1 January 2025	(21,019)		(12,825)		(33,844)
Depreciation for the financial year	(9,016)		(10,261)		(19,277)
Disposals					
as at 31 December 2025	**(30,035)**	**-**	**(23,086)**		**(53,121)**
Net book value					
As at 1 January 2025	153,387		161,603	339,923	654,913
as at 31 December 2025	**144,962**	**462**	**151,342**	**339,923**	**636,690**

The comparative table for 31 December 2024 is provided below:

(amounts in thousands of Euro)

	Concessions, licences, and trademarks	Customer portfolio	Goodwill	Total
Historical cost				
As at 1 January 2024	172,711	174,428	339,923	687,062
Increases	1,806	-	-	1,806
Disposals	(111)	-	-	(111)
as at 31 December 2024	**174,406**	**174,428**	**339,923**	**688,757**
Accumulated depreciation				
As at 1 January 2024	(12,247)	(2,565)	-	(14,812)
Depreciation for the financial year	(8,882)	(10,260)	-	(19,142)
Disposals	110	-	-	110
as at 31 December 2024	**(21,019)**	**(12,825)**	**-**	**(33,844)**
Net book value				
As at 1 January 2024	160,463	171,863	339,923	672,250
as at 31 December 2024	**153,387**	**161,603**	**339,923**	**654,913**

The item “Concessions, licences, trademarks and similar rights” refers mainly to the value of the U-Power, Jallatte, Aimont, and Lupos trademarks, relating to the products sold by the Group in the safety footwear and clothing sector.

The value recorded in the financial statements of the U-Power brand is €126,076 thousand and that of the Jallatte brand is €17,135 thousand, both net of amortisation for the year. Both include the higher current value assigned to these assets as part of the final Purchase Price Allocation process completed by the Group during the first half year of 2024.
The value of the Aimont, Lupos and other minor trademarks, totalling €682 thousand, corresponds to the purchase and/or registration value net of amortisation already sustained.

As regards trademarks, considered by management as assets with a definite useful life and amortised over 20 years, no impairment indicators or indicators that would lead to the identification of a useful life different from the current one emerged during the year, based on future plans.

The item ‘Assets under construction’ includes the costs incurred at the end of the financial year for the implementation of a new integrated Group management system. The project, which is still in the development and implementation phase, is aimed at replacing and standardising the IT applications currently in use at Group companies, with the objective of improving the efficiency of administrative, accounting and management processes. The system will become operational during the 2026 financial year; consequently, as at the reporting date, these costs are not yet subject to amortisation.

The item “Customer portfolio”, amounting to €151,342 thousand as at 31 December 2025, includes the higher current value assigned to these assets as part of the final Purchase Price Allocation process completed by the Group during the first half year of 2024. Amortisation for the year, amounting to €10,261 thousand, was carried out on the basis of a useful life of 17 years, which represents the best available estimate, also taking into account the assessments made by the independent expert as part of the final Purchase Price Allocation process.

The item “Goodwill”, amounting to €339,923 thousand as at 31 December 2025, was determined on a residual basis as part of the final Purchase Price Allocation process completed by the Group during the first half year of 2024.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, as detailed in the table below, amounted to €72,974 thousand as at 31 December 2025.

(amounts in thousands of Euro)

	Land and buildings	Plant and machinery & Industrial and commercial equipment	Fixed assets under construction and advance payments	Other assets	Total
Historical cost					
As at 1 January 2025	47,159	52,360	2,841	4,115	106,475
Increases	1,492	3,360	231	356	5,439
Disposals	-	(1,326)	-	(402)	(1,728)
Reclassifications	15	2,760	(2,780)	5	-
as at 31 December 2025	**48,666**	**57,154**	**292**	**4,074**	**110,186**
Accumulated depreciation					
As at 1 January 2025	(3,768)	(27,248)		(2,737)	(33,753)
Depreciation for the financial year	(1,378)	(3,379)	-	(408)	(5,165)
Disposals	-	1,342	-	364	1,706
as at 31 December 2025	**(5,146)**	**(29,285)**		**(2,781)**	**(37,212)**
Net book value					
As at 1 January 2025	43,391	25,112	2,841	1,378	72,722
as at 31 December 2025	**43,520**	**27,869**	**292**	**1,293**	**72,974**

The comparative table for 31 December 2024 is provided below:

(amounts in thousands of Euro)

	Land and buildings	Plant and machinery & Industrial and commercial equipment	Fixed assets under construction and advance payments	Other assets	Total
Historical cost					
As at 1 January 2024	39,142	49,184	5,506	3,438	97,270
Increases	3,133	2,210	3,517	657	9,517
Disposals		(127)		(184)	(311)
Reclassifications	4,884	1,093	(6,182)	205	-
as at 31 December 2024	**47,159**	**52,360**	**2,841**	**4,115**	**106,475**
Accumulated depreciation					
As at 1 January 2024	(2,535)	(23,823)		(2,509)	(28,867)
Depreciation for the financial year	(1,233)	(3,550)	-	(412)	(5,195)
Disposals		125	-	184	307
as at 31 December 2024	**(3,768)**	**(27,248)**		**(2,737)**	**(33,753)**
Net book value					
As at 1 January 2024	36,606	25,361	5,506	929	68,402
as at 31 December 2024	**43,391**	**25,112**	**2,841**	**1,378**	**72,722**

The item “Land and buildings” mainly consists of buildings located in Tunisia whose value as at 31 December 2025 is equal to €18,705 thousand, warehouse properties located in Italy for €17,664 thousand, the parent company’s new office building for €6,906 thousand and the buildings of Jallatte.

The majority of plant, machinery and equipment is located in the Tunisian production facilities for a value of €26,288 thousand, partly for the modelling department located in Italy for €444 thousand, partly in the logistics plant of the subsidiary U-Logistics for €668 thousand and in the production facility of the French subsidiary Jallatte for €447 thousand. The increases recorded during the period are primarily attributable to the purchase of plant and machinery for the Tunisian facilities, in particular for cooling projects at the production sites aimed at improving environmental comfort for staff.

The item ‘Other Assets’ mainly comprises computer equipment, office furniture and means of transport.

The item ‘Assets under construction and payments on account’ is mainly made up of assets under construction at the Tunisian subsidiary, valued at EUR 171 thousand.

Verification of impairment of property, plant and equipment and intangible assets, including goodwill (impairment test)

As at 31 December 2025, the Group carried out a check on the existence of any indicators of impairment of its property, plant and equipment and intangible assets. To this end, specific assessments were carried out on the basis of both internal and external sources of information.

In this regard, it should be noted that the Group has been identified as a single cash flow generating unit in view of the high degree of interdependence existing between the activities of its various entities in terms of production, sales and geography.

With regard to the determination of the recoverable value of the NIC (Net Invested Capital) based on the value in use method, the estimate of the cash flows generated by the Group was resorted to. The operating cash flow forecasts derive from the respective plans, with a duration of 5 years.

The main assumptions with reference to the determination of the value in use of the CGUs are the operating cash flows, the discount rate and the growth rate used to determine the terminal value, assumed to be 2.0%.

The assumptions of the first year of the business plan correspond to those of the annual budget, while the assumptions for the subsequent years subject to explicit estimate are developed starting from the economic performance of the previous years, with assumptions of growth of revenues and of the overhead costs, considered reasonable and consistent with the market prospects and the operating plans of the Group companies. Finally, the estimated cash flows include flows related to the development of working capital, capital expenditure, and any other relevant balance sheet items.

The breakdown of the estimates of future cash flows was determined on the basis of criteria of reasonableness and consistency in relation to the allocation of future general expenses, the development of capital investments, the conditions of financial balance, as well as the main macro-economic variables. Lastly, it should be noted that the cash flow forecasts refer to the current operating conditions of the asset and, therefore, do not include cash flows related to any extraordinary measures.

For the purpose of determining the terminal value, the method of discounting the perpetual annuity was used.

The value in use of the CGUs was determined by discounting the value of the estimated future cash flows, including the terminal value, which are assumed to derive from continuous use of the assets, at a discount rate, net of taxation, adjusted for the risk and which takes into account the weighted average cost of capital.

In particular, the discount rate used is calculated starting from the Group’s Weighted Average Cost of Capital (“WACC”), for which reference was made to indicators and metrics observable on the reference market, at the current value of money. In particular, the determination of the WACC refers to the following main metrics:

- Risk-free rate: 3.5%, equal to the rate on 10-year government securities of Italy, Spain, France, Germany and the UK recorded as at 31 December 2024, weighted by the weight of revenues achieved in each of these countries (source: Capital IQ);
- Market equity risk premium: 5.5%, defined as the additional return (over and above the expected return on risk-free assets) that investors expect to obtain from an investment in the market portfolio of ordinary shares, determined in accordance with the Kroll recommendations for the Eurozone as at 31 December 2025.
- Unlevered beta: 0.70, calculated as at 31 December 2024 as the average of the unlevered betas of the identified comparables (source: Capital IQ);
- Target financial structure: D/E ratio of 30.1%, equal to the debt ratio of comparables as at 31 December 2025 (source: Capital IQ).
- On the basis of the above, applying the Capital Asset Pricing Modelin particular, a WACC of 9.1% is obtained.

As at 31 December 2025, the value in use of the NIC subject to valuation, determined on the basis of the methods and assumptions described above, is higher than the book value of the assets allocated to them, including goodwill.
Also in consideration of the current situation of market volatility and uncertainty regarding future economic prospects, sensitivity analyses were carried out on the recoverable value of goodwill.
In particular, a sensitivity analysis was developed on the recoverable value of the NIC, assuming an increase in the discount rate and a decrease in the perpetual growth rate, also representative of an implicit reduction in forecast cash flows.
The sensitivity analysis of the results of the impairment test, pursuant to paragraph 134 of IAS 36, shows the following tolerance margins:

- Discount rate: the value in use of the NIC remains higher than its book value also foreseeing the following increase in the discount rate: increase in the discount rate up to 10.76%;
- “g” growth rate: the value in use of the NIC remains higher than its book value also foreseeing the following decrease in the implicit growth rate (“g rate”) is envisaged: reduction of the g rate reaching a limit grate of -0.36%.

Based on the analyses carried out, the Directors considered the book value of the goodwill recorded in the consolidated financial statements as at 31 December 2025 to be recoverable.

8. RIGHTS OF USE

With the application of IFRS 16 concerning rights of use and lease agreements, the statement of financial position included a value of €13,977 thousand, net of amortisation calculated for the period.
Details are shown in the table below:

(amounts in thousands of Euro)

	Right of use - Properties	Right of use – Industrial and commercial equipment	Right of use - Auto	Total
Historical cost				
As at 1 January 2025	4,211	16,655	1,152	22,018
Increases	769	714	341	1,824
Decreases	(1,975)	(2,006)	(287)	(4,268)
as at 31 December 2025	**3,005**	**15,363**	**1,206**	**19,574**
Accumulated depreciation				
As at 1 January 2025	(763)	(4,023)	(643)	(5,429)
Depreciation for the financial year	(371)	(2,133)	(313)	(2,817)
Disposals	441	1,939	269	2,649
as at 31 December 2025	**(693)**	**(4,217)**	**(687)**	**(5,597)**
Net book value				
As at 1 January 2025	3,448	12,632	509	16,589
as at 31 December 2025	**2,312**	**11,146**	**519**	**13,977**

The comparative table for 31 December 2024 is provided below:

(amounts in thousands of Euro)

	Right of use - Properties	Right of use – Industrial and commercial equipment	Right of use - Auto	Total
Historical cost				
As at 1 January 2024	3,710	16,101	974	20,785
Increases	1,654	1,477	299	3,430
Decreases	(1,153)	(923)	(121)	(2,197)
as at 31 December 2024	**4,211**	**16,655**	**1,152**	**22,018**
Accumulated depreciation				
As at 1 January 2024	(1,127)	(2,938)	(497)	(4,562)
Depreciation for the financial year	(337)	(1,986)	(273)	(2,596)
Disposals	701	901	127	1,729
as at 31 December 2024	**(763)**	**(4,023)**	**(643)**	**(5,429)**
Net book value				
As at 1 January 2024	2,583	13,163	477	16,223
as at 31 December 2024	**3,448**	**12,632**	**509**	**16,589**

The main balance of the rights of use relates to equipment used as part of the warehouse automation process of the subsidiary U-Logistics S.r.l.
The decreases mainly relate to the reduction in the floor space used by the plants in Tunisia and to the termination of machinery leasing contracts, also at the Tunisian subsidiary.

9. DEFERRED TAX ASSETS

Details of deferred tax assets are provided:

(amounts in thousands of Euro)

	31-Dec-2025			31-Dec-2024		
	Amount of temporary differences	Rate	Tax effect	Amount of temporary differences	Rate	Tax effect
Derivatives	1,360	24.00%	327	2,656	24.00%	637
Inventory write-downs	14,678	24.30%	3,567	9,646	24.00%	2,315
Provision for bad debts	147	24.00%	35	147	24.00%	35
Jallatte tax losses	8,107	25.00%	2,027	11,441	25.00%	2,860
Temporary differences for the provision of services	109	24.00%	26	103	24.00%	25
Foreign exchange losses on conversion	980	25.00%	245	-	24.00%	-
FISC	456	27.90%	127	456	27.90%	127
Revaluation of trademark and patent	18,944	29.57%	5,602	19,368	29.54%	5,722
Consolidation entries	1,927	27.90%	538	1,630	27.90%	455
Total prepaid taxes			**12,494**			**12,176**

The main amount of deferred tax assets relates to the tax relevance of the revaluation of the "Energizer Safety Shoe" patent and the U-Power brand carried out by the parent company in its financial statements for the year, which resulted in the recognition of deferred tax assets which are reduced as the tax benefit accrues.
The item Jallatte tax losses is reduced on the basis of their utilisation in consideration of the profits generated by Jallatte during the year.
The amount related to consolidation entries mainly refers to the elimination of intercompany profits in inventories at the end of the period.

Based on the prospects for the generation of positive taxable results by the Group companies, the management body has not identified any indicators such as to require a verification of the recoverability of the deferred tax assets recognised in the consolidated financial statements as at 31 December 2025.

10. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets amount to €314 thousand and are broken down as follows:

(amounts in thousands of Euro)

Non-current financial assets	31 December 2025	31 December 2024	Change
UniCredit securities	293	284	
Security deposits	16	20	
Shareholdings in other companies	5	5	
Total	**314**	**309**	

The item mainly includes Securities issued by Unicredit SpA for a total amount of €293 thousand, in addition to the usual guarantee deposits.
Equity investments in other companies, which are not significant, are not consolidated and are valued at cost (considered similar to fair value).

11. INVENTORIES

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

(amounts in thousands of Euro)

Inventory	31 December 2025	31 December 2024	Change
Raw materials, auxiliary materials and consumables	17,925	22,390	(4,465)
Work in progress and semi-finished products	13,914	13,219	695
Finished goods and merchandise	61,844	52,816	9,028
Total	**93,683**	**88,425**	**5,258**

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

(amounts in thousands of Euro)

	Obsolete inventory provision
As at 1 January 2025	18,543
Net change for the financial year	1,005
as at 31 December 2025	19,548

The trend in inventories as at 31 December 2025 is related to the sales trend: stocks of raw materials decreased and stocks of finished products were increased to meet the rise in envisaged sales of finished products.

12. TRADE RECEIVABLES

Receivables from customers as of 31 December 2025 amounted to €78,489 thousand, net of the related allowance for doubtful accounts of €1,921 thousand. This item consists entirely of receivables due within the next 12 months.
The table below provides a breakdown of receivables from customers by geographic area:

(amounts in thousands of Euro)

	31 December 2025	31 December 2024
Customers – Italy	51,944	51,684
Customers - EU	24,622	21,061
Non-E.U. customers	1,923	3,070
Total	**78,489**	**75,815**

The table below details the concentration of trade receivables as of 31 December 2024 and 31 December 2025:

(amounts in thousands of Euro)

	31 December 2025	inc. %	31 December 2024	inc. %
First customer	2,916	3.72%	3,307	4.36%
Top five customers	12,223	15.57%	10,013	13.21%
Top ten customers	16,589	21.14%	14,150	18.66%
Total trade receivables	**78,489**	**100%**	**75,815**	**100.0%**

The following table shows the breakdown of the Group's trade receivables as at 31 December 2025 and 31 December 2024 by due date:

(amounts in thousands of Euro)

	31 December 2025	% share	31 December 2024	% share
Due	75,444	96.12%	72,970	96.25%
Overdue within 30 days	2,030	2.59%	2,097	2.77%
Overdue between 30 and 60 days	952	1.21%	1,140	1.50%
Overdue between 60 and 90 days	299	0.38%	345	0.46%
Over 90 days past due	1,685	2.15%	1,705	2.25%
Provision for bad debts	(1,921)	-2.45%	(2,442)	-3.22%
Total trade receivables	**78,489**		**75,815**	

The movement in the bad debt provision is reported below:

(amounts in thousands of Euro)

	Provision for bad debts
As at 1 January 2025	2,441
Utilisation in 2025	(520)
Provision for 2025	-
as at 31 December 2025	1,921

13. RECEIVABLES FROM RELATED PARTIES

Please refer to point 39 of this note for details on these receivables.

14. TAX RECEIVABLES

Tax receivables as of 31 December 2025 amounted to €525 thousand (€554 thousand as at 31 December 2024).
The item mainly refers to IRES and IRAP advances of the Italian companies and receivables from the Italian tax authorities for taxes generated by the foreign branches of U-Group S.r.l.

15. OTHER CURRENT ASSETS

The item “Other current assets” is detailed as shown in the following table:

(amounts in thousands of Euro)

	31 December 2025	31 December 2024
VAT receivables	1,568	3,673
Other tax receivables	1,041	1,947
Security deposits	110	99
Advance payments to suppliers	3,984	9,202
Other receivables	5,898	7,103
Receivables for collections	-	716
Total	**12,601**	**22,740**

The amount of VAT receivables derives essentially from extraordinary costs incurred as part of the acquisition of the U-Power Group, in addition to the receivables generated for the normal business of the Group’s operating companies. The decrease relates to the offsetting of these VAT receivables by the parent company during the financial year.
The item “Other tax receivables” relates mainly to tax credits on capital goods of the subsidiary U-Logistics (tax credit 4.0) for approximately €1.0 million, for investments made on the automated warehouse; the reduction is due to the credit disposal to the parent company.
“Advances to suppliers” is mainly composed of advances for the purchase of workwear and footwear from Asian suppliers for about €4 million.
The item “Other receivables” refers primarily to prepaid expenses (for marketing costs of €1.9 million; for insurance of €1.1 million; and for pro-rata-temporis amortisation of transaction costs related to the Capex and RCF facilities for €0.7 million), as well as receivables from the Tunisian National Social Security Fund of approximately €1.0 million and for advances to employees of the Tunisian branch for approximately €0.4 million.

16. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

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

(amounts in thousands of Euro)

	31 December 2025	31 December 2024
Bank deposits	59,792	43,173
Cash on hand	21	10
Total	**59,813**	**43,183**

(amounts in thousands of Euro)

	31 December 2025	Percentage %	31 December 2024	Percentage %
EUR	55,415	92.6%	42,751	99.0%
TND	564	0.9%	245	0.6%
GBP	263	0.4%	186	0.4%
USD	3,571	6.0%	1	0.0%
Total cash and cash equivalents	**59,813**	**100%**	**43,183**	**100%**

The balance represents cash and cash equivalents and the existence of cash and cash equivalents fully available at the end of the financial year.
There are no restrictions or limitations on the use of cash and cash equivalents.
Please refer to the cash flow statement for details of the changes.

17. NET ASSETS

At the balance sheet date, the fully subscribed and paid-in share capital amounted to €10,000 thousand.
The breakdown of shareholders' equity as of 31 December 2024 and 31 December 2025 is shown below:

(amounts in thousands of Euro)

			Change	
	31 December 2025	31 December 2024	2025 vs 2024	2025 vs 2024 %
Share capital	10,000	10,000	0	0.0%
Other reserves	430,047	429,038	1,009	0.2%
Reserve for shareholder capital contributions	8,600	8,600	0	0.0%
Retained earnings	100,297	80,280	20,017	24.9%
Profit for the financial year	18,354	20,017	(1,663)	-8.3%
Group shareholders' equity	567,298	547,935	19,363	3.5%
Non-controlling interests	-	-	-	-
Total shareholders' equity	**567,298**	**547,935**	**19,363**	**3.5%**

Group shareholders' equity as at 31 December 2025 amounted to €567,298 thousand (€547,935 thousand as at 31 December 2024), marking an increase of €19,363 thousand, attributable to the combined effect of (i) the profit for 2025 amounting to €18,354 thousand, and (ii) the change in cash flow hedge reserves for €(1,009) thousand relating to the hedging derivative contracts entered into by the Group.
The item Other reserves as at 31 December 2024 and 31 December 2025, with the related changes during the year, is broken down below:

(amounts in thousands of Euro)

			Change	
	31 December 2025	31 December 2024	2025 vs 2024	2025 vs 2024 %
Statutory reserve	2,000	2,000	-	0.0%
Share premium reserve	3,517	3,517	-	0.0%
Merger surplus reserve	415,733	415,733	-	0.0%
Actuarial profit and loss reserves	54	30	24	80.0%
FTA reserve	9,776	9,776	-	0.0%
Reserve for cash flow hedging transactions	(1,033)	(2,018)	985	-49%
Total other reserves	**430,047**	**429,038**	**1,009**	**0.2%**

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

(amounts in thousands of Euro)

Capital management	31 December 2025	31 December 2024
Non-current financial liabilities	226,099	247,166
Current financial liabilities	20,342	15,363
(Cash and cash equivalents and short-term deposits)	(59,813)	(43,183)
Net financial debt (A)	**186,628**	**219,346**
Shareholders' equity (B)	**567,298**	**547,935**
Gearing ratio (A/B)	**0.33**	**0.40**

In order to achieve this goal, the Group's capital management aims, among other things, to ensure that the covenants, related to interest-bearing loans and borrowings, which define the capital structure requirements, are met. Violations of covenants would allow banks to demand immediate repayment of loans and financing.
There were no violations in the covenants linked to interest-bearing financing and loans.
During the periods under consideration, no changes were made to the objectives, policies and procedures for the capital management.

18. EMPLOYEE SEVERANCE INDEMNITY AND OTHER PROVISIONS RELATING TO PERSONNEL

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

(amounts in thousands of Euro)

as at 31 December 2024	1,234
Provisions	166
Uses	(276)
Interest	38
Actuarial profit and loss	(31)
as at 31 December 2025	1,131

The valuation of TFR for IAS purposes follows the method of projecting the present value of the defined benefit obligation with the estimated benefits accrued by employees.
Following the changes introduced by Law No. 296 of 27 December 2006 ("2007 Budget Law") and subsequent implementation Decrees and Regulations, the employee severance indemnity quotas accrued up to 31 December 2006 will continue to remain with the company, configuring a defined benefit plan (obligation for accrued benefits subject to actuarial valuation), while the portions accruing from 1 January 2007, as a result of the choices made by employees during the year, will be allocated to complementary pension schemes or transferred by the company to the treasury fund managed by INPS, configuring themselves as defined contribution plans (no longer subject to actuarial valuation) from the moment the choice is formalised by the employee.
The determination of the TFR is therefore the result of the application of an actuarial model based on various assumptions, both demographic and economic. The table below shows the economic technical bases used:

	%
Discount rate	3.70
Annual inflation rate	2.00
Annual severance pay increase rate	3.00
Annual real wage increase rate	1.00

The following tables provide information on

- sensitivity analysis for each relevant actuarial hypothesis at the end of the year, showing the effects that would have occurred following changes in the reasonably possible actuarial hypotheses at that date, in absolute terms;
- indication of the contribution for the following year;
- indication of the average financial duration of the obligation for defined benefit plans;
- disbursements envisaged by the plan.

SENSITIVITY ANALYSIS OF KEY EVALUATION PARAMETERS

(amounts in thousands of Euro)

Turnover rate +1%	1,139
Turnover rate -1%	1,122
Inflation rate +0.25%	1,152
Inflation rate -0.25%	1,111
Discount rate +0.25%	1,105
Discount rate -0.25%	1,158

SERVICE COST AND DURATION

(amounts in thousands of Euro)

Annual projected service cost	161
Plan duration	15.93

ESTIMATED FUTURE DISBURSEMENTS

(amounts in thousands of Euro)

Years	Euro
1	127
2	75
3	82
4	89
5	164

19. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are detailed below:

(amounts in thousands of Euro)

	31 December 2025	31 December 2024
Provision for pensions and similar obligations	4,263	4,206
Other provisions for risks	2,603	2,718
Total non-current provisions for risks and charges	**6,866**	**6,924**

The provision for pensions and similar obligations mainly refers to the indemnity for termination of agent relationship for €3,468 thousand of the subsidiary U-Group, the TFM (End of Mandate Indemnity) of the parent company for €355 thousand and the pension fund and indemnity to employees of the French subsidiary Jallatte for about €460 thousand.
The item other provisions refers mainly to the provision for risks on contributions to employees of the Tunisian branch for approximately €2.4 million, and to a provision of the Jallatte branch for risks linked to a dispute with an agent for €259 thousand.

Changes in the provisions during the year were as follows:

(amounts in thousands of Euro)

	Provision for pensions and similar obligations	Other provisions for risks	Total
As at 1 January 2025	**4,206**	**2,718**	**6,924**
Utilisation in 2025	(766)	(76)	(842)
Provision for 2025	823	-	823
Exchange rate effect		(39)	(39)
as at 31 December 2025	**4,263**	**2,603**	**6,866**

20. FINANCIAL LIABILITIES

Financial liabilities are detailed below:

(amounts in thousands of Euro)

	31 December 2025	31 December 2024
Payables to banks	15,534	10,716
Payables for rights of use	4,371	4,254
Payables due to other lenders	437	393
Total current financial liabilities	**20,342**	**15,363**
Payables to banks	220,314	235,694
Payables for rights of use	4,346	8,390
Derivative financial instruments	1,439	2,656
Payables due to other lenders	-	426
Total non-current financial liabilities	**226,099**	**247,166**
Total financial liabilities	***246,441***	***262,529***

(amounts in thousands of Euro)

	Payables to banks	Payables for rights of use	Derivative financial instruments	Payables due to other lenders	Total
As at 1 January 2025	**246,410**	**12,644**	**2,656**	**819**	**262,529**
Cash flows	(10,562)	(5,751)		(382)	(16,695)
of which increases	*1,812*				*1,812*
of which decreases	*12,480*				*12,480*
Fair value change			(1,217)		(1,217)
New rights-of-use contracts		1,824			1,824
as at 31 December 2025	**235,848**	**8,717**	**1,439**	**437**	**246,441**
of which current	*15,534*	*4,371*	*-*	*437*	*20,342*
of which non-current	*220,314*	*4,346*	*1,439*	*-*	*226,099*

20.1 PAYABLES TO BANKS

Below are details of bank debts broken down by nature:

(amounts in thousands of Euro)

Company	Institution	Description	Currency	Start date	Maturity date	Initial loan amount in euros	Outstanding amount to be repaid in euros	Interest rate	Instalment due dates
U-POWER GROUP S.P.A.	Intesa Sanpaolo Agente	Facility A1 Amortizing	Euros	26 September 2023	25 September 2029	88,933	74,259	Variable 6-month Euribor + 4.5%	Half-yearly
		Amortised cost					(1,888)		
U-POWER GROUP S.P.A.	Intesa Sanpaolo Agente	Facility A2 Amortizing		26 September 2023	25 September 2029	15,067	12,581	Variable 6-month Euribor + 4.5%	Half-yearly
		Costo ammortizzato					(320)		
U-POWER GROUP S.P.A.	Intesa Sanpaolo Agente	Facility B1 Bullet	Euros	26 September 2023	25 September 2030	133,399	133,399	Variable 6-month Euribor +5%	Half-yearly
		Amortised cost					(4,214)		
U-POWER GROUP S.P.A.	Intesa Sanpaolo Agente	Facility B2 Bullet	Euros	26 September 2023	25 September 2030	22,601	22,601	Variable 6-month Euribor +5%	Half-yearly
		Amortised cost					(714)		
Medium- to long-term bank loan							**235,704**		
Sundry	Sundry	Interest and expenses	Euros					N/A	N/A
Current bank loan							**144**		
Bank loan							**235,848**		

The balance of payables due to banks as at 31 December 2025 totalled €235,848 thousand, a reduction of €10,562 thousand compared to the close as at 31 December 2024 and represents the actual payable in principal, interest and additional charges accrued and due to banks.

The book value was determined on the basis of the amortised cost criterion.

It should also be noted that the medium/long-term loan agreement of the Parent Company envisages being subject to certain economic/financial metrics; the verification of compliance with the financial covenants takes place every half year and it is confirmed that, in light of the final results for the first half year of 2025 and the results for the whole of 2025 included in these financial statements, no violations of these covenants have occurred or are expected.

It should be noted that there are unused credit facilities for approximately €81 million, of which €20 million for an unused Revolving facility and another €20 million intended to finance or refinance capital expenditure (so-called Capex Facility) and permitted acquisitions.

20.2 PAYABLES FOR RIGHTS OF USE

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

20.3 DERIVATIVE FINANCIAL INSTRUMENTS

To hedge the risk of interest rate fluctuations on the outstanding loan, U-Power Group S.p.A. entered into a derivative contract in the form of an Interest Rate Swap. These instruments are intended to hedge cash flows and are accounted for according to the rules of hedge accounting in accordance with the provisions of IFRS 9.
For all information on fair value, please refer to note 5.

20.4 PAYABLES DUE TO OTHER LENDERS

Payables due to other lenders refer to payables generated for the acquisition of software, capitalised under intangible fixed assets as commented on in note 6.

21. DEFERRED TAXES

Details of deferred tax liabilities are provided below.

(amounts in thousands of Euro)

	31 December 2025			31 December 2024		
	Amount of temporary differences	Rate	Tax effect	Amount of temporary differences	Rate	Tax effect
Goodwill of the U-Power brand	126,068	27.90%	35,173	133,171	27.90%	37,155
Capital gain on Martek properties	15,267	18.00%	2,748	14,385	18.00%	2,589
Capital gain on client portfolio	151,342	27.90%	42,224	161,603	27.90%	45,087
Goodwill of the Jallatte brand	17,135	25.00%	4,284	18,100	25.00%	4,525
Taxation of retained earnings to be distributed to subsidiaries	52,912	2.91%	1,541	20,070	10.00%	2,007
Dividends declared by subsidiaries but not received	62,551	5.98%	3,739	44,300	1.20%	532
IFRS adjustment for employee severance indemnities	60	24.00%	14	27	24.00%	6
Total deferred tax liabilities			**89,723**			**91,901**

Deferred taxes are mainly due to the capital gains generated during the allocation of the price paid for the purchase of the U-Power Group due to the Purchase Price Allocation".

22. TRADE PAYABLES

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

The following table provides a breakdown by geographic area:

(amounts in thousands of Euro)

	31 December 2025	31 December 2024
Italy suppliers	34,418	42,843
E.U suppliers	5,536	5,474
Non-E.U. suppliers	11,982	16,446
Total	**51,936**	**64,763**

The following table shows the breakdown of the Group's trade payables as at 31 December 2024 and 31 December 2025 by due date:

(amounts in thousands of Euro)

	31 December 2025	% share	31 December 2024	% share
Due	49,472	95.3%	62,113	95.9%
Overdue within 30 days	1,226	2.4%	982	1.5%
Overdue between 30 and 60 days	148	0.3%	419	0.6%
Overdue between 60 and 90 days	65	0.1%	200	0.3%
Over 90 days past due	1,025	1.97%	1,049	1.62%
Total trade payables	**51,936**		**64,763**	

23. PAYABLES TO RELATED PARTIES

Please refer to point 39 of this note for details on these payables.

24. CURRENT TAX PAYABLES

Current tax payables at year-end amounted to €1,996 thousand and were directly related to the results of Group companies.

25. OTHER CURRENT LIABILITIES

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

(amounts in thousands of Euro)

	31 December 2025	31 December 2024
VAT	309	56
Tax payables	102	74
Withholding taxes	1,378	786
Payables to social security and welfare institutions	3,202	3,167
Payables to employees	5,000	4,760
Other payables	2,115	2,626
Total	**12,106**	**11,469**

The item sundry payables includes approximately €2.1 million of deferred income of the subsidiary U-Logistics, relating to the tax credit on capital goods.

26. REVENUES FROM CONTRACTS WITH CLIENTS

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

(amounts in thousands of Euro)

	2025	Percentage %	2024	Percentage %	2025 vs 2024	2025 vs 2024 %
Safety footwear	*271,871*	*87.7%*	*268,916*	*87.3%*	*2,955*	*1.1%*
of which U-Power brand	214,393	69.2%	206,029	66.9%	8,363	4.1%
of which Jallatte brand	33,453	10.8%	36,371	11.8%	-2,918	-8.0%
of which Aimont brand	7,445	2.4%	8,948	2.9%	-1,503	-16.8%
of which private labels	13,314	4.3%	14,104	4.6%	-791	-5.6%
of which other brands	3,267	1.1%	3,464	1.1%	-197	-5.7%
Technical Clothing	*36,662*	*11.8%*	*33,144*	*10.8%*	*3,518*	*10.6%*
of which U-Power Wear brand	34,475	11.1%	31,917	10.4%	2,558	8.0%
of which U-Power Gloves brand	2,151	0.7%	1,138	0.4%	1,013	89.0%
of which U-Power Helmets brand	36	0.0%	89	0.0%	-54	-60.0%
Lifestyle Footwear	*1,425*	*0.5%*	*6,016*	*2.0%*	*-4,591*	*-76.3%*
of which U-Power brand	1,425	0.5%	6,016	2.0%	-4,591	-76.3%
Total revenues from contracts with customers	**309,959**	**100.0%**	**308,076**	**100.0%**	**1,883**	**0.6%**
Total U-Power brand	252,480	81.5%	245,190	79.6%	7,290	3.0%
Total Jallatte brand	33,453	10.8%	36,371	11.8%	-2,918	-8.0%
Total Aimont brand	7,445	2.4%	8,948	2.9%	-1,503	-16.8%
Total private labels	13,314	4.3%	14,104	4.6%	-791	-5.6%
Total other brands	3,267	1.1%	3,464	1.1%	-197	-5.7%
Total revenues from contracts with customers	**309,959**	**100.0%**	**308,076**	**100.0%**	**1,883**	**0.6%**

In 2025, revenue from contracts with customers remained broadly stable compared to 2024, increasing by €1,882 thousand (+0.6%) to €309,959 thousand, compared to €308,076 thousand in the previous financial year. This growth was driven by Technical Clothing (+10.6%) and a slight increase in Safety Footwear (+1.1%), which were partially offset by a significant decline in Lifestyle Footwear (-76.3%), a line that was discontinued as a strategic decision.

At the brand level, U-Power further consolidates its share of the total, accounting for 81.5% of revenue (up from 79.6% in 2024), while the Jallatte and Aimont brands register a decline. This trend reflects an improvement in the product mix towards the technical and core lines, with particularly strong growth in the Wear and Gloves segments.
In detail in the category "safety footwear":

- revenue from the U-Power brand amounted to €214,393 thousand (+4.1%) for the financial year ended 31 December 2025 and was the driving force behind the entire category: indeed, the U-Power brand more than offset the declines experienced by the other brands;
  The brand's products consist of mid-to-high-end models and collections featuring contemporary design and highly innovative, high-performance technical systems;

- the revenues of the Jallatte brand amounted to €33,435 thousand for the period ended 31 December 2025 and accounted for 10.8%
- The revenues of the Aimont brand, a complementary brand to U-Power and Jallatte, amounted to €7,445 thousand (2.4%);
- revenues from the private labels amounted to €13,314 thousand (4.3%);
- revenues from other sales and other brands mainly include revenues relating to minority brands, including Auda and Lupos, and amounted to €3,267 thousand.

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

(amounts in thousands of Euro)

Country	2025	Percentage %	2024	Percentage %	2025 vs 2024	2025 vs 2024 %
Italy	146,076	47.1%	148,584	48.2%	(2,508)	-1.7%
France	94,435	30.5%	96,121	31.2%	(1,685)	-1.8%
Spain	38,370	12.4%	30,313	9.8%	8,056	26.6%
Germany	12,390	4.0%	13,972	4.5%	(1,582)	-11.3%
United Kingdom	5,834	1.9%	6,482	2.1%	(648)	-10.0%
Rest of the world	12,854	4.1%	12,604	4.1%	250	2.0%
Total revenues from contracts with customers	**309,959**	**100.0%**	**308,076**	**100.0%**	**1,883**	**0.6%**

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

- Italy is the Group's largest market (47.1% of the total), although slightly down on the previous financial year, due to a decline in revenue from the LifeStyle line, which offset the increases in technical clothing and safety footwear resulting from the consolidation of sales of mid-to-high-end models and collections and the strategic strengthening of the brand achieved through advertising investments and sponsorships;
- France is the Group's second-largest market (31.2% of the total), driven primarily by the U-Power brands, which grew compared to 2024, and Jallatte, which, however, declined compared to the previous financial year.
- Spain is firmly the Group's third-largest market, recording revenues of €38,370 thousand in the year ended as at 31 December 2025 (9.8% of the total), and growing by 26.6%, proof that the Group's strategy already tested in Italy and focused on the strengthening of sales of the U-Power brand through medium/high-end models and collections and through advertising investments, is enabling the Group to record highly significant increases in results.
- The German market recorded revenue of €12,390 thousand in the 2025 reporting year (4% of the total), a decrease of 11.3% compared to 2024, primarily attributable to the downturn in the domestic market due to the automotive crisis.
- The United Kingdom and the Rest of the world recorded revenues of €5,834 thousand (1.9%) and €12,854 thousand (4.1% of total revenues from contracts with customers), respectively.

27. OTHER REVENUES AND INCOME

Other revenues are broken down as follows:

(amounts in thousands of Euro)

	2025	2024
Transport refunds	408	417
Other revenue	1,750	1,902
Total	**2,158**	**2,319**

Other revenues and income amounted to €2,158 thousand for the year ended 31 December 2025, and mainly include disposals of materials, other sales and contingent assets due to the reversal of liabilities relating to previous years.

28. PURCHASES OF RAW MATERIALS AND CHANGES IN INVENTORY

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

(amounts in thousands of Euro)

	2025	2024
Purchases of raw materials	53,216	72,979
Purchases of finished products	51,133	27,998
Other purchases	4,113	5,022
Change in raw materials inventory	4,464	1,482
Change in inventory of finished and semi-finished products	(9,722)	(6,832)
Total	**103,204**	**100,649**

Please refer to Note 11 for a comment on the change in inventories.

The table below shows purchases and changes in inventories broken down by reference currency:

(amounts in thousands of Euro)

	2025	% of total	2024	% of total
EUR	55,406	53.7%	71,881	71.4%
TND	1,672	1.6%	2,202	2.2%
USD	44,327	43.0%	24,670	24.5%
CNY	1,739	1.7%	1,799	1.8%
GBP	60	0.1%	97	0.1%
Total purchases of raw materials and changes in inventory	**103,204**	**100.0%**	**100,649**	**100.0%**

The share of purchase costs denominated in currencies other than the euro in total purchase costs was approximately 46%, a marked increase compared to the previous financial year due to higher footwear purchases, primarily from Chinese suppliers; the Group's costs were affected, although not significantly, by exchange rate fluctuations.

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

29. PERSONNEL COSTS

Personnel costs are detailed below:

(amounts in thousands of Euro)

	2025	2024
Wages and salaries	36,957	35,293
Social security contributions	8,270	7,839
Employee severance pay	183	152
Total	**45,410**	**43,284**

The following table shows the amounts of personnel costs broken down by reference currency:

(amounts in thousands of Euro)

	2025	% of total	2024	% of total
EUR	18,631	41.0%	15,934	36.8%
TND	26,018	57.3%	26,905	62.2%
GBP	416	0.9%	445	1.0%
USD	345	0.8%	-	0.0%
Total staff costs	**45,410**	**100.0%**	**43,284**	**100.0%**

Personnel costs are mainly related to the costs of the production affiliate in Tunisia.
It should be noted that in Tunisia, the number of employees was reduced following the relocation of certain product lines, while at the European companies, new staff were hired during the financial year to strengthen the sales force. These hires, together with the contractual pay increases for employees at the Tunisian plants, led to an increase in the corresponding costs. The impact of the reduction in the number of employees in Tunisia began to affect personnel costs from the second half of the year; it should be noted that, as a result of this restructuring of the Tunisian workforce, non-recurring charges of approximately €1,072 thousand were incurred; there are also non-recurring costs relating to the personnel responsible for the Life Style line (which has been discontinued), including a voluntary redundancy incentive of €356 thousand, and costs for the new company in the USA of €345 thousand.

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

(amounts in thousands of Euro)

	31 December 2025	31 December 2024
Executives	23	23
Office staff and middle managers	197	180
Blue collars	4,081	5,086
Total	**4,301**	**5,289**

30. COSTS FOR SERVICES

Costs for services are detailed below:

(amounts in thousands of Euro)

	2025	% of revenue	2024	% of revenue
Marketing	24,639	7.9%	26,161	8.5%
Agent commissions	14,209	4.6%	13,968	4.5%
Transport	14,721	4.7%	14,861	4.8%
Other expenses	6,419	2.1%	5,464	1.8%
Logistics	5,211	1.7%	5,768	1.9%
Utilities	3,264	1.1%	3,224	1.0%
Consultancy	4,656	1.5%	5,541	1.8%
Technical consultancy	2,366	0.8%	2,456	0.8%
Bank charges	678	0.2%	645	0.2%
Travel and subsistence expenses	1,403	0.5%	1,005	0.3%
Maintenance	1,002	0.3%	917	0.3%
Insurance	1,022	0.3%	978	0.3%
Total	**79,590**	**25.7%**	**80,988**	**26.3%**

Costs for services amounted to approximately €79,590 thousand.

The item “Marketing” is linked to the advertising campaigns effectively carried out during the year.

The item “Agent commissions” includes costs incurred for commission paid to agents on sales of finished products.

The item “Transport” refers to the costs for the handling and procurement of merchandise and the shipment of finished products to end customers.

The item ‘Consultancy’ includes non-recurring costs, primarily relating to one-off consultancy services incurred in the current financial year in the amount of €1,295 thousand, which correspond to costs for acquisitions, costs for the new U-Power website, and consultancy services for the search for a new ERP system.
Costs for services also include costs incurred by the US start-up, amounting to €650 thousand.

31. OTHER COSTS AND CHARGES

Other costs and charges are detailed below:

(amounts in thousands of Euro)

	2025	2024
Other expenses	766	1,043
Indirect taxes and duties	715	609
Provisions for risks and charges	(34)	437
Cost of using third-party assets	1,135	1,202
Total	**2,626**	**3,291**

The item “Other expenses” is mainly composed of contingent liabilities and costs for gifts and samples.

The item “Taxes and indirect taxes” mainly refers to Taxes and indirect taxes, such as IMU (municipal property tax), non-deductible VAT, car property tax, waste disposal tax and taxes for professional training.

The item “Provisions for risks and charges” reflects part of the provisions previously commented on in Note 19.

The item “Cost for the use of third party assets” includes costs for leases of third party assets that cannot be renegotiated according to IFRS 16 and refers to short-term or non-renegotiable contracts.

32. DEPRECIATION

The table below shows the details of the Group’s depreciation and amortisation:

(amounts in thousands of Euro)

	2025	2024
Amortisation of tangible assets	5,165	5,195
Amortisation of intangible assets	19,277	19,142
Amortisation of rights of use	2,817	2,596
Total amortisation	**27,259**	**26,933**

Please refer to notes 6, 7 and 8 for more details.

33. WRITE-DOWNS

(amounts in thousands of Euro)

	2025	2024
Bad debt write-downs	(10)	56
Total write-downs	**(10)**	**56**

34. FINANCIAL INCOME

Financial income for the financial year amounted to €147 thousand and mainly related to bank interest income.

35. FINANCIAL CHARGES

Financial charges are detailed below:

(amounts in thousands of Euro)

	2025	2024
Interest and other financial charges from other companies: interest payable	21,772	25,985
Interest on leases	487	559
Interest on employee severance indemnities	38	38
Total	**22,297**	**26,582**

The decrease in interest expense is primarily attributable to the reduction in debt as a result of the scheduled repayments of the bank loan.

36. OTHER NET FINANCIAL INCOME/EXPENSES

Other net income/expenses are detailed below:

(amounts in thousands of Euro)

	2025	2024
Net foreign exchange gains/losses	910	556
Revaluation of financial assets	(9)	(38)
Write-down of financial assets	79	-
Total	**980**	**518**

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

37. INCOME TAXES

Income taxes are detailed below:

(amounts in thousands of Euro)

	2025	2024
Current taxes	15,368	15,046
Deferred and prepaid taxes	(2,814)	(5,332)
Total	**12,554**	**9,714**

The following table presents a reconciliation of the Group's effective tax expense for the year ended 31 December 2025.

(amounts in thousands of Euro)

	2025		2024	
Profit before tax	**30,908**		**29,731**	
Notional tax burden	7,849	25.39%	5,825	19.59%
Losses from French subsidiaries (net of deferred tax assets)	-834	-2.70%	-898	-3.02%
Non-distributable dividends and profits	3,666	11.86%	569	1.91%
Tax risks	476	1.54%	668	2.25%
Other permanent differences	97	0.31%	2,263	7.61%
IRAP	1,301	4.21%	1,286	4.33%
Effective tax burden	**12,554**	**40.62%**	**9,714**	**32.67%**

The Group's consolidated tax rate is 40.62%, compared to a notional tax rate of 25.39%.
The difference is attributable to the combined effect of various factors, both structural and recurring, such as permanent differences arising from non-deductible costs for tax purposes, primarily non-deductible interest expense exceeding the operating result, which is partly offset by the positive effects of the tax consolidation option exercised in 2024 between the U-PowerGroup and the ultimate parent company, Lion Holdco. Indeed, opting for the tax consolidation scheme enabled the Group to offset its taxable income against any tax losses of the companies included in the scope of consolidation, as well as to use the excess operating result generated by certain companies to offset the interest expense of others, thereby reducing the Group's overall tax burden.

38. INFORMATION ON THE FINANCIAL RISKS THE GROUP IS EXPOSED TO

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

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

CREDIT RISK

Credit risk is understood as the risk of potential losses arising from the non-performance of obligations undertaken by both commercial and financial counterparties. This risk may be associated with situations of counterparty default originating from both technical-commercial factors (e.g. disputes on the nature/quality of the product, on the interpretations of contractual clauses, etc.) and from the circumstance that one of the parties causes a financial loss to the other party by failing to fulfil the obligation. This risk is recognised with reference to trade receivables, cash and cash equivalents, financial instruments, deposits with banks and other financial institutions.
The Group makes limited recourse to assigning receivables without recourse to factor companies.
The type of clientele to which the Group's products are aimed allows it to assess credit risk as average.

In procedural terms, the credit positions claimed by the Group are periodically monitored to verify compliance with the contractual terms envisaged for payment. The Group has procedures in place to ensure that product sales are made to customers with a high level of reliability and characterised by a high economic-financial solidity, taking into account their financial position, past experience and other factors.

LIQUIDITY RISK

Liquidity risk is understood as the risk that an entity will have difficulty meeting its obligations associated with financial and commercial liabilities on the agreed terms and deadlines.

The prudent management of liquidity risk arising from the Group's normal operations, which allows it to maintain an adequate level of liquidity, allows the Group to assess liquidity risk as low.
As regards the reconciliation between the liabilities shown in the statement of financial position and the cash flows, as well as the maturity dates of the financial debt, please refer to the tables in Note 20.
It should also be noted, as reported in Note 20.1, that there are undrawn credit lines.

INTEREST RATE RISK

The Group is exposed to risks related to interest rate trends linked to financial indebtedness, which it uses, in particular, through medium/long-term loan agreements at floating interest rates.

In the year under review, the Group has active contracts to hedge against the risk of interest rate fluctuations on some medium/long-term loan agreements.

The Group monitors the exposure to interest rate risk and proposes appropriate hedging strategies to contain the exposure within the limits defined by the Group Finance, Administration and Control Department, resorting to entering into the aforementioned derivative contracts if necessary.

The following is a sensitivity analysis in which the effects on the consolidated net result deriving from an increase/decrease in interest rates of 50 basis points with respect to the point interest rates as of 31 December 2024, and 31 December 2025 and a situation of constancy of other variables, excluding the effects of the hedging derivative instruments, are represented:

(amounts in thousands of Euro)

	31 December 2025		31 December 2024	
Change	**-0.50%**	**+0.50%**	**-0.50%**	**+0.50%**
Euro (EURIBOR)	*(1,179)*	*1,179*	*(1,232)*	*1,232*

The sensitivity analysis as of 31 December 2024, and 31 December 2025 for the financial indebtedness of U-POWER GROUP S.P.A. is reported below, showing the potential effects of interest rate changes on an annual basis, including the effects of hedging derivatives:

(amounts in thousands of Euro)

	31 December 2025		31 December 2024	
Change	**-0.50%**	**+0.50%**	**-0.50%**	**+0.50%**
Euro (EURIBOR)	*(369)*	*369*	*(379)*	*397*

The potential impacts shown above are calculated by taking the liabilities representing the most significant portion of the debt at the reference date and calculating, on this amount, the potential effect of the change in interest rates on an annual basis.

The liabilities subject to this analysis include variable-rate financial payables and derivative financial instruments whose value is affected by changes in interest rates.

FOREIGN EXCHANGE RATE RISK

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

The following table shows the amounts and percentage incidences of revenues, broken down by reference currency, compared to the total amount of revenues for the years ended 31 December 2024 and 31 December 2025.

(amounts in thousands of Euro)

	2025	inc %	2024	inc %
EUR	**307,276**	**98%**	**304,981**	**98%**
GBP	4,750	2%	5,404	2%
USD	91	0%	10	0%
CNY	5	0%	-	-
TND	11	0%	70	0%
Total revenues and income	**312,117**	**100%**	**310,395**	**100%**

Since the incidence of revenues, expressed in currencies other than the Euro, on total revenues and income is not significant, the Group's revenues were not affected by exchange rate trends.

The following table shows the amounts of the total purchases of raw materials and changes in inventories broken down by reference currency, compared to the amount of revenues from contracts with customers for the periods ended as at 31 December 2024 and 31 December 2025.

(amounts in thousands of Euro)

	2025	% on Revenues from contracts with customers	2024	% on Revenues from contracts with customers
EUR	55,406	17.9%	71,881	23.3%
TND	*1,672*	*0.5%*	*2,202*	*0.7%*
USD	44,327	14.3%	24,670	8.0%
CNY	1,739	0.6%	1,799	0.6%
GBP	60	0.0%	97	0.0%
Total purchases of raw materials and changes in inventory	**103,204**	**33.3%**	**100,649**	**32.7%**

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

The following table shows the amounts of personnel costs broken down by reference currency, compared to the amount of revenues from contracts with customers for the periods ended as at 31 December 2024 and 31 December 2025.

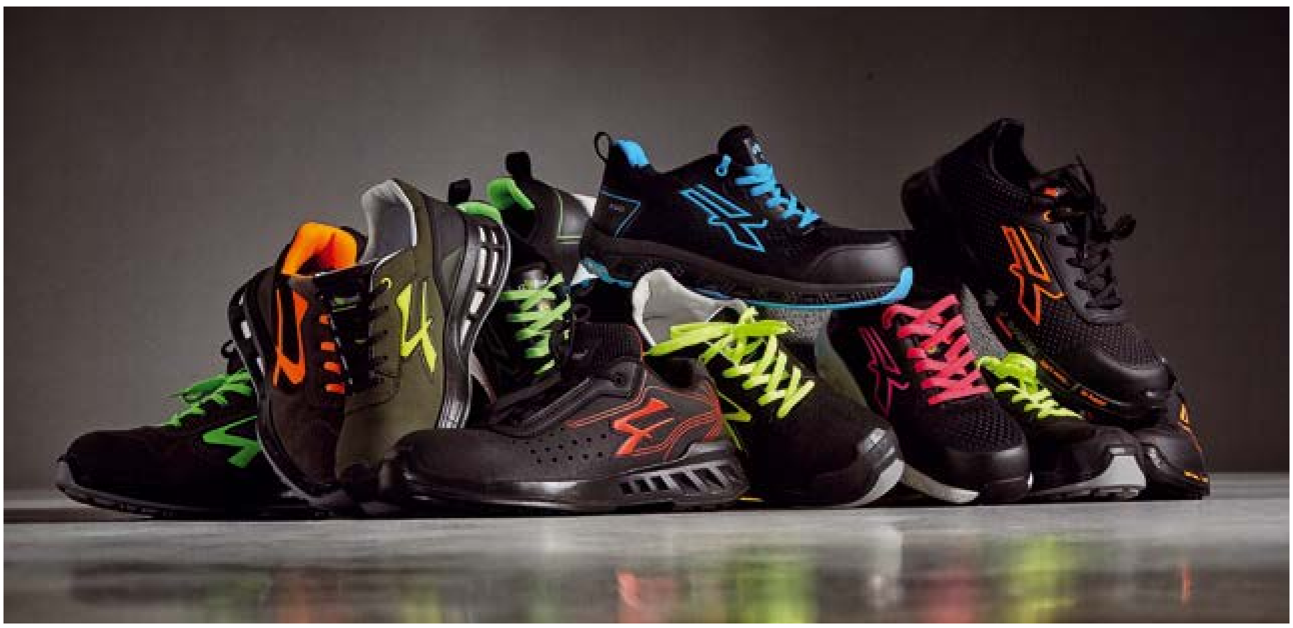
(amounts in thousands of Euro)

	2025	% on Revenues from contracts with customers	2024	% on Revenues from contracts with customers
EUR	18,631	6.0%	15,934	5.2%
TND	26,018	8.4%	26,905	8.7%
GBP	416	0.1%	445	0.1%
USD	345	0.1%	-	-
Total staff costs	**45,410**	**14.7%**	**43,284**	**14.0%**

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

In detail, the main exchange rate relations that affect the Group concern:

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



The following table shows, with reference to the main monetary assets and liabilities, the amounts, as of 31 December 2024 and 31 December 2025, of the exposures in currencies other than the reporting currency of each of the Group's companies, with the incidence of the same on the total of the respective items:

Amounts in Euro

	as at 31 December 2025										
	EUR	% of total	TND	% of total	USD	% of total	GBP	% of total	CNY	% of total	Total
Trade receivables	77,741	99.0%	0	0.0%	3	0.00%	744	0.9%	1	0.0%	**78,489**
Trade payables	42,964	82.7%	1,939	3.7%	6,903	13.3%	96	0.2%	32	0.1%	**51,936**

Amounts in Euro

	as at 31 December 2024										
	EUR	% of total	TND	% of total	USD	% of total	GBP	% of total	CNY	% of total	Total
Trade receivables	74,797	98.7%	10	0.0%	6	0.00%	1,001	1.3%	1	0.0%	**75,815**
Trade payables	51,975	80.3%	2,080	3.2%	10,263	15.8%	134	0.2%	311	0.5%	**64,763**

The following is a sensitivity analysis in which the effects on the net result, and consequently also on the consolidated shareholders' equity, resulting from an increase/decrease in the exchange rates of foreign currencies compared to the actual exchange rates as of 31 December 2024 and 31 December 2025 are represented.

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

Amounts in Euro

	as at 31 December 2025					
	-5.00%	5.00%	-10.00%	10.00%	-15.00%	15.00%
TND	488	(442)	1,031	(844)	1,637	(1,210)
USD	(10)	36	(37)	56	(68)	74
GBP	(45)	39	(94)	75	(148)	108
CNY	2	0	3	(1)	5	(2)
Total	**435**	**(367)**	**903**	**(713)**	**1,426**	**(1,029)**

Amounts in Euro

	as at 31 December 2024					
	-5.00%	5.00%	-10.00%	10.00%	-15.00%	15.00%
TND	506	(458)	1,068	(874)	1,696	(1,254)
USD	120	(108)	253	(206)	402	(296)
GBP	(48)	44	(102)	84	(163)	121
CNY	(15)	14	(33)	27	(52)	38
Total	**562**	**(507)**	**1,186**	**(969)**	**1,883**	**(1,390)**

Commitments for investments

There are no investment commitments.

Guarantees

It should be noted that the Company's shares were pledged in favour of the pool of banks financing the U-Power Group acquisition transaction in 2023.

Contingent liabilities

RAI litigation

On 12 March 2024, Rai sued Divina Luna S.r.l. and U-Power Group S.p.a. alleging that, during an episode of the 74th edition of the Sanremo song contest, the defendant companies had arranged for the American actor and dancer John Travolta to wear "U-Power" branded shoes in the absence of a specific agreement with Rai, thereby incurring their liability both in contractual and non-contractual terms.

As a result, RAI requested the conviction of Divina Luna S.r.l. and U-Power Group S.p.A.. The quantification of the contingent liabilities made by the counterparty amounts to approximately €3 million.

On 8 May 2024, U-Power Group S.p.A. appeared before the court, challenging the factual and legal groundlessness of the charges against it. The same procedural position was adopted by the other defendant, Divina Luna S.r.l. Specifically, in response to RAI's accusations, both defendants maintained the full legitimacy of their conduct, raising a series of procedural objections with regard to the claims made by the counterparty and disputing the amount of the claim for compensation.
At the hearing for first appearance and discussion on 6 October 2024, the Judge ordered independent technical consultancy, submitting the following expert question to the appointed expert witness.
The expert appraisal was completed on 18 October 2025, with a report in which the court-appointed expert determined that the consideration for the use of the advertising space through the product placement technique would amount to €1,836,807.30.
On 13 November 2025, at the hearing scheduled to discuss the expert report, the Company's lawyers challenged the findings of the report, highlighting the serious errors made by the court-appointed expert, both in classifying the alleged wrongdoing and in quantifying the alleged damages.
Having taken note of these observations, at the end of that hearing, the Judge reserved the right to decide on this point. Having lifted the reservation, on 20 November 2025, the Judge issued an order in which they deemed the case ready for decision and set a hearing, pursuant to Article 189 of the Italian Code of Civil Procedure, for 15 April 2027.
In this context – without prejudice to the belief that the court-appointed expert erred both in classifying the alleged wrongdoing and in quantifying the alleged damages and, in any event, that the court may reduce Rai's alleged claim – the Board of Directors considers, also taking into account the opinion provided by its legal advisors, that the risk of an unfavourable outcome should be deemed possible.

39. DISCLOSURE ON RELATED PARTIES

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

(amounts in thousands of Euro)

	Credits	Payables	Revenues	Costs
Fin Reporter S.r.l.	-	6	3	61
Fin Lavorare S.r.l.	-	-	-	54
LION HOLDCO S.P.A.	-	4,058	-	-
Total	**-**	**4,063**	**3**	**116**

Payables to the parent company Lion Holdco S.p.A. refer to the tax consolidation regime in place; while receivables and costs due to Fin Reporter S.r.l./Fin Lavorare S.r.l. refer to buildings lease payments.
The parent company is not subject to management and coordination activities by other parties.

40. SEGMENT REPORTING

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

41. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

No significant events occurred after the end of the financial year that could have an impact on these financial statements. However, it should be noted that, in November 2025, U-Power Group entered into a binding agreement to acquire 100% of Cerva Group, a leading European player in the workwear and personal protective equipment sector, based in the Czech Republic. The transaction will enable the Group to strengthen its presence in the European market and expand its range of personal protective equipment, achieving combined revenues of close to €500 million.

On 19 March 2026, after the end of the financial year, the transaction was completed, with the transfer of control of the acquired group. The completion of this transaction constitutes a non-adjusting event after the reporting period, in accordance with IAS 10 Events after the Reporting Period. As a result of the acquisition, the Cerva Group will be included in the scope of consolidation from the 2026 financial year. At the date of preparation of these financial statements, work is ongoing to determine the fair value of the assets and liabilities acquired for the purpose of allocating the purchase price; therefore, it is not yet possible to reliably determine the economic and financial effects of the transaction.

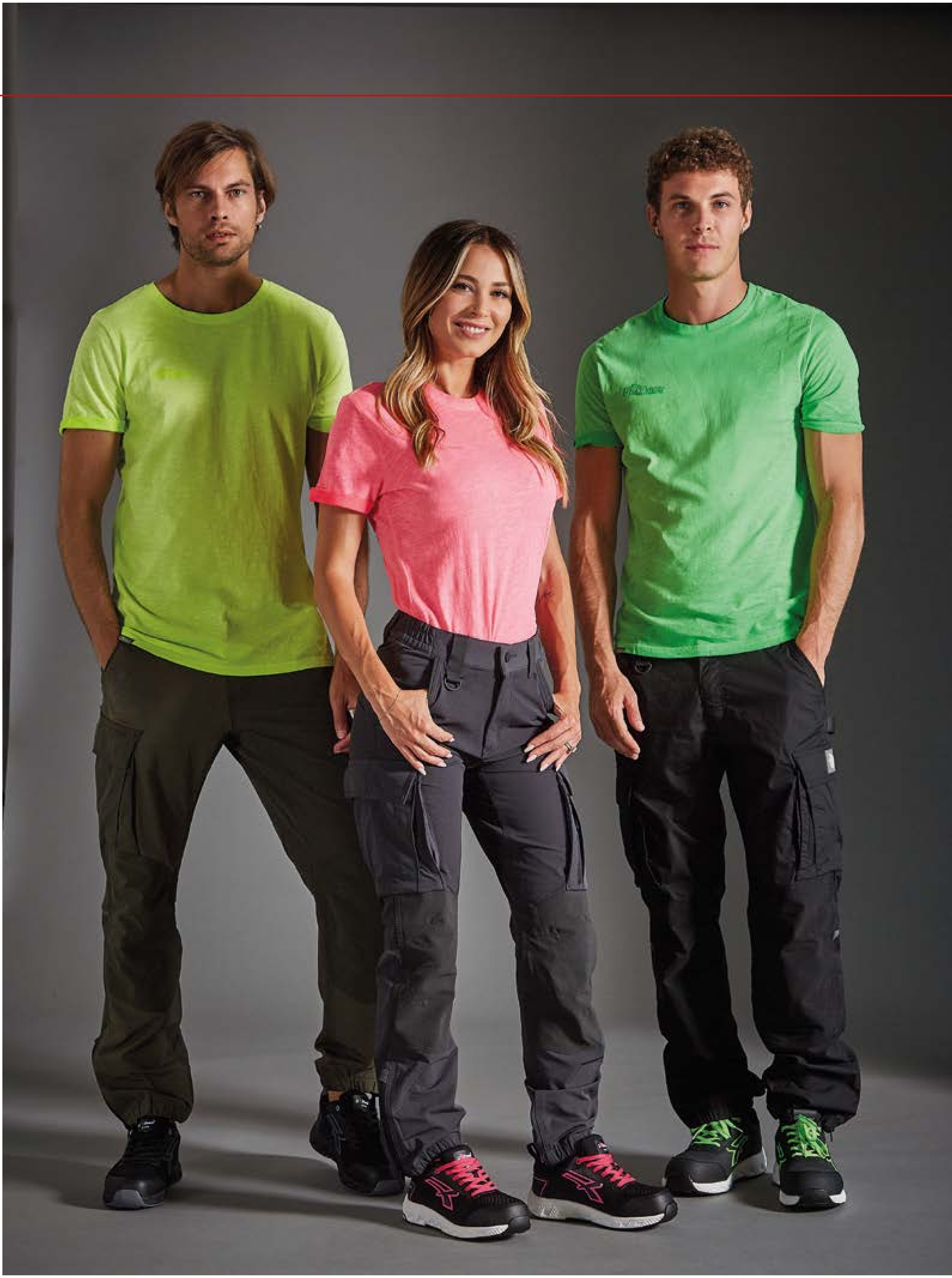
The macroeconomic environment in 2026 is characterised by high and persistent geopolitical uncertainty, attributable both to the ongoing conflict between Russia and Ukraine and to the recent escalation of tensions between the United States and Iran. The war in Ukraine continues to have structural effects on European markets, particularly in terms of the volatility of energy and commodity prices, supply chain tensions, inflationary trends and the international sanctions regime. At the same time, the conflict between the US and Iran has further exacerbated the instability of the energy and transport markets, including in relation to the risk of disruptions to trade flows through the Strait of Hormuz, a strategic hub for a significant proportion of global oil and gas trade. For businesses, these developments may result in higher energy, transport and insurance costs, greater volatility in raw material prices, and potential pressure on working capital and operating margins.

At the reporting date, these factors had not had any impact on the Company's ability to continue as a going concern, nor had they necessitated any adjustments to the carrying amounts recognised. However, given the dynamic nature and high degree of uncertainty of the geopolitical environment, the Company is continuously monitoring developments and their potential effects on key economic and financial indicators, including procurement costs, operating margins, liquidity, access to energy sources and supply chain resilience, in order to promptly detect any prospective impacts on business *performance*.

* * * * *

Paruzzaro, 8 April 2026

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



U-Power Group S.p.A.

Consolidated financial statements as at December 31st, 2025

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholder of
U-Power Group S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of U-Power Group (the Group), which comprise the consolidated statement of financial position as at December 31st, 2025, the consolidated statement of profit/(loss), the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31st, 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards issued by International Accounting Standards Board as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of the Group in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS accounting standards issued by International Accounting Standards Board as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company U-Power Group S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on compliance with other legal and regulatory requirements

Opinion and statement pursuant to article 14, paragraph 2, subparagraph e), e-bis) and e-ter) of Legislative Decree n. 39 dated 27 January 2010

The Directors of U-Power Group S.p.A. are responsible for the preparation of the Report on Operations of U-Power Group as at December 31st, 2025, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to:

- express an opinion on the consistency of the Report on Operations, with the consolidated financial statements;
- express an opinion on the compliance of the Report on Operations with the applicable laws and regulations;
- issue a statement on any material misstatements in the Report on Operations.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of U-Power Group as at December 31st, 2025.

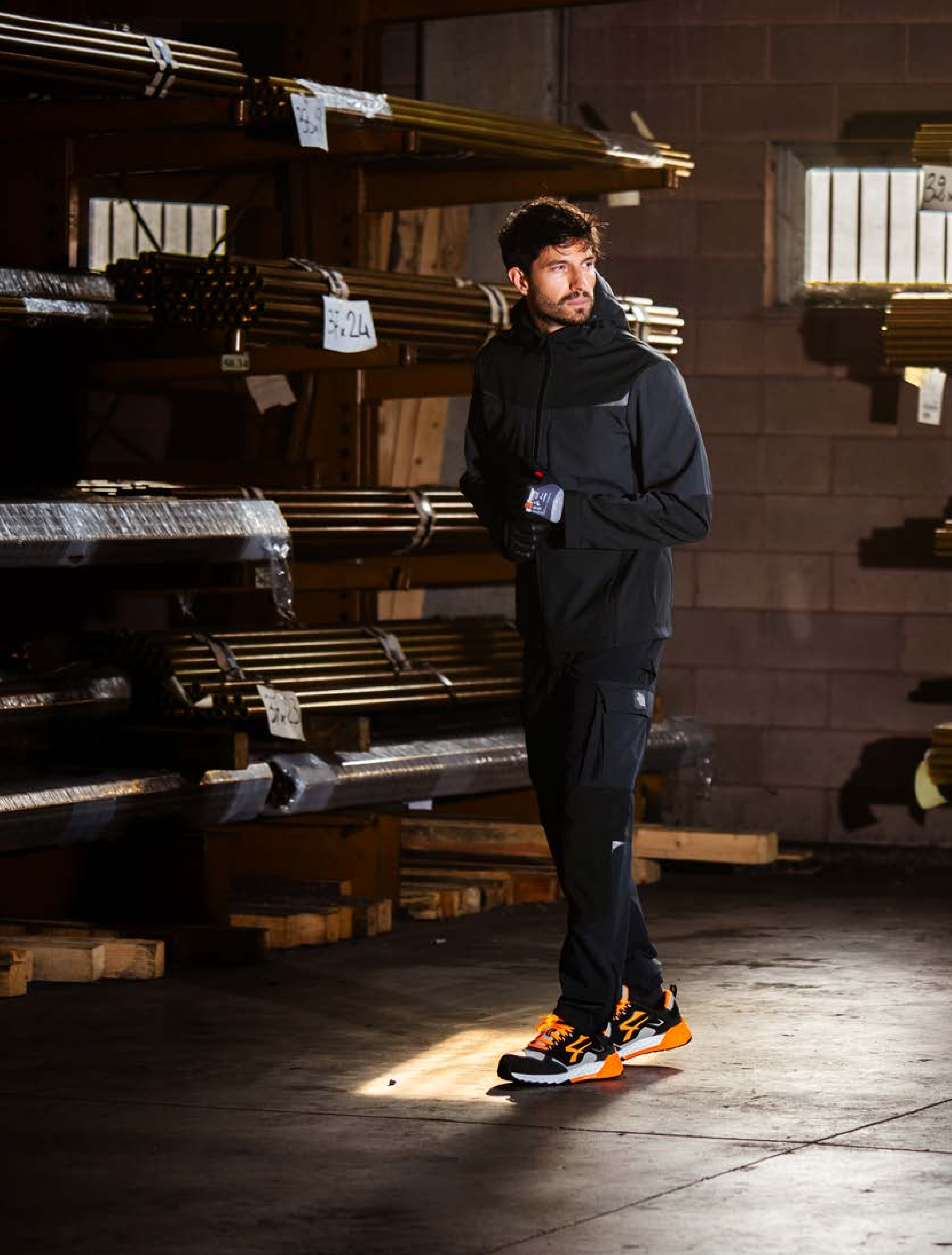
Furthermore, in our opinion, the Report on Operations complies with the applicable laws and regulations.

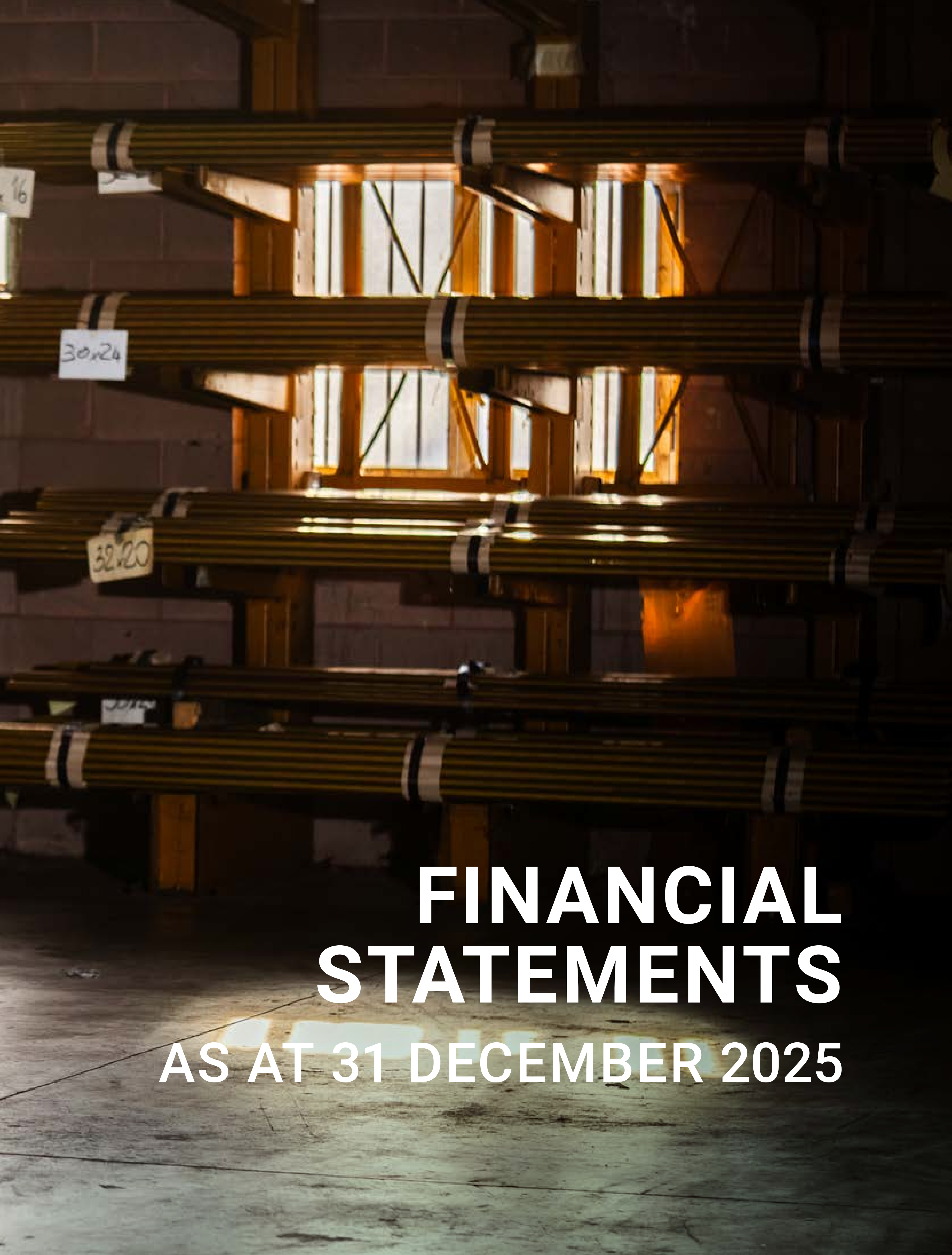
With reference to the statement required by art. 14, paragraph 2, subparagraph e-ter), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 21st, 2026

EY S.p.A.
Aldo Alberto Amorese
(Auditor)

This report has been translated into the English language solely for the convenience of international readers.





FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2025

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

STATEMENT OF FINANCIAL POSITION – ASSETS

(Amounts in euros)

	NOTES	31 December 2025	31 December 2024
NON-CURRENT ASSETS			
Intangible assets	5	467,975,650	475,019,603
Property, plant and equipment	6	7,342,137	7,540,876
Rights of use	7	33,449	71,460
Deferred tax assets	8	5,931,308	6,371,045
Other non-current assets	9	227,654,958	226,248,559
Total non-current assets		**708,937,502**	**715,251,543**
Current assets			
Receivables from group companies	10	120,070,552	92,570,752
Tax receivables	11	237,371	238,284
Other current assets	12	2,928,481	6,528,977
Cash and cash equivalents and short-term deposits	13	2,235,494	9,144,424
Total current assets		**125,471,898**	**108,482,437**
TOTAL ASSETS		**834,409,400**	**823,733,980**

BALANCE SHEET – LIABILITIES

(Amounts in euros)

	NOTES	31 December 2025	31 December 2024
NET ASSETS	14		
Share capital		10,000,000	10,000,000
Statutory Reserve		2,000,000	2,000,000
Share Premium Reserve		3,517,000	3,517,000
Other reserves		387,816,596	386,818,919
Reserve for shareholder capital contributions		8,600,000	8,600,000
Retained earnings		120,853,283	89,386,976
Profit for the financial year		19,219,441	31,466,307
Total shareholders' equity		**552,006,320**	**531,789,202**
Non-current liabilities			
Employee severance indemnity and other provisions relating to personnel	15	144,511	133,753
Provisions for risks and charges	16	335,000	268,000
Non-current financial liabilities	17	221,687,374	238,795,322
Deferred taxes	8	40,721,327	39,502,849
Total non-current liabilities		**262,888,212**	**278,699,924**
Current liabilities			
Current financial liabilities	17	15,936,658	11,104,010
Trade payables	18	1,726,378	807,532
Payables to group companies	19	399,100	566,013
Tax liabilities		0	0
Other Liabilities	20	1,452,732	767,299
Total current liabilities		**19,514,868**	**13,244,854**
TOTAL LIABILITIES		**279,415,216**	**291,944,778**
TOTAL EQUITY AND LIABILITIES		**834,409,400**	**823,733,980**

STATEMENT OF PROFIT/(LOSS) FOR THE YEAR AS AT 31 DECEMBER 2025

INCOME STATEMENT

(Amounts in euros)

	NOTES	2025	2024
Revenues	21	11,870,317	11,933,340
Other revenues and income	22	349,359	313,923
Total revenue		**12,219,676**	**12,247,263**
Purchases of Raw Materials and Changes in Inventory		0	(150)
Personnel costs	23	(4,797,276)	(4,391,746)
Costs for services	24	(3,803,954)	(3,627,254)
Other costs and charges	25	(286,912)	(496,575)
Total costs		**(8,888,142)**	**(8,515,725)**
Depreciation, amortisation and impairment losses	5 - 6 - 7	(8,284,422)	(8,075,828)
Operating result		**(4,952,888)**	**(4,344,290)**
Financial income	26	45,467,584	53,330,076
Financial charges	27	(21,651,426)	(25,789,193)
Other net income/(expense)	28	(399,801)	457,020
Financial revaluations	28	8,949	37,950
Financial write-downs	28	0	0
Profit before tax		**18,472,418**	**23,691,563**
Income Taxes	29	747,023	7,774,744
Profit for the financial year		**19,219,441**	**31,466,307**

STATEMENT OF OTHER COMPREHENSIVE INCOME COMPONENTS AS AT 31 DECEMBER 2025

(Amounts in euros)

	2025	2024
Profit for the financial year	**19,219,441**	**31,466,307**
Other comprehensive income components		
Other components of comprehensive income that will subsequently be reclassified to profit or loss for the financial year: (Net of tax)		
Total other components of comprehensive income that will subsequently be reclassified to profit/(loss) for the year, net of tax	-	-
Other components of comprehensive income that will not be subsequently reclassified to profit/(loss) for the financial year, net of tax		
Hedging financial instruments	984,875	(2,018,205)
(Loss)/gain on remeasurement of defined benefit plans	12,802	(2,676)
Total other components of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year, net of tax	**997,677**	**(2,020,881)**
Total other components of comprehensive income, net of tax	**997,677**	**(2,020,881)**
Total comprehensive profit/(loss) after tax	**20,217,118**	**29,445,426**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2025

(Amounts in euros)

	Share capital	Statutory reserve	Share premium reserve	Other Reserves	Reserve for shareholder capital contributions	Retained earnings	Operating result	Total shareholders' equity
Balance as at 01 January 2025	**10,000,000**	**2,000,000**	**3,517,000**	**386,818,919**	**8,600,000**	**89,386,976**	**31,466,307**	**531,789,202**
Allocation of profit for 2024						31,466,307	(31,466,307)	
Profit for the financial year							19,219,441	19,219,441
Other comprehensive income components				997,677				997,677
Balance as at 31 December 2025	**10,000,000**	**2,000,000**	**3,517,000**	**387,816,596**	**8,600,000**	**120,853,283**	**19,219,441**	**552,006,320**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2024

(Amounts in euros)

	Share capital	Statutory reserve	Share premium reserve	Other Reserves	Reserve for shareholder capital contributions	Retained earnings	Operating result	Total shareholders' equity
Balance as at 01 January 2024	**10,000,000**	**2,000,000**	**3,517,000**	**9,776,454**	**8,600,000**	**42,200,857**	**47,186,118**	**123,280,429**
Allocation of profit for 2023						47,186,118	(47,186,118)	
Profit for the financial year							31,466,307	31,466,307
Merger surplus				379,063,347				379,063,347
Other comprehensive income components				(2,020,881)		1		(2,020,881)
Balance as at 31 December 2024	**10,000,000**	**2,000,000**	**3,517,000**	**386,818,919**	**8,600,000**	**89,386,976**	**31,466,307**	**531,789,202**

CASH FLOW STATEMENT AS AT 31 DECEMBER 2025

(Amounts in euros)

	2025	2024
PROFIT FROM OPERATING ACTIVITIES AFTER TAX	**19,219,441**	**31,466,307**
Adjustments to reconcile profit before tax to net cash flow:	**0**	**0**
Amortisation and impairment of intangible fixed assets	*7,932,516*	*7,817,010*
Depreciation and impairment of property, plant and equipment	*295,263*	*168,512*
Depreciation and impairment of rights of use	*56,643*	*90,306*
Financial income	*-45,467,584*	*-53,330,076*
Financial charges	*21,651,426*	*25,789,193*
Other net income/(expense)	*399,801*	*-457,020*
Financial revaluations	*-8,949*	*-37,950*
Financial write-downs	*0*	*0*
Income Taxes	*-747,023*	*-7,774,744*
Write-down of current assets	*0*	*0*
EBITDA	**3,331,534**	**3,731,538**
Net change in employee severance indemnity and pension provisions	*22,918*	*11,882*
Net change in provisions for risks and charges	*67,000*	*67,000*
Interest paid	*-19,191,789*	*-24,637,286*
Financial income	*45,467,584*	*51,938,566*
Income taxes paid	*-623,192*	*3,730,401*
Impact of changes in exchange rates	*-399,801*	*457,020*
Changes in working capital:	**0**	**0**
(Increase)/decrease in inventories	*0*	*0*
(Increase)/decrease in trade receivables	*-1,560,340*	*-3,139,964*
(Increase)/decrease in other non-financial assets	*-18,167,007*	*-24,313,881*
Increase/(decrease) in trade payables	*937,958*	*-2,401,533*
Increase/(decrease) in other non-financial liabilities	*499,408*	*-263,157*
NET CASH FLOWS FROM OPERATING ACTIVITIES	**10,384,273**	**5,180,586**
Investing activities:		
Net investments in intangible fixed assets	*-1,270,616*	*-861,683*
Net investments in tangible fixed assets	*-96,524*	*-2,674,941)*

Income statement follows >>

<< Income statement continues

(Amounts in euros)

	2025	2024
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-1,367,140**	**-3,536,624**
Financing activities:		
Net investments in rights-of-use assets	*-18,632*	*38,552*
(Repayment of)/increase in non-current finance leases – Rights of use	*-17,644*	*-93,080*
(Repayment of)/increase in current finance leases – Rights of use	*0*	*0*
(Repayment of)/increase in non-current borrowings – other	*-12,479,999*	*-7,539,589*
(Repayment of)/increase in non-current borrowings	**-12,516,275**	**-7,594,117**
(Repayment of)/increase in current borrowings	*87,662*	*0*
(Increase)/decrease in non-current financial assets	*-1,397,450*	*1,000,000*
(Increase)/decrease in-current financial assets	*-2,100,000*	*11,692,176*
Dividends paid to shareholders of the Parent Company	*0*	*0*
Other changes in shareholders' equity	*0*	*1,316,188*
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-3,409,788**	**14,008,364**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-6,908,930**	**8,058,209**
Net cash and cash equivalents at the beginning of the period	9,144,424	1,086,215
Net cash and cash equivalents at the end of the period	**2,235,494**	**9,144,424**

CONTENTS

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

U-Power Group S.p.a. is a joint-stock company registered and domiciled in Italy. The registered offices are located in Via Borgomanero 1, Paruzzaro (NO), Italy.

Establishment of U-POWER USA Inc.

In March 2025, the company U-Power USA Inc., a wholly owned subsidiary of U-Power Group S.p.A., was incorporated. This US-based company trades in safety footwear and clothing, in line with the Group's core business and as part of its strategy to develop and strengthen its presence in international markets.

2. MAIN ACCOUNTING STANDARDS

2.1. DRAFTING PRINCIPLES

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations (IFRIC) in force as at 31 December 2025 as endorsed by the Commission of the European Community.
The financial statements were prepared on the basis of the historical cost principle, with the exception of the financial statement items which, according to the IFRS, are on a mandatory basis recognised at fair value, as indicated in the measurement criteria of the individual items.
The carrying amount of assets and liabilities that are the subject of fair value hedges and would otherwise be recorded at amortised cost is adjusted for changes in fair value attributable to the hedged risks.
The financial statements consist of the statement of financial position, the separate income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements.
The Company has chosen, from the various options permitted by IAS 1, to present balance sheet items according to the distinction 'current/non-current' and the income statement by classifying costs by nature. The cash flow statement has instead been prepared using the indirect method.
The financial statements are presented in Euro; the tables and the breakdowns in the following Notes to the financial statements are by contrast presented in thousands of Euro.

2.2. NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED

Below is a list of the new standards, interpretations and amendments with mandatory application starting from 1 January 2025 which, as a result of the assessments carried out, showed that they had no significant effects on the financial statements as at 31 December 2025:

Lack of Exchangeability – Amendments to IAS 21

The amendments to IAS 21 Effects of Changes in Foreign Exchange Rates specify how an entity should assess whether a currency is exchangeable and how it should determine the spot exchange rate when exchangeability does not exist. The amendments also require the disclosure of information that enables users of the financial statements to understand how a currency that is not exchangeable for another currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. Such amendments had no impact on the Company's financial statements.

2.3. SUMMARY OF THE MAIN ACCOUNTING STANDARDS

2.3.1. Current/non-current classification

The assets and liabilities in the Company's financial statements are classified according to the current/non-current criterion. An asset is current when:

- it is expected to be generated, or is held for sale or consumption, in the normal course of business;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months after the reporting period; or
- consists of cash or cash equivalents unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

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

2.3.2. Fair value measurement

The Company measures financial instruments such as derivatives at fair value at each balance sheet date.
The fair value is the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability, in a regular transaction between market operators on the valuation date. A fair value assessment assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market of the asset or liability;

or

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

The main market or the most advantageous market must be accessible to the Company.
The fair value of an asset or liability is assessed by adopting the assumptions that market operators would use in determining the price of the asset or liability, assuming that they act to best satisfy their economic interest.

A fair value measurement of a non-financial asset considers the ability of a market operator to generate economic benefits by using the asset to its maximum and best use or by selling it to another market operator who would use it to its maximum and best use.
The Company uses valuation techniques that are suitable for the circumstances and for which there is sufficient data available to assess the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which the fair value is measured or shown in the financial statements are categorised according to the fair value hierarchy, as described below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the valuation date;
- Level 2 - Inputs other than the listed prices included in Level 1, observable directly or indirectly for the asset or liability;
- Level 3 - valuation techniques for which the input data are not observable for the asset or liability.

The fair value measurement is classified entirely in the same level of the fair value hierarchy in which the input of the lowest hierarchy level used for the valuation is classified.
For assets and liabilities recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers between levels of the hierarchy have occurred by reviewing the categorisation (based on the lowest level input that is significant to the fair value measurement in its entirety) at each reporting date.
For the purposes of fair value disclosures, the Group determines the classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as illustrated above.

2.3.3. Revenues from contracts with customers

U-Power Group S.p.A. is the parent company of the U-Power Group, a leader in the supply of safety footwear and technical apparel, and provides support to the subsidiaries.
Revenues from contracts with customers are recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company has generally concluded that it acts as a principal for the majority of arrangements from which revenues are derived because it usually controls the goods and services before they are transferred to the customer. The company believes that this is the only performance obligation of the contract.

Supply of logistics services

Revenues from the provision of logistics services are recognised when control of the activity passes to the customer, which coincides with the time when the customer can use the service offered and obtain the related benefits. The usual terms of trade extend from 30 to 120 days from delivery of the service.

In determining the price of the transaction, the company considers the effects of variable consideration and estimates the amount of consideration to which it will be entitled in exchange for transferring the services to its customer.

Contractual balances - trade receivables

A receivable is recorded if the consideration is unconditionally owed by the customer (i.e., it is only necessary that the time elapses for the payment of the consideration to be obtained). Please refer to the section on principles in Section 2.2.10 Financial Instruments - Initial Recognition and Subsequent Measurement.

2.3.4. Income Taxes

Current taxes

Current tax assets and liabilities for the year are valued at the amount expected to recover from or pay to the tax authorities.

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

The Company and its subsidiaries U-Group Srl and U-Logisticss Srl participate, as consolidated entities, in the national tax consolidation scheme of the Consolidating Company Lion Holdco S.p.A.

The national consolidation regime, disciplined by Articles 117 et seq. of the TUIR (consolidated income tax law), is a particular regime for determining the aggregate IRES (corporate income tax) income for all participating companies, represented by the algebraic sum of the individual taxable bases that emerge from the respective tax returns.

Deferred taxes

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of that credit to be utilised. Unrecognised deferred tax assets are reviewed at each balance sheet date. They are recognised to the extent that it becomes probable that taxable profit will be sufficient to allow the recovery of those deferred tax assets.

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

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

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

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

Indirect Taxes

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost recognised in the income statement;
- trade receivables and payables include the applicable indirect tax.

The net amount of indirect taxes to be recovered from or paid to the Treasury is included in the financial statements as a receivable or payable.

It should be noted that the parent company, together with the other resident companies of the group, has opted for group VAT settlement; the adoption of the consolidated VAT system makes it possible to aggregate the VAT settlements for credit or debit of the parent company with those of the consolidated Italian companies.

2.3.5. Translation of foreign currency items

The financial statements are presented in Euro, which is the functional and presentation currency adopted by the company. The Company defines its own functional currency, which is used to measure the items included in the individual financial statements.

Transactions and balances

Foreign currency transactions are initially recognised in the functional currency, applying the spot exchange rate as at the date of the transaction.

Monetary assets and liabilities, denominated in foreign currencies, are converted into the functional currency using the exchange rate as at the balance sheet date.

Realised exchange differences or those deriving from the conversion of monetary items are recognised in the income statement, with the exception of monetary elements that constitute part of the hedge of a net investment in a foreign operation. These differences are recognised in the statement of comprehensive income until the disposal of the net investment, and only then is the total amount reclassified in the income statement. Taxes attributable to exchange rate differences on monetary items are also recognised in the statement of comprehensive income.

Non-monetary items measured at historical cost in foreign currency are converted using the exchange rates on the date of initial recognition of the transaction. Non-monetary items recognised at fair value in foreign currency are converted using the exchange rate on the date of determination of this value. The gain or loss that emerges from the conversion of non-monetary items is treated consistently with the recognition of the gains and losses relating to the change in the fair value of the aforementioned items (i.e. the conversion differences on the items whose fair value change is recognised in the statement of comprehensive income or in the income statement are recognised, respectively, in the statement of comprehensive income or in the income statement).

2.3.6. Property, plant and equipment

Property, plant and equipment are recognised at historical or production cost, less accumulated depreciation and accumulated impairment losses. This cost includes costs for the replacement of part of machinery and plant at the time they are incurred, if they meet the recognition criteria. Where it is necessary to replace significant parts of plant and equipment on a regular basis, the Company depreciates them separately based on their specific useful lives. Similarly, in the case of major overhauls, the cost is included in the carrying amount of the plant or machinery as in the case of replacement, where the criterion for recognition is met. All other repair and maintenance costs are recognised in the income statement when incurred. The present value of the cost of dismantling and removing the asset at the end of its useful life is included in the cost of the asset if the criteria for recognition for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Land and buildings	from 3% to 10%
Plant and equipment	from 10% to 15%
Industrial and commercial equipment	from 10% to 15%
Other assets	
• Electronic office machines	from 20% to 25%
• Furniture	from 10% to 12%

The carrying amount of an item of property, plant and equipment and any significant components initially recognised are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising on derecognition of the asset (calculated as the difference between the asset's carrying amount and the net consideration) is recognised in the income statement when the item is derecognised.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each financial year-end and, where appropriate, adjusted prospectively.

2.3.7. Leasing

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

The company as lessee

The Company adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets. The Company recognises the liabilities relating to lease payments and the right-of-use asset representing the right to use the underlying asset.

i) Right-of-use assets

The Company recognises right-of-use assets on the lease commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets comprises the amount of recognised lease liabilities, initial direct costs incurred and lease payments made on or before the commencement date net of any incentives received. Lease assets are depreciated on a straight-line basis from the commencement date to the end of the useful life of the asset consisting of the right of use or the end of the lease term, whichever is earlier, as follows:

• Land and buildings	from 3% to 10%
• Industrial plants, machinery and equipment	from 10% to 25%
• Other assets	from 10% to 33%

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee shall depreciate the right-of-use asset from the effective date until the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment. Please refer to Section 3 Impairment of non-financial assets.
Any grants for plant granted to the company under the form of a tax credit (so-called investment tax credit) are recognised, in accordance with the matters envisaged by IAS 20 for government grants, according to the income method as income in one or more accounting periods in relation to the useful life of the asset.

ii) Right of Use Liabilities

At the lease inception date, the Company recognises lease liabilities by measuring them at the present value of the lease payments due but unpaid at that date. Payments due include fixed payments (including fixed payments in substance) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid as security for the residual value. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the option will be exercised by the Company and lease termination penalty payments if the lease term takes into account the Company's exercise of its lease termination option.
Variable lease payments that do not depend on an index or rate are recognised as costs in the period (unless they were incurred for the production of inventories) in which the event or condition that generated the payment occurs.
In calculating the present value of payments due, the Company uses the marginal financing rate at the commencement date if the implied interest rate is not readily determinable. After the commencement date, the amount of the lease liability increases to reflect interest on the lease liability and decreases to reflect payments made. In addition, the carrying amount of the lease liability is restated in the event of any changes to the lease or for the revision of the contractual terms for the change in payments; it is also restated for changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine such payments.
The Company's leasing liabilities are included in the item Financial liabilities (see Note 18).

iii) Short-term leases and leases of low-value assets

The Company applies the exemption for the recognition of short-term leases related to machinery and equipment (i.e., leases that have a term of 12 months or less from the commencement date and do not contain an option to purchase). The Company has also applied the exemption for leases relating to low-value assets in respect of leases relating to office equipment whose value is considered low. Lease payments related to short-term leases and low-value asset leases are recognised as expenses on a straight-line basis over the lease term.

2.3.8. Financial charges

Financial charges directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time before it is available for use are capitalised on the cost of the asset. All other financial charges are recognised as an expense in the period in which they are incurred. Financial charges are made up of interest and other costs incurred by an entity in connection with obtaining loans.

2.3.9. Equity investments

The company has equity investments in wholly-owned subsidiaries that are measured using the cost method, including the cancellation difference emerging from the merger transaction completed in 2024 for the portion relating to the capital gains referring to the subsidiaries.
The company periodically assesses whether it is necessary to recognise an impairment loss on these equity investments: at each balance sheet date it is assessed whether there is objective evidence that the equity investments in subsidiaries have suffered an impairment loss. This assessment is also based on the results of the impairment test carried out at least annually with reference to the goodwill recognised in the financial statements.
If, as a result of this measurement, indicators of impairment are identified, in this case the Company carries out an impairment test on the equity investment that presents these indicators and calculates the amount of the loss as the difference between the recoverable value of the subsidiary and the recognition value of the same in its financial statements, recognising this difference in the statement of profit/(loss) for the year.

2.3.10. Intangible assets

Intangible assets acquired separately are initially recognised at cost, whilst those acquired through business combinations are recognised at fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally produced intangible assets, except for development costs, are not capitalised and are recognised in the year's income statement in which they are incurred.
The useful life of intangible assets is assessed as finite or indefinite.
Intangible assets with a finite useful life are amortised over their useful life and are subject to a verification of the adequacy of their value whenever there are indications of a possible loss in value. The amortisation period and the amortisation method of an intangible asset with a finite useful life is reconsidered at least at the end of each financial year. Changes in the expected useful life or in the ways in which the future economic benefits associated with the asset will be realised are recognised by changing the depreciation period or method, as appropriate, and are considered changes in accounting estimates. The amortisation rates of intangible assets with a finite useful life are recognised in the profit/(loss) for the year in the cost category consistent with the function of the intangible asset.
Intangible assets with indefinite useful lives are not amortised, but are tested annually for impairment, both at the individual and cash-generating unit level. The assessment of the indefinite useful life is reviewed annually to determine whether this allocation continues to be sustainable, otherwise, the change from indefinite to finite useful life is applied on a prospective basis.
An intangible asset is eliminated at the time of disposal (i.e., on the date on which the buyer obtains control of it) or when no future economic benefits are expected from its use or disposal. Any profit or loss resulting from the elimination of the asset (calculated as the difference between the net consideration for the disposal and the book value of the asset) is included in the income statement.

2.3.11. Financial instruments - Recognition and evaluation

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model the Company uses to manage them. Except for trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value, through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as illustrated in paragraph 2.2.3 Revenues from Contracts with Customers.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it must generate cash flows that depend solely on principal and interest on the amount of principal to be repaid (so-called 'solely payments of principal and interest (SPPI)'). This evaluation is referred to as the SPPI test and is performed at the instrument level. Financial assets whose cash flows do not meet the above requirements (e.g., SPPI) are classified and measured at fair value through profit or loss.

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

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

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

Subsequent evaluation

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

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

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

Cancellation

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the first instance (e.g. removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Company has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and (a) has transferred all the risks and rewards of ownership of the financial asset substantially, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of it.

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

Impairment

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

Expected losses are recognised in two stages. With regard to credit exposures for which there has not been a significant increase in credit risk since initial recognition, the credit losses deriving from the estimate of default events that are possible within the next 12 months (12-month ECL) must be recognised. For credit exposures for which there has been a significant increase in credit risk since initial recognition, expected losses that relate to the remaining life of the exposure must be recognised in full, regardless of when the event of default is expected to occur ('Lifetime ECL').

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected losses. Therefore, the Company does not monitor changes in credit risk, but recognises the expected loss in full at each reporting date. The Company has defined a matrix system based on historical information, revised to consider prospective elements with reference to specific types of debtors and their economic environment, as a tool for determining expected losses.

For assets represented by debt instruments measured at fair value through OCI, the Company applies the simplified approach allowed for low credit risk assets. At each balance sheet date, the Company assesses whether the debt instrument is considered to have low credit risk using all available information that can be obtained without undue cost or effort. In making this assessment, the Company monitors the creditworthiness of the debt instrument. In addition, the Company assumes that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

ii) Financial liabilities

Initial recognition and assessment

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

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

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

Subsequent evaluation

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

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

Only the second type is present in the Company.

Financial liabilities at amortised cost (financing and loans).

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

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

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

Cancellation

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

iii) Offsetting of financial instruments

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

2.3.12. Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments including interest rate swaps to hedge interest rate risks on loans. These derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedging transaction, the Company formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedging relationship meets hedge effectiveness requirements (including analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). The hedging relationship meets the eligibility criteria for hedge accounting if it satisfies all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not outweigh the changes in value resulting from the hedging relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

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

2.3.13. Trade and other receivables

Trade and other receivables are initially recognised at cost, i.e. at the fair value of the consideration received during the transaction; subsequently, receivables that have a pre-established due date are measured at amortised cost, using the effective interest rate method, while receivables without a fixed due date are measured at cost.

2.3.14. Impairment of non-financial assets

At each balance sheet date, the Company assesses whether indicators of asset impairment exist. In this case, or in cases where an annual impairment test is required, the Company estimates the recoverable amount. The recoverable amount is the higher of the fair value of the asset or cash-generating unit, less costs to sell, and its value in use. The recoverable amount is determined for each individual asset, except when that asset generates cash flows that are largely independent of those generated by other assets or groups of assets. If the carrying amount of an asset is greater than its recoverable amount, the asset is impaired and written down to its recoverable amount accordingly.

In determining value in use, the Company discounts estimated future cash flows to present value using a pre-tax discount rate that reflects market assessments of the present value of money and the risks specific to the asset. Recent market transactions are considered when determining the fair value less costs to sell. An appropriate valuation model is used if such transactions cannot be identified.

The Company bases its impairment tests on detailed budgets and forecast calculations, prepared separately for each cash-generating unit of the Company to which individual assets are allocated. These budgets and forecast calcula-

tions generally cover a three-year period. To project future cash flows beyond the third year, a long-term growth rate is calculated.
Impairment losses on continuing transactions are recognised in the profit/(loss) statement for the year in the cost categories consistent with the function of the asset that caused the impairment loss. Fixed assets previously revalued are an exception, if the revaluation was accounted for under other comprehensive income. In such cases, the impairment is in turn recognised under other comprehensive income up to the amount of the previous revaluation.
For assets other than goodwill, at each balance sheet date the Company assesses whether there is any indication of the reversal (or reduction) of previously recognised impairment losses and, if such indication exists, estimates the recoverable amount of the asset or CGU. The value of a previously impaired asset may be reinstated only if there has been a change in the assumptions underlying the calculation of the determined recoverable amount since the last impairment loss was recognised. The reversal may not exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised in prior periods. This reversal is recognised in profit/(loss) for the year unless the fixed asset is recognised at revalued value, in which case the reversal is treated as an increase from revaluation.
Intangible assets with indefinite useful lives are tested for impairment at least annually at the cash-generating unit level and when circumstances indicate that an impairment loss may occur.

2.3.15. Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits include cash on hand and demand and short-term deposits with maturities of three months or less, which are not subject to significant risks related to changes in value.
For presentation in the cash flow statement, cash and cash equivalents are represented by cash and cash equivalents as defined above, net of bank overdrafts, as these are considered an integral part of the Company's cash management.

2.3.16. Provisions for risks and charges

Provisions for risks and charges are made when the Company has a current obligation (legal or constructive) due to a past event. An outflow of resources will probably be required to settle the obligation, and a reliable estimate of the amount can be made. When the Company considers that a provision for risks and charges will be partly or fully reimbursed, for example, in the case of risks covered by insurance policies, the indemnity is recognised separately as an asset if, and only if, it is practically certain. In this case, the cost of the provision, if any, is presented in the statement of profit or loss net of the amount recognised for compensation.
If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liabilities. When the liability is discounted, the increase in the provision due to the passage of time is recognised as a financial expense.

2.3.17. Pension funds and other post-employment benefits

The Employee Severance Indemnity (TFR), which is mandatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is in the nature of deferred compensation and is related to the length of the working life of employees and the salary received.
As a result of the Supplementary Pension Reform, the TFR quotas accrued up to 31 December 2006 will continue to remain with the company, configuring a defined benefit plan (obligation for accrued benefits subject to actuarial valuation), while the quotas accruing from 1 January 2007 (with the exception of employees of companies with less than 50 employees) as a result of the choices made by the employees, are allocated to supplementary pension schemes or transferred by the company to the treasury fund managed by INPS, being configured as defined contribution plans (no longer subject to actuarial valuation) from the moment the choice is formalised by the employee.
For benefits subject to actuarial valuation, the liability relating to the employee severance indemnity must be calculated by projecting the amount already accrued to the future moment of termination of employment and then discounting the amount to the balance sheet date using the actuarial 'Projected Unit Credit Method'. The discount rate used to determine the liability is that relating to the "Composite" interest rate curve of securities issued by AA-rated corporate issuers.
From an accounting point of view, through the actuarial valuation, the interest cost, which is the notional charge that the company would incur by asking the market for a loan of an amount equal to the employee severance indemnity, is recognised in the income statement under the item "Financial charges/income", and the current service cost, which defines the amount of the rights accrued

during the year by employees only for those companies with less than 50 employees and which therefore have not transferred the amounts accrued since 1 January 2007 to the supplementary pension fund, is recognised in the item “labour cost”. Actuarial gains and losses that reflect the effects of changes in the actuarial assumptions used are recognised directly in equity without ever going through the income statement and are shown in the statement of comprehensive income.

2.3.18. Trade and other payables

Trade and other payables are initially recognised at cost, i.e. at the fair value of the consideration paid during the transaction; subsequently, payables that have a pre-established due date are measured at amortised cost, using the effective interest rate method, while payables without a fixed due date are measured at cost.

Short-term payables, on which the accrual of interest has not been agreed, are measured at their original value; the fair value of long-term payables is established by discounting back future cash flows. The discount is accounted for as a financial charge over the duration of the payable until maturity.

3. DISCRETIONARY JUDGEMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimates and Assumptions

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

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

An impairment loss occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The calculation of value in use is based on a discounted cash flow model. The cash flows are derived from the budget of the next three years and do not include restructuring activities for which the Company has not yet committed or significant future investments that will increase the results of the business included in the cash-generating unit being measured. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as the expected future cash flows and the growth rate used for extrapolation.

Taxes

Deferred tax assets related to unutilized tax losses are recognised to the extent that it is probable that there will be a taxable profit in the future that will allow the losses to be utilised. Significant estimation by management is required to determine the amount of tax assets that may be recognised based on the level of future taxable profits, the timing of their occurrence and the applicable tax planning strategies.

Significant management judgement is required to assess the likelihood of the recoverability of deferred tax assets, considering all possible evidence, both negative and positive, and to determine the amount that can be recognised in the financial statements, based on the timing and amount of future taxable income, future tax planning strategies and the tax rates in effect at the time of their reversal. However, if it becomes apparent that the Company will not be able to recover all or part of the recognised deferred tax assets in future years, the resulting adjustment will be recognised in the income statement of the year in which this occurs.

IFRIC 23 requires an entity to consider whether a tax authority is likely to accept uncertain tax treatment. If the entity concludes that it is in a position where it is not probable that its position will be accepted, the effects of this uncertainty must be reflected in the accounting for income taxes.

Defined Benefit Plans (Pension Funds)
The cost of defined benefit pension plans and other post-employment benefits and the present value of the defined benefit obligation are determined using actuarial valuations. Actuarial valuations require various assumptions to be made that may differ from actual future developments. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually. The discount rate is the parameter most subject to change. In determining the appropriate discount rate, the directors use as a benchmark the interest rate of bonds (corporate bonds), in currencies consistent with the currencies of the defined benefit obligations, that have a minimum rating of AA, assigned by internationally recognised rating agencies, and with average maturities corresponding to the expected duration of the defined benefit obligation. Bonds are subjected to further qualitative analysis and those with a credit spread deemed excessive are excluded from the basket of bonds from which the discount rate is calculated, as they do not represent a high quality bond category. The mortality rate is based on available country-specific mortality tables. These tables tend to vary only in response to a change in demographic assumptions. Future wage and pension increases are based on expected inflation rates for each country. Further details, including a sensitivity analysis, are provided in Note 19.

Fair value of financial instruments
When the fair value of a financial asset or financial liability recognised in the statement of financial position cannot be measured by reference to prices in an active market, fair value is determined using various valuation techniques, including the discounted cash flow model. The inputs into this model are taken from observable markets where possible, but where this is not possible, some degree of estimation is required to define fair value. The estimates include considerations of variables such as liquidity risk, credit risk and volatility. Changes in assumptions about these elements could have an impact on the fair value of the financial instrument recognised.

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

Significant judgement in determining the lease term of contracts containing an extension option - the Company as lessee
The Company determines the lease term as the non-cancellable exercise of the lease, together with periods covered by the lease extension option where there is reasonable certainty of exercising that option, and periods covered by the lease termination option where there is reasonable certainty of not exercising that option.

The Company has the option, for some of its leases, to extend the lease or to terminate it early. The Company applies its judgement in assessing whether there is a reasonable certainty of exercising the renewal options. That said, the Company considers all factors noted that may result in an economic incentive to exercise the renewal options or to terminate the lease. After the commencement date, the Company revises its estimates of the lease term in the event of a significant event or significant change in circumstances within its control that may affect the ability to exercise (or not exercise) the renewal or early termination option (e.g. investment in leasehold improvements or significant specific changes to the leased asset).

The Company has included the renewal exercise as part of the term of leases relating to plant and equipment with a short non-cancellable lease term (e.g. three to five years). The Company usually exercises its renewal option for these leases as there would be a negative impact on its operations if alternative assets were not available. Renewal options for leases of plant and machinery with a longer non-cancellable contractual term (e.g., 10–15 years) have not been included when determining the lease term, as there is no reasonable certainty that they will be exercised. In addition, renewal options for vehicle leases are not included in determining the lease term because the Company does not usually use these assets for a period longer than five years and therefore does not exercise any renewal options. Finally, periods covered by early cancellation options are included in the lease term only when it is reasonably certain that they will not be exercised.

Climate change

The U-Power Group has initiated qualitative assessments with respect to potential physical and transitional risks deriving from climate change to adapt to the implications of the new directive on non-financial reporting (see Corporate Sustainability Reporting Directive). In this context, the assessments carried out by the Company lead us to believe that the Group is not particularly exposed, over the short term, to physical risks related to climate change, considering the nature of its business and the geographical location of its production sites. As far as transitional risks are concerned, the analysis carried out by the Group focused in particular on certain aspects, such as changing consumer preferences (an aspect managed with the creation of the U-Green line's "offset emissions" models).

These impacts are taken into account by the Group in the application of international accounting standards when significant, assessing their effects, both in the application of individual accounting standards and on the Group's ability to continue as a going concern. In this context, it should be noted that for the Group, no significant impacts have been noted from the application of the individual standards and no doubts or uncertainties have arisen relative to events or conditions that could call into question the ability to operate as a going concern.

Geopolitical situation and ongoing conflicts

The macroeconomic environment in 2026 is characterised by high and persistent geopolitical uncertainty, attributable both to the ongoing conflict between Russia and Ukraine and to the recent escalation of tensions between the United States and Iran. The war in Ukraine continues to have structural effects on European markets, particularly in terms of the volatility of energy and commodity prices, supply chain tensions, inflationary trends and the international sanctions regime. At the same time, the conflict between the US and Iran has further exacerbated the instability of the energy and transport markets, including in relation to the risk of disruptions to trade flows through the Strait of Hormuz, a strategic hub for a significant proportion of global oil and gas trade. For businesses, these developments may result in higher energy, transport and insurance costs, greater volatility in raw material prices, and potential pressure on working capital and operating margins.

At the reporting date, these factors had not had any impact on the Company's ability to continue as a going concern, nor had they necessitated any adjustments to the carrying amounts recognised. However, given the dynamic nature and high degree of uncertainty of the geopolitical environment, the Company is continuously monitoring developments and their potential effects on key economic and financial indicators, including procurement costs, operating margins, liquidity, access to energy sources and supply chain resilience, in order to promptly detect any prospective impacts on business

4. STANDARDS ISSUED BUT NOT YET IN FORCE

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for the presentation of the income statement, including specific totals and subtotals. In addition, entities must classify all costs and revenues in the income statement within four categories: operating, investment, finance, income taxes and discontinued operations, where the first three categories are new.

The standard also requires disclosure on the basis of the new definition of performance indicators defined by management (management-defined performance measures (MPMs)), subtotals of costs and revenues, and includes new provisions for the combination and unbundling of financial information based on the identified roles of the "Primary Financial Statements" (PFS) and the notes.

In addition, amendments were introduced to IAS 7 Statement of Cash Flows, which include the change in the starting point for the determination of cash flows from operations on the basis of the indirect method; from profit or loss to operating profit or loss and the removal of the right to classify cash flows from dividends and interest. In addition, consequent changes were made to many other accounting standards.

IFRS 18, and the amendments to the other standards, are effective for years beginning on or after 1 January 2027, but early application is permitted subject to disclosure. IFRS 18 will apply retrospectively.

The Company is currently working to identify the impacts that the changes will have on its financial statements and on the notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to opt for a reduction of their disclosure requirements while continuing to apply the provisions for recognition, measurement and presentation in the other IFRS accounting standards. To be an eligible entity, at the reporting date, an entity must be a cost subsidiary as defined in Appendix A of IFRS 10 Consolidated Financial Statements, has no public responsibility and must have a parent company (last or interim) which draws up the consolidated financial statements, available to the public, in compliance with the IFRS accounting standards.

IFRS 19 will become effective for years beginning on or after 1 January 2027, with the possibility of early application.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, entitled Amendments to the Classification and Measurement of Financial Instruments (the 'Amendments'). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date', and the introduction of an accounting policy option (where specific conditions are met) to derecognise financial liabilities settled via electronic payment systems before the settlement date;
- Additional guidance on how to measure contractual cash flows for financial assets with environmental, social and governance (ESG) or similar characteristics;
- Clarifications on what constitutes a 'non-recourse feature' of an instrument and what constitutes a feature of contractually linked instruments;
- The introduction of disclosure requirements for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods beginning on or after 1 January 2026, with early adoption permitted only for the classification of financial assets and related disclosures.

The Company does not expect the amendments to have a material effect on its financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11

In July 2024, the IASB issued nine amendments of limited scope as part of its regular maintenance of IFRSs. The amendments include clarifications, simplifications, corrections or changes aimed at improving consistency in the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and the related Guidance on Implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows.

The amendments will be effective for financial years beginning on or after 1 January 2026. Early adoption is permitted, and appropriate disclosure must be made in this regard.

These amendments are not expected to have a material impact on the financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued amendments to IFRS 9 and IFRS 7, Contracts Referencing Nature-dependent Electricity. The amendments apply exclusively to contracts that refer to this type of electricity and:

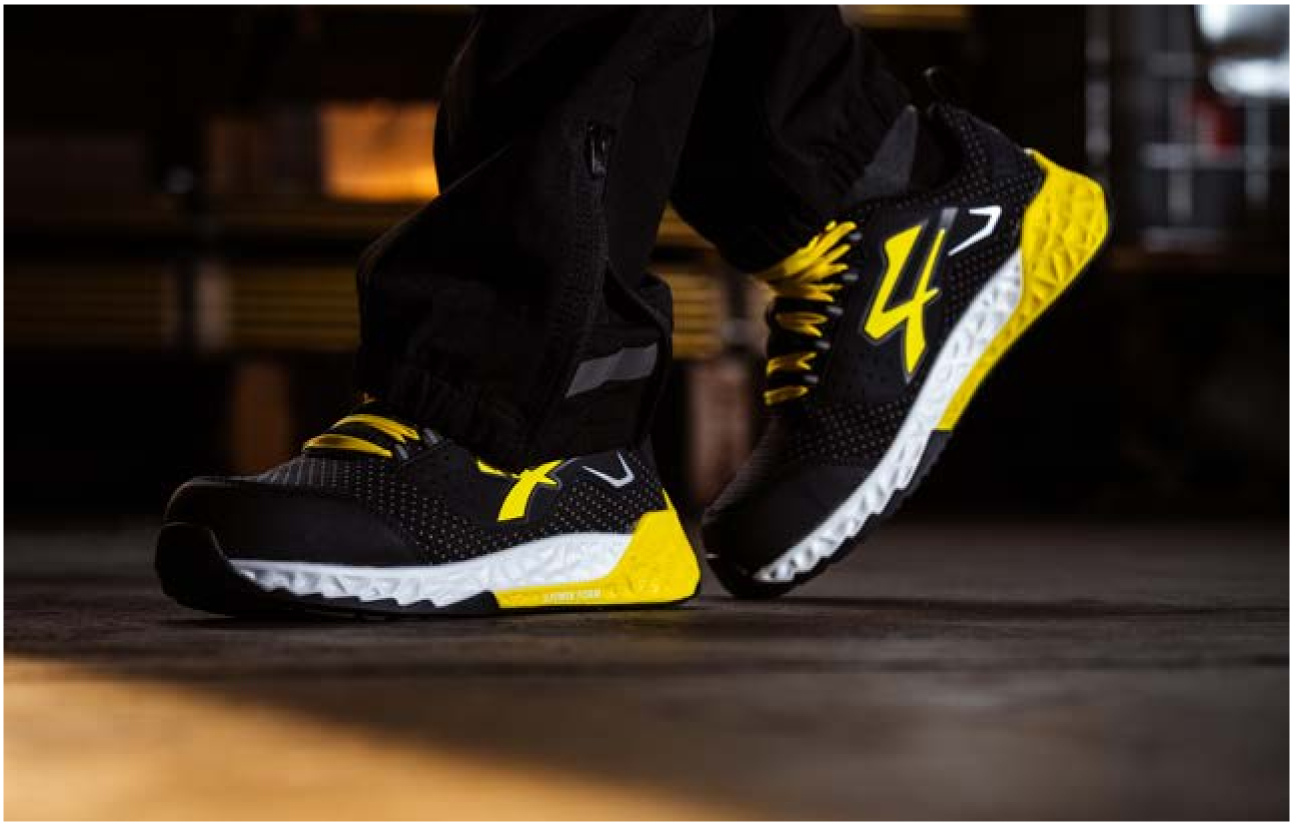
- clarify the application of the own-use requirements for contracts falling within their scope;
- amend the requirements for designating a hedged item in a cash flow hedging relationship for the contracts in question;
- introduce new disclosure requirements to enable investors to understand the effects of such contracts on a company's financial performance and cash flows.

The amendments will be effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, but appropriate disclosures must be made.

The amendments relating to the own-use exception are to be applied retrospectively, while those concerning hedge accounting are to be applied prospectively to new hedging relationships designated from the date of first application. Furthermore, the amendments to the disclosures required by IFRS 7 must be implemented in conjunction with the amendments to IFRS 9. If an entity does not restate comparative information, it will not be able to present comparative disclosures.

The Company does not expect these amendments to have a material impact on its financial statements.

OBERYN ESD Shoe – RED STRATOS Line



5. INTANGIBLE ASSETS

Intangible assets, as detailed in the table below, amounted to €467,976 thousand as of 31 December 2025.

(Euro thousand)

	Concessions, licences, and trademarks	Goodwill	Fixed assets under construction and advance payments	Total
Historical cost				
as at 01 January 2025	145,836	339,922	-	485,758
Increases	426	-	462	888
Reclassifications/Disposals	-	-	-	-
as at 31 December 2025	**146,262**	**339,922**	**462**	**486,646**
Accumulated depreciation				
as at 01 January 2025	(10,738)	-	-	(1,255)
Increases	-	-	-	-
Reclassifications/Disposals	-	-	-	-
Depreciation for the year	(7,932)	-	-	(7,932)
as at 31 December 2025	(18,670)	-	-	(18,670)
Net book value				
as at 01 January 2025	135,098	339,922	-	475,020
as at 31 December 2025	127,592	339,922	462	467,976

The item "Concessions, licences, trademarks and similar rights" mainly refers to the value of the U-Power, Aimont, and Lupos trademarks, relating to products marketed by the Group in the footwear and safety clothing sector. The value net of amortisation for the year of the U-Power brand is €126,076 thousand. This value includes the higher current value attributed to these assets as part of the process of allocating the Deficit resulting from the merger by absorption of the parent company Lion BidCo Spa, which took place during the previous financial year.

As regards trademarks, considered by management as assets with a definite useful life and amortised over 20 years, no impairment indicators or indicators that would lead to the identification of a useful life different from the current one emerged during the year, based on future plans.

The item "Goodwill", amounting to €339,922 thousand as at 31 December 2025, was determined on a residual basis as part of the merger deficit allocation process.

The item 'Assets under construction' includes the costs incurred at the end of the financial year for the implementation of a new integrated Group management system. The project, which is still in the development and implementation phase, is aimed at replacing and standardising the IT applications currently in use at Group companies, with the objective of improving the efficiency of administrative, accounting and management processes.

The system will become operational during the 2026 financial year; consequently, as at the reporting date, these costs are not yet subject to amortisation.

The comparative table for 2024 is provided below:

(Euro thousand)

	Concessions, licences, and trademarks	Goodwill	Total
Historical cost			
as at 01 January 2024	2,215	-	2,215
Increases	1,682	-	1,682
Reclassifications/disposals/mergers	141,939	339,922	481,861
as at 31 December 2024	145,836	339,922	485,758
Accumulated depreciation			
as at 01 January 2024	(1,255)	-	(1,255)
Increases	-	-	-
Reclassifications/disposals/mergers	(1,666)	-	(1,666)
Depreciation for the year	(7,817)	-	(7,817)
as at 31 December 2024	(10,738)	-	(10,738)
Net book value			
as at 01 January 2024	960	-	960
as at 31 December 2024	135,098	339,922	475,020

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is described in the table below:

(Euro thousand)

	Land and buildings	Plant and machinery & Industrial and commercial equipment	Fixed assets under construction and advance payments	Other assets	Total
Historical cost					
as at 01 January 2025	7,137	29	8	655	7,829
Increases	81	-		15	95
Reclassifications/disposals/mergers	8	-	(8)		0
as at 31 December 2025	7,226	29	-	670	7,925
Accumulated depreciation					
as at 01 January 2025	(106)	(2)	-	(180)	(288)
Depreciation for the year	(214)	(4)	-	(77)	(295)
Reclassifications/disposals/mergers	-	-	-	-	-
as at 31 December 2025	(320)	(6)	-	(256)	(583)
Net book value					
as at 01 January 2025	7,031	27	8	475	7,541
as at 31 December 2025	6,906	23	-	413	7,342

The item Land and Buildings refers to the cost, including the costs incurred for the extraordinary maintenance work carried out on the commercial property located in Paruzzaro (NO), completed in May 2024 and current office of the company.

The item Other assets also includes furniture and furnishings, electronic office machines and cars.

The comparative table for 2024 is provided below:

(Euro thousand)

	Land and buildings	Plant and machinery & Industrial and commercial equipment	Fixed assets under construction and advance payments	Other assets	Total
Historical cost					
as at 01 January 2024	440	-	4,738	172	5,350
Increases	2,107	29	31	312	2,479
Reclassifications/disposals/mergers	4,590	-	(4,761)	171	-
as at 31 December 2024	7,137	29	8	655	7,829
Accumulated depreciation					
as at 01 January 2024	-	-	-	(119)	(119)
Depreciation for the year	(106)	(2)	-	(61)	(169)
Reclassifications/disposals/mergers	-	-	-	-	-
as at 31 December 2024	(106)	(2)	-	(180)	(288)
Net book value					
as at 01 January 2024	440	-	4,738	53	5,232
as at 31 December 2024	7,031	27	8	475	7,541

7. RIGHTS OF USE

The application of IFRS 16 concerning rights of use on vehicles expresses a value of €33 thousand in the financial statements and is net of depreciation calculated during the year.

The breakdown of changes in the item is provided below:

(Euro thousand)

	Right of use - Properties	Right of use – Industrial and commercial equipment	Right of use - Auto	Total
Historical cost				
as at 01 January 2025	-	-	320	320
Increases	-	-	19	19
Disposals	-	-		-
as at 31 December 2025	-	-	339	339
Accumulated depreciation				
as at 01 January 2025	-	-	(249)	(249)
Depreciation for the year	-	-	(57)	(57)
Disposals	-	-	-	-
as at 31 December 2025	-	-	(306)	(306)
Net book value				
as at 01 January 2025	-	-	71	71
as at 31 December 2025	-	-	33	33

The comparative table for 2024 is provided below:

(Euro thousand)

	Right of use - Properties	Right of use – Industrial and commercial equipment	Right of use - Auto	Total
Historical cost				
as at 01 January 2024	111	-	320	431
Increases	-	-	-	-
Disposals	(111)	-	-	(111)
as at 31 December 2024	-	-	320	320
Accumulated depreciation				
as at 01 January 2024	(65)	-	(166)	(231)
Depreciation for the year	(7)	-	(83)	(90)
Disposals	74	-		74
as at 31 December 2024	-	-	(249)	(249)
Net book value				
as at 01 January 2024	46	-	154	200
as at 31 December 2024	-	-	71	71

8. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The total amount of deferred tax assets came to €5,931 thousand and the total amount of deferred tax liabilities came to €40,721 thousand; the following table provides details of the timing differences that generated deferred tax assets and liabilities:

(Euro thousand)

Schedule of temporary differences	31 December 2025		31 December 2024	
	Temporary differences	Deferred tax on temporary differences	Temporary differences	Deferred tax on temporary differences
Prepaid taxes				
Amortisation of trademarks and patents, revalued	18,900	5,589	19,320	5,713
Amortisation of trademarks and patents	44	13	48	14
Derivative financial instruments – tax effect	1,358	326	2,656	638
Other	14	3	26	6
Total		5,931		6,371
Deferred taxes				
Dividends	62,551	3,739	41,868	538
PPA – Shareholdings	*150,814*	*1,810*	*150,814*	*1,810*
PPA – Trademark	126,068	35,172	133,171	37,155
Total		**40,721**		**39,503**

The main amount of prepaid tax assets refers only to the tax relevance of the revaluation of the U-Power trademark carried out in accordance with Italian Law 126/20.

The main amount of deferred tax liabilities relates to the tax effect determined when allocating the deficit arising from the merger by absorption of the parent company Lion BidCo Spa, which took place in the previous financial year.

9. OTHER NON-CURRENT ASSETS

The item includes Equity investments in subsidiaries for €189,862 thousand, a loan to the subsidiary U-Group Srl for €37,500 thousand and Other securities for €293 thousand.

The following table shows information on the subsidiaries:

(Amounts in euros)

Name	City, if in Italy, or foreign country	Tax Code (for Italian companies)	Share capital in euros	Profit (Loss) for the most recent financial year in euros	Shareholders' equity in euros	Share of shareholders' equity held, in euros	Share held in %	Book value or corresponding receivable
U-GROUP SRL	Paruzzaro	2041920030	119,000	32,398,718	39,141,941	39,141,941	100	118,332,402
MARTEK SARL	Tunisia		13,122,605	9,536,017	25,162,584	25,162,584	100	30,902,343
JALLATTE SAS	France		100,000	5,016,291	5,222,905	5,222,905	100	37,169,995
U-LOGISTICS SRL	Paruzzaro	2557020035	110,000	1,877,252	5,453,291	5,453,291	100	2,059,871
U-POWER USA, INC	USA		88,071	(1,006,325)	391,126	391,126	100	1,397,451
Total								**189,862,062**

The comparative table for 2024 is provided below:

(Amounts in euros)

Name	City, if in Italy, or foreign country	Tax Code (for Italian companies)	Share capital in euros	Profit (Loss) for the most recent financial year in euros	Shareholders' equity in euros	Share of shareholders' equity held, in euros	Share held in %	Book value or corresponding receivable
U-GROUP SRL	Paruzzaro	2041920030	119,000	23,659,656	30,232,904	30,232,904	100	118,332,402
MARTEK SARL	Tunisia		13,122,605	11,803,257	26,899,325	26,899,325	100	30,902,343
JALLATTE SAS	Francia		100,000	5,533,600	6,206,615	6,206,615	100	37,169,995
U-LOGISTICS SRL	Paruzzaro	2557020035	110,000	1,775,566	3,575,421	3,575,421	100	2,059,871
Total								**188,464,611**

The loan granted to the subsidiary U-Group during 2023 was aimed at repayment of the existing loans; the repayment will be made in a lump sum on the due date, i.e. 31 December 2040; the interest rate applied is equal to the six-month Euribor plus a margin of 4.80 bps.

The spreads present between the book value of the equity investments in the subsidiaries and the respective shareholders 'equity are not considered representative of the existence of impairment indicators. This assessment by the management body is based on the joint consideration of the results achieved by the subsidiaries and the results of the impairment test carried out in accordance with IAS 36, as more clearly described in the following paragraph “Impairment test”.

Other securities are detailed below:

	31 December 2025	31 December 2024
Other	293	284
Total	**293**	**284**

The securities amounted to €300 thousand, to which a fair value of €293 thousand was assigned as at 31 December 2025. The securities are free from pledges.

Impairment test

As at 31 December 2025, the Company carried out a review aimed at identifying any indicators of permanent impairment with respect to tangible and intangible assets with a finite useful life, as well as equity investments held in subsidiaries. The equity investments analysed relate to the companies U-Group, Jallatte, Martek, U-Logisticss and U-Power USA.
Following the checks carried out, and in light of the restructuring of the Group's production and procurement policies, possible indicators of impairment were identified with regard to the equity investment held in the subsidiary Martek; consequently, the Company carried out an impairment test to verify the recoverability of the investment. The test confirmed the recoverability of the carrying amount of the equity investment. With regard to the remaining shareholdings in subsidiaries, as well as the tangible and intangible assets with a finite useful life recognised in the Company's financial statements, no indicators of permanent impairment were identified at the end of the financial year and, therefore, it was not necessary to carry out further recoverability tests.

With regard to assets with an indefinite useful life and, specifically, the goodwill recognised in the financial statements, the Company performed an impairment test as at 31 December 2025.
To this end, specific assessments were carried out on the basis of both internal and external sources of information.
In determining the recoverable value of the NIC (Net Invested Capital) based on the value in use method, the estimate of the cash flows generated was used. The operating cash flow forecasts derive from the respective plans, with a duration of 5 years, of the Company and its subsidiaries.
The main assumptions with reference to the determination of the value in use are the operating cash flows, the discount rate and the growth rate used to determine the terminal value, assumed to be 2.0%.
The assumptions of the first year of the business plan correspond to those of the annual budget, while the assumptions for the subsequent years subject to explicit estimate are developed starting from the economic performance of the previous years, with assumptions of growth of revenues and of the overhead costs, considered reasonable and consistent with the market prospects and the operating plans of the Group companies. Finally, the estimated cash flows include flows related to the development of working capital, capital expenditure, and any other relevant balance sheet items.
The breakdown of the estimates of future cash flows was determined on the basis of criteria of reasonableness and consistency in relation to the allocation of future general expenses, the development of capital investments, the conditions of financial balance, as well as the main macro-economic variables. Lastly, it should be noted that the cash flow forecasts refer to the current operating conditions of the asset and, therefore, do not include cash flows related to any extraordinary measures.
For the purpose of determining the terminal value, the method of discounting the perpetual annuity was used.
The value in use of the CGUs was determined by discounting the value of the estimated future cash flows, including the terminal value, which are assumed to derive from continuous use of the assets, at a discount rate, net of taxation, adjusted for the risk and which takes into account the weighted average cost of capital.
In particular, the discount rate used is calculated starting from the Group's Weighted Average Cost of Capital ("WACC"), for which reference was made to indicators and metrics observable on the reference market, at the current value of money. In particular, the determination of the WACC refers to the following main metrics:

- Risk-free rate: 3.5%, equal to the rate on 10-year government securities of Italy, Spain, France, Germany and the UK recorded as at 31 December 2025, weighted by the weight of revenues achieved in each of these countries (source: Capital IQ);
- Market equity risk premium: 5.5%, defined as the additional return (over and above the expected return on risk-free assets) that investors expect to obtain from an investment in the market portfolio of ordinary shares, determined in accordance with the Kroll recommendations for the Eurozone as at 31 December 2025.
- Unlevered beta: 0.70, calculated as at 31 December 2025 as the average of the unlevered betas of the identified comparables (source: Capital IQ);
- Target financial structure: D/E ratio of 30.1%, equal to the debt ratio of comparables as at 31 December 2025 (source: Capital IQ).
- On the basis of the above, applying the Capital Asset Pricing Model in particular, a WACC of 9.1% is obtained.

As at 31 December 2025, the value in use of the NIC subject to valuation, determined on the basis of the methods and assumptions described above, is higher than the book value.

Also in consideration of the current situation of market volatility and uncertainty regarding future economic prospects, sensitivity analyses were carried out on the recoverable value of goodwill.

In particular, a sensitivity analysis was developed on the recoverable value of the NIC, assuming an increase in the discount rate and a decrease in the perpetual growth rate, also representative of an implicit reduction in forecast cash flows.

The sensitivity analysis of the results of the impairment test, pursuant to paragraph 134 of IAS 36, shows the following tolerance margins:

- Discount rate: the value in use of the NIC remains higher than its book value also foreseeing the following increase in the discount rate: increase in the discount rate up to 10.76%;
- “g” growth rate: the value in use of the NIC remains higher than its book value also foreseeing the following decrease in the implicit growth rate (“g rate”) is envisaged: reduction of the g rate a limit g rate of -0.36%.

Based on the analyses carried out, the Directors considered the book value of the goodwill recorded in the financial statements as at 31 December 2025 to be recoverable.

10. RECEIVABLES FROM GROUP COMPANIES

Receivables from Group companies are detailed in note 30.

11. TAX RECEIVABLES

Tax receivables as of 31 December 2025 amounted to €237 thousand.
The item refers to the IRAP credit balance for the year 2025.

12. OTHER CURRENT ASSETS

The item receivables for taxes and other assets is broken down below:

	31 December 2025	31 December 2024
VAT receivables	816	2,875
Other tax receivables	34	58
Accruals and Deferrals	1,952	2,591
Other receivables	126	289
Receivables from banks	-	716
Total	**2,928**	**6,529**

The item 'VAT receivables' includes the remaining amount as at 31 December 2025 of the VAT credit for the year 2023 transferred from the acquired company Lion Bidco Spa.
The item Accruals and Deferrals primarily relates to insurance policies.

13. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Cash and cash equivalents included under current assets are described in the table below:

	31 December 2025	31 December 2024
Bank deposits	2,231	9,143
Cash on hand	4	1
Total	**2,235**	**9,144**

Please refer to the cash flow statement for an analysis of the changes.

14. NET ASSETS

The shareholders' equity amounts to €552,006 thousand (€531,789 thousand as at 31 December 2024). Compared to the previous year, there was an increase of €20,217 thousand. Please refer to the statement of changes in shareholders' equity for further details.

a. Share capital

At the balance sheet date, the share capital, fully subscribed and paid-in, amounted to €10,000 thousand.

b. Actuarial profit and loss reserve

The reserve for actuarial profits and losses refers to the effect of the discounting back of the employee severance indemnity recognised under Shareholders' equity in the Other comprehensive income.

c. FTA reserve

The FTA (First Time Application) reserve, amounting to € 9,776 thousand, includes the adjustments made following the transition to the IAS / IFRS accounting standards.

d. Statement of availability and use of shareholders' equity items

The information required by Article 2427, point 7-bis of the Italian Civil Code, relating to the breakdown of the shareholders' equity items with reference to their origin, availability for use and distribution, as well as their utilization in previous years, can be inferred from the tables below:

	Amount	Origin/nature	Possibility of use	Available portion	Summary of uses in the three previous financial years – for other reasons
Capital	10,000	CAPITAL			
Share premium reserve	3,517	PROFITS	A/B/C	3,517	
Statutory reserve	2,000	PROFITS	B	2,000	
Other reserves					
Capital contributions	8,600	CAPITAL	A/B/C	8,600	
Actuarial reserve	10			-	
Cash flow hedge reserve	(1,033)				
Merger surplus reserve	379,063	CAPITAL	A/B/C	379,063	
FTA reserve	9,776			-	
Total other reserves	387,817			379,063	
Retained earnings	120,853	PROFITS	A/B/C	120,853	
Total					
Non-distributable portion				-	
Remaining distributable portion				514,033	

Legend: A: for capital increase, B: to cover losses, C: for distribution to shareholders, D: for other statutory obligations

It should also be noted that, at the date of approval of these financial statements, there were no dividends already resolved but not yet paid.

15. EMPLOYEE SEVERANCE INDEMNITY AND OTHER PROVISIONS RELATING TO PERSONNEL

Changes in the provision during the year were as follows:

as at 01 January 2024	**114**
Provisions	31
Uses	(19)
Interest	4
Actuarial profit and loss	4
as at 31 December 2024	**134**
Provisions	25
Uses	(2)
Interest	5
Actuarial profit and loss	*(17)*
as at 31 December 2025	**145**

The valuation of TFR for IAS purposes follows the method of projecting the present value of the defined benefit obligation with the estimated benefits accrued by employees.
Following the changes introduced by Law No. 296 of 27 December 2006 ("2007 Budget Law") and subsequent implementation Decrees and Regulations, the employee severance indemnity quotas accrued up to 31 December 2006 will continue to remain with the company, configuring a defined benefit plan (obligation for accrued benefits subject to actuarial valuation), while the portions accruing from 1 January 2007, as a result of the choices made by employees during the year, will be allocated to complementary pension schemes, configuring themselves as defined contribution plans (no longer subject to actuarial valuation) from the moment the choice is formalised by the employee.

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

	%
Discount rate	3.70
Annual inflation rate	2.00
Annual severance pay increase rate	3.00
Annual real wage increase rate	1.00

The following tables provide information on

- sensitivity analysis for each relevant actuarial hypothesis at the end of the year, showing the effects that would have occurred following changes in the reasonably possible actuarial hypotheses at that date, in absolute terms;
- indication of the contribution for the following year;
- indication of the average financial duration of the obligation for defined benefit plans;
- disbursements envisaged by the plan.

SENSITIVITY ANALYSIS OF KEY EVALUATION PARAMETERS

Turnover rate +1%	146
Turnover rate -1%	142
Inflation rate +0.25%	148
Inflation rate -0.25%	142
Discount rate +0.25%	141
Discount rate -0.25%	149

SERVICE COST AND DURATION

Future Service Cost	28
Plan duration	15.93

ESTIMATED FUTURE DISBURSEMENTS

Years	
1	11
2	11
3	12
4	13
5	14

16. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are detailed below:

	31 December 2025	31 December 2024
Provision for pensions and similar obligations	335	268
Total	**335**	**268**

17. FINANCIAL LIABILITIES

Financial liabilities are detailed below:

	31 December 2025	31 December 2024
Bonds	-	-
Payables to banks	15,479	10,679
Payables to leasing companies	-	11
Payables for rights of use	20	21
Payables due to other lenders	437	393
Total current financial liabilities	**15,936**	**11,104**
Bonds	-	-
Payables to banks	220,313	235,694
Payables to leasing companies	-	-
Payables for rights of use	14	20
Derivative financial instruments	1,360	2,656
Payables due to other lenders	-	425
Total non-current financial liabilities	**221,687**	**238,795**
Total financial liabilities	**237,623**	**249,899**

Below are details of bank debts:

(Euro thousand)

Company	Institution	Description	Currency	Start date	Maturity date	Initial loan amount in euros	Outstanding amount to be repaid in euros	Interest rate	Instalment due dates
U-POWER GROUP S.P.A.	Intesa Sanpaolo Agente	Facility A1 Amortizing	Euros	26/09/2023	25/09/2029	88,933	74,259	Variable Euribor 6M + 4,5%	Half-yearly
		Amortised cost					(1,888)		
U-POWER GROUP S.P.A.	Intesa Sanpaolo Agente	Facility A2 Amortizing	Euros	26/09/2023	25/09/2029	15,067	12,581	Variable Euribor 6M + 4,5%	Half-yearly
		Amortised cost					(320)		
U-POWER GROUP S.P.A.	Intesa Sanpaolo Agente	Facility B1 Bullet	Euros	26/09/2023	25/09/2030	133,399	133,399	Variable 6-month Euribor +5%	Half-yearly
		Amortised cost					(4,214)		
U-POWER GROUP S.P.A.	Intesa Sanpaolo Agente	Facility B2 Bullet	Euros	26/09/2023	25/09/2030	22,601	22,601	Variable 6-month Euribor +5%	Half-yearly
		Amortised cost					(714)		
Medium- to long-term bank loan							**235,704**		
U-POWER GROUP S.P.A.	Intesa Sanpaolo	Interest and expenses	Euros				88	N/A	N/A
Bank current account							**88**		
Payables to banks							**235,792**		

The balance of payables due to banks as at 31 December 2025 totalled €235,792 thousand, a reduction of €10,581 thousand compared to the close as at 31 December 2024 and represents the actual payable in principal, interest and additional charges accrued and due to banks.
The book value was determined on the basis of the amortised cost criterion.
It should also be noted that the medium/long-term loan agreement of the Parent Company envisages being subject to certain economic/financial metrics; the verification of compliance with the financial covenants takes place every half year and it is confirmed that, in light of the final results for the first half year of 2025 and the results for the whole of 2025 included in these financial statements, no violations of these covenants have occurred or are expected.
It should also be noted that there are unused credit facilities for €20 million for a Revolving facility and €20 million intended to finance or refinance capital expenditure (so-called Capex Facilities) and permitted acquisitions.

To hedge the risk of interest rate fluctuations on the outstanding loan facilities, derivative hedging contracts have been entered into in the form of an Interest Rate Swap. These instruments are intended to hedge cash flows and are accounted for according to the rules of hedge accounting in accordance with the provisions of IFRS 9.

18. TRADE PAYABLES

The item trade payables as at 31 December 2025 amounted to €1,726 thousand and represents the Company's liability to third parties for the supply of goods and services. This item consists entirely of payables due within 12 months.
The data relating to the breakdown of payables by geographic area, pursuant to Article 2427(6) of the Italian Civil Code are shown below:

	31 December 2025	31 December 2024
Italy suppliers	1,713	788
E.U suppliers	13	13
Non-E.U. suppliers	-	7
Total	**1,726**	**808**

19. PAYABLES TO GROUP COMPANIES

Payables to Group companies are detailed in note 31.

20. PAYABLES FOR OTHER LIABILITIES

The item is broken down below:

	31 December 2025	31 December 2024
VAT	253	-
Taxes and duties	50	2
Withholding taxes	297	223
Payables to social security and welfare institutions	375	312
Payables to employees	140	157
Other payables	341	-
Prepayments and deferred income	47	73
Total	**1,453**	**767**

21. REVENUES

The item revenues amounted to €11,870 thousand for the year 2025.

	2025	2024
Royalties	6,091	6,162
Provision of services	5,779	5,771
Total	**11,870**	**11,933**

In accordance with the provisions of Article 2427, point 10 of the Italian Civil Code, the breakdown of revenues by geographic area is shown in the following tables:

	2025	2024
Italy	10,457	8,777
EU	1,275	1,173
Non-EU	138	1,983
Total	**11,870**	**11,933**

22. OTHER REVENUES AND INCOME

The item other revenues and income is broken down below:

	2025	2024
Other revenue	319	186
Contingent assets	30	-
Compensation	-	128
Total	**349**	**314**

23. PERSONNEL COSTS

Personnel costs are detailed below:

	2025	2024
Wages and salaries	3,875	3,619
Social security contributions	881	752
Employee severance pay	41	21
Total	**4,797**	**4,392**

The following table indicates the number of employees, broken down by category at the end of the period.

	2025	2024
Executives	9	10
Office staff and middle managers	17	15
Total	**26**	**25**

24. COSTS FOR SERVICES

Costs for services are detailed below:

	2025	2024
Consultancy	1,585	2,161
Other expenses	1,973	1,201
Utilities	116	152
Marketing	17	15
Bank charges	12	11
Travel and subsistence expenses	101	87
Total	**3,804**	**3,627**

25. OTHER COSTS AND CHARGES

The item other costs and expenses is detailed below:

	2025	2024
Cost of using third-party assets	24	17
Contingent liabilities	27	47
Indirect taxes and duties	226	200
Other expenses	10	233
Total	**287**	**497**

26. FINANCIAL INCOME

The item financial income is detailed below:

	2025	2024
Dividends from Martek Suarl	12,360	15,934
Dividends from Jallatte SAS	6,000	4,000
Dividends from U-Group SRL	23,500	27,500
Interest income	3,607	5,896
Total	**45,467**	**53,330**

The item Interest income refers primarily to interest income accrued on loans and current account financial transactions with the group companies.

27. FINANCIAL CHARGES

The item financial charges is detailed below:

	2025	2024
Interest expense on medium- to long-term loans	19,734	25,021
Bank interest expense	*697*	*693*
Interest expense on derivatives	1,170	-
Interest on leases	-	3
Interest on employee severance indemnities	5	4
Other charges	45	69
Total	**21,651**	**25,789**

The item interest expense on medium/long-term loans includes interest expense accrued on loan agreements as more fully described in point 17.

28. OTHER NET FINANCIAL INCOME/EXPENSES

Other net income/expenses are detailed below:

	2025	2024
Net foreign exchange gains/losses	(400)	457
Revaluation of financial assets	9	38
Total	**(391)**	**495**

Foreign exchange differences relate both to actual gains/losses realised during the year and to unrealised gains/losses recognised at the exchange rate at the balance sheet date.

The item also includes revaluations of financial assets relating to securities.

29. INCOME TAXES

The item income taxes is detailed below

	2025	2024
Current taxes	(2,643)	(5,465)
Deferred and prepaid taxes	1,343	(2,527)
Contingent tax liabilities	553	218
Total	**(747)**	**(7,775)**

The item current taxes includes income from consolidation recognised following the transfer (and consequent use) to the tax consolidation scheme of the consolidation adjustments. In fact, it is recalled that the company has opted, as consolidated company, for group taxation pursuant to and for the purposes of Article 117 et seq. of the TUIR (consolidated act on income taxes).

Reconciliation of ordinary rate and effective rate

The following table makes it possible to reconcile the ordinary IRES rate with the effective rate.

RECONCILIATION OF THEORETICAL TAX CHARGE AND TAX CHARGE AS SHOWN IN THE FINANCIAL STATEMENTS

	IRES
Profit before tax as shown in the financial statements	18,472
Tax credits on dividends / mutual funds	
Profit before tax	18,472
Notional tax charge (basic rate)	4,433
Temporary differences taxable in future financial years	35,860
Temporary differences deductible in future financial years	17,050
Reversal of deductible temporary differences from previous financial years	26
Reversal of taxable temporary differences from previous financial years	759
Positive permanent differences that will not reverse in subsequent financial years	6,132
Negative permanent differences that will not reverse in subsequent financial years	7,229
Taxable income	1,492
Utilisation of prior tax losses	
Taxable income after utilisation of prior losses	1,492
Current tax (standard rate)	358
Consolidation adjustments	(3,001)
Reductions due to tax incentives	0
Actual current tax	(2,643)

30. COMMITMENTS AND RISKS

Commitments for investments

There are no investment commitments.

Risks

Please refer to the Report on Operations accompanying these financial statements.

Legal disputes

Please refer to the information provided in the 'Contingent liabilities' section.

Guarantees

The company has provided guarantees in favour of subsidiaries for a total amount of around €35.3 million.

It should be noted that the Company's shares were pledged in favour of the pool of banks financing the U-Power Group acquisition transaction in 2023.

Contingent liabilities

On 12 March 2024, Rai sued Divina Luna S.r.l. and U-Power Group S.p.a. alleging that, during an episode of the 74th edition of the Sanremo song contest, the defendant companies had arranged for the American actor and dancer John Travolta to wear "U-Power" branded shoes in the absence of a specific agreement with Rai, thereby incurring their liability both in contractual and non-contractual terms.

As a result, RAI requested the conviction of Divina Luna S.r.l. and U-Power Group S.p.A. The quantification of the contingent liabilities made by the counterparty amounts to approximately €3 million.

On 8 May 2024, U-Power Group S.p.A. appeared before the court, challenging the factual and legal groundlessness of the charges against it. The same procedural position was adopted by the other defendant, Divina Luna S.r.l.. Specifically, in response to RAI's accusations, both defendants maintained the full legitimacy of their conduct, raising a series of procedural objections with regard to the claims made by the counterparty and disputing the amount of the claim for compensation.

At the hearing for first appearance and discussion on 6 October 2024, the Judge ordered independent technical consultancy, submitting the following expert question to the appointed expert witness.

The expert appraisal was completed on 18 October 2025, with a report in which the court-appointed expert determined that the consideration for the use of the advertising space through the product placement technique would amount to €1,836,807.30.

On 13 November 2025, at the hearing scheduled to discuss the expert report, the Company's lawyers challenged the findings of the report, highlighting the serious errors made by the court-appointed expert, both in classifying the alleged wrongdoing and in quantifying the alleged damages.

Having taken note of these observations, at the end of that hearing, the Judge reserved the right to decide on this point. Having lifted the reservation, on 20 November 2025, the Judge issued an order in which they deemed the case ready for decision and set a hearing, pursuant to Article 189 of the Italian Code of Civil Procedure, for 15 April 2027.

In this context – without prejudice to the belief that the court-appointed expert erred both in classifying the alleged wrongdoing and in quantifying the alleged damages and, in any event, that the court may reduce Rai's alleged claim – the Board of Directors considers, also taking into account the opinion provided by its legal advisors, that the risk of an unfavourable outcome should be deemed possible.

31. DISCLOSURE ON RELATED PARTIES

The company carried out transactions with related parties, finalised under normal market conditions.
The following transactions with related parties should be noted:

	CREDITS	PAYABLES	REVENUE	COSTS
MARTEK sarl	38,545	-	75	-
U-POWER USA Inc	60	-	63	-
JALLATTE sas	1,275	7	1,276	-
U-GROUP srl	85,081	184	13,484	18
U-LOGISTICS srl	21,336	208	850	-
FIN REPORTER srl	-	-	3	-
FIN-LAVORARE srl	-	-	1	-
LION HOLDCO spa	11,273	-	-	-
Grand total	**157,571**	**399**	**15,752**	**18**

Receivables from the parent company Lion Holdco S.p.A. refer to the tax consolidation scheme in place.

32. INFORMATION ON COMPANIES OR ENTITIES THAT EXERCISE MANAGEMENT AND COORDINATION ACTIVITIES - ARTICLE 2497 BIS OF THE ITALIAN CIVIL CODE

The company is not subject to third party management and coordination activities.

33. FEES PAID TO CORPORATE BODIES

Information concerning directors and statutory auditors is provided below, pursuant to Article 2427(16) of the Italian Civil Code are shown below:

	Remuneration of directors	Remuneration of statutory auditors	Remuneration of auditors	Total remuneration paid to directors and statutory auditors
Amount	870	49	25	958

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

With reference to Article 1.125 of Italian Law No. 124/2017, it should be noted that the company has not obtained any grants.

35. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

In November 2025, the company executed a binding agreement to acquire 100% of Cerva Group, a leading European player in the workwear and personal protective equipment sector, based in the Czech Republic. The transaction was completed (closing) on 19 March 2026, subject to the fulfilment of certain conditions precedent, including the obtaining of approvals from the relevant antitrust and foreign investment authorities. For further information, please refer to the information provided in the management report.

36. INFORMATION ON THE OBLIGATION TO PREPARE THE CONSOLIDATED FINANCIAL STATEMENTS

The Company prepared the consolidated financial statements for the year ended on 31 December 2025 as it did not apply the right of exemption envisaged by Article 27.3 of Italian Legislative Decree No. 127/1991.

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

Pursuant to Article 2435.7 bis of the Italian Civil Code, it should be noted that the company does not hold, nor did it hold during the year, any treasury shares and shares or holdings of parent companies.

38. PROPOSED ALLOCATION OF PROFIT/LOSS FOR THE YEAR

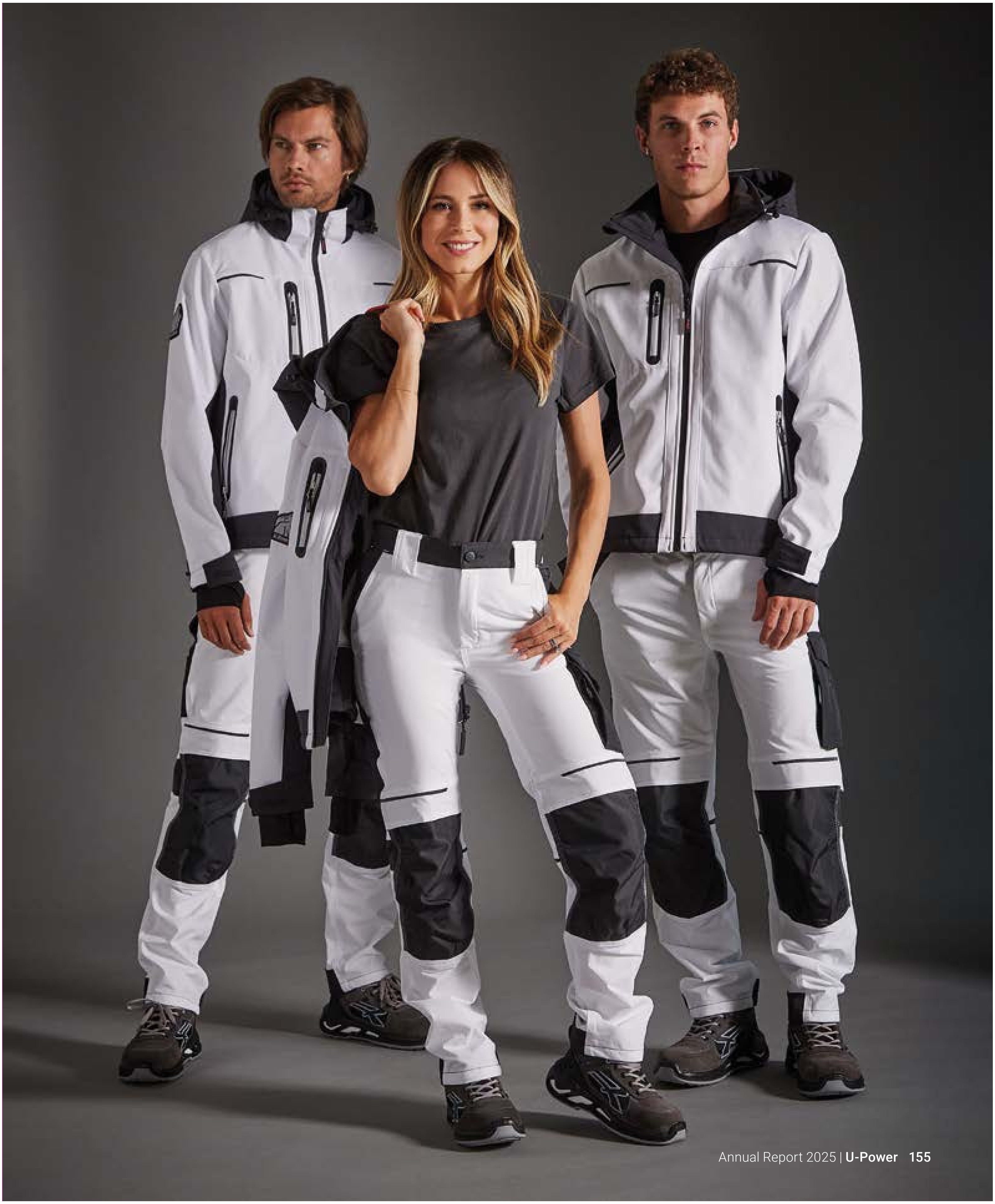
The Board of Directors proposes to allocate the profit for the year of €19,219,440.95 as follows:

- Carried forward € 19,219,440.95.

*****

Paruzzaro, 08 April 2026

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



U-Power Group S.p.A.

Financial statements as at December 31st, 2025

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholder of
U-Power Group S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of U-Power Group S.p.A. (the Company), which comprise the statement of financial position as at December 31st, 2025, the statement of profit/(loss) for the year, the statement of other comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31st 2025, of its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards issued by International Accounting Standards Board as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS accounting standards issued by International Accounting Standards Board as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on compliance with other legal and regulatory requirements

Opinion and statement pursuant to article 14, paragraph 2, subparagraph e), e-bis) and e-ter) of Legislative Decree n. 39 dated 27 January 2010

The Directors of U-Power Group S.p.A. are responsible for the preparation of the Report on Operations of U-Power Group S.p.A. as at December 31st 2025, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to:

- express an opinion on the consistency of the Report on Operations, with the financial statements;
- express an opinion on the compliance of the Report on Operations with the applicable laws and regulations;
- issue a statement on any material misstatements in the Report on Operations.

In our opinion, the Report on Operations is consistent with the financial statements of U-Power Group S.p.A. as at December 31st 2025.

Furthermore, in our opinion, the Report on Operations complies with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e-ter), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 21st, 2026

EY S.p.A.
Aldo Alberto Amorese
(Auditor)

This report has been translated into the English language solely for the convenience of international readers.

Creative concept,
design and layout

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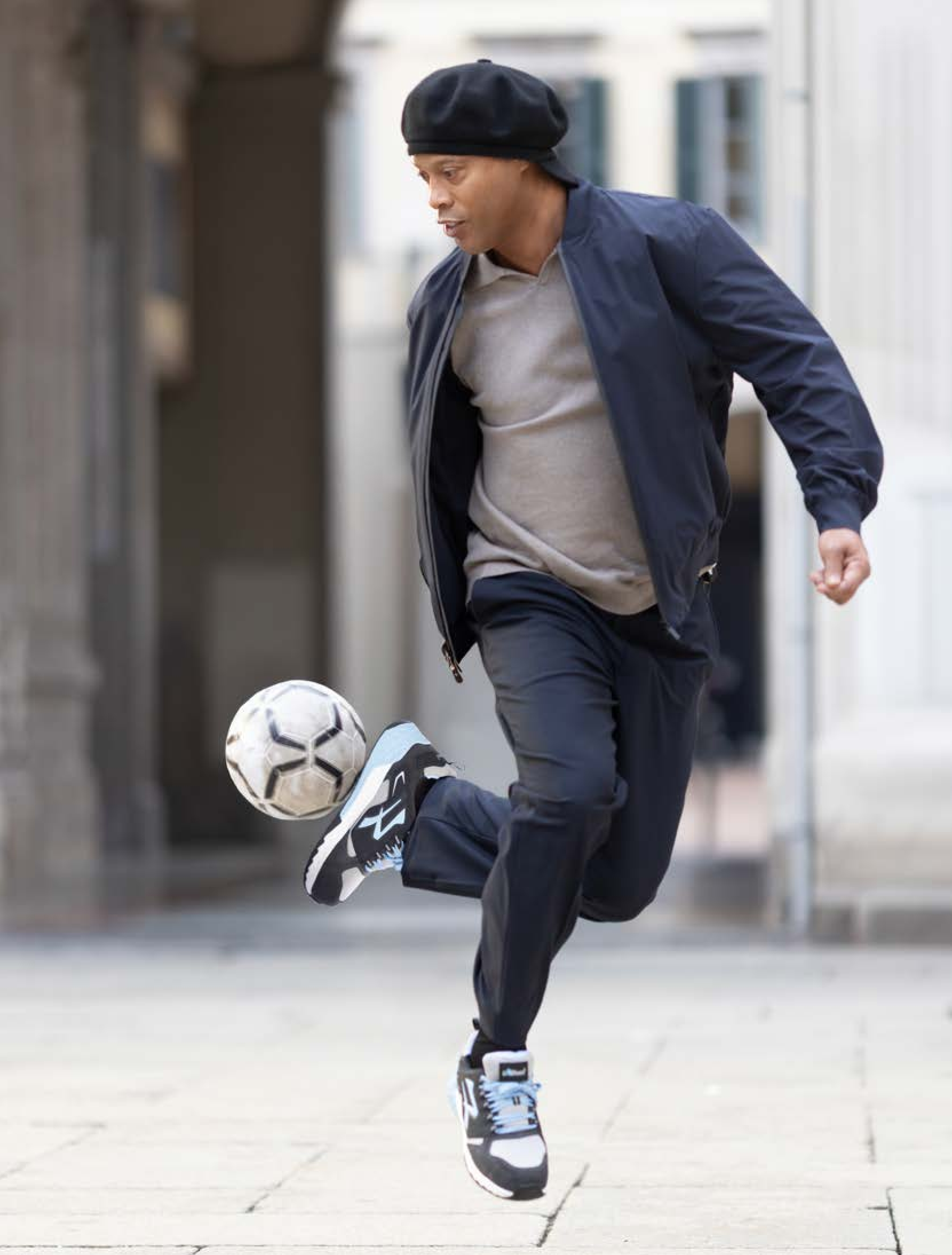

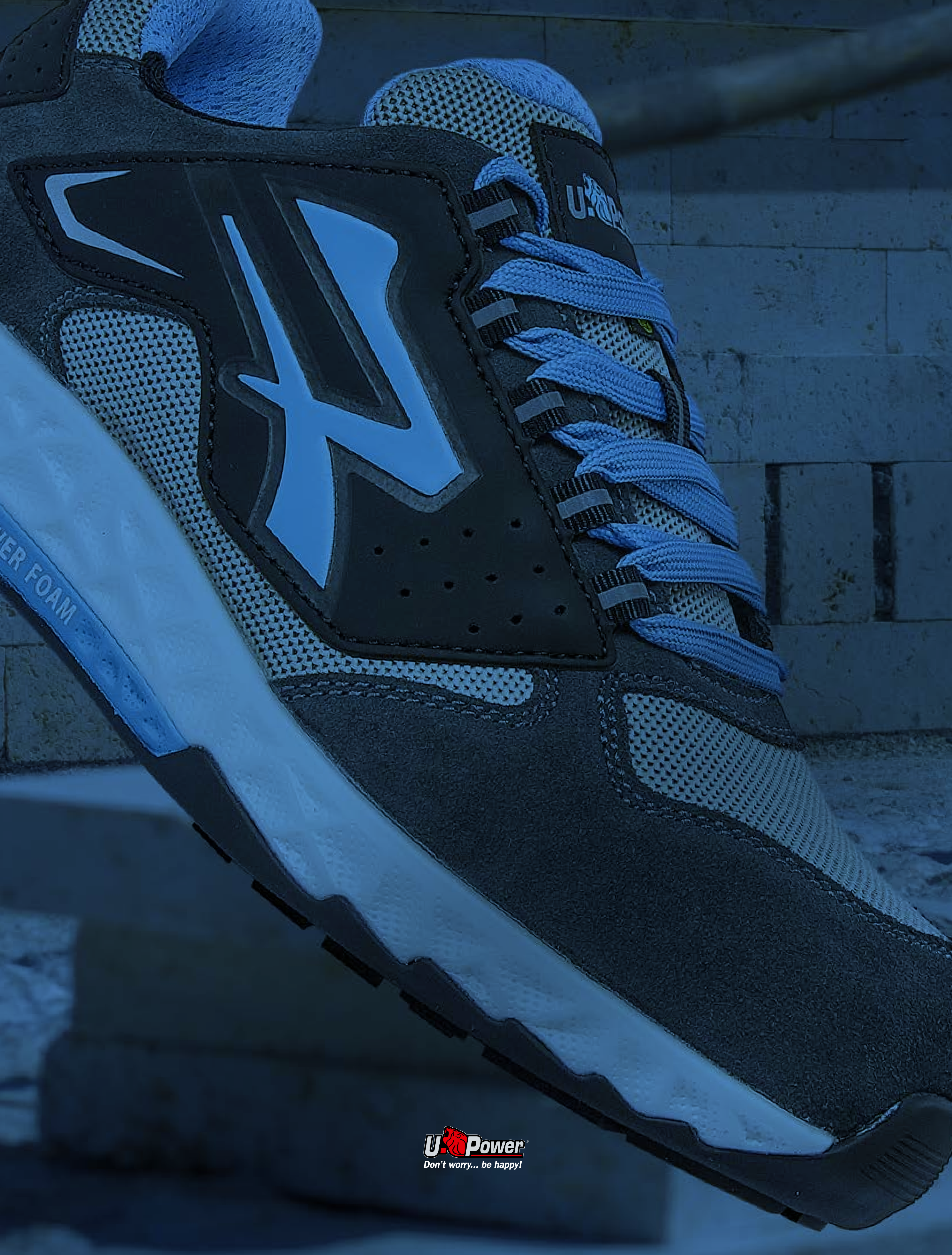
U-Power
Don't worry... be happy!