METAL WORK PNEUMATIC

2019

Annual Report

INDEX

METAL WORK S.p.A.
Registered office at 5/7/9 Via Segni, Concesio, Brescia, Italy
Share capital € 21,000,000 fully paid up
Brescia Trade Register no. 03472820178
Economic and Administration Index (REA) no. 404497

METAL WORK
PNEUMATIC

Corporate boards

CORPORATE BOARDS

CORPORATE BOARDS

BOARD OF DIRECTORS

Chairwoman

Donatina Dell'Anna

Vice-Chairman

Riccardo Cavagna

Executive Directors

Valentino Pellenghi
Daniele Marconi
Gianpietro Gamba

Other Board members

Fausto Rodella

Term of office: until the date of approval of the Financial Statements as at 31st December 2020

BOARD OF AUDITORS

Chairman

Renato Camodeca

Statutory auditors

Giulia Mina
Silvio Piccinelli

Deputy auditors

Riccardo Arpino

Angelo Quaglia

Term of office: until the date of approval of the Financial Statements as at 31st December 2020

INDEPENDENT AUDITORS AND CONTROLLERS

KPMG S.p.A.

Term of office: until the date of approval of the Financial Statements as at 31st December 2021

METAL WORK S.p.A.,
via Segni 5/7/9, 25062 Concesio Brescia (Italy)
Tax-payer's code, Trade Register and VAT no. 03472820178
Tel + 39 030 218711
www.metalwork.it

METAL WORK

PNEUMATIC

Metal Work S.p.A.
Consolidated Financial Statements
as at 31/12/2019

KEY BUSINESS INDICATORS

	Income Statement €/1000	2019	2018	2017
	Revenues from sales	190.966	193.244	180.062
	Gross Operating Margin (EBITDA)	26.132	30.286	28.445
(A)	Amortisation, depreciation and write- downs	12.831	11.715	10.863
	Operating income (EBIT)	13.302	18.571	17.204
	Before- tax result (EBT)	13.090	15.926	15.054
(B)	**Net Result (EAT)**	**10.078**	**11.632**	**10.799**
(A) + (B)	Net cash flow	22.909	23.347	21.662

Balance Sheet €/1000	2019	2018	2017
Net current assets	62.877	55.141	50.012
Net technical non- current assets	100.302	96.922	83.560
Financial assets	2.015	3.274	2.621
Prov. for employee leaving ind. & other provisions	-8.407	-8.370	-8.103
Net invested capital	**156.787**	**146.968**	**128.090**
Net financial position	68.146	63.931	52.819
Shareholders' equity	**88.641**	**83.036**	**75.271**

€/1000	2019	2018	2017
Investments in real estate	1.573	8.696	4.083
Investments in fabbrical machines	7.664	13.470	4.872
Information technology & communication	556	401	599
Other investments	4.231	2.755	3.540
Capital Expenditures (CAPEX)	**14.024**	**25.322**	**13.094**
R&D personnel expenses	1.677	1.617	1.579
of which capitalized	0	0	0

Sales by geographical area €/1000	2019	2018	2017
Italy	87.735	88.335	83.740
Other EU countries	70.602	74.488	69.053
Asia	**13.526**	**14.701**	12.562
Latin America	5.234	4.592	4.508
North America	**6.318**	**4.213**	4.263
Non-EU countries	4.258	3.383	3.068
Oceania	**2.743**	**3.062**	2.572
Africa	550	470	296
Total	190.966	193.244	180.062
% sales in Italy on total	**46%**	**46%**	47%

	delta 2019-2018	delta 2019-2017
Italy	-600	3.995
Export	-1.678	6.909
Delta total	**-2.278**	**10.904**
	-1%	6%

BUSINESS REPORT ISSUED BY THE BOARD OF DIRECTORS

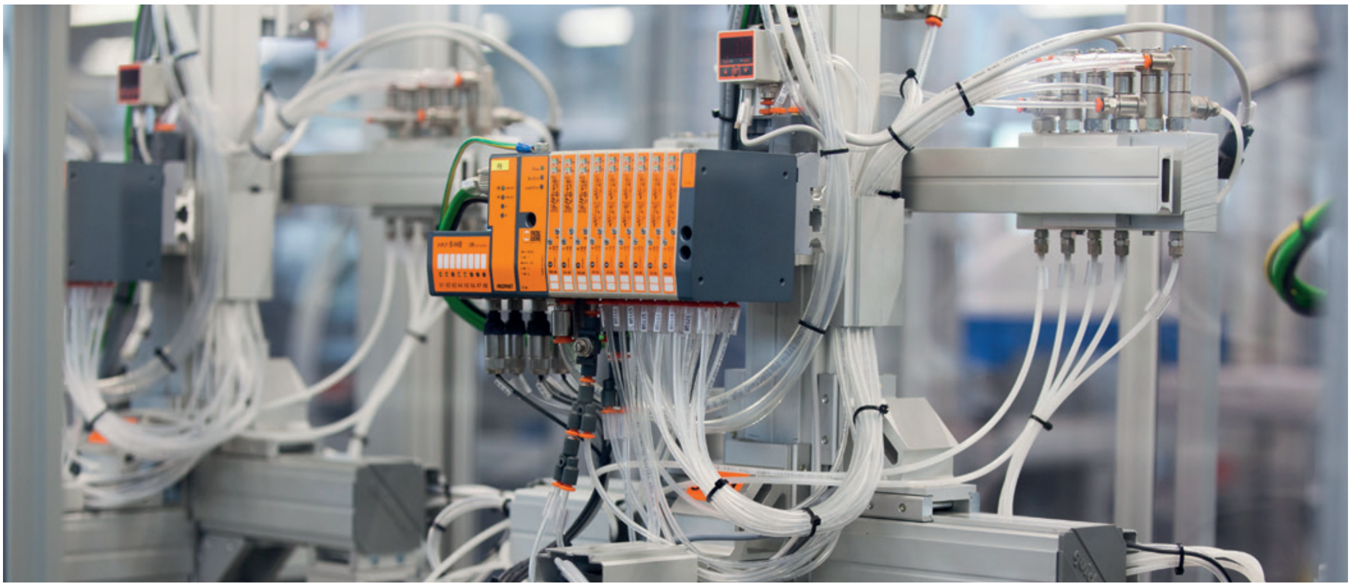
BUSINESS REPORT

Metal Work is an industrial Group that specializes in the design, production and sale of components for the automation of pneumatic systems. The registered office is in Concesio, in the province of Brescia, Italy.

Metal Work manufactures fittings, air treatment units, actuators and valves, and also markets other products in the pneumatics industry. The company was established as a private limited company in 1998 and later incorporated Metal Work Service S.p.A. and Metal Fin S.p.A., now Metal Work Holding S.p.A.

The Metal Work Group is structured as follows:

- 17 companies located mainly in northern Italy, all called Metal Work Service, handle the distribution of MW products in Italy; these companies were "rebranded" in 2020 and changed their company name from P Service to Metal Work Service;
- 15 trading companies, called Metal Work or Metal Work Pneumatic, located in the main EU countries, as well as Ukraine, Russia and Switzerland, handle the distribution of MW products in Europe;
- Metal Work Pneumatica do Brasil, the Brazilian production plant indirectly owned through a holding company, and jointly with the local management, handle the distribution of MW product on the Latin American market;
- 8 trading companies, called Metal Work or Metal Work Pneumatic, located in the United States, South-East Asia, Oceania, China, South Africa and India, handle the distribution of MW products in the rest of the world;
- Eurofit S.r.l., which manufactures and distributes its own range of pipe fittings and other accessories;
- Alfa Meccanica S.r.l., which operates in industrial automation and materials handling;
- Fluid Force S.r.l., which manufactures speed regulators and hydraulic brakes;
- Assemblaggi Industriali S.r.l., Tecnopolimeri S.r.l. and Meridian S.r.l., Metal Work S.p.A.'s production satellites, which deal in the assembly of fittings, plastic moulding and mechanical turning.
- SPMC S.r.l. manufactures special machines for installation and assembling; it in turns controls DUEBI S.r.l., which makes switchboards and processes software for industrial use;
- Signal S.r.l. specialising in electronics applied to industrial automation;
- In 2019, the US subsidiary Metal Work Pneumatic USA took over the entire stake of American Cylinder Inc., which is based in Peotone (IL).



Metal Work S.p.A.

- 99,8959 % Metal Work Participacoes Societarias
  - 85 % Metal Work Pneumatica Do Brasil

- 90 % Metal Work Iberica
  - 100 % Metal Work Portugal
- 100 % Metal Work UK
- 70 % Metal Work Nederland
- 89,8 % Metal Work France
- 100 % Metal Work Deutschland
- 100 % Metal Work Finland
- 100 % Metal Work Sweden
- 80 % Metal Work Pneumatic CZ
- 49 % Metal Work Pneumatic Thailand
- 100 % Metal Work Australia
- 100 % Metal Work Pneumatic Malaysia
- 97,5 % Metal Work Polska
- 100 % Metal Work Ukraine
- 98 % Metal Work Danmark
- 100 % Metal Work Pneumatic Components (Shangai)
- 99,09 % Metal Work Pneumatic India
- 100 % Metal Work Pneumatic Russia
- 100 % Metal Work Pneumatic Svizzera
- 67 % Metal Work Pneumatic Indonesia
- 100 % Metal Work Pneumatic South Africa
- 74,63 % Metal Work Pneumatic Romania
- 95% Metal Work Pneumatic USA
  - 100 % American Cylinder

- 100 % Metal Work Service Bergamo
- 100 % Metal Work Service Modena
- 76 % Metal Work Service Oggiono
- 100 % Metal Work Service Milano
- 100 % Metal Work Service Mantova
- 90 % Metal Work Service Bari
- 100 % Metal Work Service Parma
- 100 % Metal Work Service Torino
- 90 % Metal Work Service Cremona
- 90 % Metal Work Service Rimini
- 100 % Metal Work Service Bologna
- 100 % Metal Work Service Prato
- 96 % Metal Work Service Brescia
- 68 % Metal Work Service Verona (12 %)
- 75 % Metal Work Service Vicenza (10 %)
- 90 % Metal Work Service Treviso (10 %)
- 95 % Metal Work Service Novara

- DUEBI
  - 51 % SPMC
- 51 % SPMC
- 70 % Alfa Meccanica
- 80 % Eurofit
- 70 % Fluid Force
- 51% Assemblaggi Industriali
- 97,5 % Meridian
- 70 % Tecnopolimeri
- 51 % VDM
- 36 % Signal

Legend:
- Trading company abroad
- Trading companies Italy
- Invested companies
- Industrial company subsidiaries
- Other non - subsidiary industrial companies
- Production company pneumatics

ECONOMIC SCENARIO

At the time of the preparation of the financial statements, the Covid-19 pandemic has deeply changed the economic outlook for 2020 and the years to come compared to what could be expected based on the 2019 trends. Growth in global economy actually dropped in 2019, as a result of the slowdown in international trade, the weakness of some industrial sectors and the restrained accumulation due to widespread uncertainty among businesses. The Governing Council of the European Central Bank had eased monetary conditions to counter the deterioration of growth prospects and the weakening of inflation. At the end of the year, there were signs of stabilisation in the international economy. After the spread of the pandemic, the scenario for 2020 has now profoundly changed. According to the outlooks formulated by the international Monetary Fund, the world gross product will record a sharp decline instead of a modest growth. The Italian economy, which remained virtually stationary in 2019, despite showing considerable progress in international competitiveness, in the level of corporate debts and the banking system conditions, is expected to experience the strongest decline since the Second World War.

In the United States, GDP rose by 2.3%, mainly supported by household consumption. In Japan the growth in GDP came to 0.7%, following a slowdown in the last quarter of the year, caused by an increase in the consumption tax, which was introduced in October and the occurrence of natural disasters. Production activity in the United Kingdom was affected for most the year by uncertainty about the Brexit timing and methods.

In China, GDP in 2019 slowed to 6.1%, just above the minimum threshold of the target range, set by the government between 6.0 and 6.5%. The result was affected by the escalation of the trade war with the United States and the prudential measures introduced by the authorities to reduce the financial leverage of companies and contain the expansion of the shadow banking system. The rapid spread of the virus last January, coinciding with the start of the Chinese New Year holidays, prompted the authorities to take exceptional containment actions, first in Wuhan alone, the epicentre city, then progressively throughout the country. The movement of people was limited, also through reduced transport, and the closure of schools, non-essential production and commercial activities was extended well beyond the period of interruption for the holidays linked to the New Year.

In India the growth rate fell to 5.3% in 2019, reflecting the weakness of domestic consumption and investments. At the beginning of March 2020, the first infections were recorded in the country and progressively more stringent containment measures were introduced throughout the national territory. In the latest estimates by the IMF, growth would slow to 1.9%; the deficit should remain stable, while the public debt would rise by 2.4 percentage points, to 74.3%. The impact of a large-scale spread of the Coronavirus could be significant in a country where over 80% of the population is employed in the informal sector, without any social protection measures, and about a fifth live in conditions of absolute poverty.

In Brazil, growth was contained in 2019. The spread of the epidemic and the consequent collapse in commodity prices have caused a deterioration in the outlook for the current year. The government announced interventions for about 8% of GDP, of which almost a fifth is intended for monetary transfers in favour of the 70 million informal and underemployed workers, who represent 40% of the working-age population. Since March, the Central Bank has intervened repeatedly, including in support of the exchange rate and with measures to increase liquidity: according to IMF estimates, gross domestic product would contract by 5.3% in 2020.

In Russia the outlook at the end of last year looked moderately positive. Economic policies, already accommodative at the beginning of 2020, have become decidedly expansionary since March in conjunction with the spread of the epidemic. The Central Bank intervened first in support of the Rubble, under pressure due to the trend in oil prices, and then through injections of liquidity, a cut in the reference rate and targeted regulatory measures. The government has taken measures equal to 2.8% of GDP. The collapse in the price of crude oil will have a major impact on the country's finances, as the oil sector accounts for around half of exports and tax revenues. According to IMF estimates, in 2020 the public sector deficit would increase by seven percentage points to 4.8% of GDP, and output would fall by 5.5%.

In 2019, GDP in the euro area grew by 1.2%, well below the forecasts made a year earlier and slowed down in all the main countries. The industrial sector has weakened, especially in Germany, where activity has marked a sharp decline, particularly in the automotive sector. The trend in commercial trade contributed above all to the reduction in GDP dynamics. Since the end of February this year, the Covid-19 epidemic has progressively spread to all countries in the area. The consequent drop in household and business spending and the adoption, from March, of measures to contain the contagion by governments led to a sharp contraction in economic activity, which had already slowed in late 2019. The available indicators suggest a further and widespread reduction in the spring months. Employment was also affected, with a decline in all major countries in 2019. GDP slowed down with a growth of 0.3%. Investments increased by 1.4%, much less than the previous year (when they rose by 3.1). Since the end of February, the spread of the Covid-19 epidemic has had a strong negative impact on economic activity. In the first quarter, GDP recorded, according to preliminary estimates by ISTAT, a decline of 4.7%, the highest since the start of the series available; based on our assessments, the decline would have been more pronounced in the northern regions.

In Italy, GDP decelerated last year, recording a 0.3% growth. Investments increased significantly less than in 2018, held back by the uncertainty that spread among companies following the slowdown in the global economy and persistent protectionist tensions. Household consumption was affected by the weak trend in disposable income. In a context of significant weakening of world trade, Italian companies have substantially maintained their market shares. Employment continued to increase, albeit at a slower pace than in 2018. The expansion, which was more pronounced in the first half of the year, subsequently eased, reflecting the cyclical weakening. The unemployment rate fell, reaching 10.0% on average in 2019.

THE INDUSTRIAL AUTOMATION MARKET AND OUR PLANS

As was widely expected, the 2019 financial year saw a reversal of the trend compared to previous years, characterized by significant increases in sales volumes.

The difference compared to 2018 is particularly significant, which should be remembered, it was the best year in our history, even if it is correct to consider that the economic policies resulting from the introduction of 4.0 have undoubtedly favoured it. The pneumatic automation market has experienced a decline estimated at around 7%.

During 2019, two important long-pursued objectives were achieved, namely the inauguration of the new property of about 4000 square meters of the Thai branch and the acquisition of the US company American Cylinder, based in Peotone, Illinois, a manufacturer of pneumatic cylinders in the size and dimensions specific for the American market.

Despite the slowdown in the production activity described above, we managed to close 2019 with the volume of sales, at a consolidated level, very close to the prestigious result achieved in 2018, also favoured by the 6-month entry of American Cylinder within the scope of consolidation. At the parent level, it should be noted that the 7% decrease in sales is mainly concentrated on a single name, which represents a relatively important percentage of our revenues.

We continued to pursue our project aimed at saturating our 24,000 active customers, which is shared by all our external sales representatives to whom we have submitted specific sales targets to be achieved. This objective is the base of the growth of our new Industrial Plan up to 2025, with the planned development and consolidation of our Italian and foreign branches.

In parallel with the Industrial Plan, we have planned a multi-year development of new products, which is especially oriented towards the completion of the current product ranges and the creation of new products, with specific focus on the electric and electronic sector.

As to the operations of our Italian and foreign branches, the type of service that is increasingly requested is shifting from the simple sales to the creation of custom products that are manufactured and assembled at our production premises. We expect this trend to continue in coming years and it will require specific investments to meet demand.

Sales distribution by geographical area illustrates 46% of total revenues abroad; the most marked decline concerned EU countries, while the non-EU countries and North America partially offset this decrease given, among other things, the acquisition of American Cylinder. Sales on the Italian market declined only by 0.68%, despite the drop suffered from the loss of a single representative name of a large industrial group.

HIGHLIGHTS

Revenues as at 31 December 2019 amounted to 191 million euro. Sales by the parent company Metal Work S.p.A. were highly integrated, in that 81% of products were marketed through subsidiaries, serving over 35,000 active customers.

VALUE ADDED INCOME STATEMENT

	Current year	%	Previous year	%	change
Revenues	190.966	100%	193.244	100%	-2.278
Cost of goods sold	106.363	55,7%	106.621	55,2%	-258
VALUE ADDED	**84.604**	**44,3%**	**86.623**	44,8%	-2.019
Personnel expenses	58.472	30,6%	56.337	29,2%	2.135
GROSS OPERATING MARGIN (EBITDA)	**26.132**	**13,7%**	**30.286**	15,7%	-4.154
Amort.& depreciation, write-downs and provisions	12.831	6,7%	11.715	6,1%	1.116
OPERATING INCOME	**13.302**	**7,0%**	**18.571**	9,6%	-5.269
Net financial Charges/(Income)	212	0,1%	2.645	1,4%	-2.433
PRE-TAX RESULT (EBT)	**13.090**	**6,9%**	**15.926**	8,2%	-2.836
Taxes for the year	3.011	1,6%	4.294	2,2%	-1.283
NET OPERATING RESULT	**10.078**	**5,3%**	**11.632**	6,0%	-1.554
GROUP'S NET OPERATING RESULT	**8.947**	**4,7%**	**10.554**	5,5%	-1.607

Revenues decreased by 1.1% year on year. With the same consolidation scope, taking into account the acquisition of American Cylinder and the first consolidation of Duebi Srl, the decrease would have been of 2.2%.

The cost of goods sold, totalling 106,363 thousand euro, accounted for 55.7% of revenues, compared to 55.2% in 2018.

Added value, for the amount of 84,604 thousand euro, came to 44.3% of revenues, compared to 44.8% in 2018.

Personnel expenses, amounting to 58,472 thousand euro, accounted for 30.,6%, compared to 29.2% in 2018.

Gross operating margin came to 26,132 thousand euro, equal to 13.7% of sales (2018: 30,286 thousand euro, 15.7% of sales).

Amortisation, depreciation and write-downs amounted to 12,831 thousand euro (2018: 11,715 thousand euro), with an incidence of 6.7% (2018: 6.1%).

Net financial expenses totalled 1,030 thousand euro compared to 1,888 thousand euro in 2018, with an incidence of 0.5%, compared to 1% in 2018.

Adjustments in financial assets were positive at 818 thousand euro (2018: -757 thousand euro) and relate to securities impairment losses recognised to working capital and devaluation of the shareholders' equity of the company's only associate.

The pre-tax profit came to 13,090 thousand euro, with taxes totalling 3,011 thousand euro, with a tax rate of 23%, down almost 4 percentage points.

The net result, before allocation to minority interest, came to 10,078 thousand euro (2018: 11,632 thousand euro).

Net self-financing, consisting of the sum of operating income and amortisation, depreciation and provisions to the risk for contingencies, amounted to 22,909 thousand euro, equal to 12% of revenues (2018: 12.1%)

BALANCE SHEET FIGURES

The reclassified balance sheet of the Metal Work Group's consolidated financial statements is shown below in thousands of euro:

BALANCE SHEET WITH INVESTED CAPITAL

	Current Year	Previous Year	Change
Trade receivables	51.788	53.221	-1.433
(Trade payables)	-31.734	-39.066	7.332
Closing inventories	45.675	42.909	2.766
Net other payables/other receivables	-2.852	-1.922	-930
CARACTERISTIC CURRENT ASSETS	**62.877**	**55.142**	**7.735**
Net non-current assets	100.302	96.922	3.380
Net financial assets	2.015	3.274	-1.259
Employee-leave indemnities and other provisions	-8.407	-8.370	-37
NET INVESTED CAPITAL	**156.787**	**146.968**	**9.819**
SHAREHOLDERS' EQUITY	**88.641**	**83.036**	**5.605**
NET FINANCIAL POSITION	**68.146**	**63.932**	**4.214**
Short-term payables owed to banks	36.623	45.092	-8.469
Medium/Long-term payables owed to banks	26.605	13.027	13.578
Short-term payables owed to other lenders	2.385	2.907	-522
Medium/Long-term payables owed to other lenders	9.990	14.145	-4.155
Liquid funds	-3.945	-5.530	1.585
Other securities	-3.411	-5.492	2.081
Financial receivables	-101	-217	116

The reclassified balance sheet shows that net working capital for the year increased from 55,142 thousand euro to 62,877 thousand euro, up 7,735 thousand euro, compared to 2018.

Non-current assets, net of amortisation and depreciation, came to 100,302 thousand euro. The net carrying value of land and buildings totalled 52,356 thousand euro.

Financial assets came to 2,015 thousand euro, compared to 3,274 thousand euro in 2018, including the equity investment in the associate Signal S.r.l.

Consolidated shareholders' equity, including the value attributable to minority interests, amounted to 88,641 thousand euro. The net financial position increased by 4,214 thousand euro compared to 2018, negative at 68,146 thousand euro, after the distribution of 4,255 thousand euro extraordinary reserves in 2019.

	2019	2018	2017
Net financial position 1/1	**-63.932**	**-52.819**	**-57.526**
Total cash flow from operating activities	20.511	22.770	20.773
Cash flow from current operations	-6.175	-5.679	-26
Net cash flows from investment activities	-14.295	-25.264	-13.310
Dividends	-4.255	-2.940	-2.730
Total cash flow for the year	**-4.214**	**-11.113**	**4.707**
Net financial position 31/12	**-68.146**	**-63.932**	**-52.819**

Total cash flows generated from income management for the year came to 20,511 thousand euro (2018: 22,770 thousand euro), of which 6,175 thousand euro from current management, and 14,295 thousand euro relating to investments in technical and financial assets. Net financial position, which is negative at 68,146 thousand euro, worsened by 4,214 thousand euro compared to 2018, after allocating €4,255 thousand euro (2018: 2,940 thousand euro) to reserves.

At an equity and financial level, the leverage, which measures the ratio of net financial position to shareholders' equity, shows that the situation is under control and stationary.

	2019	2018	2017
NFP/Shareholders' equity	0,77	0,77	0,70

Overall net financial position increased by over 4.2 million euro; the acquisition of the company American Cylinder, which was funded with a credit line of 3.5 million dollars used to reimburse a "Note" that contained the "no-change of control" clause, in addition to a further payment concerning the purchase of the Pedrini real estate are the main reasons of the change compared to the previous year.

DESCRIPTION OF RISKS

In accordance with the provisions of art. 2428, point 6)-bis, on the use of financial instruments, the Group has for some years now had recourse to derivatives, the sole purpose being to adopt an active management of the risk associated with exchange rate fluctuations, especially for some currencies, such as €/USD, €/GBP, €/PLN, as the company exports in foreign currencies, as well as the risk associated with interest rate fluctuations, since the Group's overall long-term loans are taken out at a floating rate, and also the risk associated with the trend in the price of non-ferrous metals. All these instruments are designed to produce a benefit in economic terms whenever the hedged elements, currency or interest rates, determine a loss or an increase of charges.

In order to cover the risks arising from financial markets, the Group's objectives and policies are based on the following main guidelines:

- foreign exchange risk: by completing transactions with a low-risk profile and good flexibility in terms of overall benefit; guaranteeing an exchange rate in line with the budget value; making transactions for preset amounts, in notional terms, in relation to the value of foreign exchange exports; activating fair value hedges and not ones specific to single credits or debits, for both current and future years. More specifically, as at 31.12.2019, the Group did not have any currency options, and had other sales hedging transactions for 4.4 million euro (2018: 4.5 M€);

- interest rate risk: by completing transactions with a limited-risk profile and good flexibility in terms of overall benefit; limiting the incidence of financial charges; making transactions for preset amounts, in notional terms, in relation to overall financial indebtedness, for each company and the Group as a whole, and not in relation to specific debts or financial transactions. As at 31.12.2019, the company had established four interest rate caps for a notional value of 8.7 million euro relating to the framework of the amortisation plans covering loans or financial lease agreements taken out by the company, and an IRS contract for 1.1 million euro;

- commodity risk: by completing transactions with a limited-risk profile, taking into account, however, that the market of commodities used (brass scrap) cannot be correlated with the market trend of the underlying activity (copper). On the date on which these financial statements were drawn up, the Group did not perform any forward purchase transaction with a view on the neutral or bearish market;

- credit risk: given that more than 80% of company sales are made through its sales organisation, thus generating a credit that is "non-insurable" by definition, the company has taken out various insurance policies hedging the risk of non-collection from customers in certain geographical areas, as well as the risk resulting from all Italian independent customers, with a credit exposure beyond a certain limit. Despite this, the credit risk is monitored at a Group level through innovative tools and systems that ensure a real-time view of the economic and financial situation of our customers.

INVESTMENTS AND R&D

Research&Development

IN 2019, the Design Office developed numerous new standard products, extended the range of existing series and created many customized products.

The Syntesi series, for example, was extended with the addition of pilotable pressure regulators, in the sizes 1 and 2, which makes it possible to remotely control of the output pressure by changing the piloting pressure, without the requiring the use of electronic devices, which would make the product more expensive.

During the year, we also developed the electro-pilot PLT10 with M8x1 3-pin electrical connection, which ensures an IP65 index of protection. This product can be sold individually or mounted on our Mach 11 and Minimach valves, depending on customer requirements. It also ideal for use in dusty and wet environments where a pre-existing Plug-In version with an IP51 protection index is not suitable.

The EB80 range has also been extended with the addition of the BOXI version with an IO-Link interface, a simple and cost-effective protocol that is becoming more and more popular as a communication standard for remotely-controlled devices.

The range of pneumatic cylinders saw the addition of the new range of ISO 15552 actuators with built-in limit switch at the cylinder heads. This is a safe and compact solution that allows the piston rod to stop and the end of travel in a precise manner whenever the pneumatic power supply fails.

The family of integrated hydraulic brakes has been extended upwards, with the addition of sizes 80 and 100. This extremely versatile product is used to check the movement of mechanical parts, precisely and at a low cost, compared to hydraulic solutions requiring a control unit or electric solutions requiring a motion controller.

The proposal of products for the Process Industry has evolved with the introduction of the new Series RV-Fluid actuated valves, in the ball version, with either brass or stainless steel body, or the butterfly version, with cast iron body. These valves feature particularly large dimensions capable of intercepting or choking the flow of compressed air or industrial fluids of various kinds.

The family of electric actuators is enlarged with the addition of the new Elektro K actuator, which is characterised by reduced dimensions and some fundamental technological choices that have allowed a significant reduction in price compared to equivalent cylinders in the Elektro ISO 15552 series.

With the aim of developing a range of so-called economic products, the year 2019 saw the completion of the valves in the Basic Series, with the addition of dedicated bases that feature an extremely attractive price, compared to similar competitors' products.

Last but not least, the Metal Work already extended range of fittings has been further extended with the introduction in the catalogue of versions with NPT threads, which are in great demand on the US market.

As always, the design of special products was also very fruitful in 2019, with the creation of 150 new products tailored to customer needs. Besides meeting specific customer requirements, design activity also allows Metal Work to enhance in-house technical skills and develop new product lines in the future.

The product design department, which comprises 23 units (2018: 21 units), accounted for 2.93 million euro (2018:2.85 M€), which is proof of the company's ongoing commitment to investing in the product and its continuous improvement. This expense was not capitalized during the year. In 2019, the company invested 4,880 thousand euro (2018: 4,600 thousand euro), equal to 5.1% of sales in R&D, i.e. in the development of new products and their engineering.

ACTIVITY OF INDIVIDUAL DEPARTMENTS

ICT

In 2019, the ICT department further focused on the optimisation of the processes handled under the SAP ECC by over 500 users in the 30 branches using the ERP system.

As part of the Industry 4.0 technology, in 2019 numerous automated warehouses were linked to the SAP ECC, each with their own Warehouse Management Systems (WMS) installed at the Group's European branches with the aim of automating part of material handling logistics activities. With a view to digitalisation, numerous EDI functions under the SAP system were extended for the Group's customers. EDI functions now support a bi-directional exchange involving the flows of core documents, i.e. Orders, Order Confirmations and Invoices.

The project envisaging the upgrade of the Group's SAP CRM system versus the more modern SAP Cloud for Customers was completed. It is expected to be implemented in January 2020. In 2019, the SAP ECC system was implemented on 2 production units and preparation works commenced with 1 sales Branch (Metal Work Portugal) effective from 1 January 2020. During the year, activities were carried out on the SAP Business ByDesign project, in view of introducing an ERP SAP system also in the Group's Overseas Branches. After the implementation of the system at Metal Work Pneumatic South Africa in June 2018, steps were taken to extend the adoption of this system in the Chinese and Thai Branches, which is expected to start in 2020.

The integration of SAP ECC with SAP Business ByDesign is intended to provide the Overseas Branches with the same synergies offered by the intercompany processes already operational at the European Branches, as further support to the industrial plans envisaged by the Metal Work Group.

The integration of SAP Business BYDesign with the SAP BW system was also completed.

Process engineering

The activity of the product Industrialisation Department involved the implementation of new workstations and process stabilisation and control, and, more importantly, the extension of effective improvement and staff involvement activities.

The implementation of new assembly workstations continued in the various departments to increase productivity and replace obsolete ones, with particular focus on the ergonomic and safety aspects. The connection of the company information system according to a well-proven in-house standard allows remote monitoring, the analysis of production data and quality control.

Particular attention was paid to the analysis of the methodology and control methods in the chip removal process, by intervening in two different directions. On the one hand, by correctly evaluating which and how often to check the characteristics and attributes in order to minimize the control time while maintaining a high quality. On the other hand, by conducting an in-depth study of new control technologies that are present on the market today, which are created, also and above all, by the enormous boost given to technological innovation in recent years. These new technologies make it possible to approach process control in a completely different way, by operating on the totality of the object to be controlled rather than on individual characteristics and allow it to be applied also in different manufacturing processes, for example the moulding of technopolymers. Towards the end of the year, the analysis defined a solution that we will implement next year.

Always attentive to the problems related to the chip removal process and being aware that the coolant oils contribute greatly to the stabilisation of the process, we intervened on the systems for the creation, distribution, control and maintenance of the emulsions. We have created a new area for the production of new emulsion, the filtration of the reusable one, and have improved the destruction and filling system of machines, making it fully automatic in some cases. This has resulted in a significant improvement in the quality of the emulsion and avoids manual filling operations.

The process improvement team continued its activity within the company, using Kaizen tools, and achieved significant improvements in the production departments.

Working with a view to continuous improvement necessarily requires the involvement of all staff members (the only ones who know their work thoroughly) and a scientific approach based on a method and on the analysis of factual data. An attempt was therefore made to involve as many people as possible in construction and problem-solving activities in order to transmit and assimilate this type of culture. During the year we involved 40% more people than the previous year.

The extension of the TPM concepts continued in the chip removal department at a faster rate with the aim of maintaining the correct operating conditions of the production plants, reducing failures, improving the reliability of the machinery and therefore increasing production availability. A self-maintenance plan was therefore implemented on 80% of the machinery.

In some critical machinery and processes we have placed the focus on obtaining quality and knowledge of standards using SMED and TWI methodologies.

The involvement of personnel in construction sites and in problem solving has led to a significant improvement in quality and greater product knowledge of specialized assembly and testing personnel.

We continued preparing the map of personnel skilsets in other production departments. It was therefore possible to organize a training plan with the aim of increasing the number of personnel able to carry out a certain task and increasing the number of tasks that the operator is able to perform, thus significantly reducing training time required through TWI instructions. The total overall training score increased by 10% compared to the previous year.

In collaboration with the Human Resources manager, the medium-level general technical training plan was made operational for most of the operators and a high-level one for the professionals within the company that had been organized the previous year. Basic technical drawing courses and company standards for the employees of the production and assembly departments involved about thirty people and as many people took part in a hydraulics course specifically addressed to maintenance technicians and designers of production equipment.

Logistics

After four years in which the turnover index has always been improving: 4.89 in 2015, 5.14 in 2016, 5.31 in 2017 and 5.47 in 2018, the year 2019 saw a worsening of the overall average turnover index which dropped to 4.66; with inventories that rose by over 500 thousand euros despite the decrease in revenues; the value of closing inventories was then re-dimensioned in the first months of 2020.

The improvement process launched in 2019 will lead to an optimization of both the peripheral and central warehouses was subcontracted to a consultancy company specializing in inventory and logistics analysis. The analysis and improvement process will see as a final result the creation of a new organisational figure, the logistics manager, who will have competence and supervision over all the Group companies for the stocks management and the organisation of transport; according to the work progress plan, by the end of 2020, the KPIs and the data collection method for the sales associates will be finalized, and the planned improvement interventions will be implemented on some pilot associates.

In 2019, the building of the new warehouse was completed. This facility will be used for moulding plastic materials. The initial goal of having the property available in the summer has been postponed in relation to the lock-down and the effects resulting from the onset of the Covid-19 pandemic.

Company-Wide Quality Control and environmental impact management

The Group continued to promote Kaizen activities (continuous improvement) in 2019. This method, the basic point of which is the involvement of all the employees, leads the entire organisation to operate daily in pursuing the goal of eliminating waste in all areas of business activity. All this means the continuous search for improvement through little and great changes at all levels. Every improvement activity concerning a specific area or process is called a “construction site” and requires the creation of an inter-departmental team of people who analysed the problem on the spot and come to create new standards or improve existing ones.

As in previous years, in 2019 all newly hired employees attended classroom communication training courses aimed at enhancing interpersonal relations and teamwork. The course is organised by an occupational psychologist specialising in behavioural training issues. This allowed all the employees to acquire knowledge for the practical application of methods that are the base of continuous individual continuous improvement through teamwork.

Metal Work continued to further strengthen the structure of its management systems for which it has obtained certification for several years now, namely ISO 9001:2015 for quality, ISO 14001:2004 for the environment, while the occupational health and safety system was certified to the new ISO 45001:2019, standing among one of the first companies in Italy (Metal Work S.p.A. had been certified to OHSAS 18001 since 2007). A new policy for the environmental and safety has been developed to highlight the issues that most involve the personnel (at all levels), that attach increasing importance to training, to spread the culture of health and safety in the workplace, by consulting and encouraging the participation of personnel.

During 2019, a management system dedicated to the MOCA product [Italian acronym for materials and objects in contact with food] was also created, to respond to market demands in the food industry. What are called GMPs, i.e. Good Manufacturing Practices, have been put into practice and standardized. These quality assurance aspects prove that materials and objects are constantly manufactured and controlled, to ensure compliance with the applicable regulations and quality standards appropriate to the use for which they are intended, without entailing health risks for human beings or modify the composition of food products in an unacceptable way or cause a deterioration of its organoleptic characteristics. The reference standards are the European Regulations 1935/2004, 2023/2006. A manual has been created and some procedures have been introduced to ensure the correct management and full product traceability with food labelling.

In addition, work continued on the product management system with the IEC Ex marking, which concerns a line of products, the EB80 valve islands, subject to annual audit by Bureau Veritas, based on the EN ISO/IEC 80079-34. Also in this case, a specific manual has been drawn up with the relative procedures and work instructions. As in the case of the MOCA product, the procedures for identifying components at all stages of the production process are fundamental, an activity which also involved, to a major extent, some suppliers of strategic components. In particular, the Quality System according to the ISO 9001 standard has also been extended to most of the Italian and foreign subsidiaries, according to a matrix scheme that provides for the supervision of the individual operating systems directly from the Group's Quality Management. The three systems have been subjected to periodic annual verification by DEKRA, the German motor vehicle supervision association, with a positive outcome. In 2019, five other companies were introduced into this matrix: Metal Work UK, Metal Work India, Metal Work Service Verona, Metal Work Service Bari and Metal Work Service Prato.

SHARE CAPITAL AND TREASURY SHARES

Pursuant to art. 2428 of the Italian Civil Code, as at 31/12/2018 Metal Work S.p.A.'s share capital amounted to €21,000,000 euro, the same as that for the previous year.

The share capital is made up of 21,000,000 shares of a face value of €1 each, 97% held by Metal Work Holding S.p.A.

During the year the company did not hold nor transacted treasury shares or shares of parent companies, neither directly or indirectly through an intermediary or a trust company.

OUTLOOK

The recent spread of Covid-19 (Coronavirus) continues to impact the global economy and markets. At the date on which these financial statements are prepared, the effects of the epidemic on the Company have been contained: the provision of services has continued without interruption and there are no situations of financial tension. The Company has taken the necessary actions to ensure operational continuity and, above all, protect employees, suppliers, customers and all other stakeholders.

The effects deriving from the spread of Covid-19 have been considered as events that do not entail adjustments to the financial statements; however, in the future, the Covid-19 epidemic could have a negative impact on the Company, the staff, operations and the financial situation in general. At present, it is not possible to predict the evolution of this phenomenon and the consequences it will have on the economic scenario, nor is it possible to determine any financial and economic impacts on the Company.

As regards the effect of the pandemic on subsidiaries and associates, it is noted that, to date, there are no established reasons that could lead to an adjustment of the valuations of the individual investments, given the actions taken to monitor the operating management results in the individual companies.

Furthermore, based on our best knowledge and information currently available, we do not expect the spread of Covid-19 to raise doubts about the Company's ability to continue to operate as a going concern in the foreseeable future.

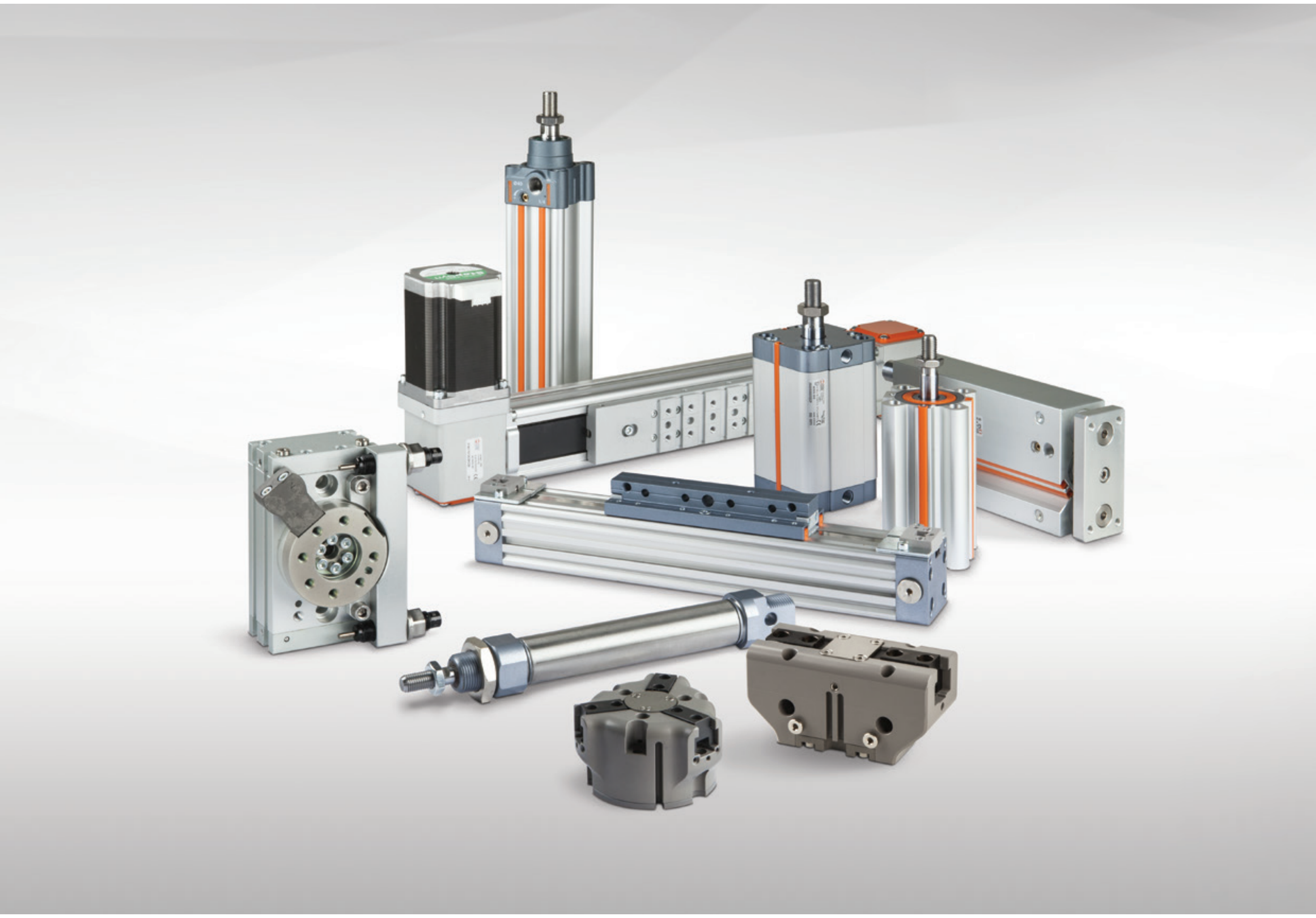
The Italian companies complied with the lock-down measures and stop production for 15 days from 21st March to 5th April, returning operational using the derogation provided for by Prime Minister's Decree of 25th March 2020 for activities relating to the medical supply chain. It is likely that revenues for the year 2020 undergo a variation of more than 10% which will necessarily lead to downsized profitability. The company has also put in place all the appropriate activities to contain costs and safeguard liquidity by exploiting the interventions of the so-called "Cura Italia" decree to support the economy.

Concesio, 16th June 2020

The Board of Directors

Chairman	Sig.ra Donatina Dell'Anna
Vice-Chairman	Sig. Riccardo Cavagna
Board member	Sig. Gianpietro Gamba
Board member	Sig. Daniele Marconi
Board member	Sig. Valentino Pellenghi
Board member	Sig. Fausto Rodella

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES



BALANCE SHEET

	31/12/2019	31/12/2018
B) NON-CURRENT ASSETS		
I Intangible assets:		
1) Incorporation and extension costs	19.633	16.165
2) Research, Development and Publicity Costs	1.061.905	1.255.589
3) Patent rights and intellectual property rights	755.834	682.480
4) Concessions, licences, trademarks and similar rights	827.793	1.185.071
5) Goodwill	3.186.993	680.646
6) Work in progress & down payments		1.800
7) Others	923.312	304.758
Total Intangible assets	**6.775.470**	**4.126.509**
II Tangible assets:		
1) Land & buildings	52.356.513	53.518.897
2) Plant & machinery	28.810.345	28.680.582
3) Industrial and commercial equipment	7.055.328	6.397.243
4) Other assets	2.411.465	2.228.993
5) Work in progress & advances	2.892.539	1.970.058
Total Tangible assets	**93.526.190**	**92.795.773**
III Long-term financial assets:		
a) Subsidiaries		180.710
b) Associates	1.054.015	1.042.185
d-bis) Other companies	39.035	38.149
Total investments	**1.093.050**	**1.261.044**
2) Accounts receivable:		
d-bis) From others	527.556	1.551.063
- From others - Less than 12 months	527.556	423.160
- From others - Over 12 months		1.127.903
Total accounts receivable	**527.556**	**1.551.063**
3) Other securities	**101.194**	**217.418**
4) Derivatives receivable	**394.800**	**461.940**
Total long-term financial assets	**2.116.600**	**3.491.465**
TOTAL NON-CURRENT ASSETS (B)	**102.418.260**	**100.413.747**
C) CURRENT ASSETS		
I Inventories:		
1) Raw materials, supplies & consumables	7.196.923	6.338.909
2) Work-in-progress & Semi-finished products	8.544.089	8.132.384
3) Work in progress	1.343.448	
4) Finished products and goods	28.488.865	28.175.875
5) Down payments	101.975	262.067
Total inventories	**45.675.300**	**42.909.235**
II Accounts receivable:		
1) Trade receivables	48.221.781	53.220.710
- Trade receivables - Less than 12 months	48.221.781	53.220.710
4) From parent companies	3.428.258	4.935.921
- From parent companies - Less than 12 months	3.428.258	4.935.921
5) From entities controlled by parent companies	137.064	
- From entities controlled by parent companies - Less than 12 months	137.064	

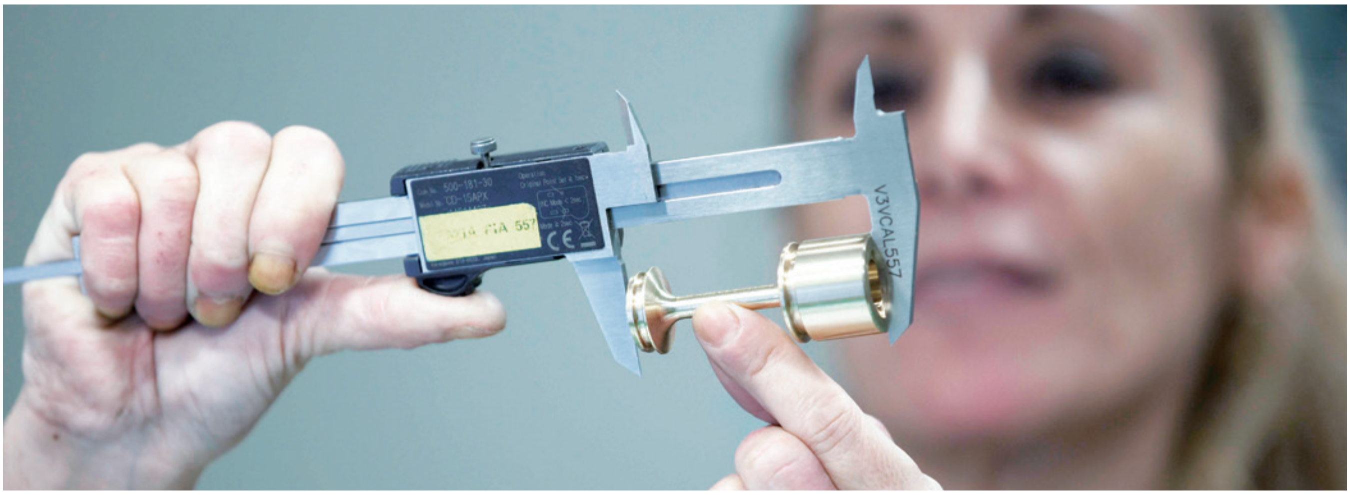
	31/12/2019	31/12/2018
5 bis) Tax assets	5.307.248	5.665.629
- Tax assets - Less than 12 months	5.307.248	5.665.629
5 ter) Prepaid taxes	3.752.390	3.739.246
5 quater) From others	1.274.244	1.820.655
- From others - Less than 12 months	1.274.244	1.820.655
Total accounts receivable	**62.120.985**	**69.382.161**
III Financial assets other than non-current assets		
6) Other securities	3.410.761	5.491.879
Total Financial assets other than non-current assets	**3.410.761**	**5.491.879**
IV Cash and cash equivalents:		
1) Bank and postal deposits	3.830.859	5.463.230
2) Cheques	3.170	
3) Cash on hand	110.969	66.914
Total cash and cash equivalents	**3.944.998**	**5.530.144**
TOTAL CURRENT ASSETS (C)	**115.152.044**	**123.313.419**
D) PREPAYMENTS AND ACCRUED INCOME		
- Prepayments and accrued income	1.051.466	864.871
TOTAL ASSETS	**218.621.770**	**224.592.037**
A) SHAREHOLDERS' EQUITY:		
I Share capital	21.000.000	21.000.000
II Share premium reserve	19.324.088	19.324.088
IV Legal reserve	3.000.000	2.200.000
VI Other reserves, indicated separately	13.579.174	10.264.440
Currency translation reserve	-835.782	-1.212.687
Group's consolidation reserve	3.086.256	3.144.882
Other reserves	11.328.700	8.332.242
VIII Profit (losses) to be brought forward	16.739.370	14.236.399
IX Profit(loss) for the year	8.946.727	10.554.030
TOTAL SHAREHOLDERS' EQUITY (A)	**82.589.358**	**77.578.954**
Minority shareholders' equity and reserves	6.051.834	5.457.355
TOTAL SHAREHOLDERS' EQUITY AND MINORITY SHAREHOLDERS' EQUITY AND RESERVES	**88.641.192**	**83.036.309**
B) PROVISION FOR CONTINGENT LIABILITIES AND CHARGES		
1) Provision for retirement and similar benefits	448.670	419.162
2) For taxes	1.432.875	1.505.589
4) Others	327.679	465.381
TOTAL PROVISION FOR CONTINGENT LIABILITIES AND CHARGES	**2.209.224**	**2.390.132**
C) PROVISION FOR EMPLOYEES' SEVERANCE PAY	**6.197.994**	**5.980.447**
D) DEBTS AND OTHER LIABILITIES		
4) Bank borrowings	63.227.457	58.118.985
- Bank borrowings - Less than 12 months	36.622.259	45.092.188
- Bank borrowings - Over 12 months	26.605.198	13.026.797
5) Borrowings from other lenders	12.375.151	17.051.684
- Borrowings from other lenders - Less than 12 months	2.385.076	2.906.503
- Borrowings from other lenders - Over 12 months	9.990.075	14.145.181
6) Down payments	319.342	308.723
- Down payments - Less than 12 months	81.053	308.723
- Down payments - Over 12 months	238.289	

	31/12/2019	31/12/2018
7) Trade creditors	30.372.980	38.514.710
- Trade creditors - Less than 12 months	30.372.980	38.514.710
10) Payables to associates	726.673	551.960
- Payables to associates - Less than 12 months	726.673	551.960
11) Payables to parent companies	634.021	2.532.337
- Payables to parent companies - Less than 12 months	634.021	2.532.337
12) Taxation	4.059.506	4.885.029
- Taxation - Less than 12 months	4.059.506	4.885.029
13) Social security contributions	3.178.577	3.127.712
- Social security contributions - Less than 12 months	3.178.577	3.127.712
14) Others	5.501.325	6.613.142
- Others - Less than 12 months	5.501.325	6.395.142
- Others - Over 12 months		218.000
TOTAL DEBTS AND OTHER LIABILITIES (D)	**120.395.032**	**131.704.282**
E) ACCRUALS AND DEFERRED INCOME		
- Accruals and deferred income	1.178.328	1.480.868
TOTAL LIABILITIES	**218.621.770**	**224.592.037**

INCOME STATEMENT

	31/12/2019	31/12/2018
A) PRODUCTION VALUE		
1) Revenue from goods sold and services rendered	190.966.444	193.244.233
2) Changes on stocks of work-in-progress, semi-finished products and finished products	791.403	1.461.014
3) Changes in work in progress to order	604.711	
4) Increase in Non-current assets from internal work	312.300	300.260
5) Other revenue and income:	3.287.766	2.016.628
- Contributions in trading account	196.534	245.148
- Others	3.091.232	1.771.480
TOTAL PRODUCTION VALUE (A)	**195.962.624**	**197.022.135**
B) PRODUCTION COSTS:		
6) For raw materials, supplies, consumables and goods	69.456.292	60.382.531
7) For services	37.766.646	45.427.449
8) For hire, purchase and leasing charges	3.315.666	2.982.057
9) For personnel:	58.471.538	56.336.922
a) Salaries and wages	42.522.303	40.328.931
b) Social security contributions	11.433.605	10.706.315
c) Provision for employees’ severance pay	1.812.401	1.778.075
e) Other personnel costs	2.703.229	3.523.601
10) Depreciation, amortisation & write-downs:	12.749.921	11.715.504
a) Amortisation of Intangible assets	2.011.789	1.944.774
b) Depreciation of tangible assets	10.278.555	9.361.613
d) Provision for doubtful accounts current assets and cash on hand	459.577	409.117
11) Changes in stocks of raw materials, supplies, consumable and goods	-466.595	-1.138.884
12) Provision for contingent liabilities	80.831	152.394

	31/12/2019	31/12/2018
14) Other charges	1.286.770	2.591.865
TOTAL PRODUCTION COSTS (B)	**182.661.069**	**178.449.836**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A - B)	**13.301.555**	**18.572.299**
C) FINANCIAL INCOME AND EXPENSES:		
15) Investment income:	70.687	78.845
- From others	70.687	78.845
TOTAL INVESTMENT INCOME	**70.687**	**78.845**
16) Other financial income:		
b) from securities under non-current other than equity investments	191	
c) from securities under current assets other than equity investments	130.573	8.124
d) income other than previous items:	236.636	214.268
- from others	236.636	214.268
TOTAL OTHER FINANCIAL INCOME	**367.400**	**222.392**
17) Interest and other financial charges:		
- from others	1.623.572	1.537.475
TOTAL INTEREST AND OTHER FINANCIAL CHARGES	**1.623.572**	**1.537.478**
17 bis) Exchange gains and losses	**155.161**	**-651.872**
TOTAL FINANCIAL INCOME AND EXPENSES (15 + 16 - 17 +/- 17 BIS)	**-1.030.324**	**-1.888.110**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18) Re-valuations:		
- of equity investments	11.830	
- long-term financial assets other than equity investments		37.019
- securities in current assets other than equity investments	806.673	1.858
19) Write-downs:		
- securities in current assets other than equity investments		796.456
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (18 - 19)	**818.503**	**-757.579**
PROFIT/ (LOSS) BEFORE TAXATION (A - B +/- C +/- D)	**13.089.734**	**15.926.610**
20) Current, deferred and prepaid income tax	**3.011.498**	**4.294.102**
- current tax	2.648.488	4.420.799
- previous year taxes	46.005	16.812
- deferred and prepaid tax	317.005	-143.509
21) NET PROFIT (LOSS) FOR THE YEAR included the portion pertaining to minority interests	**10.078.236**	**11.632.508**
22) Portion of profit (loss) pertaining to minority interests	**1.131.512**	**1.078.478**
23) NET PROFIT (LOSS) FOR THE YEAR	**8.946.724**	**10.554.030**



CASH FLOWS STATEMENT	december-19	december-18
A. Cash flows generated by operating activities (indirect method)		
Profit (loss) for the year	8.946.724	10.554.030
Income taxes	3.011.498	4.294.102
Interest expenses (interest income)	1.101.011	1.966.955
(Dividends)	-70.687	-78.845
Capital gains)/capital losses from the sale of assets	0	0
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from the sale of assets	**12.988.546**	**16.736.242**
Adjustments for non-cash items that had no contra-entry in net working capital		
Allocations to provisions	80.831	152.394
Non-current asset amortisation and depreciation	12.290.344	11.306.387
Write-downs (Revaluations) for impairment losses	0	0
Other adjustments for non-cash items	-806.673	757.579
2. Cash flow before changes in net working capital	**24.553.048**	**28.952.602**
Changes in net working capital		
Decrease/(increase) in inventories	-2.766.065	-3.271.119
Decrease/(increase) in trade receivables, subsidiaries and associates	6.369.528	-5.495.837
Decrease/(increase) in tax assets and other receivables	904.762	-456.389
Decrease/(increase) in prepaid tax assets	-13.114	-459.743
Increase/(decrease) in trade payables, subsidiaries and associates	-9.865.333	2.314.016
Increase/(decrease)in tax liabilities, social security and other liabilities	-973.718	2.416.377
Decrease/(increase) in prepaid expenses and accrued income	-186.595	42.742
Increase/(decrease) in accrued expenses and deferred income	-302.538	-6.114
Net change in provision for contingencies and charges	-261.739	-135.924
Net change in employee-leaving indemnity	217.548	251.334
Other changes in net working capital	10.619	-62.363
3. Cash flow after changes in net working capital	**17.686.403**	**24.089.582**
Other adjustments		
Interest received/(paid)	-1.101.011	-1.806.825
(Income taxes paid)	-3.011.498	-4.294.102
ividends received	70.687	78.845
(Utilisation of provisions)	0	0
4. Cash flow after other adjustments	**-4.041.822**	**-6.022.082**
Cash flow from operating activities (A)	**13.644.581**	**18.067.500**
B. Cash flows generated by investment activities		
Tangible assets		
(Investments)	-12.321.906	-23.357.871
Realizable price of divestments	1.312.934	280.000
Intangible assets		
(Investments)	-1.656.386	-1.591.187
Realizable price of divestments	0	0
Financial assets		
(Investments)	-2.836.370	-594.865
Realizable price of divestments	1.206.871	0
Financial assets other than Non-current assets		
(Investments)	0	0
Realizable price of divestments	2.887.791	1.079.342
Acquisition or transfer of subsidiaries or business units net of cash	0	0
Cash flows generated by investment activities (B)	**-11.407.066**	**-24.184.581**
C. Cash flows generated by funding activities		
Loan capital		
Increase (decrease) in financial liabilities	-2.021.511	2.346.808
Transfer (purchase) of treasury shares	23.721.000	16.525.000
Rimborso finanziamenti	-21.267.550	-10.912.000
Equity		
Aumento di capitale a pagamento	0	0
Cessione (acquisto) di azioni proprie	0	0
Dividends and advances on dividends paid	-4.254.600	-2.940.000
Cash flows generated by funding activities (C)	**-3.822.661**	**5.019.808**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**-1.585.146**	**-1.097.273**
Cash and cash equivalents – opening balance	**5.530.144**	**6.627.417**
Cash and cash equivalents – closing balance	**3.944.998**	**5.530.144**
Increase (decrease) in cash and cash equivalents	**-1.585.146**	**-1.097.273**

Structure and contents of the Consolidated Financial Statements

To the shareholders,

The Metal Work Group's consolidated financial statements as at 31.12.2019, submitted for your approval have been prepared in accordance with Legislative decree no. 127/1991 (Chapter III), implementing the VII EEC Directive. They have been drawn up by Metal Work S.p.A., the parent company of the industrial branch of the larger Group headed by Metal Work Holding S.p.A. The company is required to draw up Consolidated Financial Statements pursuant to article 27, subsection 3, of Legislative Decree no. 127/1991.

The cash flow statement shows the plus and minus changes in cash flows in the reporting year, using the indirect method, according to the layout envisaged in the accounting standard OIC 10.

The figures in the balance sheet, the income statement and the cash flow statement are expressed in euros, without decimals, while the figures in the explanatory notes are expressed in thousands of euro, unless specified otherwise.

Items with amounting to zero in the current and the previous year are not reported in the financial statements.

If the information required by specific provisions of law is not sufficient to give a true and correct representation, supplementary information deemed necessary for the purpose is provided. In particular, the following information was provided in the Explanatory Notes in tabular form:

- the statement reconciling the Parent's shareholders' equity and the operating result and the shareholders' equity and the operating result of consolidated financial statements;
- the statement of changes in consolidated net shareholders' equity accounts.

As for the Group's activities and the relations with associates, parent companies, companies under common control and other correlated parties, reference is made to the Business Report prepared by the Parent's directors in support of these consolidated financial statements.

Events of significance occurring after the closing date and the overall amount of commitments, guarantees and potential liabilities not emerging from the balance sheet are reported in specific paragraphs in this Explanatory Notes.

Metal Work S.p.A., the parent company, is in turn controlled by Metal Work Holding S.p.A., with registered office in Concesio, which prepares the consolidated financial statements of the largest number of companies to which the Metal Work Group belongs. These consolidated financial statements are made available at the company's registered office.

No exceptional events occurred such as to involve derogations to the application of regulations governing consolidated financial statements aimed at providing the required true and fair representation. There were no exceptional events that determined a change to the assessment criteria compared to the previous year, thus no recourse was made to the provisions under art. 2423-bis, subsection 2, of the Italian Civil Code.

Figures for the previous year have been included for comparative purposes. In accordance with article 2423 of the Italian Civil Code, we note that the balance sheet and income statement drawn up pursuant to articles 2424 and 2425 of the Italian Civil Code and amended in accordance with the provisions of article 2, subsection 1, of Legislative decree no. 127/91, along with the statement of changes in the financial position, provide the information necessary to give a true and fair view of the Group's financial position and operating results.

The consolidated financial statements have been audited by KPMG S.p.A. pursuant to art. 2409-bis of the Civil Code.

Details of the Group and consolidated holdings

The Metal Work Group's consolidated financial statements include the financial statements of Metal Work S.p.A. (hereinafter also referred to as the 'Parent') and those of the subsidiaries in which the Parent has a majority take pursuant to art. 26 of Legislative Decree no. 127/91.

As at 31st December 2019, the companies included in the scope of consolidation using the integral method in accordance with art. 38, subsection 2, letter a), of Legislative Decree no. 127/91 were the following:

	Company	Registered office	Share capital in currency	% held as at 31/12/2019
1	Metal Work Service S.r.l	Brescia	150.000 €	96,00%
2	Metal Work Service S.r.l	Oggiono (LC)	99.000 €	76,00%
3	Metal Work Service S.r.l	Arcore	99.000 €	100,00%
4	Metal Work Service S.r.l	Verdellino (BG)	99.000 €	100,00%
5	Metal Work Service S.r.l	Bologna	50.000 €	100,00%
6	Metal Work Service S.r.l	Cremona	90.000 €	90,00%
7	Metal Work Service S.r.l	Modena	50.000 €	100,00%
8	Metal Work Service S.r.l	S.Pietro Mosezzo (NO)	50.000 €	95,00%
9	Metal Work Service S.r.l	Parma	99.000 €	100,00%
10	Metal Work Service S.r.l	Coriano (RN)	99.000 €	90,00%
11	Metal Work Service S.r.l	Paese (TV)	80.000 €	90,00%
12	Metal Work Service S.r.l	Marano (VI)	99.000 €	75,00%
13	Metal Work Service S.r.l	S.Giorgio di Mantova (MN)	90.000 €	100,00%
14	Metal Work Service S.r.l	Verona	50.000 €	68,00%
15	Metal Work Service S.r.l	Corato	25.000 €	90,00%
16	Metal Work Service S.r.l	Rivalta (TO)	99.000 €	100,00%
17	Metal Work Service S.r.l	Prato	90.000 €	100,00%
18	Eurofit S.r.l.	Cazzago S.Martino (BS)	100.000 €	80,00%
19	Alfa Meccanica S.r.l.	Treviolo (BG)	33.000 €	70,00%
20	Meridian S.r.l.	Cazzago S.Martino (BS)	80.000 €	97,50%
21	Assemblaggi Ind.li S.r.l.	Concesio (BS)	80.000 €	51,00%
22	Tecnopolimeri S.r.l.	Concesio (BS)	80.000 €	70,00%
23	Fluid Force S.r.l.	Bedizzole (BS)	50.000 €	70,00%
24	SPMC S.R.L.	Concesio (BS)	18.368 €	51,00%
25	VDM S.r.l.	Concesio (BS)	50.000 €	51,00%
26	Metal Work UK Ltd	Milton Keynes	£60.000	100,00%
27	Metal Work France S.a.r.l.	Saint Thibault des Vignes	300.000 €	89,80%
28	Metal Work Deutschland Pneumatic Gmbh	Landsberg	600.000 €	100,00%
29	Metal Work Nederland B. V.	Ede	150.000 €	70,00%
30	Metal Work Sverige AB	Vellinge	300.000 KR	100,00%
31	Metal Work Iberica S.A.	Barberà del Valles	600.000 €	90,00%
32	Metal Work Danmark A/S	Greve	KR 1.000.000	98,00%
33	Metal Work Pneumatic (Thailand) Company Ltd	Nonthaburi	THB 1.000.000	49,00%
34	Metal Work Pneumatic U.S.A. Inc.	Arlington Texas	$200.000	95,00%
35	Metal Work Pneumatic (M) Sdn Bhd	Selangor	R250.000	100,00%
36	Metal Work Polska Sp. Z o.o.	Poznan	200.000 ZŁ	97,50%
37	Metal Work Finland Ltd	Jarvenpaa	70.000 €	100,00%
38	LLC Metal Work Ukraine	Kiev	UAK 3.500.000	100,00%
39	Metal Work Pneumatic Australia Pty. Limited	Dandenong South	$19,00	100,00%
40	Metal Work Pneumatic Components (Shangai) Ltd	Shangai	YUN 5.925.177	100,00%
41	Metal Work Partecipacoes Societarias Ltda	San Leopoldo	R$ 24.000.000	99,83%
42	Metal Work Pneumatic India Private Ltd	Bangalore	IDR 11.055.050	99,09%
43	Metal Work Pneumatik Gmbh	Frauenfeld	CHF 100.000	100,00%
44	Metal Work Pneumatic CZ s.r.o.	Ostrava	CZK 2.000.000,00	80,00%
45	O.O.O. Metal Work Pneumatik	Mosca	RUR 32.000.000	100,00%
46	PT Metal Work Pneumatic	Tangerang	INR 7.870.800.000	67,00%
47	Metal Work Pneumatic South Africa (Pty) Ltd	Durban	ZAR 7.250.000	100,00%
48	Metal Work Pneumatic Srl	Timis	670.000 RON	74,63%

During the year, the scope of consolidation changed as follows:

- acquisition of 5% of the shares in Metal Work's share capital based in Rivalta for a total of 42 thousand euro;
- acquisition of 0.1% of the shares in Metal Work UK Ltd. 's share capital for a total of 1 thousand euro

The equity investments listed above are held directly by Metal Work S.p.A. without the intervention of trust companies or intermediaries. The parent also indirectly holds:

- Metal Work Portugal Lda entirely controlled by Metal Work Iberica, SA;
- Metal Work Pneumatic Brasil Lda 85% controlled by Metal Work Partecipacoes Societarias Lda;
- Duebi S.r.l. 51% controlled by Spmc S.r.l. al 51% ;
- American Cylinder entirely controlled by Metal Work Pneumatic USA.

No companies have been consolidated using the proportional method in accordance with article 37 of Legislative decree no. 127/91.

Pursuant to article 39,subsection 3, of Legislative decree no. 127/91, it should be noted that in the course of the year there were no changes in the general makeup of the companies included in the scope of consolidation.

The date of reference of the consolidated financial statements and the closing data of the financial statements to be included in the scope of consolidation coincide with those of the Parent and most of the companies included scope of consolidation, namely the subsidiary Metal Work Pneumatic India Private, which closes the financial statements as at 31 March, was included in the scope of consolidation on the basis of the interim annual financial statements referring to the date of the consolidated financial statements.

Disclosure on the presentation of true and fair Financial Statements

The format of the financial statements is that required by Legislative Decree no. 127/91. They have been drawn up in a clear manner and truthfully represent the overall financial position and results of the companies included in the scope of consolidation.

Consolidation criteria and method

The consolidated financial statements have been prepared on the basis of financial statements approved at annual general meetings or by the governing bodies of consolidated companies, adjusted, where necessary, in order to align them with the Group's accounting standards or on the basis of financial information (so-called 'reporting package') made available by the consolidated companies and prepared in accordance with Parent's instructions.

The accounting policies adopted in the preparation of consolidated financial statements are those adopted by the Parent when preparing its financial statements or those adopted by most of the consolidated companies, subject to the principle of valuation of equity investments in associates using the equity method instead of the cost method and the accounting processing of leased financial assets, as illustrated below in these explanatory notes.

The items under assets and liabilities of the same or similar denomination and contents, appearing in the financial statements of Group companies and intended to be included in the same items of the consolidated financial statements are valued according to the same criteria.

In the consolidated financial statements, the figures under assets, liabilities, revenues and charges and cash flows of companies that are directly or indirectly controlled by the Parent are consolidated according to the line-by-line consolidation method.

Subsidiaries have been consolidated on a line-by-line basis. This method involves the application of the following criteria:

a) the book value of individual consolidated equity investments is written off against the corresponding portion of Shareholders' equity (net of minority interests), while all their assets and liabilities as well as associated income and charges are included;
b) intra-group payables, receivables and all transactions are written off;
c) income and losses from commercial and financial intra-group transactions are written off, net of deferred and prepaid taxes;
d) income and expenses relating to intra-group transactions are written off;
e) the greater value paid for the equity investments compared with the Shareholders' equity of the subsidiary at the acquisition date is stated in a special item under assets called "Goodwill", where it is not possible to allocate such value to a specific item under the assets of the company included in the consolidation scope;
f) amortisation of the "Goodwill" under assets;
g) when a company is first consolidated, the lower of equity investments in that company and the same company's Share-

holders' equity is recorded under "Consolidation reserve" as part of the consolidated shareholders' equity.

The consolidation difference has not been offset, neither implicitly nor explicitly, with the consolidation reserve; considering that no unfavourable economic results are expected, the decreased carrying value of equity has never been attributed to the consolidation provision for future risks and charges.

The associated companies have been consolidated using the equity method. The main criteria adopted for the application of said method contemplate:

a) the maintenance in the Consolidated Financial Statements of the "equity interest" item relating the associates included in the scope of consolidation;

b) the adaptation of the equity interest value to the adjusted portion of the associate's shareholders' equity, with reference to the Financial Statements ended on 31.12.2019.

Disclosure on accounting standards and valuation criteria

The financial statements of the subsidiaries have been drawn up using the same accounting policies applied by the parent company.

The assessment criteria used to value the various items comply with article 2426 of the Italian Civil Code. The criteria used to value the items in the consolidated financial statements are substantially the same as those applied in the previous year, and we give our approval thereto. The various items of the financial statements were assessed in accordance with the general principles of prudence and accrual, on a going-concern basis; the items were measured and reported taking into consideration the substance of the transaction or contract, where compatible with the provisions of the Italian Civil Code and the Italian Accounting Standards Setter (OIC).

Pursuant to article 2423-ter of the Italian Civil Code, it must be noted that no balance sheet or income statement items have been grouped together.

The consolidated financial statements were prepared in line with the following principles, which were also used to prepare the statutory financial statements of the individual consolidated companies:

the principle of prudence, i.e. entering at the reporting date only the profits realised and all the risks pertaining to the year, even when they arise after the closing date;

the going-concern principle, i.e. the assumption, implicit in the accounting and valuation policies adopted, that the company will continue to operate normally in the future.

the accrual principle, whereby the effects of transactions and events are allocated to the year to which they pertain and not necessarily to the year in which the movements take place.

The assumptions of consistency in the evaluation, relevance and comparability of information have also been complied with.

In application of the above-mentioned assumptions:

the valuation of the elements making up the individual items under assets and liabilities took place separately to avoid that the plus-value of some items could offset the minus-value of others. In particular, profits were included only if realized by the closing date of the financial year, while risks and losses pertaining to the financial year were taken into account, even if known after the closing date;

- income and charges pertaining to the financial year were taken into account regardless of the date of collection or payment. Accrual is the method of accounting in which all income and expenses are recognised on the income statement at the time they are earned or occurred for the purpose of determining the operating result of the year;

- the directors made a prospective assessment of the company's capacity to set up an efficient economic complex intended to generate income for a foreseeable time, covering a period of at least twelve months from the reference reporting date. The assessment did not identify any significant uncertainties regarding this capacity;

- the identification of rights, obligations and conditions was based on the contractual terms of transactions and their comparison with the provisions of the accounting standards to ascertain the correctness of the entry or the write-off of balance sheet or income statement items;

- the assessment criteria did not change compared to the previous year in order to obtain a homogeneous measurement of the company's results over the years.

Valuation criteria

Intangible assets

Intangible assets are stated at acquisition or production cost, including directly related charges, while those received are shown at their expert appraisal value. They are shown net of amortisation, which is charged on a straight-line basis in accordance with their residual income-generating potential. More specifically, intangible assets are amortised using the same criteria used in the previous year.

Incorporation and extension costs	5 years
Patent rights and intellectual property rights	3-5 years
R&D costs	4 years
Trademarks	10-20 years
Consolidation difference	10 years
Goodwill	10 years
Other intangible assets	5 years or over the residual duration of the underlying contract

Tangible assets

Tangible assets are stated at acquisition or production cost, including directly related charges and any monetary revaluations made in accordance with the applicable law. Tangible assets received upon conferral are shown at their expert appraisal value. No value of tangible assets was found to be considerably below the carrying value.

Depreciation allowances recognised to the income statement have been calculated in a systematic, constant way on the basis of the rates deemed representative of the expected useful life of the assets.

The following table details the depreciation rates applied by the Group, which remained unchanged compared to the previous year.

Asset	Rate
Buildings	3%
Specific and generic plant	10%
Ordinary and automatic machinery	10%
Equipment	20% - 25%
Moulds	18%
Gauges / Tools	25%
Electronic machinery	20% - 25%
Ordinary office equipment	10% - 12%
Vehicles	25%
Means of transport	20%
Furniture	10% - 12%
Telephone systems	20%

Tangible assets acquired under finance lease contracts are stated in accordance with IAS 17, at the purchase cost paid by the lease company, depreciated in line with the rate applicable to each asset. On the other hand, the amount payable to the lease company equal to the principal amount of future lease instalments is recorded under “Borrowings from other lenders”. Depreciation and financial charges are recognised to the income statement in place of the instalments paid.

At each reporting reference date the company assesses whether there are any signs of a permanent impairment of tangible and intangible assets. If such evidence exists, the carrying amount of assets is reduced to its recoverable value, intended as the greater of the fair value less any selling costs and its value-in-use. If the recoverable value of each asset cannot be estimated, the company estimates the recoverable value of the cash-generating unit (CGU) to which that asset belongs. The value-in-use of an asset is calculated by determining the current value of expected future cash flows, by applying a discount rate that reflects the current market monetary valuation and the specific risks associated to the asset. A permanent impairment is recognised if the recoverable value is less than the net carrying amount.

Any write-downs due to impairment are reinstated if the reasons that justified it no longer exist. The reinstatement cannot exceed the value that would have been determined if no impairment had been recognised. No reinstatement is made on goodwill and deferred charges.

Financial assets

Financial assets, which mainly consist of securities and minority interests, are recognised at the acquisition cost, adjusted as required in the case of lower realisable value or permanent impairment losses.

Inventories

Inventories are valued at the lower of acquisition or production cost and realisable value based on market trends (i.e. the replacement value of raw materials or net market value of finished products). The cost of convenience goods was determined using the LIFO method with annual increases. The value of the closing stock of the subsidiaries that distribute Metal Work products is net of the contribution margin made by the parent company on the products in stock. The fiscal effect of this adjustment has been duly noted in the provision for "Prepaid taxes".

For internally-developed goods, the cost of manufacture includes the cost of raw materials, components, energy, direct labour costs and production and industrial overheads, for the portions allocated to products. For semi-finished products and work in progress, the cost of manufacture is determined on the basis of the production stage achieved.

Receivables

Receivables entered in the balance sheet reflect the right to demand, at an identified or identifiable maturity, fixed or determinable monetary amounts to be collected from customers or other entities. Receivables are carried at amortised cost, taking account of the time factor and estimated realisable value.

Discounts and rebates of a financial nature that did not contribute to determine the estimated realisable value as they could not be foreseen at the time of the initial recognition of the asset are recognised at the time of collection as financial charges.

The amortised cost method is not applied to cases where its effects are insignificant, generally for short-term receivables or when transaction costs, commissions paid by the parties and any other difference between initial value and expiration date of the credit are of little significance.

Trade receivables maturing at more than 12 months from initial recognition, bearing no interest or bearing contractual interests significantly different from the market interest rates, are initially recognised at the value calculated by discounting future cash flows at the market interest rate. Any difference between the initial recognised value of the so-determined receivable and the value at maturity must be recognised in the income statement as financial income over the duration of the credit, using the effective interest rate method.

With reference to the estimated realisation value, the carrying amount of receivables is adjusted through an impairment allowance to take into account of any probable impairment loss. In this regard, specific indicators, experience and any other useful element evidencing a probable impairment loss are taken into account. The provision for doubtful debts is estimated by analysing each receivable of significance and at a portfolio level for the remaining receivables, determining the losses that are expected on existing receivables at the reporting date.

Financial assets other than non-current assets

Securities listed under assets that are held as short-term investments are valued at the lower of purchase or subscription cost and the market value at the reporting date. The write-downs to adjust the cost to the market value are allocated to a provision for losses on securities, which is deducted from their carrying value.

Cash and cash equivalents

They represent the positive balance of bank and postal accounts, cheques, cash and other monetary values on hand at the reporting date. Bank and postal accounts and cheques are valued at their estimated realisable value, cash on hand and revenue stamps at their nominal value, while foreign currency cash and cash equivalents are valued at the exchange rate prevailing at the reporting date.

Prepayments and accruals

Accrued income and prepaid expense are portions of income and costs pertaining to the current year but will be recognized in subsequent years.

Deferred income and accrued expense are portions of income and costs recognised in the current year or in previous years but are attributable to one or more subsequent years. Therefore these items only contain the income and costs common to two or more years, the extent of which varies depending on the actual or recording time.

At the end of each financial year, the Company verifies that the conditions that led to their recognition have been complied with and, if necessary, the required adjustments have been made. In particular, in addition to the time factor, the expected realisation value is taken into account for accrued income, while for prepaid expense the existence of the future economic benefit related to deferred costs is taken into consideration.

Shareholders' equity

Transactions between the Company and shareholders may give rise to receivables owed to or payables owed by shareholders. The Company recognizes receivables when the shareholders take on an obligation towards the Company and recognizes payables when it takes on an obligation towards the shareholders. Payments made by shareholders without a reimbursement obligation are recognized in a relevant item under shareholders' equity.

Provision for contingent liabilities and charges

Provisions for contingent liabilities and charges are certain or probable liabilities of a determined nature, whose amount or date of occurrence is undetermined. In particular, provisions for contingent liabilities represent liabilities of a determined nature and probable existence, the values of which are estimated, while provisions for charges represent liabilities of a determined nature and certain existence, estimated in the amount or on the date of occurrence, connected to obligations already assumed on the closing date, but which will have a numerical disclosure in subsequent years.

Allowances to the provision for contingent liabilities and charges are recognised in the relevant items of the income statement, privileging the classification criterion by nature of costs. The amount of allowances to this provision is measured by referring to the best cost estimate, including legal fees, at the date of each financial statements and is not subject to discounting.

The provisions are subsequently used directly and only to cover expenses and liabilities for which the provisions were originally created. Any negative differences or surpluses with respect to charges actually incurred are recognised in the income statement, in line with the original amount set aside.

Employee severance indemnity

The employee severance indemnity (TFR) is an element of the remuneration to which employees are entitled when they terminate their employment relationship, pursuant to art. 2120 of the Italian Civil Code and taking into account the regulatory changes made by Law 296/2006. It corresponds to the total of the accrued indemnities, in relation to all forms of continuing remuneration and net of any advances or part payments made under collective or individual bargaining agreements for which reimbursement is not requested, and net of any portions transferred to supplementary pension funds or the treasury fund managed by the Italian Social Security Institute (INPS).

This liability corresponds to the amount that the company should have paid to the employees in the event that the employment relationship ceased on the financial statements closing date. The severance indemnity amounts relating to employment relationships terminated on the closing date and to be paid in the following year are classified under payables.

Payables

Payables are liabilities of a determined and certain existence that represent obligations to pay fixed or determinable monetary amounts to lenders, suppliers and other entities. The classification of debts among the various items is carried out on the basis of their nature (or origin) in relation to ordinary management, regardless of the period time within which the liabilities must be written off.

Payables originating from purchases of goods are recognised on completion of their production process and when the substantial transfer of title has occurred, taking as a benchmark the transfer of risks and benefits. Payables relating to services are recognised when the services are received, i.e. when the service has been provided. Payables relating to funding and those arising for reasons other than the acquisition of goods and services are recognised when the obligation for the company to pay the other party occurs. Payables for down payments from customers are recognised when the right to receive the down payment arises.

The amortised cost method is not applied to cases where its effects are insignificant, generally for short-term payables or when transaction costs, commissions paid by the parties and any other difference between initial value and expiration date of the debt are of little significance.

Foreign currency transactions, assets and liabilities

Assets and liabilities arising from foreign currency transactions are initially recognised in euro, by translating the amount expressed in a foreign currency using the euro-to-the foreign currency spot exchange rate in force at the time of the transaction.

Monetary items expressed in a foreign currency, including provisions for contingent liabilities and charges relating to liabilities in a foreign currency, are recognised in the financial statements at the spot exchange rate on the financial year's closing date. The related exchange gains and losses are recognised in the income statement for the year.

Non-monetary assets and liabilities expressed in a foreign currency are recognised in the balance sheet at the exchange rate in force at the time of their purchase and any positive or negative exchange differences do not give rise to independent and separate recognition.

Any net gain deriving from the exchange rate adjustment of monetary items expressed in a foreign currency contributes to the formation of the operating result and, upon approval of the financial statements and consequent allocation of the result, is recognised in a special non-distributable reserve. If the net result for the year is lower than the unrealized gain on foreign currency items, the amount entered in the non-distributable reserve is equal to the economic result for the year.

Income and charges

Income and revenues, costs and charges are stated net of returns, discounts, rebates and allowances, and net of taxes directly related to the sale of products and the provision of services, in compliance with the principles of competence and prudence. Revenues from sales transactions are recognised when the production process of the goods has been completed and the exchange has already taken place, i.e. when the substantial and non-formal transfer of the title has occurred, taking the transfer of risks and benefits as the reference parameter. Revenues for the provision of services are recognised when the service is rendered, i.e. completed.

Revenues and income, costs and charges relating to foreign currency transactions are determined at the spot exchange rate on the date on which the transaction is completed.

Income taxes

Current taxes are calculated on the basis of a realistic forecast of the taxable income for the year, as determined in accordance with tax legislation, by applying the tax rates in force at the closing date. Tax liability is recognised in the balance sheet, net of any advances paid, withholding taxes and tax assets that can be offset and not requested as reimbursement. If the advances paid, withholding tax and tax assets exceed the tax liability, the related tax asset is recognised under receivables. Tax assets and liabilities are valued according to the amortised cost criterion, except in cases in which they fall due within 12 months.

The company, as parent and consolidating company, has opted for the national tax consolidation regime for the purposes of the Corporate Income Tax (IRES). The balance sheet shows the overall tax asset/liability for IRES towards the tax authorities and tax asset and liability towards the group companies, deriving from the settlement of received/attributed tax benefits.

Deferred and prepaid income taxes are calculated on the cumulative amount of all the temporary differences existing between the assets and liabilities values determined with the statutory valuation criteria and the value recognised for tax purposes and to be written off in subsequent years.

Deferred taxes relating to transactions that directly involved shareholders' equity are initially recognised in the provision for contingent liabilities and charges, and not in the income statement, by reducing the corresponding equity item.

Deferred and prepaid income taxes are recognised in the year in which the temporary differences occur and are calculated by applying the tax rates in force in the year in which the temporary differences will be paid in, provided that the tax rates are already determined on the closing date, otherwise they are calculated on the basis of the rates in force on the closing date.

Deferred tax assets on deductible temporary differences and on the benefit connected with carry-forward tax losses are recognised and maintained in the financial statements only if there is reasonable certainty of their future recovery, through expected taxable income or the availability of sufficient taxable temporary differences in the years in which prepaid taxes will reverse.

Deferred tax assets not accounted for or reduced in previous years, as the requirements for its recognition or maintenance in the financial statements did not exist, is recognised or restored in the year in which these requirements are met.

Deferred and prepaid taxes in the balance sheet are offset when the appropriate conditions are met (possible and intended offset), the offset balance is recognised in the specific items of current assets, if in the positive, and in the provision for contingent liabilities and charges, if in the negative.

Use of estimates

The preparation of the financial statements requires the making of estimates that have an effect on the values of assets and liabilities and on the related financial statement disclosure. The actual results may differ from these estimates. Estimates are periodically reviewed and the effects of changes in estimates, where not deriving from incorrect estimates, are recognised in the income statement of the year in which the changes occur, if they affect only that year, and also in subsequent years if the changes affect both the current and subsequent years.

Translation of financial statements of foreign consolidated companies

The financial statements of foreign consolidated companies are translated into euro using the current exchange rate method. Assets and liabilities are thus converted at the exchange rate prevailing at the reporting date, shareholders' equity at the historical exchange rate and income statement items at the average annual exchange rate.

Exchange rate differences are accounted for in the "Translation reserve" under shareholders' equity. This is also reflected in the shareholders' equity of the consolidated companies. The following table shows the average and year-end exchange rates used to convert foreign currencies.

	Rate on the closing date	Average rate	Rate on the closing date - Previous Year	Average rate - Previous Year
AUD	1,60	1,61	1,62	1,58
BRL	4,52	4,41	4,44	4,31
CHF	1,09	1,11	1,13	1,16
CNY	7,82	7,74	7,88	7,81
DKK	7,47	7,47	7,47	7,45
GBP	0,85	0,88	0,89	0,88
HRK	25,41	25,67	25,73	25,65
IDR	15.595,60	15.832,27	16.500,00	16.803,22
INR	80,19	78,86	79,74	80,71
MYR	4,60	4,64	4,73	4,76
PLN	4,26	4,30	4,30	4,26
RON	4,78	4,75	4,66	4,65
RUB	69,98	72,46	79,74	74,02
SEK	10,45	10,59	10,25	10,26
THB	33,41	34,76	37,05	38,17
UAH	26,72	28,92	31,74	32,11
USD	1,12	1,12	1,15	1,18
ZAR	15,77	16,18	16,46	15,62

Disclosure of consolidated financial statements' specific items and relevant classification

ASSETS:

B I) Intangible assets:

Intangible assets amounted to 6,775 thousand euro (2018: 4,127 thousand euro). The following table shows the movements during the year expressed in thousands of euro.

	Opening value	Increments (+)	Decrements (-)	Other Increments/ Decrements (+/-)	Amortisation	Closing value
Incorporation costs	16.165	9.273			-5.805	19.633
Development costs	1.255.589	438.004		816	-632.504	1.061.905
Patent rights and intellectual property rights	682.480	453.250		126.915	-506.811	755.834
Trademarks, licenses and similar rights	1.185.071	15.853		-175.090	-198.041	827.793
Goodwill	680.646	3.005.382			-499.035	3.186.993
Work in progress and advances	1.800	-1.800				0
Others	304.758	787.603		544	-169.593	923.312
Total	4.126.509	4.707.565	0	-46.815	-2.011.789	6.775.470

Development costs amounted to 438 thousand euro and relate to costs sustained for the development of new products, which are expected to give positive results in forthcoming years.

Investments sustained in 2019 in Trademarks and licenses and Patent rights and intellectual property rights, totalling 470 thousand euro (2018: 764 thousand euro), include ones for the implementation of computer software for handling company processes, as part of an extensive IT restructuring of the entire Group.

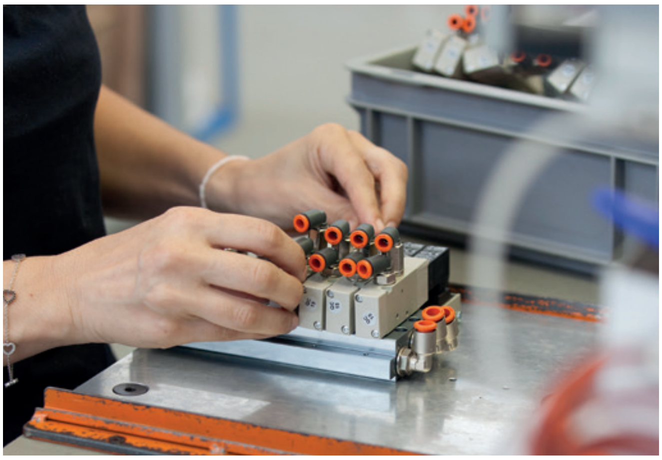
As at 31/21/2019, the resulting goodwill at the stage of first consolidation of subsidiaries (consolidation difference) amounted to 3,187 thousand euro (2018: 681 thousand euro). The table below – with figures expressed in thousands of euro – provides a temporal stratification of the net carrying value of the consolidation difference.

DENOMINATION	from 2012 and previous acquisitions	from 2013 acquisitions	from 2014 acquisitions	from 2017 acquisitions	from 2019 acquisitions	Total
Metal Service S.r.l. registered office Cremona	11	14	-	-	-	25
Spmc S.r.l.	31	-	-	-	-	31
American Cylinder	-	-	-	-	2.630	2.630
Metal Work Polska	64	-	-	-	-	64
Metal Work Deutschland	-	-	-	-	74	74
Metal Work Finland	-	-	30	-	-	30
Metal Service S.r.l. based in Rimini	-	-	37	-	-	37
Metal Service S.r.l. based Oggiono	-	-	-	61	-	61
Metal Service S.r.l. based Treviso	-	-	-	20	-	20
Metal Service S.r.l. based Brescia	-	-	54	-	-	54
Metal Work Czeck	-	-	161	-	-	161
Total	106	14	282	81	2.704	3.187

The increase in Other intangible assets is mainly related to upgrades and improvements on leased assets.

B II) Tangible assets:

Tangible assets came to 93,526 thousand euro (2018: 92,796 thousand euro). Investments in tangible assets in 2019 totalled 12,322 thousand euro, including down payments.



	Opening value	Increments (+)	Decrements (-)	Other Increments/ Decrements (+/-)	Depreciation	Closing value
Land and buildings	53.518.897	1.573.116	12.283	-455773	-2.292.010	52.356.513
Plant and machinery	28.680.582	4.579.829	84.892	194041	-4.728.999	28.810.345
Industrial and commercial equipment	6.397.243	3.083.606	3.486	14.327	-2.443.334	7.055.328
Other assets	2.228.993	850.869	-65.706	211.521	-814.212	2.411.465
Work in progress and advances	1.970.058	2.234.486	-1.312.005			2.892.539
Total	92.795.773	12.321.906	-1.277.050	-35.884	-10.278.555	93.526.190

Investments in land and buildings relate to the construction by the Thai subsidiary of a new industrial building.

Investments in Plant and machinery, amounting to 4,580 thousand euro, mainly relate to the investment made by Metal Work S.p.A. in technological innovation under the Industry 4.0 scheme.

The investment in Industrial and commercial equipment, amounting to 3,083 thousand euro, mainly relates to dies and moulds (476 thousand euro) and industrial equipment (1,695 thousand euro) purchased by Metal Work S.p.A.

Other assets increased by 851 thousand euro compared to the previous year.

Work in progress and down payments includes advances paid by Metal Work S.p.A. as down payments for the purchase of machinery and equipment and 2,325 thousand euro for the construction in progress of a building that will house the company Tecnopolimeri for moulding plastics.

As at 31st December 2019, the buildings acquired as part of the Pedrini complex are burdened with a mortgage guaranteeing a loan issued by Cassa Centrale in a pool with Credito Cooperativo di Brescia for an overall amount of 10 M€.

Assets purchased under financial lease agreements, though redeemed, were recognised in accordance with international accounting standard OIC 17. A breakdown of owned and leased assets is given in the table below.

		Gross value	Accumulated depreciation	Net value	Depreciation
Own property		189.690	120.990	68.701	8.809
Leased property:					
	buildings	19.948	3.353	16.595	657
	machinery	7.948	2.610	5.338	812
	Total	217.586	126.953	90.634	10.278

B III) Financial assets:

Financial assets amounted to 2,117 thousand euro (2018: 3,491 thousand euro), with a change of 1,375 thousand euro, as shown in the table below.

	Current year	Previous year	Change
Equity interest in subsidiaries	-	180.710	-180.710
Equity interest in associates	1.054.015	1.042.185	11.830
Equity interest in other companies	39.035	38.149	886
Accounts receivable	527.556	1.551.063	-1.023.507
Other securities	101.194	217.418	-116.224
Derivatives assets	394.800	461.940	-67.140
Total	2.116.600	3.491.465	-1.374.865

Equity interest in subsidiaries, associates and other companies

There are no equity interests in subsidiaries because the company Duebi to which the previous year's value (2018: 181 thousand euro) refers to has been entirely consolidated in the group.

Equity interests in associates, amounting to 1,054 thousand euro (2018: 1,042 thousand euro) relate to the stake in Signal S.r.l., as valued using the equity method; the change refers to revaluation deriving from the positive result of its financial year.

Equity interest in other companies accounts for 39 thousand euro (2018: 38 thousand euro), with an increase of 1 thousand euro.

Accounts receivables

Other non-current receivables, totalling 528 thousand euro, with a decrease of 1,024 thousand euro compared to the 31/12/2018 figure, are all collectable after the following financial year and include amounts receivable for investments of end-of-mandate indemnities covered by special insurance policies for some of the Group's delegated directors.

Other securities

The item Other securities amounts to 101 thousand euro (2018: 217 thousand euro) and mainly consists of the residue from a zero-coupon bond loan, entirely refunded in 2020.

Derivatives assets

Derivatives assets are carried at 395 thousand euro (2018: 462 thousand euro) and relate to cap contracts hedging the risk of rate increases resulting from loan and financial lease transactions.

C) I) Closing inventory:

Closing inventory accounts for 45,675 thousand euro (2018: 42,909 thousand euro), up 2,766 thousand euro on the previous year, partly due to change in the scope of consolidation and the work in progress to order concerning the companies Spmc and Duebi, the manufacturers of special assembly and testing machines.

	Current year	Previous year	Change
Raw materials, supplies and consumables	7.196.923	6.338.909	858.014
Work in progress and semi-finished products	8.544.089	8.132.384	411.705
Work in progress to order	1.343.448		1.343.448
Closing inventories, finished products and goods	29.971.840	29.243.539	728.301
Goods write-down provision	-1.874.454	-1.784.035	-90.419
Closing inventories of finished product and goods in transit	391.479	716.371	-324.892
Down payments	101.975	262.067	-160.092
Total	45.675.300	42.909.235	2.766.065

Closing inventory does not include the portion of profit resulting from intercompany transactions not yet realised at the reporting date.

C) II) Receivables:

Trade receivables

Trade receivables of a commercial nature amounted to 48,222 thousand euro (2018: 53,221 thousand euro) and were entered under current assets at their nominal value, adjusted by a corresponding provision for bad debts, that was established to adjust them to their estimated realizable value.

	Current year	Previous year	Change
rade receivables	48.221.781	53.220.710	-4.998.929
Total	48.221.781	53.220.710	-4.998.929

This item decreased by 4,999 thousand euro on the previous year, as a result of an increase in sales. The Group had no significant amounts receivable referring to one or a few customers. There were no receivables collectable after 5 years.

Accounts receivable from parent companies

Receivables from parent companies totalled 3,428 thousand euro (2018: 4,936 thousand euro) and relate to transfers from the consolidated statutory financial statements of Italian subsidiaries to Metal Work Holding S.p.A.

	Current year	Previous year	Change
Accounts receivable from parent companies	3.428.258	4.935.921	-1.507.663
Total	3.428.258	4.935.921	-1.507.663

Tax assets

This item amounted to 5,307 thousand euro (2018: 5,666 thousand euro) and comprised amounts receivable from the Inland Revenue accrued by the Group companies. It also includes input VAT and credits relating to taxes levied on the group companies.

	Current year	Previous year	Change
Tax assets	5.307.248	5.665.629	-358.381
Total	5.307.248	5.665.629	-358.381

Prepaid taxes

Prepaid taxes relates to temporary differences in the determination of income according to fiscal and statutory rules. Details are shown in the table below.

	Current year	Previous year	Change
Prepaid taxes – less than 12 months	1.398.982	1.267.785	131.197
Prepaid taxes – over 12 months	2.353.408	2.471.461	-118.053
Total	3.752.390	3.739.246	13.144

Tax losses to be brought forward includes sums allocated to cover losses incurred by some foreign subsidiaries.

	Current year	Previous year	Change
Securities impairment losses	234	201	33
Tax impairment losses to be brought forward	2.621	2.428	193
Other income components deductible in subs. years	897	1.110	-213
Total	3.752	3.739	13

Accounts receivables from others

Accounts receivable from others amounted to 1,274 thousand euro (2018: 1,821thousand euro) and mainly relate to advances paid or deposits issued.

	Current year	Previous year	Change
Accounts receivable from others	1.274.244	1.820.655	-546.411
Total	**1.274.244**	**1.820.655**	**-546.411**

C) III) Financial assets other than non-current assets:

This item amounted to 3,411 thousand euro (2018: 5,492 thousand euro), and relates to temporary utilisation of cash in hand, valued at the mark-to-market price as at 31 December.

	Current year	Previous year	Change
Financial assets other than non-current assets	3.410.761	5.491.879	-2.081.118
Total	**3.410.761**	**5.491.879**	**-2.081.118**

C) IV) Cash and cash equivalents:

Cash and cash equivalents relates to bank deposits, cash on hand and other liquid resources at the reporting date for a total amount of 3,945 thousand euro (2018: 5,530 thousand euro).

	Current year	Previous year	Change
Bank and post office deposits	3.830.859	5.463.230	-1.632.371
Cheques	3.170		3.170
Cash and cash on hands	110.969	66.914	44.055
Total	**3.944.998**	**5.530.144**	**-1.585.146**

D) Prepayments and accrued income:

Prepayments and accrued income are calculated on an accrual basis in order to allocate the portions of income and charges to the exact period to which they refer.

	Current year	Previous year	Change
Prepaid expenses	113.943	128.460	-14.517
Accrued income	937.523	736.411	201.112
Total	**1.051.466**	**864.871**	**186.595**

LIABILITIES

A) Consolidated shareholders’ equity:

The Group’s consolidated shareholders’ equity totalled 82,589 thousand euro (2018: 77,579 thousand euro). A breakdown is given in the table below.

	SHAREHOLDERS' EQUITY	Current year	Previous year
I	Share capital	21.000	21.000
II	Share premium reserve	19.324	19.324
IV	Legal reserve	3.000	2.200
VII	Other reserves		
	Currency translation reserves	-836	-1.213
	Consolidation reserves	3.086	3.145
	Other reserves	11.329	8.332
VIII	a - Profit (loss) brough forward	16.739	14.237
IX	Group's profit (loss) for the year	8.947	10.554
	GROUP'S TOTAL SHAREHOLDERS' EQUITY	**82.589**	**77.579**
	Minority interest's profit (loss) for the year	1.132	1.078
	Minority interest's equity and reserves	4.920	4.379
	TOTAL MINORITY INTEREST'S EQUITY	**6.052**	**5.457**
	TOTAL CONSOLIDATED EQUITY	**88.641**	**83.036**

Movements in the Group's consolidated equity are detailed in the table below.

	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Unavailable reserve	Consolidation reserve	Conversion reserve	Unall. Profits	Operating result	Total
Group's shareholders' equity as at 31/12/2017	21.000	19.324	1.800	3.705	87	3.284	-1.071	12.319	9.798	70.246
Allocation of previous year's profit			400	7.480				1.918	-9.798	
- distribution of reserves				-2.940						-2.940
- currency exchange effect							-142			-142
- change in the consolidation scope and others						-139				-139
Operating result for the year									10.554	10.554
Group's shareholders' equity as at 31/12/2018	21.000	19.324	2.200	8.332		3.145	-1.213	14.237	10.554	77.579
Allocation of previous year's profit			800	7.251				2.503	-10.554	
- distribution of reserves				-4.255						-4.255
- currency exchange effect							377			377
- change in the consolidation scope and others						-59				-59
Operating result for the year									8.947	8.947
Group's shareholders' equity as at 31/12/2019	21.000	19.324	3.000	11.328		3.086	-836	16.740	8.947	82.589

Other changes in shareholders' equity relates to differences in the scope of consolidation.

Movements in the share capital and reserves of minority interests are detailed in the table below.

	Share capital and reserves	Result for the year	Total
Minority interests' equity as at 31/12/2018	4.379	1.078	5.457
Allocation of the 2017 result	1.078	-1.078	
- Distribution of reserves		-744	-744
- other changes		208	208
2018 operating result	1.131		1.131
Minority interests' equity as at 31/12/2019	6.588	-536	6.052

The following points should be noted with regard to movements in shareholders' equity.

- the share capital amounts to 21,000 thousand euro and is made up of ordinary shares of the nominal value of €1 each;
- The legal reserve amounts to 3,000 thousand euro and movements were related to the allocation of the parent company's previous result;
- The extraordinary reserve decreased overall by 4,250 thousand euro, due to profit distribution to shareholders and increased by 7,567 thousand euro due to the allocation of the parent company's previous result.

The table below shows the reconciliation between the shareholders' equity and result for the year achieved by the parent company and the shareholders' equity and result for the year appearing in the consolidated financial statements.

	Shareholders' equity	of which result for the year
Parent company's shareholders' equity and result	61.913	7.260
Adjustments following adoption of IAS 17 for the parent company	5.562	1.011
Parent company's adjusted shareholders' equity	67.475	8.271
Write-off of consolidated investment carrying amount		
Consolidation effect for the subsidiaries	7.960	6.586
Goodwill	3.186	-498
Write-off of the effects of intercompany transactions		
Infra-group profits after taxation	-3.920	-102
Write-off of previous impairment losses/ reinstatements	7.528	540
Dividends received by associates		-5.850
Shareholders' equity and result for the year as shown in the consolidated financial statements	82.229	8.947

B) Provisions for contingent liabilities and charges:

Liabilities include the following provisions for contingent liabilities and charges, estimated on the basis of losses and charges of a specific nature and of certain or probable existence.

	Current year	Previous year	Change
Employee severance pay provision	448.670	419.162	29.508
Provision for deferred taxes	1.432.875	1.505.589	-72.714
Prov. for risks and exchange rate oscillations	327.679	465.381	-137.702
Total	**2.209.224**	**2.390.132**	**-180.908**

Provision for end-of-mandate indemnity and similar benefits

This provision only refers to the end-of-mandate indemnity for the directors of some of the companies in the Group and came to 449 thousand euro.

Provision for deferred taxes

This provision, which amounted to 1,433 thousand euro, contains deferred taxes for the year relating to temporary differences between the statutory and the fiscal value attributed to the same item

Other provisions

This item, totalling 328 thousand euro (2018: 465 thousand euro), includes a sum allocated to cover expected charges and losses not correlated with specific items under assets.

C) Provision for employee leaving indemnity:

This provision, totalling 6,198 thousand euro (2018: 5,980 thousand euro), complies with current contract obligations and applicable labour regulations, and reflects the overall debt accruing for employees, net of tax paid in advance.

	Current year	Previous year	Change
Provision for employee leaving indemnity	6.197.994	5.980.447	217.547
Total	6.197.994	5.980.447	217.547

D) Accounts payable:

The indebtedness is broken down as follows:

	Current year	Previous year	Change
Bank borrowings		58.118.985	5.108.471
Borrowings from other lenders	12.375.151	17.051.684	-4.676.533
Down payment	319.342	308.723	10.619
Trade payables	30.372.980	38.514.710	-8.141.730
Payables to associates	726.673	551.960	174.713
Payables to parent companies	634.021	2.532.337	-1.898.316
Tax liabilities	4.059.506	4.885.029	-825.523
Payables to social security institutes	3.178.577	3.127.712	50.865
Sundry payables	5.501.325	6.613.142	-1.111.817
Total	120.395.032	131.704.282	-11.309.251

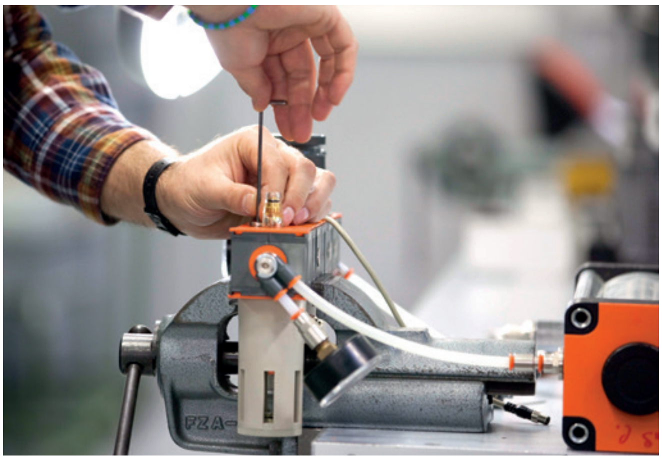
Bank borrowings

Details of bank borrowings are shown in the following table.

	Current year	Previous year	Change
Bank borrowings – less than 12 months	36.622.259	45.092.188	-8.469.929
Bank borrowings – over 12 months	26.605.198	13.026.797	13.578.401
Total	63.227.457	58.118.985	5.108.472

Bank borrowings amounted to 63,227 thousand euro (2018: 58,119 thousand euro), of which 36,622thousand euro falling due by the end of 2020 and 26,605 thousand euro after the end of 2020.

A breakdown of long/short-term borrowings is given in the table below.



	Value as at 31/12/2018	New payments	Repayments	Value as at 31/12/2019
Mediocredito Italiano loan - Metal Work S.p.A.	1.111		1.111	-
Ubi loan - Metal Work Pneumatic USA	-	3.097	-	3.097
Unicredit loans - Metal Work S.p.A.	6.458	2.000	4.111	4.347
Banco Popolare BPM loans - Metal Work S.p.A.	5.625	3.000	1.885	6.740
Ubi loan - Metal Work S.p.A.	1.142		1.142	-
BNL loan - Metal Work S.p.A.	4.525	2.500	312	6.713
Pool Cassa Centrale loan Metal Work S.p.A.	5.000	10.000	5.000	10.000
ICCREA loan - Metal Work S.p.A.	1.030		1.030	-
Credem loan - Metal Work S.p.A.	1.128		375	753
Banco Popolare loan - P Service S.r.l. - Brescia	125		125	-
Alfa Meccanica S.r.l. - Banco Popolare loan	329		103	226
Loan to Metal Work Nederland	115		115	-
Alfa Meccanica S.r.l. - Ubi & Unicredit loan	-	375	41	334
Total	26.588	20.972	15.350	32.210

Financial payables are not guaranteed by mortgages or lien on assets owned by the company, except for the 10M€ twelve-year loan granted by Cassa Centrale in pool with Credito Cooperativo di Brescia used for the acquisition of the Pedrini real estate; the loan will be amortised in 2021. The portion falling due over 5 years relating to the twelve-year loan amounts to 5,723 thousand euro.

Borrowings from other lenders

Borrowings from other lenders, totalling 12,375 thousand euro (2018: 17,052 thousand euro), comprises residual payables to leasing companies, accounted for in accordance with IAS 16. The movements are detailed in the table below.

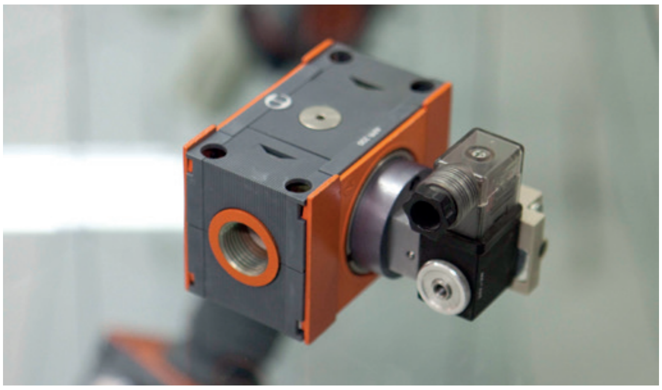
	Current year	Previous year	Change
Borrowings from other lenders – less than 12 months	2.385.076	2.906.503	-521.427
Borrowings from other lenders – over 12 months	9.990.075	14.145.181	-4.155.106
Total	12.375.151	17.051.684	-4.676.533

Borrowings relating to lease transactions falling due beyond 2020 amount to 9,990 Euro, of which 4,890 thousand euro falling due beyond 5 years.

For an analysis of the net financial position, please refer to the business report on the reclassified balance sheet.

Down payments

This item amounted to 319 thousand euro (2018: 309 thousand euro), with a change of 10 thousand euro on the previous year.



	Current year	Previous year	Change
Deposits to customers – less than 12 months	81.053	308.723	-227.670
Deposits to customers – over 12 months	238.289		238.289
Total	319.342	308.723	10.619

Trade payables

This item, which amounted to 30,373 thousand euro (2018: 38,515 thousand euro), represents debts connected with the core business. There were no significant amounts owed to a single supplier or a small group of suppliers.

	Current year	Previous year	Change
Trade payables – less than 12 months	30.372.980	38.514.710	-8.141.741
Total	30.372.980	38.514.710	-8.141.741

Payables to associates

This item, which amounted to 727 thousand euro (2018: 552 thousand euro), relates to liabilities connected with supplies received from Signal S.r.l..

	Current year	Previous year	Change
Payables to associates – less than 12 months	726.673	551.960	174.713
Total	726.673	551.960	174.713

Payables to parent companies

This item, which amounted to 634 thousand euro (2018: 2.532 thousand euro), relates to transfers deriving from tax consolidation and business transactions made by the Group companies with Metal Work Holding S.p.A.

	Current year	Previous year	Change
Payables to parent companies – less than 12 months	634.021	2.532.337	-1.898.316
Total	634.021	2.532.337	-1.898.316

Tax liabilities

This item, which amounted to 4,060 thousand euro (2018: 4,885 thousand euro), relates to the debit position with the Inland Revenue for income taxes, VAT and withholding tax payable as a withholding agent.

	Current year	Previous year	Change
Tax liabilities – less than 12 months	4.059.506	4.885.029	-825.523
Total	4.059.506	4.885.029	-825.523

Payables to social security institutes

Social security payables, totalling 3,179 thousand euro (2018: 3,128 thousand euro), relates to sums due to the social security and welfare institutes following application of the applicable law for all employees.

Sundry payables

	Current year	Previous year	Change
Sundry payables – less than 12 months	5.501.325	6.395.142	-893.817
Sundry payables – over 12 months		218.000	-218.000
Total	5.501.325	6.613.142	-1.111.817

Sundry payables, which amounted to 5,501 thousand euro (2018: 6,613 thousand euro), mainly consist of sums owed to employees in connection with remuneration accrued and not enjoyed on the closing date, plus the sums to be paid to third parties following the purchase of interests in subsidiaries, according to the relevant purchase contracts.

E) Deferred income and accrued expenses

This item was calculated on an accrual basis in order to allocate the portions of income and expenses to the exact period to which they refer, and amounted to 1,178 thousand euro (2018: 1,480 thousand euro).

	Current year	Previous year	Change
Deferred income	606.581	821.059	-214.478
Accrued expenses	571.747	659.809	-88.059
Total	1.178.328	1.480.868	-302.537

Deferred income came to 607 thousand euro (2018: 798 thousand euro) and mainly relates to financial expenses accrued on debt positions at the end of the year.

Accrued expenses came to 572 thousand euro (2018: 683 euro) and relates to tax assets for investments made by the parent company under Law no. 190/2014.

Analysis of the Income Statement items

Since the positive and negative components in the Income Statement have been presented in analytical form and the balance sheet has already been commented on, this section will only examine the items specified in art. 38 of Legislative Decree no. 127/91 covering explanatory notes to the consolidated financial statements.

Revenues from sales and services, art. 38, point i)

Overall sales amounted to 190,966 thousand euro (2018: 193,244 thousand euro), to which 3,288 thousand euro (2018: 2,017 thousand euro) other revenues and income are to be added.

Revenues by geographical area are detailed in the business report.

Financial charges, art. 38, point g)

Financial charges amounted to 1,624 thousand euro (2018: 1,537 thousand euro), of which 432 thousand euro deriving from the application of IFRS 16, which covers the entry of leased assets using the financial method. The table below provides a breakdown of financial charges.

Financial charges	Current year	Previous year
Loan interests payable	492	277
Financial expenses on lease agreements	360	432
Financial expenses of open accounts	95	442
Financial expenses for export down payments	60	55
Others	617	331
Total	1.624	1.537

Adjustments to the value of financial assets

This item was in the positive at 819 thousand euro (2018: 757 thousand euro in the negative) and relates to the valuation of securities entered under current assets for the companies included in the scope of consolidation

In accordance with art. 38 of Italian legislative decree no. 127/91 points g) et seq., it is stated that:

- there are no financial charges recognised under assets;
- the average number of employees is detailed in the table below:

Categories	2019	2018	average 2019	average 2018
Executives	18	18	18	18
White collars	675	619	637	606
Middle managers	6	7	7	7
Blue collars	477	502	493	503
Apprentices	6	5	5	5
Total	1.182	1.151	1.160	1.139

Taxes for the year

Taxes for the year came to 3,011 thousand euro, compared to 4,294 t thousand euro in 2018. A breakdown is given in the table below.

	Current year	Previous year	Change
IRES allowance	2.177.428	3.768.509	-1.591.081
IRAP allowance	471.060	652.290	-181.230
Deferred tax allowance	390.550	79.845	310.705
Deferred tax asset allowance	-73.545	-223.354	149.809
Previous years' tax	46.005	16.812	29.194
Total	3.011.498	4.294.102	-1.282.603

Remuneration of directors, internal auditors and audit firm

In 2019, the company paid fees to the board of directors for the amount of 865 thousand euro (2018: 859 thousand euro), 64 thousand euro (2018: 52 thousand euro) to the board of auditors and 40 thousand euro (2018: 35 thousand euro) to the auditing firm.

Transactions with related parties

The company has contracted out assembly activities to three small businesses, whose owners have family ties with the Chairwoman of the Board of Directors. Operations in 2019 took place under normal market conditions and the turnover is shown in the table below.

	Current year	Previous year	Change
Montaggi Industriali di Burgio Rosa & C. S.n.c.	932	1.008	-76
Lu.de.ma. di Luca Dell'Anna	420	321	99
Total	1.352	1.329	23

Disclosure pursuant to Act 124 of 4 August 2018

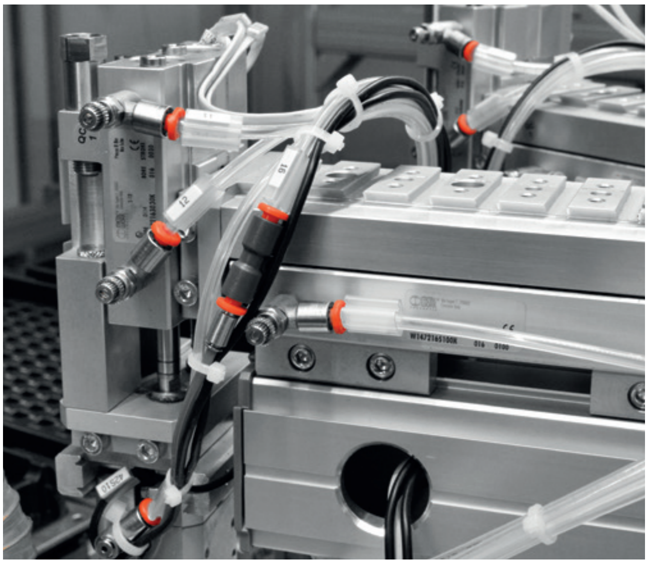
In compliance with the transparency and publicity requirements under Act no. 124 of 4 August 2018, art. 1, subsections 125-129, it is noted that during the 2019 financial year, the parent Metal Work S.p.A. received operating grants of a total amount of 442,064 Euro, as detailed in the table below:

Payer	Tax code - VAT no.	Grant	Reason
Fondimpresa - Via della Ferratella in Laterano, 33 - Rome	97278470584	26.130	training plain
Lombardy Government - Directorate for Research, Innovation, University, Export and Internationalisation, Piazza Città di Lomabardia, 1 - 20124 Milano	80050050154	196.916	increase in production capacity and efficiency and adaption to industry 4.0
Gestore dei Servizi Energetici GSE S.p.A. - Viale Maresciallo Pilsudski, 92 - Rome	5754381001	196.534	energy generated by photovoltaic systems
Total		419.580	

Metal Work S.p.A. received 442,000 euro as a tax credit for R&D activities, established by decree law no. 145, art. 3, of 2013 (Research & Development act 190/2014)..

Management and coordination

In compliance with the regulations on “management and coordination of companies”, governed by arts. 2497-bis and 2497-septies of the Italian Civil Code, a summary of the key figures (in thousands of euro) of the ordinary 2018 financial statements of Metal Work Holding S.p.A. is given below.



BALANCE SHEET	2018
B) NON-CURRENT ASSETS	50.230
C) CURRENT ASSETS	3.734
D) PREPAYMENTS AND ACCRUED INCOME	26
TOTAL ASSETS	53.990
A) SHAREHOLDERS' EQUITY	38.016
B) PROVISION FOR CONTINGENT CHARGES AND LIABILITIES	284
C) PROVISION FOR EMPLOYEES' SEVERANCE PAY	458
D) DEBTS AND OTHER LIABILITIES	15.225
E) ACCRUALS AND DEFERRED INCOME	7
TOTAL LIABILITIES	53.990

INCOME STATEMENT	2018
A) PRODUCTION VALUE	2.171
B) PRODUCTION COSTS	2.279
C) FINANCIAL INCOME AND EXPENSES	2.721
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	347
20) INCOME TAX	35
21) TOTAL NET RESULT	2.231

Cash flow statement

The statement of sources and utilisations highlights that:

- current asset cash flows generated by current management came to 12,988 thousand euro, compared to 16,736 thousand euro in the previous year;
- financial cash flow, prior to changes in net current assets, amounted to 24,553 thousand euro, compared to 28,953 thousand euro in the previous year;
- financial cash flow, excluding current assets, amounted to 17,686 thousand euro, compared to 24,082 thousand euro in the previous year;
- income management cash flow came to 13,644 thousand euro, compared to 18,067 thousand euro in 2018;
- investments in technical and financial assets totalled 14,294 thousand euro (2018: 25,264 thousand euro);
- reserves for 4,255 thousand euro were distributed (2018: 2,940 thousand euro);
- financing activity involved a negative flow for a total of 3,823 thousand euro, compared to sources for 5,020 thousand euro in the previous year;
- liquid assets decreased from 5,530 thousand euro to 3,955 thousand euro, with a negative change of flows equal to 1,585 thousand euro.

Events of significance occurring after the reporting date

The events that have occurred after the closure of the financial year, which highlight conditions already existing on the closing date and requiring changes to the values of assets and liabilities, in accordance with the reference accounting standard, are recognised in the financial statements on an accrual basis to reflect the effect that such events have on the equity, financial situation and operating result at the end of the year.

The facts that have occurred after the closure of the financial year, which highlight situations that have occurred after the closing date, which do not require changes to the values in the financial statements, in accordance with the reference accounting standard, in that they refer to the subsequent year, are not recognised in the financial statements but they are illustrated in the explanatory note, as long as they are considered relevant for better understanding the corporate situation.

The deadline by which the event should occur for it to be taken into consideration is the date of preparation of the draft financial statements by the board directors, unless between that date and the scheduled date for the approval of the financial statements by the shareholders' general assembly there occur events that have a significant effect on the financial statements.

The recent spread of Covid-19 (Coronavirus) continues to impact the global economy and markets. At the date on which these financial statements are prepared, the effects of the epidemic on the Company have been contained: the provision of services has continued without interruption and there are no situations of financial tension. The Company has taken the necessary actions to ensure operational continuity and, above all, protect employees, suppliers, customers and all other stakeholders.

The effects deriving from the spread of Covid-19 have been considered as events that do not entail adjustments to the financial statements; however, in the future, the Covid-19 epidemic could have a negative impact on the Company, the staff, operations and the financial situation in general. At present, it is not possible to predict the evolution of this phenomenon and the consequences it will have on the economic scenario, nor is it possible to determine any financial and economic impacts on the Company.

Concesio, 16th June 2020

The Board of Directors

Chairwoman	Sig.ra Donatina Dell'Anna
Vice-Chairwoman	Sig. Riccardo Cavagna
Board member	Sig. Gianpietro Gamba
Board member	Sig. Daniele Marconi
Board member	Sig. Valentino Pellenghi
Board member	Sig. Fausto Rodella

BOARD OF AUDITORS' REPORT

METAL WORK S.P.A.
REGISTERED OFFICE AT 5-7-9 VIA SEGNI, CONCESIO (BS)
SHARE CAPITAL € 21,000,000 FULLY PAID-UP
BRESCIA TRADE REGISTER NO. 03472820178
BUSINESS AND ADMINISTRATION INDEX (REA) NO. 404497
****

BOARD OF AUDITORS' REPORT
pursuant to article 2429, subsection 2, of the Italian Civil Code

To the shareholders.

As required by art. 2429, subsection two, of the Civil Code, this report contains an account of our work for the year ended on 31st December 2019.

It should be noted that the statutory audit was entrusted to the independent audit firm KPMG S.p.A., pursuant to art. 37 of Legislative Decree no. 39/2010.

Supervisory functions pursuant to art. 2429, subsection 2, of the Italian Civil Code

During the year which ended on 31st December 2019, we performed our checks and assessments in compliance with the law and the Rules of Behaviour for Boards of Auditors, recommended by the National Institute of Chartered Accounts.

With reference to our oversight activities, carried out in accordance with art. 2403, subsection 1, of the Italian Civil Code, we wish to highlight the following points:

- we ensured compliance with the law and the Memorandum of Association and observance of the principles of correct administration;
- we attended general assemblies and board meetings, which took place in accordance with the applicable statutory and legislative provisions; therefore we can provide reasonable assurance that the resolutions passed comply with the law and the Articles of Association;
- we appreciated the work performed by the administrative body as not manifestly imprudent or risky or in potential conflict of interest or such as to affect the integrity of corporate assets;
- we obtained from the directors details of the general business situation and its foreseeable evolution and of significant operations in terms of extent or features effected by the company and its subsidiaries; therefore we can provide reasonable assurance that their actions comply with the law and the Articles of Association and were not manifestly imprudent, hasty, potentially producing conflicts of interest, or in contrast with general assembly resolutions, or such as to compromise the integrity of the corporate assets;

- to our knowledge, the company did not carry out atypical or unusual transactions with any of the Metal Work Group companies, correlated parties or third parties; more specifically, the transactions effected with companies belonging to the Metal Work Group are of a commercial or financial nature, and were carried out in accordance with the procedures adopted by the Board of Directors or delegated boards, which assessed their suitability and compliance with the company's actual interest;
- we examined and monitored, within the scope of our responsibilities, the adequacy of the company's organisational structure, on which matter we have no particular points to raise;
- we monitored the adequacy and effectiveness of the internal control system, intended as a set of activities performed to verify the effective observance of internal operational and administrative procedures adopted to ensure the protection of corporate assets; we have no particular comments to make in regard; we examined and monitored the adequacy and reliability of the Company's accounting system, and its actual operation;
- we maintained a constant exchange of information with KPMG S.p.A., the auditing firm appointed to perform statutory audit, and in this regard there was no data or information worthy of being highlighted in this report;

We also wish to inform you that from the beginning of 2019 to the date of this report:

- no complaints have been received in accordance with art. 2408 of the Italian Civil Code;
- no opinions envisaged by law have been issued by the Board of Auditors;
- no critical data, information or details connected with the auditing firm's independence have emerged.

Comments and proposals on the financial statements, pursuant to art. 2429, subsection 2, of the Italian Civil Code.

Financial statements as at 31.12.2019

With reference to the financial statements for the year ended 31st December 2019, we report the following in accordance with art. 2429, subsection two, of the Italian Civil Code.

The financial statements of Metal Work S.p.A. were approved by the Board of Directors and made available to us. They show a net profit of **€7.260.369**, compared to a net profit of **€8.051.058** in 2018.

The audit firm KPMG S.p.A. issued their audit report on 25th June 2020 pursuant to art. 14 of Legislative Decree no. 39/2010, where there are neither remarks nor requests for information and in which it is certified that the financial statements closing on 31st December 2019 provide a true and correct representation of your Company's equity, financial situation and the operating result for the year.

Metal Work S.p.A.'s financial statements for the year ended on 31st December 2019 are summarized as follows.

Metal Work S.p.A.'s financial statements for the year ended on 31st December 2019 are summarized as follows.

Balance Sheet

Description	2019	2018	Variance
NON-CURRENT ASSETS	70,922,252	69,314,848	1,607,404
CURRENT ASSETS	61,248,106	61,744,789	-496,683
PREPAYMENTS AND ACCRUED INCOME	4,787,607	5,426,280	-638,673
TOTAL ASSETS	136,957,965	136,485,917	472,048

Description	2019	2018	Variance
SHAREHOLDERS' EQUITY	61,913,158	58,907,387	3,005,771
PROVISION FOR CONTINGENT LIABILITIES AND CHARGES	563,462	598,530	-35,068
PROVISION FOR EMPLOYEES' SEVERANCE PAY	1,117,816	1,429,542	-311,726
ACCOUNTS PAYABLE	72,745,456	74,843,826	-2,098,370
ACCRUALS AND DEFERRED INCOME	618,073	706,632	-88,559
TOTAL LIABILITIES	136,957,964	136,485,917	472,047

Income Statement

Description	2019	2018	Variance
PRODUCTION VALUE	97,521,703	105,833,542	-8,311,839
REVENUE FROM GOODS SOLD AND SERVICES RENDERED	94,920,075	102,760,090	-7,840,015
PRODUCTION COSTS	95,580,088	100,356,411	-4,776,323
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	1,941,615	5,477,131	-3,535,516
PROFIT/ (LOSS) BEFORE TAXATION (A-B+C+D+E)	7,377,364	9,045,352	-1,667,988
CURRENT, DEFERRED AND ADVANCED INCOME TAX	116,995	994,294	-877,299
NET PROFIT (LOSS) FOR THE YEAR	7,260,369	8,051,058	-790,689

Within our scope of responsibility, since we were not required to conduct the statutory audit of the accounts, we monitored the general layout of the financial statements and general compliance with the law and have no particular observations to report in this regard. We also verified compliance with the provisions of law concerning the preparation of the Business Report and have no particular observations to report in this regard.

The figures concerning intangible assets are recorded in the balance sheet, where required, with our consent, pursuant to Art. 2426 of the Italian Civil Code.

To the best of our knowledge, in preparing the financial statements for the year ended 31st December 2019 the directors, did not make any exceptions to the statutory provisions pursuant to Art. 2423, subsection four, of the Italian Civil Code.

In conclusion, taking into account that from the information received from the auditing company KPMG S.p.A. no issues or reservations emerged, given the certification report issued by KPMG on 25th June 2020, we do not find any impediment to the approval of the draft financial statements for the year ended 31st December 2019, as prepared by the Board of Directors; and we hereby express a favourable opinion regarding the proposal for the allocation of the operating result for the year.

Consolidated financial statements as at 31.12.2019

The consolidated financial statements of the Metal Work Group was approved by the Board of Directors and made available to us. They show a profit attributable to the Group of **€8.946.724** against **€10.554.030** in the previous year.

The main figures in the consolidated financial statements of the Metal Work Group are shown in the tables below.

Consolidated Balance Sheet

Description	2019	2018	Variance
NON-CURRENT ASSETS	102,418,260	100,413,747	2,004,513
CURRENT ASSETS	115,152,044	123,313,419	-8,161,375
PREPAYMENTS AND ACCRUED INCOME	1,051,466	864,871	186,595
TOTAL ASSETS	218,621,770	224,592,037	-5,970,267

Description	2019	2018	Variance
SHAREHOLDERS' EQUITY	82,589,356	77,578,957	5,010,399
EQUITY AND PROVISIONS PERTAINING TO MINORITY INTERESTS	6,051,834	5,457,355	594,479
PROVISION FOR CONTINGENT LIABILITIES AND CHARGES	2,209,224	2,390,132	-180,908
PROVISION FOR EMPLOYEES' SEVERANCE PAY	6,197,994	5,980,447	217,547
ACCOUNTS PAYABLE	120,395,032	131,704,281	-11,309,249
ACCRUED EXPENSES AND DEFERRED INCOME	1,178,330	1,480,865	-302,535
TOTAL LIABILITIES	218,621,770	224,592,037	-5,970,267

Income Statement

Description	2019	2018	Variance
PRODUCTION VALUE	195,962,624	197,022,140	-1,059,516
REVENUE FROM GOODS SOLD AND SERVICES RENDERED	190,966,444	193,244,238	-2,277,794
PRODUCTION COSTS	182,661,069	178,449,838	4,211,231
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	13,301,555	18,572,302	-5,270,747
PROFIT/ (LOSS) BEFORE TAXATION (A-B+C+D+E)	13,089,734	15,926,609	-2,836,875
CURRENT, DEFERRED AND ADVANCED INCOME TAX	3,011,498	4,294,101	-1,282,603
NET PROFIT (LOSS) PERTAINING TO MINORITY INTERESTS	1,131,512	1,078,478	53,034
NET PROFIT (LOSS) FOR THE YEAR	8,946,724	10,554,030	-1,607,306

The number of companies included in the consolidation scope, including indirect subsidiaries, was fifty-two.

Within our scope of responsibility, we monitored the general layout of the consolidated financial statements and its general compliance with the law; in this regard we have no particular observations to report. We also verified compliance with the law concerning the preparation of the Business Report and in this regard we have no particular observations to report.

The audit firm KPMG S.p.A. issued the audit report on 25th June 2020 pursuant to art. 14 of Legislative Decree no. 39/2010, where there are neither remarks nor requests for information and in which it is certified that the financial statements closing on 31st December 2019 provide a true and correct representation of Metal Work Group's equity, financial situation and the operating result for the year.

Concesio, 25th June 2020

THE BOARD OF AUDITORS

THE CHAIRMAN OF THE BOARD OF AUDITORS

RENATO CAMODECA

Digitally signed

Signed by: Renato Salvatore Camodeca
DATE: 06/08/2020 19:24:35

BOARD OF AUDITORS' REPORT

KPMG

KPMG S.p.A.
Account Auditing and organisation
70, Via Cefalonia
25124 BRESCIA BS
Tel. (++39) 0302425720
Email: it-fmauditaly@kpmg.it
CEM kpmgspa@pec.kpmg.it

INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE NO. 39 OF 27.1.2010

To the Shareholders of Metal Work S.p.A.

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Metal Work Group (the Group), which comprise the balance sheet as at 31st December 2019, the income statement and the cash flow statement for the year then ended, and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Metal Work Group as at 31st December 2019, its financial performance and its consolidated cash flows for the year then ended, in accordance with Italian laws governing the layout principles.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). 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 Metal Work S.p.A. in accordance with the code of ethics for professional accountants established by Italian law on financial statements auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and the Board of Auditors of Metal Work S.p.A. for the Consolidated Financial Statements

Directors are responsible for the preparation and fair representation of the consolidated financial statements in accordance with Italian Law governing the preparation standards and, within the terms of the law, for such internal control as directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Directors are responsible for assessing the Group's ability to continue as a going concern, the appropriateness of the use of the going-concern assumption and the adequate relevant disclosure, as applicable. Directors are also responsible for using the going-concern basis in preparing the financial statements, unless they have ascertained the existence of the conditions for the liquidation of the parent company Metal Work S.p.A. or ceased operations, or there is no realistic alternative but to do so.

The board of auditors are responsible for overseeing the Group's financial reporting process, in accordance with the provisions of law.

Independent 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 conducted in accordance with International Standards on Auditing (ISA Italy), we exercised professional judgement and maintained professional scepticism throughout the audit. We also took steps to:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 omission, misrepresentations, or the override of internal control.

- understand 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.

- evaluate the appropriateness of accounting standards used and the reasonableness of accounting estimates and related disclosures made by directors.

- conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, on 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 consolidated financial statements or, if such disclosures are inadequate, to review our opinion accordingly. 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.

- evaluate 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.

- obtain 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 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 identified during our audit.

Report on Other Legal and Regulatory Requirements

Opinion pursuant to art. 14, subsection 2, letter e) of Italian Legislative Decree no. 39/10

The directors of Metal Work S.p.A. are responsible for preparing the Metal Work Group's business report as at 31st December 2019, including consistency with the related consolidated financial statements and compliance with the law.

We performed the procedures required under audit standard (ISA Italia) no. 720B in order to express an opinion on the consistency of the business report with the consolidated financial statements of the Metal Work Group as at 31st December 2019, and on its compliance with the provision of law, as well as issue a declaration on any material error.

In our opinion, the business report is consistent with the consolidated financial statements of the Metal Work Group as at 31st December 2019, which was prepared in compliance with legal requirements.

With reference to the report issued pursuant to art. 14, subsection 2, letter e), of Legislative Decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Brescia, 25th June 2020

KPMG S.p.A.

Paolo Andreasi
Partner

METAL WORK
PNEUMATIC

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