Management report on the consolidated financial statements as of 31/12/2023, of Gruppo Franchetti S.p.A.

Dear Shareholders,
In addition to the financial statements for the period ended 31/12/2023, we provide this Management Report, prepared in accordance with Article 2428 of the Civil Code, with the aim of providing a faithful, balanced, and comprehensive overview of the Group's situation, performance, and activities during the year. Information on the risks faced by the Group is also provided.

Group activities

Franchetti Spa is an international group specializing in the planning, diagnosis, and interventions aimed at safety and predictive maintenance scheduling on infrastructure networks. It operates directly in Italy (headquartered in Arzignano, Vicenza), Brazil, and Canada, and through commercial representatives in the United States and India. Franchetti's main field of activity is in structural capex, namely the inspection, analysis, and scheduling of predictive maintenance for high-value elements - mainly bridges - in complex transportation networks. It utilizes in-house software for predictive maintenance analysis of infrastructure. The Group's clients include both national and international public and private entities in the road and railway infrastructure sector. The Group is known for its ability to create cutting-edge and highly reliable solutions, where technology is the enabling factor for business, specializing in software and 'mission-critical' systems capable of monitoring infrastructure obsolescence.

Business Model

With its expertise and engineering competencies, the Group can assess the structural damage of a wide range of existing structures and define the best intervention strategies throughout their lifecycle. For this reason, industry leaders contract with our Group for the management of road and railway infrastructures. Contracts are predominantly long-term and acquired through both private negotiations and public and/or private tenders. These activities involve the tender office selecting the public tenders to participate in and drafting the necessary documentation, the Area manager conducting commercial activities for direct assignments and managing relationships with clients in the relevant area, and offices or branches ensuring market presence in target territories. The main in-house software products, serving predictive maintenance analysis of infrastructure, include:

Argan

Argan is an artificial intelligence software designed by Franchetti S.p.A. to conduct predictive maintenance of infrastructures. It supports high-level decision-making by assisting infrastructure network managers with medium to long-term investment decisions. Argan integrates data related to demographics, inspections, projects, and asset monitoring. It organizes this information to extract high added value and accurately estimates the optimal allocation of maintenance interventions required to maintain infrastructure safety and reduce cash flows for the investments. The algorithm calculates necessary maintenance work for safety and optimizes costs over time relative to financial availability.

Optimist

Also designed in-house by Franchetti S.p.A., Optimist is a version of Argan tailored for a specific type of customer, incorporating new functionalities.

Pathwork

Pathwork is a unique software designed and developed by Franchetti S.p.A. aimed at optimal planning of road construction sites. The software collects key data related to scheduled constructions along a roadway. Given a production budget over a defined time horizon, the algorithm seeks the maximum number of simultaneous construction sites, constrained by minimizing users' travel time and reducing environmental impact. The result is an optimal distribution of construction sites both spatially (along the road segment) and temporally (e.g., start and end dates of each construction phase), facilitating high work production while maintaining road operability and minimizing disruptions.

Sidecheck

Sidecheck, another in-house development by Franchetti S.p.A., utilizes embedding algorithms and neural networks to measure the efficiency of inspection processes and asset management by infrastructure managers and owners, in compliance with inspection standards and the terms and criteria set by the countries in which they operate, industry rules, and contractual obligations. Sidecheck effectively compares collected data on inspections, inspectors, planning, and work estimates, contributing to making the process more objective over time, across different locations, and among various inspectors. While it does not replace professional workers, it provides crucial support in data collection, processing, and analysis, highlighting discrepancies or inconsistencies quickly.

V Software

This software, currently in the process of registration and designed in-house by Franchetti S.p.A., is dedicated to monitoring systems during the design phase.

Thanks to this combination of technological know-how and engineering expertise, the Group is expanding its presence in various markets, with technology being directly utilized by industry operators. We can confidently state that the policies pursued over the years, following the initial vision, have been aimed at building a successful and highly replicable business model.

The recently concluded fiscal year has demonstrated positive economic performance, with a net profit of €1,243,204. Revenue from sales and services in 2023 showed an increase compared to 2022, rising from €4,742,811 to €6,152,164, marking an approximate 30% increase. This growth underscores Franchetti S.p.A.'s robust market position and its successful adaptation and innovation in its operations.

Italian Holding Company

The financial year just concluded has shown a positive economic trend with a net profit after taxes of €1,037,616. The revenue from sales and services in 2023 witnessed a significant increase of 46% compared to the previous year, rising from €3,453,148 to €5,053,335. This achievement can primarily be attributed to the steady and progressive increase in the demand for specialized engineering services, a hallmark of our industry.

In 2023, not only the Italian market but also the European and global markets related to the maintenance of large road infrastructures experienced levels of business that exceeded those of previous years. Our company's specific expertise has enabled us to benefit from positive effects of this situation. Particularly, the domestic market has produced significant leverage in the maintenance of large infrastructures. This effect, stemming from the aging of infrastructures and largely independent from the funding through the National Recovery and Resilience Plan (PNRR), is expected to continue over an extended period.

In a continually evolving market that features an unstoppable process of digitalization of infrastructures (IoT) and the development of technologies aimed at preventing risks associated with their aging, Franchetti S.p.A. is committing substantial resources and personnel to modernize existing software and develop new solutions to assist clients in managing their assets. This effort includes forming strategic alliances with leading industry operators.

Today, the company counts among its clients major road and highway concession operators and is expanding its offerings in the railway sector. The company is structurally adjusting both organizationally and financially to support the increase in activities, with the aim of continuously satisfying client needs.

The transition towards an integrated and digital management of operations also allows for the optimization of production costs.

Subsidiary Activities:
- Franchetti & Merola Engenharia Ltda: A Brazilian company performing activities similar to those of Franchetti S.p.A.
- Studio Franchetti Canada Inc.: A company duly registered in Canada, poised for business development in the Canadian and US markets.
- Gallo Technics S.r.l.: Specializes in managing assets consisting of large private and public properties.

Brazilian Subsidiary

The Brazilian subsidiary is continuously developing in the infrastructure market, a very promising segment in Brazil, and has an excellent reputation with private road concessionaires. The group of engineers, although very competent and technical, is young and ambitious to grow. The company has been very active in public and private road and highway concessions so far and is growing in railway concessions, with high growth potential both in terms of turnover and business. The company offers its software services, combining them with engineering activities for special structures such as bridges and viaducts, including new structures, evaluation and technical reports of existing works, improvement projects, and reinforcement and elevation of existing bridges and viaducts.
Revenue in 2023 amounted to €1,414,436, with an average annual growth expected between 15 and 20%. EBITDA amounted to €678,000. The financial situation is good, with investments in top-tier banks and no financing. As previously outlined, the company currently serves the infrastructure segment, mainly private road concessions. The Brazilian government has been investing incrementally in the development of new concessions for many years, primarily focusing on improving existing roadways, where the Brazilian company operates. The enthusiasm and availability of an excellent team of engineers in Brazil allow for continuous support

of operations in Italy and help mitigate the limited availability of engineers in the national territory.

Canadian subsidiary

The Canadian subsidiary is duly registered in Canada to conduct engineering activities in the territories of Quebec and Ontario. The registration process involved administrative and professional qualification aspects that required significant effort in interaction with public authorities and Canadian engineering associations. The existence of these prerequisites is essential for the development of any commercial activity in Canada and was completed in 2020, with the opening of an operational office dedicated to participating in tenders. However, the subsequent natural development of commercial activities was abruptly interrupted by the Covid health emergency. Nonetheless, the development of commercial relationships and the exponential growth of the maintenance market in North America keep alive the strong determination to develop commercial and technical entry into Canadian and consequently US territory with every effort. This process was reactivated in 2023, through strategic alliances with locally established operators, and it is reasonably certain to be completed in the coming years. Partners have already been identified, and joint commercial strategies are being defined.

Italian subsidiary

Last March, the Company acquired 67% of the shares of GALLO TECHNICS S.r.l., based in Padua, thus gaining control. The acquired company is composed of a group of structural civil engineers who are contributing significantly to the Parent Company by extending the application sector in the field of large structures through their own technologies based on decades of experience. Additionally, the location of the company is strategic for its connection with the Civil Engineering faculty of the local University.

Through the following statements, we provide a summary representation of the "aggregate" economic performance during the financial year.

	31.12.2023				
	Franchetti SpA	Franchetti & Merola Engenharia Ltda	Studio Franchetti Canada Inc	Gallo Technics S.r.l	AGGREGATO
Ricavi Vendite	5.133.962 €	1.414.436 €	- €	76.232 €	6.624.631 €
Variazione rimanenze	493.815 €	247.521 €	- €	26.900 €	768.236 €
Valore della Pr.	5.627.778 €	1.661.958 €	- €	103.132 €	7.392.867 €
Costi per materie prime e di consumo	- 139.259 €	- 1.976 €	- €	- 754 €	- 141.989 €
Costi per servizi	- 2.123.880 €	- 898.015 €	- 8.219 €	- 51.431 €	- 3.081.546 €
Costi per godimento beni di terzi	- 276.875 €	- €	- €	- 4.760 €	- 281.635 €
Oneri diversi di gestione	- 179.590 €	- €	- €	- 1.198 €	- 180.788 €
Valore Aggiunto	2.908.174 €	761.966 €	- 8.219 €	44.989 €	3.706.910 €
Costo del lavoro	- 860.998 €	- 83.966 €	- 10.554 €	- €	- 955.518 €
EBITDA	2.047.176 €	678.001 €	- 18.773 €	44.989 €	2.751.392 €
Ammort. e svalut.	- 426.977 €	- 79.253 €	- €	- 359 €	- 506.588 €
EBIT	1.620.200 €	598.748 €	- 18.773 €	44.630 €	2.244.804 €
Oneri e prov finanz	- 119.985 €	- 10.284 €	- 138 €	- 28 €	- 130.436 €
EBT	1.500.214 €	588.464 €	- 18.911 €	44.602 €	2.114.368 €
Imposte	- 462.600 €	- 153.159 €	- €	- 12.000 €	- 627.759 €
UTILE dell'eserec.	1.037.614 €	435.304 €	- 18.911 €	32.602 €	1.486.609 €

Sales revenue, change in inventories, value of production, costs for raw materials and consumables, costs for services, costs for third party assets, miscellaneous operating expenses, added value, labor cost, EBITDA, depreciation and impairment, EBIT, financial charges and commissions, EBT, taxes, net income for the year
(Aggregato = aggregate)

Company Situation and Management Performance

Overall Economic Performance

In the first quarters of 2023, growth remained solid in the United States, while GDP sharply slowed in China, partly due to the real estate crisis. Global economic activity decelerated in the summer: expansion in services moderated, and the downturn in manufacturing continued. According to forecasts published in October by the IMF, global output will slow down in the 2023-24 biennium. Geopolitical tensions, exacerbated by recent terrorist attacks in Israel, weigh on the evolution of the global economic situation. Weakness in goods trade prospects affects international trade. Energy prices have risen again. Monetary policy remains restrictive in the United States and the United Kingdom. During the summer months, core inflation decreased in the United States and the United Kingdom, though remaining high. The Federal Reserve and the Bank of England, respectively in their July and August meetings, raised their benchmark rates by 25 basis points, bringing them to their highest levels since the 2007-08 biennium, leaving them unchanged in September. The Bank of Japan's monetary policy stance remained accommodating. In the third quarter, there was a tightening of conditions in international financial markets, fueled also by revised expectations of a rapid monetary policy easing.
In the euro area, the economic cycle remains weak, and inflation is decreasing. According to estimates, the stagnation of GDP in the euro area, ongoing since 2022, continued in 2023. Tighter financing conditions and the effects of high inflation on household purchasing power have influenced this. Activity remains weak in manufacturing and is weakening in services; signs of cooling have emerged in the labor market. In September, consumer inflation and core inflation fell to 4.3 and 4.5 percent, respectively. According to ECB experts' projections, the dynamics of consumer prices will decrease markedly in 2024 (to 3.2 percent) and in 2025 (to 2.1 percent). This downward path is supported by the reduction in inflation of the most persistent items in the basket of goods and services.
The ECB continued its upward phase of official rates. In July and September, the ECB Governing Council increased official interest rates by a total of 50 basis points. The Council currently believes that benchmark rates have reached levels that, if maintained for a sufficiently long period, will provide a substantial contribution to the timely return of inflation to the 2 percent target. It also reiterated its intention to

reinvest flexibly, at least until the end of 2024, the capital repaid on securities maturing under the Pandemic Emergency Purchase Program (PEPP). In the euro area, the cost of financing for businesses and households has further increased, reflecting the rise in official rates; yields on ten-year government bonds have increased, as have differentials between Italian and corresponding German securities.

In Italy, growth remained weak in the summer, following the decrease in the second quarter; the phase of economic weakness in Italy continued, extending to both manufacturing and services. Indicators confirm the weakness of domestic demand, reflecting tightening credit conditions, erosion of household incomes due to inflation, and weakening labor market dynamics. Exports are affected by both the sluggishness of global demand and economic activity in the euro area.

The current account balance continues to improve, returning marginally positive, thanks to the decline in the energy deficit in the spring; non-resident investors have shown strong interest in Italian government bonds. The net creditor position vis-à-vis foreign countries has increased.

Bank loans are decreasing, and the cost of credit to households and businesses has again decreased. The demand for financing is restrained both by the increase in the cost of loans and by reduced liquidity needs for investments. Banks also highlight that the increased perceived risk by intermediaries and their reduced willingness to tolerate it continue to contribute to a tightening of lending policies, weakening their dynamics. Intermediaries expect further tightening of credit criteria for businesses. New non-performing loans remain at low levels.

According to the Government, the debt-to-GDP ratio would only marginally decrease over the next three years. According to the new public finance targets - updated by the Government at the end of September - in 2023, net borrowing and debt as a percentage of GDP would continue to decrease and would be 5.3 and 140.2 percent, respectively. An expansion of the deficit compared to the current legislation framework of about 0.7 percentage points of GDP is planned for 2024. Net borrowing would gradually decrease in the coming years, reaching 2.9 percent of GDP in 2026. The incidence of debt on output in the next three years would mark only a marginal reduction, with risks generally on the rise.

GDP would slow down in the 2023-25 triennium, and inflation would decrease markedly. In the base scenario of the forecast framework, GDP would increase by 0.8 percent in 2024 and 1.0 percent in 2025. Growth would be affected by tightening financing conditions and weakness in international trade; it would benefit from the effects of PNRR measures and the gradual recovery of household purchasing power. Inflation would decrease to 2.4 percent in 2024 (from 6.1 in 2023) and 1.9 percent in 2025. The decline reflects the sharp slowdown in import prices, mainly due to the year-on-year decline in energy commodity prices. Core inflation would fall to 2.3 percent in 2024 (from 4.6 in 2023) and 1.9 percent in 2025, in line with the progressive fading of past energy price increases and the slowing of domestic demand.

Risks to growth are biased downwards, while those to inflation are balanced. The intensification of geopolitical tensions, the worsening of the Chinese economy, and the increased rigidity of credit supply conditions in Italy, as well as in the euro area as a whole, are downward risks to economic growth. Risks to inflation are instead balanced: upside risks are connected with further increases in commodity prices and with a slower transmission of the recent decline in production costs; a more pronounced and persistent deterioration of aggregate demand constitutes the main downside risk.

Group's Economic Performance

The Franchetti Group operates in a sector that has only partially been affected by the general economic performance and, in fact, has continued its steady growth after listing on the Euronext Growth Milan segment, a multilateral trading system organized and managed by Borsa Italiana S.p.A. since September 29, 2022.
The Group's objective remains, in fact, to geographically follow the expansion of the business and to create, by replicating the Italian business model, branches in Italy and abroad in the reference markets. The management of the Parent Company Franchetti S.p.A. has commissioned specialized M&A companies to search for target companies not only in Italy but also in Brazil, the USA, Canada, and the EU. These markets are considered capable of generating significant business volumes with large corporates, highway concessionaires, railways, and other operators that will expand the Group's market scope. Acquisitions are part of a strategic plan aimed at consolidating growth, favored by technological, commercial, and territorial synergies and by Franchetti S.p.A.'s up-sell and cross-sell strategies of solutions and expertise to the extensive consolidated customer portfolio.

On May 8, 2023, the contract was signed for the acquisition of 67% of the share capital of GALLO TECHNICS S.r.l. The remaining 33% is held by the management of the company led by the Managing Director Eng. Cesare Gallo. The acquisition represents a key milestone in the growth project of the Franchetti Group thanks to strategic factors such as extensive specialized technological expertise and numerous resources employed in the project activities for the development of predictive software.
At the consolidated level, the Group recorded a profit of Euro 1,243,204, representing an increase of approximately 4% compared to the value as of December 31, 2022 (Euro 1,200,337).
Through the following statements, we provide a summary representation of the financial position and economic performance of the company's management during the fiscal year, highlighting the aforementioned factors.

Franchetti S.p.A. Balance Sheet (€)	31/12/2023	31/12/2022
Inventories	923,540	154,488
Trade Receivables	5,768,623	3,673,083
Trade Payables	(1,341,899)	(846,272)
Working Capital	**5,350,264**	**2,981,299**
Other Assets	1,192,709	1,081,421
Other Liabilities	(1,871,970)	(1,399,913)
Net Working Capital	**4,671,003**	**2,662,807**
Intangible Fixed Assets	2,262,510	1,580,631
Tangible Fixed Assets	70,485	89,486
Financial Fixed Assets	31,702	159,136
Gross Invested Capital	7,035,700	4,492,060
Employee Severance Pay (TFR)	(64,599)	(41,218)
Funds - -		
Net Invested Capital	**6,971,101**	**4,450,842**
Short-term Bank Debt	2,787,893	1,675,020
Medium and Long-term Bank Debt	233,161	403,619
Financial Debts	**3,021,054**	**2,078,639**
Cash and Equivalents	(2,602,278)	(2,234,329)
Other Financial Assets	-	-
Net Financial Indebtedness	**418,776**	**(155,690)**
Share Capital	358,408	347,039
Reserves	4,950,713	3,059,156
Net Income for the Year	1,243,204	1,200,337
Total Equity	**6,552,325**	**4,606,532**
Total Sources of Capital	**6,971,101**	**4,450,842**

Franchetti S.p.A. Income Statement (€)	31/12/2023	31/12/2022
Revenue 6,152,164	4,742,811	
Change in Inventories	768,236	(24,914)
Increase from Internal Work	18,911	-
Other Operating Income	80,812	155,026
Value of Production	**7,020,123**	**4,872,923**
Cost of Raw Materials and Consumables	(141,989)	(92,533)

Costs for Services	(2,924,711)	(2,188,893)
Costs for Use of Third-Party Assets	(281,635)	(189,966)
Personnel Costs	(955,517)	(432,011)
Other Operating Costs	(180,788)	(130,127)
EBITDA	**2,535,483**	**1,839,393**
EBITDA Margin	**41%**	**39%**
Depreciation of Intangible Assets	(489,936)	(195,271)
Depreciation of Tangible Assets	(16,652)	(18,800)
EBIT	**2,028,895**	**1,625,322**
EBIT Margin	**33%**	**34%**
Financial Income	23,295	14,778
Financial Costs	(153,731)	(102,453)
Gains/(Losses) on Exchange Rates	(27,496)	4,105
Result Before Taxes	**1,870,963**	**1,541,752**
Income Tax	(627,759)	(341,415)
Net Profit	**1,243,204**	**1,200,337**

Business continuity

Based on the aforementioned results, it is believed that there are no doubts regarding the existence of the going concern assumption. Furthermore, the Group's prospects include an increase in revenue and profitability in absolute terms, both in relation to the order backlog and the development of IT know-how and increasingly specific internal organizational methodologies.

General economic outlook and market trends

The global economy during the period under review has shown signs of a general recession. Signs of slowdown emerged from the first part of the year following supply rigidity, which, along with the increase in commodity and energy prices, is also exerting pressure on prices more persistently than expected; based on current assessments, the effects on long-term inflation expectations are becoming significant. Sovereign spreads in some euro area countries' financial markets have recorded a marked increase in connection with fears of a possible reduction in monetary accommodation. In Italy, risks to financial stability are moderate; medium-term vulnerabilities persist, mainly related to the possibility of the currently solid economic growth losing intensity. The Eurosystem's public and private securities purchase programs contribute to keeping financing conditions relaxed in the markets, including in the government bond segment. The gradual recovery of the real estate market continues, following the evolution of the economic outlook. Risks to financial stability arising from this sector remain contained, unlike what is observed in other European countries, where real estate prices are growing significantly, and signs of overvaluation are emerging. Furthermore, the military invasion of Ukraine has generated a significant impact even at an economic level. The European Union, the United States, and various other countries (including Britain, Japan, and Switzerland) have imposed sanctions on Russia and Belarus, which are having effects on the balances of companies interconnected commercially, productively, and financially with the sanctioned countries. The Russian response has not been delayed, with the preparation of a list of hostile countries (including Italy) implying a ban on import-export of finished products and raw materials to and from these countries. The consequences of international tensions and these sanctions, both on the Russian economy and on that of other countries, are still difficult to quantify. There is now a strong decrease in trade flows with Russia and a significant increase in the cost of raw materials, starting with gas and oil, for which it has become necessary to source from other sources.

In this context, the global predictive maintenance market, where Franchetti operates, according to a study by The Insight Partners entitled “Predictive Maintenance Market Forecast until 2028,” could reach $26.6 billion by 2028, compared to $5.31 billion in 2021, with a Compound Annual Growth Rate (CAGR) of 27.4% during the period 2022-2028.
An acceleration that can be attributed to several factors, including the push given by the IoT industry, in particular by Digital Twins (DT), which are destined to become an increasingly useful and necessary tool for predictive maintenance and for detecting problems and failures in infrastructure.

Investment policy

The investments made in the fiscal year are summarized below:

Investments in Intangible Fixed Assets	Acquisitions for the Year
Research, Development, and Advertising	
Industrial Patent Rights	956,411
Concessions, Licenses, Trademarks	
Intangible Assets Under Construction and Advances	154,410
Other Intangible Fixed Assets	
Total	**1,110,821**

The Group operates in the predictive maintenance and digitalization sector of large infrastructure assets, particularly bridges, viaducts, and tunnels. This activity is carried out through the use of internally developed software, which expresses the company's know-how, and processes, by digitizing them, the big data coming from each individual infrastructure project based on proprietary algorithms of civil and mechanical engineering.

The primary objective remains not to dissipate its own expertise and to continue developing proprietary software in-house in order to follow market evolution, customer needs, and the trend towards the digitalization of real assets represented by the IoT.

The company invests significantly in industrial restructuring processes in this area, the so-called "modernization" of its software, adapting it to new cloud-ready architectures, and continuously launching new activities aimed at developing innovative software that adheres to market needs and evolutions.

The realization of the first suite of software that rationalizes and integrates products into the most recent releases was completed at the end of 2023.

The development of new software inevitably involves investment processes in innovative prototypes always dedicated to solving the concrete and long-term needs of technological partners and customers.

Research and Development activities, based on a precise, concrete, and planned investment plan, are the very essence of the Group and, therefore, involve a considerable amount of internal engineering workforce, external induced activities, a large part of the activities of top company figures, as well as the use of other synergies.

It is an activity that employs significant economic resources that, necessarily and by mere accounting definition, express a clear congruence and a precise cause-and-effect relationship between costs incurred and future benefits, heralding a profound and continuous renewal of the company's operational structure.

In this lies the foundation of the incremental values of intangible assets. Similarly, the Parent Company is continuing its M&A activities, the main reason for which it decided to access the capital financial market in September 2022.

Financial aspects of management

Below is the table of Net Financial Debt; the table, prepared according to ESMA Guidelines, highlights the composition of financial indebtedness; a negative value indicates a situation where financial assets exceed financial liabilities.

Description	Previous year	Change	Current year
A) Cash and Equivalents	2,234,329	367,949	2,602,278
B) Cash Equivalent Assets	0	0	0
C) Other Current Financial Assets	0	0	0
Other Short-term Assets	0	0	0
D) Liquidity (A+B+C)	**2,234,329**	**367,949**	**2,602,278**
E) Current Financial Debt	1,675,020	1,112,873	2,787,893
F) Current Portion of Non-Current Financial Debt	0	0	0
Other Short-term Liabilities	0	0	0
G) Current Financial Indebtedness (E+F)	**1,675,020**	**1,112,873**	**2,787,893**
H) Net Current Financial Indebtedness (G-D)	**-559,309**	**744,924**	**185,615**
I) Non-Current Financial Debt	403,619	-170,458	233,161
J) Debt Instruments	0	0	0
K) Non-Current Trade Payables and Other Debts	0	0	0
L) Non-Current Financial Indebtedness (I+J+K)	**403,619**	**-170,458**	**233,161**
M) Total Financial Indebtedness (H+L)	**-155,690**	**574,466**	**418,776**
Financial Receivables over 12 Months	-159,136	127,434	-31,702
Expired Tax Debts	206,818	192,314	399,132
Total net adjusted financial indebtedness	**-108,008**	**894,214**	**786,206**

In accordance with the provisions of Article 2428, paragraph 2, of the Civil Code, the main financial and non-financial performance indicators are highlighted.

Structural Ratios	Meaning	Previous Year	Current Year	Comment
Primary Structure Ratio Net Equity ------------------------ Fixed Assets	The ratio measures the capacity of the company's financial structure to cover long-term uses with its own means.	2,52	2,77	This ratio expresses the financial solidity of the structure, and the returned value denotes absolute stability.
Secondary Structure Ratio Net Equity + Long-term Liabilities ------------------------ Fixed Assets for the year	The ratio measures the ability of the company's financial structure to cover long-term uses with long-term sources.	2,87	3,07	The derived value expresses the strong ability of the company to source financial resources.

Financial and Equity Ratios	Meaning	Previous Year	Current Year	Comment
Leverage (Financial Dependence Invested Capital ------------------------ Net Equity	This ratio measures the extent of reliance on borrowing to finance invested capital.	1,95	1,96	The measured indicator reveals a value around 2, indicating a high degree of capitalization.
Employment Elasticity Current Assets ------------------------ Invested Capital	Allows for the definition of the composition of employment in percentage terms, which largely depends on the type of activity performed by the company and the flexibility of the corporate structure. The more elastic the structure of employment, the greater the company's ability to adapt to changing market conditions.	79,61	81,60	The returned value indicates the company's significant ability to adapt to changing market conditions.
Overall Debt Ratio External Funds ------------------------ Net Equity	Expresses the degree of balance of financial sources.	0,95	0,96	This result highlights the need to resort to external financing sources due to orders taking a long time to complete.

Operational Ratios	Meaning Year	Previous Year	Current	Comment
Staff Productivity Net Revenue ------------------------ Staff Costs for year	This ratio showcases the productivity of the staff, measured by the ratio of net revenues to staff costs.	10,98	6,44	The decrease in this index compared to the previous year is due to the implementation of a managerial organizational structure.
Payables Turnover Debts to Suppliers * 365 ------------------------ Purchases for the Year	This index measures the number of days of trade credit received from suppliers.	125	146	The average payment to suppliers is established with the back-to-back method.
Receivables Turnover Receivables from Customers * 365 ------------------------ Net Revenues for the Year	This index measures in days the trade credit offered to customers.	283	342	The value shown is due to the fact that a very high component of revenues consists of invoices to be issued, whose issuance dates depend on authorizations imposed by clients' internal processes.

Liquidity Ratios	Meaning	Previous Year	Current Year	Comment
Inventory Duration Index - Goods and Raw Materials Average Inventory of Goods and Raw Materials * 365 ------------------------ Consumption for the Year	This index expresses the average duration of inventory holding for raw materials and goods.			Not applicable since this is a service company and not a manufacturing one.
Inventory Duration Index - Work-in-Progress and Finished Goods Average Inventory of Work-in-Progress and Finished Goods * 365 ------------------------ Revenues for the Year	This index expresses the average duration of inventory holding for work-in-progress and finished goods.			It is improper to speak of inventory for a service company. The data should thus be interpreted as indicating the company's strong ability to process its orders and deliver them to its clients in relatively short times.
Current Ratio Current Assets ------------------------ Current Liabilities	This index measures the degree of coverage of short-term debts through assets that are presumably realizable in the short term and liquidation of inventory.	1,92	1,87	The trend of this index towards the value of 2 highlights the average ability of the company to meet its short-term financial commitments.
Quick Ratio Immediate Liquidity + Deferred Liquidity ------------------------ Current Liabilities	This index measures the degree of coverage of short-term debts through assets that are presumably realizable in the short term.	1,88	1,71	Immediate and deferred liquidity are sufficient to extinguish current liabilities, and inventories are entirely financed by own means or long-term liabilities.

Profitability Ratios	Meaning	Previous Year	Current Year	Comment
Return on debt (R.O.D.) Interest Expenses ------------------------ Interest-bearing Debts	This ratio measures the return on external financiers' investment, expressed in terms of the interest expenses accrued during the fiscal year on interest-bearing debts.	4,93	5,09	Despite resorting to external credit, the company is able to cover the financial cost with strong profit margins. This index should be viewed in relation to the R.O.I. (Return on Investment).
Return on sales (R.O.S.) Operating Income ------------------------ Net Sales	This ratio measures the operational efficiency in percentage terms of the current characteristic management relative to sales.	34,27	32,98	The returned value effectively represents the considerable and appreciable profitability of the company.
Return on investment (R.O.I.) Operating Income ------------------------ Invested Capital	This index provides a synthetic measurement in percentage terms of the economic efficiency of the current characteristic management and the company's self-financing capacity, independent of financial structure choices.	18,11	15,79	This indicates a company with further investment margin using borrowed capital, as R.O.I. > R.O.D.

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Return on Equity (R.O.E.) Net Income ------------------------ Net Equity	This index provides a synthetic measurement in percentage terms of the overall economic efficiency of the company's management as a whole and its ability to remunerate equity capital.	26,06	18,97	The calculated value credits the excellent management of the leadership in using equity to increase company profits.

Environmental Information

Commitment to social responsibility and territory issues is now an integral part of the Group's principles and behaviors, aimed at technological excellence, maintaining high levels of safety, environmental protection, and energy efficiency, as well as training, awareness, and involvement of personnel on social responsibility issues, both in Italy and in other countries where the Group operates.
The company holds the UNI EN ISO 14001:2015 certification, obtained on first issuance on 31/5/2019 and renewed on 30/5/2022.

Environmental Litigation

The company currently has no civil or criminal litigation against third parties for environmental damage or environmental offenses.

Personnel-related Information

Safety

The company operates in all its environments in compliance with the provisions of Legislative Decree no. 81/08 for the safety of workers.

The activities carried out in this field include:
- Training of employees and collaborators;
- Carrying out periodic medical check-ups;
- Organization and training of intervention teams required by regulations;
- Continuous corporate monitoring of the RSPP (Person Responsible for Prevention and Protection);
- Preparation and dissemination of Legislative Decree no. 81/08 documents.

In particular, during the year, the following initiatives were taken:
- Updating the company's Risk Assessment document;
- Updating and drafting procedures on health and safety in the workplace;
- Training course for new hires.

The commitment to social responsibility in terms of health and safety of workers is now an integral part of the Group's principles and behaviors. The company holds certifications:

- UNI EN ISO 45001:2018, obtained on first issuance on 15/09/2020 and renewed on 15/09/2023
- UNI EN ISO 39001:2016, obtained on first issuance on 19/05/2022
- UNI EN SA8000:2014, obtained on first issuance on 24/01/2023

Accidents

During the year, there were no accidents to the company's employees.

Litigation

The company currently has no litigation against employees or former employees of any kind.

Description of the Main Risks and Uncertainties Faced by the Company

In carrying out its activities, the Group is exposed to risks and uncertainties arising from exogenous factors related to the general macroeconomic context or specific to the operational sectors in which it operates, as well as risks arising from strategic choices and internal management risks.

The identification and mitigation of these risks have been systematically carried out, allowing for the timely monitoring and oversight of the risks that have arisen.

With regard to risk management, the Group has a centralized management of these risks, while leaving functional responsibilities for their identification, monitoring, and mitigation, in order to better measure the impact of each risk on business continuity, reducing their occurrence and/or containing their impact depending on the determining factor (controllable or not by the Group).

Within the framework of business risks, the main risks identified, monitored, and managed by the company are as follows:

- Risks related to demand/macroeconomic cycle;
- Risk related to financial management;
- Risks related to attacks/natural disasters/atmospheric events/epidemics or serious accidents;
- Risks to third parties;
- Risks dependent on exogenous variables;

There are no specific risks due to the prolonged conflict in Ukraine.

Risks Related to the General Economic Environment

The performance of the sector in which the Group operates appears weakly correlated with the performance of the general economic framework, being instead related to the physiological aging of infrastructures and the inevitable investments related to it. Any periods of negative economic conditions or recession do not seem to have a direct consequence of reducing demand for the products and services offered.

Risk Related to Financial Management

The Group has a financial situation characterized by the presence of financial indebtedness resulting from the sales cycle vs. Public Bodies. Although well-structured with specific lines of credit, this risk could lead to situations of mild financial tension.

Risks Related to Attacks/Natural Disasters/Atmospheric Events/Epidemics or Serious Accidents

The occurrence of natural disasters or serious accidents can pose a risk to the personnel and collaborators of the Group.

Risks to Third Parties

Within the framework of activities related to the diagnosis and therapy of structures and infrastructures, the Group also occasionally carries out complex and highly technical assessments, inherently aleatory and exposed to the risk of material errors. It is not possible to exclude with absolute certainty that incorrect assessments are made regarding the safety level, which can lead to significant damage to persons or property. The Group is, therefore, exposed to the risk of liability actions adequately insured, in civil matters, through leading insurance companies. Internally, the involved personnel have consolidated experience and proven professionalism, and the related company processes are organized to guarantee redundancy in validations.

Risks Dependent on Exogenous Variables

The cost of external services used may undergo price fluctuations, particularly in the case of operations in international markets, and may have a consequent impact on production prices. The trend of this variable is not relevant for the company's results.

Information Pursuant to Article 2428 No. 6 BIS

The parent company Franchetti S.p.a. has investments in financial activities amounting to Euro 562,532, essentially represented by loans to the controlled

company Franchetti & Merola Engenharia LTDA for Euro 24,044 in addition to Euro 325,247 to the controlled company Studio Franchetti Canada Inc..
The shareholding in the Brazilian controlled company Franchetti & Merola Engenharia Ltda amount to a total of Euro 174,838, the shareholding in the Canadian controlled company Studio Franchetti Canada Inc. is Euro 1, while the shareholding in Gallo Technics Srl is Euro 6,700.

Company	Country	Capital/€	Net Equity/€	Profit/€	Ownership/%	Ownership Value/€
Franchetti and Merola Engenharia	Brazil	55,951	1,440,136	435,304	60	174,838
Studio Franchetti Canada Inc.	Canada	1	-277,409	-18,911	100	1
Gallo Technics Srl	Italy	10,000	42,602	32,602	67	6,700

Company objectives and policies regarding financial risk management

The Group pursues the objective of containing financial risks, without hedging operations with derivatives except in the case of hedging a tax risk on a mortgage dated 2020 and disbursed by BPM.

Company's exposure to risks

Credit Risk

The Group's policy is governed by current legislation in the field of payments by Public Bodies which, in some cases provides for a 30 day extension and in other cases 60 days. Some works carried out with private entities provide for a 90-day extension. Currently, non-performing trade loans are equal to zero percent of receivables.

Liquidity Risk

The policy of the Group companies is that of careful management of its treasury, through the implementation of income and expenditure planning tools. Furthermore, companies aim to maintain adequate liquidity reserves to avoid failure to meet expiring commitments.

Risk of variations in financial flows

The Group is not exposed to particular risks of changes in financial flows

Results achieved through subsidiary companies

It should be noted that there are no relationships with other subsidiaries, associated or associated companies, other than those highlighted below and subject to consolidation by elimination.

By means of the following table we provide you with a summary representation of the "consolidated" as well as "aggregate" economic performance during the financial year.

31.12.2023							
	Franchetti SpA	Franchetti & Merola Engenharia Ltda	Studio Franchetti Canada Inc	Gallo Technics S.r.l	AGGREGATO	CONSOLIDATO	% SU VALORE DELLA PR.
Ricavi Vendite	5.133.962 €	1.414.436 €	- €	76.232 €	6.624.631 €	6.251.887 €	
Variazione rimanenze	493.815 €	247.521 €	- €	26.900 €	768.236 €	768.236 €	
Valore della Pr.	5.627.778 €	1.661.958 €	- €	103.132 €	7.392.867 €	7.020.123 €	
Costi per materie prime e di consumo	- 139.259 €	- 1.976 €	- €	- 754 €	- 141.989 €	- 141.989 €	
Costi per servizi	- 2.123.880 €	- 898.015 €	- 8.219 €	- 51.431 €	- 3.081.546 €	- 2.924.711 €	
Costi per godimento beni di terzi	- 276.875 €	- €	- €	- 4.760 €	- 281.635 €	- 281.635 €	
Oneri diversi di gestione	- 179.590 €	- €	- €	- 1.198 €	- 180.788 €	- 180.788 €	
Valore Aggiunto	2.908.174 €	761.968 €	- 8.219 €	44.989 €	3.706.910 €	3.491.000 €	50%
Costo del lavoro	- 860.998 €	- 83.966 €	- 10.554 €	- €	- 955.518 €	- 955.518 €	
EBITDA	2.047.176 €	678.001 €	- 18.773 €	44.989 €	2.751.392 €	2.535.483 €	36%
Ammort. e svalut.	- 426.977 €	- 79.253 €	- €	- 359 €	- 506.588 €	- 506.588 €	
EBIT	1.620.200 €	598.748 €	- 18.773 €	44.630 €	2.244.804 €	2.028.895 €	29%
Oneri e prov finanz	- 119.985 €	- 10.284 €	- 138 €	- 28 €	- 130.436 €	- 157.932 €	
EBT	1.500.214 €	588.464 €	- 18.911 €	44.602 €	2.114.368 €	1.870.963 €	27%
Imposte	- 462.600 €	- 153.159 €	- €	- 12.000 €	- 627.759 €	- 627.759 €	
UTILE dell'eserec.	1.037.614 €	435.304 €	- 18.911 €	32.602 €	1.486.609 €	1.243.203 €	18%

Sales revenue, change in inventories, value of production, costs for raw materials and consumables, costs for services, costs for third party assets, miscellaneous operating expenses, added value, labor cost, EBITDA, depreciation and impairment, EBIT, financial charges and commissions, EBT, taxes, net income for the year (Aggregato = aggregate, consolidato = consolidated, % su valore della pr. = % of the value of production)

Research and development activities

The research and development activity is carried out with the aim of:

- Consolidating and maintaining know-how involving civil, mechanical, IT, electronic and telecommunications engineering;
- Adapting its existing proprietary software to the most advanced architectures in order to guarantee full compatibility with the digital platforms of partners and customers;
- Developing new services at the cutting edge of available techniques and technology.

Relationships with subsidiary, associated, parent and associated companies

It should be noted that there are no relationships with other subsidiaries, affiliates or associated companies, other than those highlighted below and subject to consolidation by eliminating the balance sheet and income statement items.

Italian Holdings and Financial Relationships	
Franchetti & Merola Engenharia Ltda	€ 174,838
Studio Franchetti Canada Inc	€ 1
Gallo Technics S.r.l.	€ 6,700

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Financial Credits From Italy To:	
Studio Franchetti Canada Inc	€ 325,247
F & M Engenharia Ltda	€ 24,044
Commercial Credits From Italy To:	
Client F & M Engenharia Ltda	€ 507,818
Invoices To Be Issued To F & M Engenharia Ltda	€ 150,000
Commercial Debts From Italy To:	
Supplier F & M Engenharia Ltda	€ 31,889
Supplier Gallo Technics S.r.l.	€ 8,000
Revenue From Italy From:	
Services To F & M Engenharia Ltda	€ 150,000
Costs In Italy Received From:	
Technical Services From Gallo Technics S.r.l.	€ 8,000

Performance of the franchetti stock, treasury shares and development of shareholders and directors

The share capital of Franchetti S.p.A. is divided into n. 6,990,250 shares, of which 3,990,250 ordinary shares and 3,000,000 multiple voting shares. The Ordinary Shares of Franchetti S.p.A. are admitted to trading on Euronext Growth Milan. As of 31/12/2023 the share capital was subscribed and paid up for €349,513. The shares have a unit value of €0.05, corresponding to n. 6,990,250 shares. On 10/16/2023, the first exercise period of the "Franchetti 2022 - 2025" warrants ended. In this circumstance, the Company exercised 157,250 warrants with a 1:1 ratio at a price of Euro 3.30, of which Euro 0.05 was the nominal value. As a result, the share capital increased by €7,862.50 and the share premium reserve increased by €511,062.50.
On 9 February 2024 the Franchetti stock recorded a maximum official price of €6.2 and on 3 April 2023 a minimum price of €2.9. The price of admission was €3.00
The Company, listed on the stock exchange on the multilateral trading system Euronext Growth Milan, has recorded a progressive growth in the value of the stock, sometimes quite appreciable.

Description	
Total number of shares	6,990,250
Number of ordinary listed shares	3,990,250
Number of multiple voting shares	3,000,000
Total number of voting rights	12,990,250

Shareholder	Total Number of Shares	Number of Ordinary Shares	Number of Multiple Voting Shares	Share % of Total Shares	Quota % sulle Azioni Ordinarie	% sul capitale sociale votante
Franchetti Holding S.r.l.*	6,152,000	3,152,000	3,000,000	88.01%	78,99%	93,55%
Market	838,250	832,250		11.99%	21,01%	6,45%
Total	**6,990,250**	**3,990,250**	**3,000,000**	**100%**	**100%**	**100%**

Quota % sulle Azioni Ordinarie = Percentage Share of Ordinary Shares % sul capitale sociale votante = Percentage on the Voting Share Capital

The graph below illustrates the performance of the stock during the year 2023

To stay regularly updated on the Company's developments, a communication channel is active via public email ir@franchetti.it in order to receive, in addition to press releases, specific communications addressed to Investors and Shareholders.

Foreseeable management evolution

Based on the information available, the order book and the organizational structure, a result in line with management expectations is expected for the current financial year.
During the first quarter of 2024, the Franchetti Group is continuing its development plan also thanks to a mix of organic growth due to the growing technological and commercial synergies between the group companies.
In the first quarter of 2024 the developed production value is in line with expectations.
In relation to the M&A plan, in line with what was previously communicated, for 2024 the Franchetti Group expects to continue the acquisition plan aimed at integrating new technologies, specialized skills and excellence in markets already owned or adjacent to the current ones, with substantial growth objectives. The financing of the first acquisition operations will take place through internal liquid assets and other financial instruments currently being defined.
In the current global geopolitical context marked by various military conflicts, the management and administrators of FRANCHETTI S.p.A. at the moment they have not detected risks in the short term due to the company's non-exposure in the affected areas.

Activities pursuant to legislative decree. 231/01

The Italian Parent Company has an Organization and Control Model pursuant to Legislative Decree 231/01, including a Code of Ethics, the functioning of which is monitored by a Supervisory Body.
In accordance with the law, the Parent Company has also adopted the "Whistleblowing" procedure.

Arzignano, 28 March 2024

For the Board of Directors
President
Franchetti Paolo