

2020 ANNUAL REPORT

METAL WORK®
PNEUMATIC

INDEX

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 31 December 2020

BOARD OF AUDITORS

Chairman
Dr. Renato Camodeca

Statutory Auditors
Avv. Giulia Mina
Dr. Silvio Piccinelli

Deputy Auditors
Dr. Riccardo Arpino
Rag. Angelo Quaglia

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

INDEPENDENT AUDITORS AND CONTROLLERS

KPMG S.p.A.

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

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31/12/2020

KEY BUSINESS INDICATORS

Income Statement €/1000	2020	2019	2018
Revenues from sales	177.077	190.966	193.244
Gross Operating Margin (EBITDA)	26.740	26.132	30.286
Amortisation, depreciation and write- downs	12.986	12.831	11.715
Operating income (EBIT)	13.754	13.302	18.571
Before- tax result (EBT)	10.761	13.090	15.926
Net Result (EAT)	**8.659**	**10.078**	**11.632**
Net cash flow	21.645	22.909	23.347

Balance Sheet €/1000	2020	2019	2018
Net current assets	59.231	62.877	55.141
Net technical non- current assets	113.340	100.302	96.922
Financial assets	1.862	2.015	3.274
Prov. for employee leaving ind. & other provisions	-8.312	-8.407	-8.370
Net invested capital	**166.121**	**156.787**	**146.968**
Net financial position	**56.066**	**68.146**	**63.931**
Shareholders' equity	**110.055**	**88.641**	**83.036**

€/1000	2020	2019	2018
Investments in real estate	309	1.573	8.696
Investments in fabbrical machines	4.779	7.664	13.470
Information technology & communication	1.455	556	401
Other investments	478	4.231	2.755
Total investments	**7.021**	**14.024**	**25.322**
R&S personnel expenses	1.570	1.677	1.617
of which capitalized	0	0	0

Sales by geographical area €/1000	2020	2019	2018
Italy	73.795	87.735	88.335
Other EU countries	62.972	70.602	74.488
Asia	14.075	13.526	14.701
Latin America	4.081	5.234	4.592
North America	7.913	6.318	4.213
Non-EU countries	10.700	4.258	3.383
Oceania	2.789	2.743	3.062
Africa	752	550	470
Total	**177.077**	**190.966**	**193.244**
% sales in Italy on total	42%	46%	46%

	delta 2020 -2019	delta 2020 -2018
Italy	-13.940	-14.540
Export	51	-1.627
Delta total	-13.889	-16.167
	-7%	-8%

BUSINESS REPORT ISSUED BY THE BOARD OF DIRECTORS

Business report

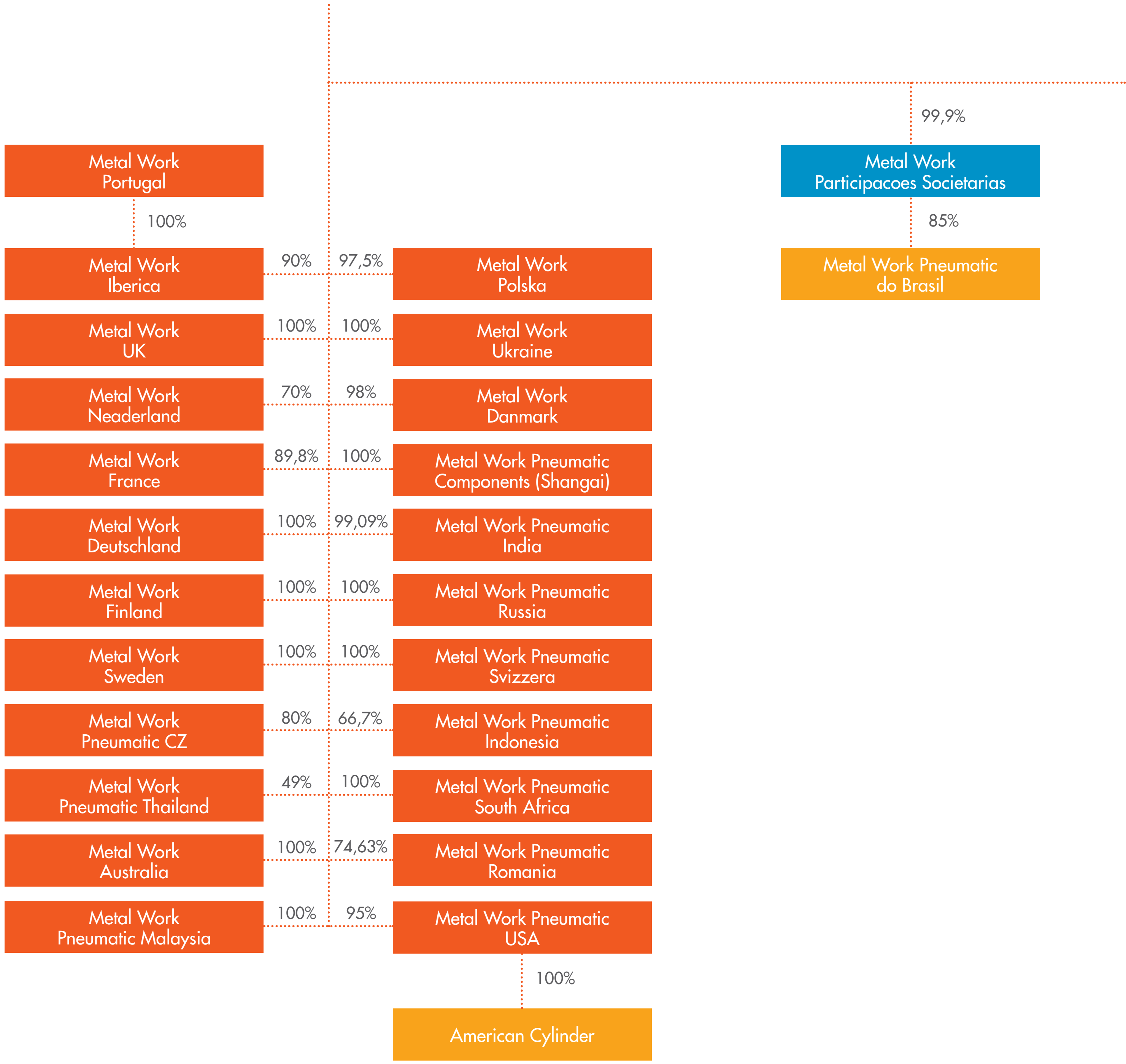
Metal Work is an industrial Group that specializes in the design, production and sale of components for the automation of pneumatic systems. The registered office is in Concesio, in the province of Brescia, Italy.

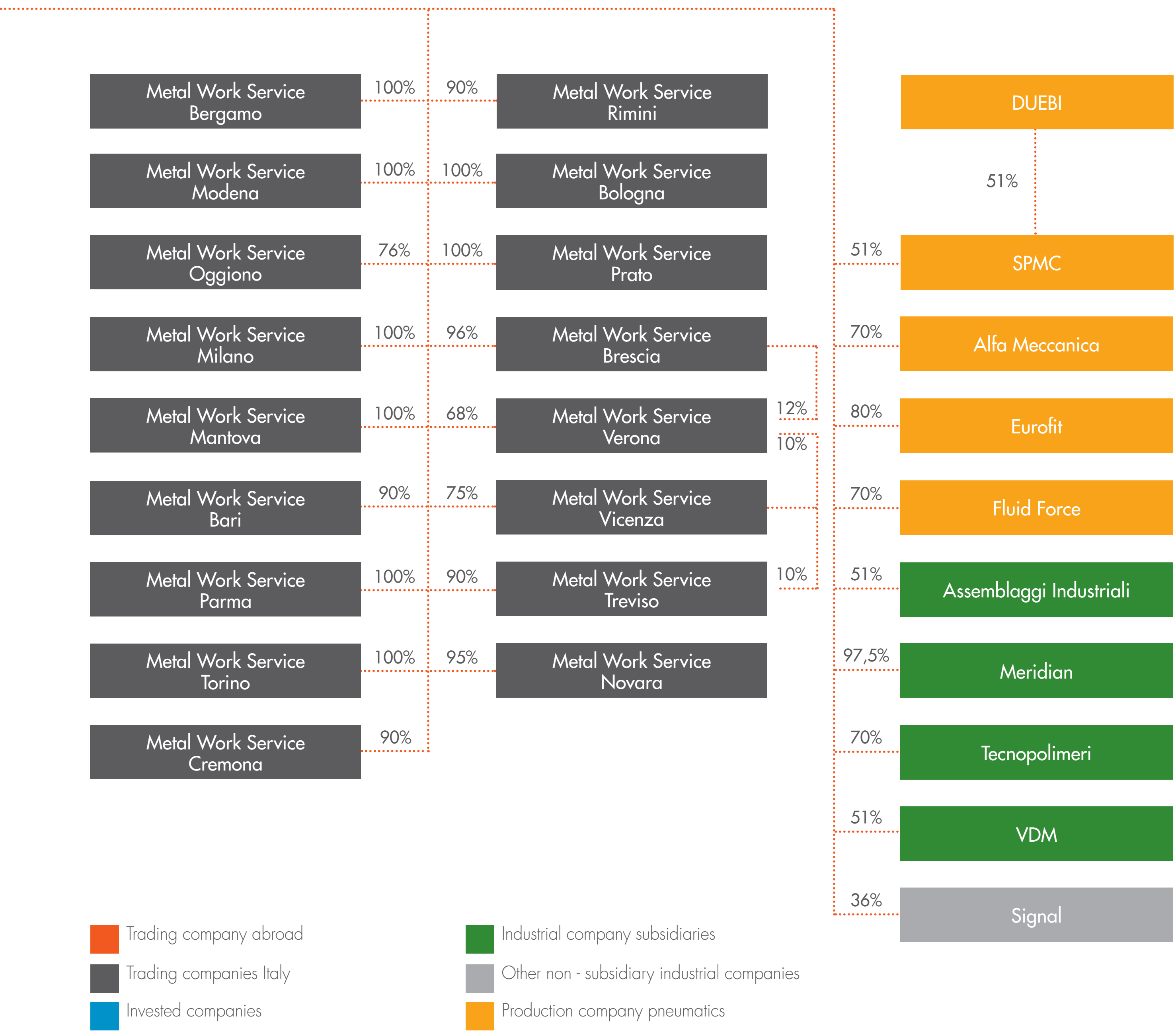
Metal Work manufactures fittings, air treatment units, actuators and valves, and also markets other products in the pneumatics industry. The company was established as a private limited company in 1998 and later incorporated Metal Work Service S.p.A. and Metal Fin S.p.A., now Metal Work Holding S.p.A.

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 2020, the US subsidiary Metal Work Pneumatic USA took over the entire stake of American Cylinder Inc., which is based in Peotone (IL).


QC 15
QC 15
QC 15


99,9%
Metal Work Participacoes Societarias
85%
Metal Work Pneumatic do Brasil
Metal Work Portugal
100%
Metal Work Iberica
90%
97,5%
Metal Work Polska
Metal Work UK
100%
100%
Metal Work Ukraine
Metal Work Neaderland
70%
98%
Metal Work Danmark
Metal Work France
89,8%
100%
Metal Work Pneumatic Components (Shangai)
Metal Work Deutschland
100%
99,09%
Metal Work Pneumatic India
Metal Work Finland
100%
100%
Metal Work Pneumatic Russia
Metal Work Sweden
100%
100%
Metal Work Pneumatic Svizzera
Metal Work Pneumatic CZ
80%
66,7%
Metal Work Pneumatic Indonesia
Metal Work Pneumatic Thailand
49%
100%
Metal Work Pneumatic South Africa
Metal Work Australia
100%
74,63%
Metal Work Pneumatic Romania
Metal Work Pneumatic Malaysia
100%
95%
Metal Work Pneumatic USA
100%
American Cylinder



Metal Work Service Bergamo
100%
Metal Work Service Modena
100%
Metal Work Service Oggiono
76%
Metal Work Service Milano
100%
Metal Work Service Mantova
100%
Metal Work Service Bari
90%
Metal Work Service Parma
100%
Metal Work Service Torino
100%
Metal Work Service Cremona
90%
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
75%
Metal Work Service Vicenza
90%
Metal Work Service Treviso
95%
Metal Work Service Novara
12%
10%
10%
DUEBI
51%
51%
SPMC
70%
Alfa Meccanica
80%
Eurofit
70%
Fluid Force
51%
Assemblaggi Industriali
97,5%
Meridian
70%
Tecnopolimeri
51%
VDM
36%
Signal
Trading company abroad
Trading companies Italy
Invested companies
Industrial company subsidiaries
Other non - subsidiary industrial companies
Production company pneumatics

ECONOMIC SCENARIO

In 2020, the Covid-19 pandemic had serious repercussions on the humans, society and the economy as a whole. More than 160 million people have been infected and more than 3 million have lost their lives. According to IMF estimates, global GDP fell by 3.3% in 2020, the worst decline since the Second War II; partly as a result of restrictions on the mobility of goods and people, trade fell by 8.9%. The spread of the virus affected the entire global economy. In the successive epidemic waves, economic effects varied across sectors and geographic areas, reflecting the severity of the pandemic at the local level and economic policy responses. Monetary policies prevented the pandemic crisis from turning into a financial crisis, ensuring liquidity in markets and fostering credit through various initiatives including bond purchase programmes, which were also adopted for the first time by central banks in some emerging economies. Tax policies played a crucial role in supporting household and corporate revenues, especially in developed countries, and prevented the crisis from spreading. After the abrupt deterioration observed in the initial phase of the pandemic financial market condition have become progressively more supple. Since late 2020, strengthening growth prospects, fuelled by news about the availability of vaccines, have contributed to a reduction in investors' risk disbelief and a rise in long-term interest rates, particularly in the United States.

In the US, GDP contracted by an average of -3.5% in 2020, which was less than in other major advanced countries, partly due to fiscal measures, which were stronger than elsewhere, and the lesser degree of restraint in the second half of the year. In Japan, although a total lockdown was not implemented, GDP fell by 4.8 %, partly due to a sharp drop in exports. In the United Kingdom, the fall in output was among the steepest (-9.9 %), with all components of demand falling across the board.

According to the latest IMF forecasts, global GDP will grow by 6.0 % in 2021, while the advanced countries will grow by 5.1%, mainly due to a recovery in household consumption and business investment. Economic activity will return to pre-crisis levels already in the first half of 2021 in the US, in the second half in Japan and in the course of 2022 in the UK. In the advanced economies as a whole, output would only return to the pre-pandemic forecast level only beginning in 2024.

In India, GDP dropped by 6.9 % last year, with a sharp downturn mainly in the industrial and service sectors, and inflation rising to 6.6 %, above the central bank's target. The IMF has continued to support credit to the economy by reducing the prime interest rate; the IMF estimates that output is expected to grow by 12.5 % in the 2021-22 financial year, but there are still major downside risks linked to the severe outbreak of the pandemic from March this year.

In Brazil, GDP decreased by 4.1% in 2020. The decline in output was mitigated by massive tax incentive measures, amounting to around 12% of GDP; in early 2021, with the spread of a more contagious local variant of the Coronavirus, the recovery in economic activity lost momentum. In order to counteract a fading of expectations, the Central Bank raised the prime interest rate by 150 basepoints as of March, while initiating at the same time a path of withdrawal from the extraordinary recovery implemented during 2020. The exchange rate depreciated by almost 50% to reach a limit of 7 Reais per €.

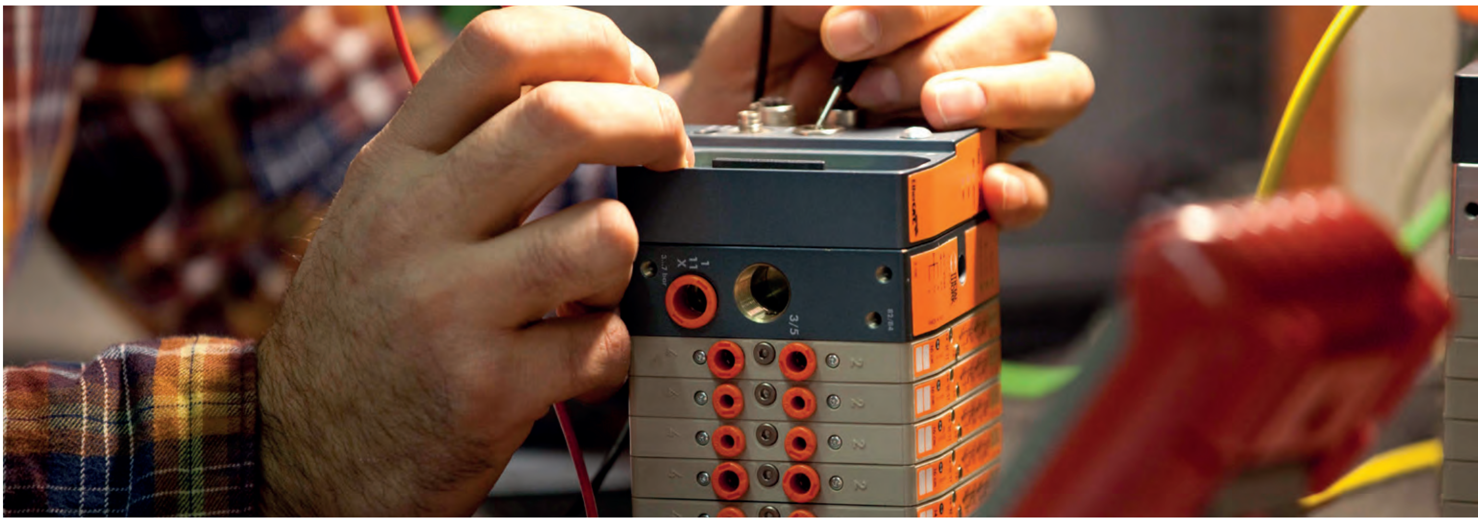
In Russia, GDP decreased by 3% in 2020. After the drop in the second quarter, as a result, among others, of the collapse in oil prices, the economy accelerated in the second half of 2020, driven by the recovery in domestic consumption, also thanks to less stringent containment measures. Tax policy support (introducing measures amounting to 4.5% of GDP) was significant, boosted by the low level of public debt. Monetary policy responded to the crisis with large increases in liquidity and reductions in the prime interest rate.

In developing countries, the pandemic has led to a marked deterioration in living conditions; according to the World Bank, the proportion of people living in extreme poverty could increase by up to 4 percentage points in 2020-21. In these economies, the effects of the crisis have been aggravated by limited tax space, a sharp drop in foreign demand, reduced remittance flows and, in some cases, pre-existing conflict situations.

Euro area GDP declined at its sharpest rate since the start of monetary union. The dynamics of economic activity over the course of the year reflected the course of the epidemic and the subsequent containment measures: the sharp decline in the first two quarters of the year was followed by a marked recovery in the summer months, but this was discontinued in the autumn. The rise in the first few months of 2021 was affected by the recovery of the energy component, but also by temporary factors, the impact of which should be largely reabsorbed in the course of the year. In the medium term, the price outlook remains weak, albeit on the upswing. The response of tax policies to the pandemic crisis has been decisive, through a variety of instruments, including the activation of the general safeguard clause of the Stability and Growth Pact, increased flexibility in the use of European cohesion funds and the adoption of a temporary framework of rules on State aid. Last July's agreement on the Next Generation EU programme to jointly finance individual countries' recovery plans is a historic breakthrough. The expansionary approach of tax policy has been common to all member countries and has responded to the severity of the recession. According to the European Commission's latest estimates, the ratio of net borrowing to output increased on average by 6.6 percentage points in the euro area; the ratio of public debt to GDP rose by just over 14 points. In 2020, as a result of the pandemic and measures to contain the contagion, euro area GDP contracted by 6.6 %; the decline spread to all major economies. The fall in activity in the manufacturing sector was concentrated in the first half of the year, while weakness in the services sector intensified again in the latter part of the year, following the upsurge in contagions.

The spread of the pandemic in Italy led to a marked deterioration in the climate of confidence among households and businesses and a generalised increase in the degree of uncertainty about economic prospects. Fear of contagion, falling revenues and, for households less economically affected, high uncertainty, which caused an increase in precautionary saving, all contributed to reducing expenditure, especially for some categories of services. Businesses interrupted their accumulation plans, leading to a 9.1 % drop in gross fixed capital investment, especially in capital goods. The effect of the pandemic on exports was strong, but temporary: after a sharp drop in the first half of the year, they regained momentum, returning to the levels prior to the spread of the contagion in the final months of the year; unlike other episodes of global recession, Italy's share of world trade in goods remained almost unchanged. The sharp decline in tourism revenues was accompanied by an improvement in the energy balance, leading to an expansion of the current account surplus. Tax policy reacted decisively to the pandemic, with largely temporary expansionary measures: net borrowing increased to 9.5 % of GDP, compared to 1.6 % in 2019.

After a decline in the first half of 2020 due to a downturn of global economic activity, commodity prices largely recovered from the second half of the year, mainly driven by increased demand from China. The uncertainty surrounding the pandemic fuelled gold prices, which exceeded USD 2,000 an ounce for the first time in 2020 as a safe haven asset. The pandemic generated a period of severe turmoil in financial markets between February and March last year, when volatility exceeded the levels reached during the 2008-09 financial crisis; market liquidity deteriorated and there were sharp falls in share prices and corporate bonds, even those considered less risky. Thereafter, market conditions gradually eased as governments and central banks provided support and, towards the end of the year, as a result of developments in the vaccination campaign. Immediately after the outbreak of the pandemic, the US dollar appreciated in real terms, in part due to its role as a safe haven currency; this trend was later reversed, contributing to an easing of financial conditions in those emerging economies with closer links to the US currency. The dollar has appreciated again since January, coinciding with the rapid rise in US government bond yields; against the euro, the dollar still accumulated a depreciation of 9% between the beginning of 2020 and the end of May 2021. The pound sterling, which had depreciated by around 5% against the euro during 2020, has also recovered value since the beginning of this year, supported by the ratification of the agreement on trade and cooperation with the European Union.



THE INDUSTRIAL AUTOMATION MARKET AND OUR PLANS

The year 2020 was characterised by the pandemic that heavily affected all company activities and especially commercial activities, preventing any travel to our trading companies from March onwards.

After the first quarter, the automation market experienced a sharp downturn of around 14%, which was partly recovered in the last quarter but still resulted in a negative balance of around 10% compared to 2019 values.

Supported by the government subsidies that were implemented in virtually all of the affected countries, we were able to secure our sales companies and avoid having to intervene on structures.

The emergency situation prompted us to set up a new virtual customer visit system via digital platforms, and with the co-operation of our entire sales network we were able to maintain customer relations and avoid volume losses that were not attributable to reduced demand.

Having more time available, we planned in detail, through our CRM system, the analysis of the main customers with particular reference to our degree of penetration and the strategy necessary to further cover our market.

The upward trend of the last months of 2020 has been further consolidated in the first months of 2021, which is expected to be extraordinarily positive and absolutely in line with our 2020-2025 business plan.

We noted continued growth in electrical automation, for which we are investing not only in the development of new products, but also in completing the pre-sales structure by hiring dedicated personnel.

Overall, the reduction in revenues was 7%, most markedly in the domestic market -16%, while other markets such as Asia and North America performed well despite the appreciation of the euro.

An analysis of the geographical distribution of sales at Metal Work SpA shows a decrease in revenues of over €5.5 million in Italy and €0.5 million in exports. The percentage of sales relating to exports increased from 54% to 60% over the last two years.

Business trend

HIGHLIGHTS

Revenues as at 31 December 2020 amounted to 177 million euro. Sales by the parent company Metal Work S.p.A. were highly integrated, in that 86% of products were marketed through subsidiaries, serving over 33,000 active customers.

VALUE ADDED INCOME STATEMENT

	31/12/2020	%	31/12/2019	%
Revenues	177.007	100,0%	190.966	100,0%
Cost of goods sold	96.479	54,5%	106.363	55,7%
VALUE ADDED	**80.528**	**45,5%**	**84.603**	**44,3%**
Personnel expenses	53.788	30,4%	58.472	30,6%
GROSS OPERATING MARGIN (EBITDA)	**26.740**	**15,1%**	**26.131**	**13,7%**
Amort.& depreciation, write-downs and provisions	12.986	7,3%	12.830	6,7%
OPERATING INCOME	**13.754**	**7,8%**	**13.301**	**7,0%**
Net financial expenses/(income)	2.687	1,5%	1.030	0,5%
Adjustments to net financial assets	306	0,2%	-819	-0,4%
PRE-TAX RESULT (EBT)	**10.761**	**6,1%**	**13.089**	**6,9%**
Taxes for the year	2.102	1,2%	3.011	1,6%
NET OPERATING RESULT	**8.659**	**4,9%**	**10.078**	**5,3%**
Share of profit for minority interests	867	0,5%	1.131	0,6%
Share of Group result	7.792	4,4%	8.947	4,7%

Revenues came to €177m, compared with €191m at 31/12/2019, a decrease of 7.3%. The appreciation of the Euro against all world currencies had an impact of more than 2 percentage points.

Cost of sales, amounting to €96,479,000, accounted for 54.5% of revenues, compared to 55.7% in the previous period, confirming a significant recovery in profitability.

Value added, at EUR 80,528,000, stood at 45.5% of revenue, compared to 44.3% in 2019.

Labour costs, at €53,788,000, accounted for 30.4%, compared to 30.6% in 2019. The decrease of more than €4.7M takes into account all government measures to support industrial economies issued in 2020 due to the pandemic.

EBITDA amounted to €26,740,000, accounting for 15.1% of the value of sales (2019: €26,131,000, 13.7% of sales).

Depreciation, amortisation, impairment and provisions amounted to €12,986,000 (2019: €12,830,000), accounting for 7.3% (2019: 6.7%).

Net financial expenses amounted to €2,687/000 compared to €1,030,000 in 2019, with an incidence of 1.5%, compared to 0.5% in 2019.

Adjustments to financial assets were negative at €306,000 (2019: positive at €819,000) and relate to the valuation of securities accounted for in current assets and the equity valuation of the only associate.

Profit before tax amounted to EUR 10,761,000, on which taxes accounted for EUR 2,102,000, with a tax rate of 19.5%, compared to 23% in 2019.

The net result, including minority interests, came to EUR 8,659,000 (previous year: EUR 10,078,000).

Net equity, consisting of the sum of the operating result for the year, depreciation, amortisation, impairments and allowances to risk provisions, amounted to EUR 21,645,000, equal to 12.2% of revenues (previous year: 12%).

BALANCE SHEET FIGURES

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

BALANCE SHEET WITH INVESTED CAPITAL

	31/12/2020	31/12/2019	Variazione
Trade receivables	48.201	51.787	-3.586
(Trade payables)	30.863	31.734	871
Closing inventories	44.747	45.675	-929
Net other payables/other receivables	2.853	2.852	-1
CARACTERISTIC CURRENT ASSETS	**59.231**	**62.877**	**-3.646**
Net non-current assets	113.340	100.302	13.039
Net financial assets	1.862	2.015	-153
Employee-leave indemnities and other provisions	-8.312	-8.407	95
NET INVESTED CAPITAL	**166.121**	**156.787**	9.335
SHAREHOLDERS' EQUITY	**110.055**	**88.641**	**-21.414**
NET FINANCIAL POSITION	**56.066**	**68.146**	**12.080**
Short-term payables owed to banks	29.413	36.622	7.209
Medium/Long-term payables owed to banks	34.884	26.605	-8.278
Short-term payables owed to other lenders	2.429	2.385	-43
Medium/Long-term payables owed to other lenders	7.072	9.990	2.918
Liquid funds	-14.489	-3.945	10.544
Other securities	-3.239	-3.411	-171
Financial receivables	-2	-101	-99

The reclassified balance sheet shows that net working capital related to current operations decreased from €62,877,000 to €59,231,000, down €3,646,000 on 2019.

The values of fixed assets net of depreciation amount to €113,340,000. The net book value of buildings and land at consolidated level amounts to €51,425,000. The application of the law permitting the revaluation of the assets of Italian companies resulted in an increase in the book values of assets of €22.4m.

Financial assets amounted to 1,862 Euro/000, compared to 2,015 Euro/000 in the previous financial year, including the shareholding in the associated company Signal S.r.l.

Consolidated shareholders' equity, including the value attributable to minority interests, amounted to €110,055,000; the net financial position decreased by €12,080,000 compared to 2019 and is €56,066,000 in the negative, after the distribution of extraordinary reserve for €4,046,000 during 2020.

At the financial level, leverage, which measures the ratio between the net financial position and shareholders' equity, illustrates a situation under control and significantly improving:

	2020	2019	2018
NFP/Shareholders' equity	0,51	0,77	0,77

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 31.12.2020, the Group did not have any currency options, and had other sales hedging transactions for 0.9 million euro (2019: €4.4m);
- 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 31.12.2020, the company had established four interest rate caps for a notional value of €7m relating to the framework of the amortisation plans covering loans or financial lease agreements taken out by the company, and an IRS contract for €5.4m;
- 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

During 2020, the Metal Work catalogue product range was enhanced with a number of interesting new features across all product series.

First of all, a new series of drives for brushless electric motors was introduced, which are essentially used on the actuators of our Elektro series; the new drives feature improved performance and also led to a unification of sales codes, thereby facilitating the choice for customers.

As far as air treatment units are concerned, the proportional pressure regulators in the Regtronic series, which previously could only be controlled using an analogue signal, are now also available in versions with IO-Link control (a communication standard that is very much in demand in industrial automation), which allows the product to be incorporated into highly advanced digital networks. The Regtronic series has also been extended with the development of versions with 4-20 mA analogue outputs, for users who prefer to work with current signals.

Still in the area of network protocols, the EB80 island has been equipped with a new simplified IO-Link interface, to provide a lighter and more cost-effective system (controlling 64 electro-pilots) than the existing more comprehensive and expensive version. For customers using the CC-Link communication protocol, we have developed the dedicated CC-Link IE Field Basic interface for the EB80.

With regard to the revision of historical products, work was carried out to reduce the weight, overall dimensions and costs of the historical ½" Series 70 valve. As a result of this project, the range has been rationalised, the machining of the bodies has been simplified and the aluminium used in controls has been replaced by fiberglass-reinforced engineering polymers.

Within the family of cylinders, the newcomer is the CCIV series, which features the incorporation of a valve and a compact actuator, with the relative accessories; this not only reduces pressure losses in the pneumatic circuit thanks to the elimination of connecting pipes between the valve and the cylinder, but also simplifies the phase of selecting and ordering components: with the CCIVs, in fact, Metal Work offers the cylinder, the valve, the supply connection, the flow regulators and the silencers under a single code.

Still on the subject of cylinders, the company introduced two new types of gaskets for use in hostile environments: the HARD PU gasket, for medium-heavy applications, with the presence of dirt and low temperatures, such as in agriculture or in the transport sector; and the METAL gasket, suitable for use in heavy applications, with the presence of dirt and high temperatures, such as in cement works, foundries or transport.

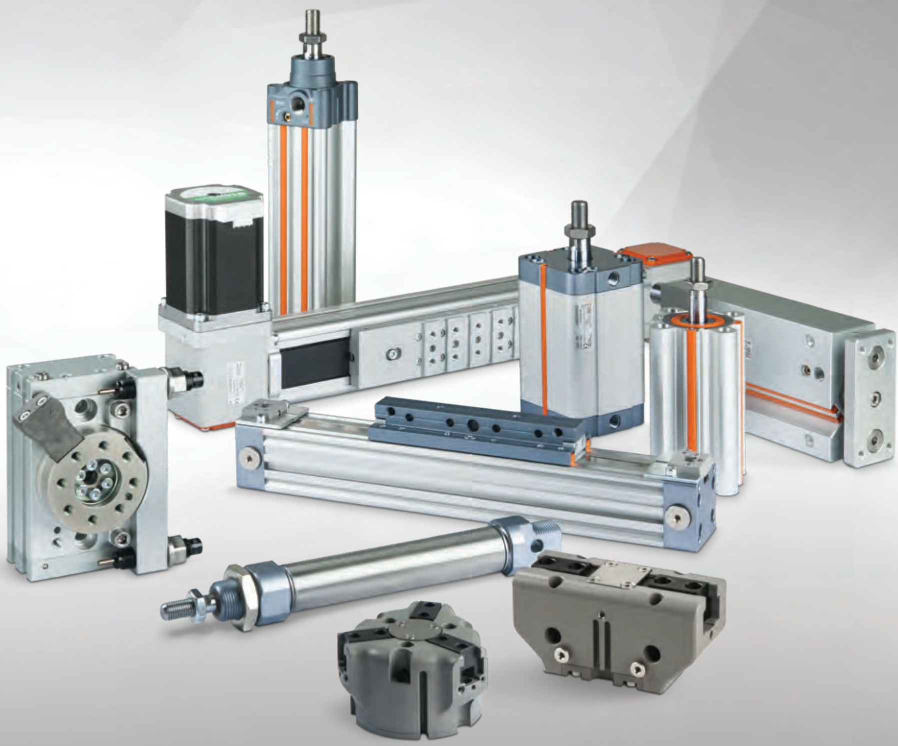
As far as guided cylinders are concerned, the new compact cylinders of the Multifix series were introduced. These are characterised by an extruded body, reduced weight and dimensions compared to the previous series, and allow for multiple fixing possibilities.

The range of hydraulic brakes was also extended during the year, with new versions with remote control, which is very useful for applications where direct access to the speed control device is not possible.

In the area of process products, as a complement to the family of multi-fluid valves, called RV-Fluid, we have also introduced R4 actuators, designed to control the valves themselves.

Another new product added to the catalogue during the year is the FLUX 0 flowmeter, which allows constant measurement of flow rates and air consumption in pneumatic systems; this is the first size of what will be a range of flowmeters to be developed in the years to come.

As far as non-catalogue products are concerned, in 2020 Metal Work once again stood out for the focus it placed on the development of a number of special products designed to meet specific needs to allow customers to offer a level of flexibility that cannot be achieved with standard products, and allow Metal Work to offer highly appreciated loyalty service.



Lastly, with regard to customer-support activities, it should be pointed out that, in addition to the long-established service of responding to technical queries (CIT), we have activated a ticketing service that allows us to manage and track the technical support provided to users involved in the development of new applications with our products.

Lastly, the investment plan in new products has remained unchanged, with a total value of approximately €2.4 million, in order to enlarge the range of products as required by the market.

During the 2020 financial year, the parent Metal Work S.p.A. carried out activities that fall within the eligibility criteria of Law 160/2019 and, in this regard, the company devoted a significant amount of its resources to the development of the projects highlighted below:

- Project 1 - Technological innovation in favour of new product configurations;
- Project 2 - Technological innovation activities in favour of the study and experimental testing of technical and technological solutions for process performance improvement;
- Project 3 - Technological innovation project for the definition and experimental testing of software solutions for process improvement.

The cost incurred for the above research and development expenses, in accordance with Article 2426, point 5 of the Italian Civil Code, national accounting standard No. 24 of the CNDC and CNR reviewed by the OIC and in compliance with Article 108 of Italian Presidential Decree No. 917/86 (Consolidated Income Tax Act) as amended, was considered as an operating cost and charged entirely to the income statement.

For the development of the aforementioned projects, during the year the company incurred costs related to Innovation activities for €4,104,000.

For Innovation activities, the company intends to make use of the tax credit provided by Law 160/2019, art. 1, subsection 198/209 as amended by Law 178/2020, art. 1, subsection 1064.

ACTIVITY OF INDIVIDUAL DEPARTMENTS

ICT

2020 was a very special year for the ICT department, in that part of the planned activities came to a standstill and completely unplanned activities had to be urgently implemented as a result of the very serious health crisis caused by the COVID-19 contagion that affected Italy and the rest of the world.

The main commitment of the first few months of the year was to rapidly organise the infrastructure, software tools and technical measures to allow smart working for the largest possible number of Metal Work S.p.A. and Group company employees, guaranteeing high performance and, at the same time, maintaining the same level of security in accessing company data as in face-to-face activities. Smart working was the remote working method through which, for months, the workers not directly involved in the production departments managed to moderate the risk of contagion arising from attendance at the workplace, without interrupting their operations, thus limiting the economic and social repercussions of a complete shutdown.

The availability of collaboration software tools has made it possible to do remotely (i.e. virtually) what people usually do in the office: invite and participate in meetings, during which it is possible to interact with others, share documents stored on one's own PC and, when necessary, edit them four-handedly. As if you were around the same table, but at a distance.

In spite of the very strong restrictions on mobility that characterised the entire year, thanks to the adoption of this type of software we were able to carry out the planned release of the Group's new CRM system (SAP C4C, Cloud for Customers), an update of the SAP CRM system that for some years has supported the activities of the salesmen and technicians of our extensive sales network throughout the world. As a result, by the end of the year, more than 20 branches have become operational on the new platform, as planned.

Some international ICT projects that were already underway in early February and which involved a presence abroad had to be suspended, such as, for example, the project to activate the planned SAP Business ByDesign system (already in use in Metal Work South Africa) in Shanghai, China, for which much of the preparatory work had already been completed.

Industrialisation

The activities of the Product Industrialisation Department involved the implementation of new workstations and the consolidation, control and improvement of processes, always applying the *Kaizen* method that encourages to think, analyse, improve and innovate, mainly through people, the group and not the individual.

New assembly and testing stations have been implemented, giving greater importance to the ergonomic aspect. The design and creation of the workstations was not based solely on compliance with productivity and safety regulations, but it was necessary to adopt an operator-centred approach, analysing the physical and organisational aspects more closely and methodically gathering observations and, above all, ideas for improvement coming from the operators themselves.

The standardisation of control methods in the machining process has continued, by implementing methods other than classic manual measurement. Three-dimensional measurements and scanners have been used more and more frequently and in an integrated way, making it necessary to deepen and implement solutions that allow data collection from different measuring machines and the necessary professional reporting.

Computerised technology has also been implemented to enable the inspection of parts by operating on the whole object to be checked rather than on individual externally accessible features. This has made it possible to measure internal machining that can hardly be checked with conventional systems and measurement methods.

Significant organisational and quality improvements have been achieved by the Process Improvement Team, which is increasingly able to manage complex interdisciplinary projects. The objectives could be achieved by systematically applying Kaizen methods, which at the same time contributed to increase the culture of Kaizen among the operating staff.

A key factor was the culture, which made it possible to make everyone realize that, in the context of an improvement site, measurement, carried out objectively, has the power to unequivocally define the result of monitoring.

By working on different topics, it was possible to involve more people in the worksite and problem-solving activities. It should be emphasised that, due to the health emergency, we had to redefine both the daily operational meetings and those of the improvement processes, trying to minimise the presence of more people through careful evaluation. By means of a rotation process, we managed to maintain a regular participation of staff in both standardised and improvement processes, with a thoughtful choice of participants, and we involved 15% more people than in the previous year.

During the year, the implementation of autonomous maintenance continued, which entailed actions that allow the basic conditions of efficiency of production equipment to be monitored, maintained and restored by the operators.

We also commenced the next step of revamping professional maintenance, no longer intended as a machinery repair service, rather a service aimed at maintaining the correct operating conditions, reducing breakdowns, improving machinery reliability and thus increasing production availability. Hundreds of best practices and procedures have been implemented to allow the standardisation of solutions and actions of the servicemen in the event of a breakdown.

In the departments where projects coordinated by the Process Improvement Team were developed, a staff training plan was defined and implemented with the aim of increasing the number of operators able to perform a given task and increasing the number of tasks they can perform by greatly reducing the time needed for their training by means of TWI instructions. The overall training score increased by 5% compared to the previous year.

As a result of the pandemic, investments in specific machines and equipment have been shifted, and we only invested in the maintenance plans necessary to maintain full production efficiency. We have therefore only authorised the suspension of investments started in the previous year with delivery in 2020, for a total value of €1.3m against an average value of the last 5 years of around €3m.

Logistics

The overall average closing inventory turnover index increased from 4.66 in 2019 to 5.3, in line with previous years, despite having included in the catalogue a whole series of marketed products that the sales subsidiaries previously purchased directly from various manufacturers. The operation of pooling these purchases at the parent company was needed to provide the market with a unified range of products for all sales subsidiaries, both in Italy and abroad, thus extending the catalogue offer.

The plan to improve Group logistics management continued, despite the effects of the pandemic, and KPIs and the data collection method were defined for the sales subsidiaries, which will become operational by the end of 2021 for all Italian subsidiaries. The effects of applying this method can already be seen and have led to the management and reduction of non-rotating inventory and the optimisation of stocks in the rotating inventory. The stocks of materials have significantly decreased both at central and peripheral level, maintaining a level of service that tends to satisfy almost all incoming orders with an average delay of no more than 2 days on the date requested by the customer.

The new building, which will be used for moulding plastics, has almost been completed, with the initial aim of having the facility available by summer 2021. The building under construction has been sold to a leasing company in order to obtain the advantage of tax deductibility over 12 years instead of the usual 33 years.

Company-Wide Quality Control and environmental impact management

During the year 2020, Metal Work's Quality Department continued to achieve its objectives. The pandemic crisis has forced us to reduce our in-person activities, but with the IT tools available and remote activity, we have nevertheless managed to achieve what we had planned.

Staff training continued on the subject of communication and teamwork, with particular focus on all new recruits who, in 2020, as in previous years, took part in classroom courses aimed at improving interpersonal relations and teamwork. The course instructor is an occupational psychologist, specialised in behavioural training issues. This enabled all employees to acquire knowledge for the practical application of the methodologies underlying continuous improvement through teamwork.

In terms of certification processes, we have further consolidated the structure of the management systems for which Metal Work has been certified for several years now, in accordance with ISO 9001:2015 for the quality management system, ISO 14001:2015 for the environment and ISO 45001:2018 for the occupational health and safety management system. The three systems are integrated with each other; this means that a large part of the procedures and operating instructions have been structured in a common way for the three systems, thus optimising their internal management and improving their effectiveness.

In particular, the Quality system according to the ISO 9001 standard had already been extended also to most of the Italian and foreign subsidiaries, according to a matrix scheme that provides for the external supervision of the individual operating systems directly by the HQ Quality Management. The three systems were subjected to the annual periodic audit by the German certifying body DEKRA Certifications, with a positive outcome. In 2020, four new companies introduced into the matrix were audited: Metal Work India, Metal Work Service in Corato (Bari), Metal Work Service Prato and American Cylinder.

What are known as GMPs (Good Manufacturing Practices) have been implemented and standardised. These are quality assurance aspects that ensure that materials and articles are always manufactured and controlled to ensure compliance with the applicable regulations and quality standards appropriate to their intended use, without causing a risk to human health or unacceptable changes to the composition of the food product or a deterioration in its organoleptic characteristics.

Procedures have been introduced to ensure the proper management and full traceability of the product with food labelling, and a specific audit of this system was carried out, which was successful, highlighting the effectiveness of the procedures and actions put in place. A similar activity was also launched at the Group companies in Italy, with the preparation of a specific procedure and specific operating practices for the management of distribution activities.

Finally, work continued on the management system for products with the IEC Ex marking, which concerns a product line, the EB80 valve islands, subject to annual verification by Bureau Veritas, based on the EN ISO/IEC 80079-34 standard. In this case too, a specific manual has been drawn up with the relevant procedures and working instructions. As in the case of the MOCA product, fundamental are the procedures for identifying components at all stages of the production process, an activity that also involved, to a major extent, some suppliers of strategic components.

Revaluation of assets under Act 126/2020

It should be noted that in these financial statements, the Group's Italian companies have revalued assets pursuant to Act 126/2020, in accordance with the procedures indicated by the relevant regulatory provisions. The revaluation, which is valid for both statutory and fiscal purposes, concerned assets recognised in the financial statements for the year ended 31 December 2019. The amortisation of the revalued amounts will take place starting from the financial year 2021. The revaluation amounted to a total of 22,405 thousand euros, 14,785 thousand euros of which was recorded in the financial statements of the consolidating company Metal Work S.p.A.

Pursuant to Article 11 of Act no. 342/2000, as recalled by Decree-Law no. 104/2020, the following information is provided with regard to the reasons and criteria used to carry out this revaluation concerning the assets owned by the various companies and entered in the financial statements for the year ended December 31, 2019:

	Figures in €/1000	
Software and application packages		1.570
Other non-current assets		86
Buildings		4.288
Plant and machinery		14.016
Industrial and commercial equipment		2.083
Other assets		362
	Total	**22.405**

With regard to the reasons related to the need to revalue company assets, it was considered appropriate to re-assess the carrying value of certain assets in the categories indicated in order to adjust them to their current value of use in relation, among other things, to their effective economic possibility of use in the company.

With reference to this objective, some specific assets were identified within the software and application packages, plant, machinery and equipment, according to the option granted by law. The criterion adopted to adjust the net carrying value of the assets was the determination of the current value of use based on the useful life and residual life of the fixed assets at the reference date of 31 December 2020, on the basis of a special report prepared by an independent company specialising in estimates or, alternatively, on the basis of a report prepared by the directors, as is the case for software, and their subsequent comparison with the residual amount of the same asset to be depreciated in the financial statements, assuming the amount resulting from the report as the maximum limit of the revaluation. With regard to real estate owned by the companies, the current value was considered, taking into account the costs of transferring similar real estate in the reference market on the basis of a specific technical report prepared by independent experts.

The higher values resulting from the revaluation will be considered for depreciation purposes only from the next financial year.

Pursuant to Article 11 of Law No. 342/00, as recalled by Law Decree 104/2020, it is certified that the revaluation carried out does not exceed the limits of value "effectively attributable to the assets with reference to their amount, productive capacity, the effective economic possibility of use in the company, as well as current values and quotations on regulated Italian or foreign markets".

Share capital and treasury shares

Pursuant to art. 2428 of the Italian Civil Code, as at 31/12/2020 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

Unexpectedly, despite the fact that the Covid-19 (Coronavirus) pandemic continues to adversely affect social life and certain sectors of the economy, the automation market is showing signs of significant growth that require us to revise our targets upwards. At the date of preparation of these financial statements, growth is measured against the trend of the last financial year not affected by the effects of the pandemic: in this regard, we believe that if this growth trend continues, the company will reach a new record in its sales.

The growth that is characterising the 2021 financial year is mainly driven by the Asian market; nevertheless, signs of recovery are also being felt in Western economies; as of today, we can foresee a value that will most likely be higher than the value of sales in the 2018 financial year, the Group's record year. Similarly, profitability is encouraging despite the problems that are appearing in the commodities market in general.

Concesio, 27/05/2021

The Board of Directors

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


08
07

BALANCE SHEET	31/12/2020	31/12/2019
B) NON-CURRENT ASSETS		
I Intangible assets:		
1) Incorporation and extension costs	13.828	19.633
2) Research, Development and Publicity Costs	845.968	1.061.905
3) Patent rights and intellectual property rights	2.550.070	755.834
4) Concessions, licences, trademarks and similar rights	631.511	827.793
5) Goodwill	2.755.704	3.186.993
7) Others	1.016.655	923.312
Total Intangible assets	**7.813.736**	**6.775.470**
II Tangible assets:		
1) Land & buildings	51.424.529	52.356.513
2) Plant & machinery	39.210.751	28.810.345
3) Industrial and commercial equipment	9.212.759	7.055.328
4) Other assets	2.425.711	2.411.465
5) Work in progress & down payments	3.252.742	2.892.539
Total Tangible assets	**105.526.492**	**93.526.190**
III Long-term financial assets:		
a) Subsidiaries		
b) Associates	1.027.486	1.054.015
d-bis) Other companies	40.970	39.035
Total investments	**1.068.456**	**1.093.050**
2) Accounts receivable:	**449.206**	**527.556**
d-bis) From others	449.206	527.556
- From others - Less than 12 months	449.206	527.556
Total accounts receivable	**449.206**	**527.556**
3) Other securities	**2.290**	**101.194**
4) Derivatives receivable	**344.400**	**394.800**
Total long-term financial assets	**1.864.352**	**2.116.600**
TOTAL NON-CURRENT ASSETS (B)	**115.204.580**	**102.418.260**

	31/12/2020	31/12/2019
C) CURRENT ASSETS		
I INVENTORIES:		
1) Raw materials, supplies & consumables	7.171.422	7.196.923
2) Work-in-progress & Semi-finished products	7.608.790	8.544.089
3) Work in progress	993.378	1.343.448
4) Finished products and goods	28.916.158	28.488.865
5) Down payments	56.950	101.975
Total inventories	**44.746.698**	**45.675.300**
II Accounts receivable:		
1) Trade receivables	44.785.372	48.221.781
- Trade receivables - Less than 12 months	44.785.372	48.221.781
3) From associates	904	-
- From associates – Less than 12 months	904	-
4) From parent companies	3.414.387	3.428.258
- From parent companies - Less than 12 months	3.414.387	3.428.258
5) From entities controlled by parent companies	-	137.064
- From entities controlled by parent companies - Less than 12 months	-	137.064
5 bis) Tax assets	4.448.749	5.307.248
- Tax assets - Less than 12 months	4.448.749	5.307.248
5 ter) Prepaid taxes	3.678.875	3.752.390
- Prepaid taxes – Less than 12 months	1.456.121	1.398.982
- Prepaid taxes – Over 12 months	2.222.754	2.353.408
5 quater) From others	1.067.638	1.274.244
- From others - Less than 12 months	1.067.638	1.274.244
Total accounts receivable	**57.395.925**	**62.120.985**
III Financial assets other than non-current assets		
6) Other securities	3.239.396	3.410.761
Total Financial assets other than non-current assets	**3.239.396**	**3.410.761**
IV Cash and cash equivalents:		
1) Bank and postal deposits	14.337.735	3.830.859
2) Cheques	6.934	3.170
3) Cash on hand	144.664	110.969
Total cash and cash equivalents	**14.489.333**	**3.944.998**
TOTAL CURRENT ASSETS (C)	**119.871.352**	**115.152.044**
D) PREPAYMENTS AND ACCRUED INCOME		
- Prepayments and accrued income	865.589	1.051.466
TOTAL ASSETS	**235.941.521**	**218.621.770**

	31/12/2020	31/12/2019
A) SHAREHOLDERS' EQUITY:		
I Share capital	21.000.000	21.000.000
II Share premium reserve	19.324.088	19.324.088
III Revaluation reserves	14.341.517	-
IV Legal reserve	3.400.000	3.000.000
VI Other reserves, indicated separately	18.976.012	13.579.174
Currency translation reserve	-4.131.623	-835.782
Group's consolidation reserve	8.965.160	3.086.256
Other reserves	14.142.475	11.328.700
VIII Profit (losses) to be brought forward	18.425.724	16.739.370
IX Profit(loss) for the year	7.792.178	8.946.724
TOTAL SHAREHOLDERS' EQUITY (A)	**103.259.519**	**82.589.356**
Minority shareholders' equity and reserves	6.795.851	6.051.834
TOTAL SHAREHOLDERS' EQUITY AND MINORITY SHAREHOLDERS' EQUITY AND RESERVES	**110.055.370**	**88.641.190**
B) PROVISION FOR CONTINGENT LIABILITIES AND CHARGES		
1) Provision for retirement and similar benefits	579.785	448.670
2) For taxes	1.216.237	1.432.875
4) Others	323.083	327.679
TOTAL PROVISION FOR CONTINGENT LIABILITIES AND CHARGES	**2.119.105**	**2.209.224**
C) PROVISION FOR EMPLOYEES' SEVERANCE PAY	**6.193.088**	**6.197.994**
D) DEBTS AND OTHER LIABILITIES		
4) Bank borrowings	64.296.878	63.227.457
- Bank borrowings - Less than 12 months	29.413.260	36.622.259
- Bank borrowings - Over 12 months	34.883.618	26.605.198
5) Borrowings from other lenders	9.500.242	12.375.151
- Borrowings from other lenders - Less than 12 months	2.428.514	2.385.076
- Borrowings from other lenders - Over 12 months	7.071.728	9.990.075
6) Down payments	382.002	319.342
- Down payments - Less than 12 months	382.002	81.053
- Down payments - Over 12 months		238.289
7) Trade creditors	29.465.532	30.372.980
- Trade creditors - Less than 12 months	29.465.532	30.372.980
10) Payables to associates	838.540	726.673
- Payables to associates - Less than 12 months	838.540	726.673
11) Payables to parent companies	507.164	634.021
- Payables to parent companies - Less than 12 months	507.164	634.021

	31/12/2020	31/12/2019
11-bis) Payables to entities controlled by parent companies	51.850	-
- Payables to entities controlled by parent companies – Less than 12 months	51.850	-
12) Taxation	3.954.844	4.059.506
- Taxation - Less than 12 months	3.527.848	4.059.506
- Taxation – Over 12 months	426.996	-
13) Social security contributions	2.970.500	3.178.577
- Social security contributions - Less than 12 months	2.970.500	3.178.577
14) Others	4.298.795	5.501.325
- Others - Less than 12 months	4.298.795	5.501.325
TOTAL DEBTS AND OTHER LIABILITIES (D)	**116.266.347**	**120.395.032**
E) ACCRUALS AND DEFERRED INCOME		
- Accruals and deferred income	1.307.611	1.178.330
TOTAL LIABILITIES	**235.941.521**	**218.621.770**

INCOME STATEMENT	31/12/2020	31/12/2019
A) PRODUCTION VALUE		
1) Revenue from goods sold and services rendered	177.007.367	190.966.444
2) Changes on stocks of work-in-progress, semi-finished products and finished products	-1.788.020	791.403
3) Changes in work in progress to order	-354.540	604.711
4) Increase in Non-current assets from internal work	362.218	312.300
5) Other revenue and income:	3.759.497	3.287.766
- Contributions in trading account	1.234.655	196.534
- Others	2.524.842	3.091.232
TOTAL PRODUCTION VALUE (A)	**178.986.522**	**195.962.624**
B) PRODUCTION COSTS:		
6) For raw materials, supplies, consumables and goods	60.337.394	69.456.292
7) For services	34.121.060	37.766.646
8) For hire, purchase and leasing charges	3.259.726	3.315.666
9) For personnel:	53.787.952	58.471.538
a) Salaries and wages	39.342.444	42.522.303
b) Social security contributions	10.695.749	11.433.605
c) Provision for employees' severance pay	1.815.681	1.812.401
e) Other personnel costs	1.934.078	2.703.229
10) Depreciation, amortisation & write-downs:	12.933.755	12.749.921
a) Amortisation of Intangible assets	1.966.834	2.011.789
b) Depreciation of tangible assets	10.555.451	10.278.555
d) Provision for doubtful accounts current assets and cash on hand	411.470	459.577
11) Changes in stocks of raw materials, supplies, consumable and goods	-340.112	-466.595
12) Provision for contingent liabilities	3.106	80.831
13) Other allowances	49.156	-
14) Other charges	1.079.670	1.286.770
TOTAL PRODUCTION COSTS (B)	**165.231.707**	**182.661.069**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A - B)	**13.754.815**	**13.301.555**
C) FINANCIAL INCOME AND EXPENSES:		
15) Investment income:	47.880	70.687
- From others	47.880	70.687
TOTAL INVESTMENT INCOME	**47.880**	**70.687**
16) Other financial income:		
b) from securities under non-current other than equity investments	1.219	191
c) from securities under current assets other than equity investments	8.039	130.573

	31/12/2020	31/12/2019
d) income other than previous items:		
- from others	666.064	236.636
TOTAL OTHER FINANCIAL INCOME	**675.322**	**367.400**
17) Interest and other financial charges:		
- from others	1.836.595	1.623.572
TOTAL INTEREST AND OTHER FINANCIAL CHARGES	**1.836.595**	**1.623.572**
17 bis) Exchange gains and losses	-1.573.828	155.161
TOTAL FINANCIAL INCOME AND EXPENSES (15 + 16 - 17 +/- 17 bis)	**-2.687.221**	**-1.030.324**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18) Re-valuations:	1.149	818.503
- of equity investments	-	11.830
- long-term financial assets other than equity investments	1.149	806.673
19) Write-downs:		
- of equity investments	26.529	-
- long-term financial assets other than equity investments	280.543	-
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (18 - 19)	**-305.923**	**818.503**
PROFIT/ (LOSS) BEFORE TAXATION (A - B +/- C +/- D)	**10.761.671**	**13.089.734**
20) Current, deferred and prepaid income tax	2.102.311	3.011.498
- current tax	1.829.249	2.648.488
- previous year taxes		46.005
- deferred and prepaid tax	273.062	317.005
21) NET PROFIT (LOSS) FOR THE YEAR included the portion pertaining to minority interests	**8.659.360**	**10.078.236**
22) Portion of profit (loss) pertaining to minority interests	867.182	1.131.512
23) NET PROFIT (LOSS) FOR THE YEAR	**7.792.178**	**8.946.724**

CASH FLOW STATEMENT	31/12/2020	31/12/2019
A. Cash flows generated by operating activities (indirect method)		
Profit (loss) for the year	8.659.360	8.946.724
Income taxes	1.747.643	3.011.498
Interest expenses (interest income)	2.735.101	1.101.011
(Dividends)	-47.880	-70.687
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from the sale of assets	**13.094.224**	**12.988.546**
RAdjustments for non-cash items that had no contra-entry in net working capital		
Allocations to provisions	52.262	80.831
Non-current amortisation and depreciation	12.522.285	12.290.344
Other adjustments for non-cash items	305.923	-806.673
2. Cash flow before changes in net working capital	**25.974.694**	**24.553.048**
Changes in net working capital		
Decrease/(increase) in inventories	928.602	-2.766.065
Decrease/(increase) in trade receivables, subsidiaries and associates	3.586.440	6.369.528
Decrease/(increase) in tax assets and other receivables	1.065.135	904.762
Decrease/(increase) in prepaid tax assets	73.485	-13.114
Increase/(decrease) in trade payables, subsidiaries and associates	-890.671	-9.865.333
Increase/(decrease) in tax liabilities, social security and other liabilities	-3.970.657	-973.718
Decrease/(increase) in prepaid expenses and accrued income	185.877	-186.595
Increase/(decrease) in accrued expenses and deferred income	129.281	-302.538
Net change in provision for contingencies and charges	-142.381	-261.739
Net change in employee-leaving indeminity	-4.906	217.548
Other changes in net working capital	62.660	10.619
3. Cash flow after changes in net working capital	**26.997.559**	**17.686.403**
Other adjustments		
Interest received (paid)	-2.735.101	-1.101.011
(INCOME TAXES PAID)	-1.747.643	-3.011.498
Dividends received	47.880	70.687
4. Cash flow after other adjustments	**-4.434.864**	**-4.041.822**
Cash flow from operating activities (A)	**22.562.695**	**13.644.581**

	31/12/2020	31/12/2019
B. Cash flows generated by investment activities		
Tangible assets		
(Investments)	-6.708.379	-12.321.906
Realizable price of divestments	1.773.186	1.312.934
Intangible assets		
(Investments)	-1.660.844	-1.656.386
Realizable price of divestments	312.075	0
Financial assets		
(Investments)	-282.478	-2.836.370
Realizable price of divestments	227.654	1.206.871
Financial assets other than non-current assets		
(Investments)	0	0
Realizable price of divestments	172.514	2.887.791
Acquisition or transfer of subsidiaries or business units net of cash	0	0
Cash flows generated by investment activities (B)	**-6.166.272**	**-11.407.066**
C. Cash flows generated by funding activities		
Loan capital		
Increase (decrease) in financial liabilities	-20.956.488	-2.021.511
Opening of loans	28.151.000	23.721.000
Loan repayment	-9.000.000	-21.267.550
Equity		
Capital increase to be paid	0	0
Transfer (purchase) of treasury shares	0	0
Dividends (and advances on dividends) paid	-4.046.600	-4.254.600
Cash flow generated by funding activities (C)	**-5.852.088**	**-3.822.661**
Increase (Decrease) in cash and cash equivalents (A ± B ± C)	10.544.335	-1.585.146
Cash and cash equivalents – opening balance	3.944.998	5.530.144
Cash and cash equivalents – closing balance	14.489.333	3.944.998
Increase (Decrease) in cash and cash equivalents	10.544.335	-1.585.146

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Structure and contents of the Consolidated Financial Statements

To the shareholders,

The Metal Work Group's consolidated financial statements as at 31.12.2020, 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.

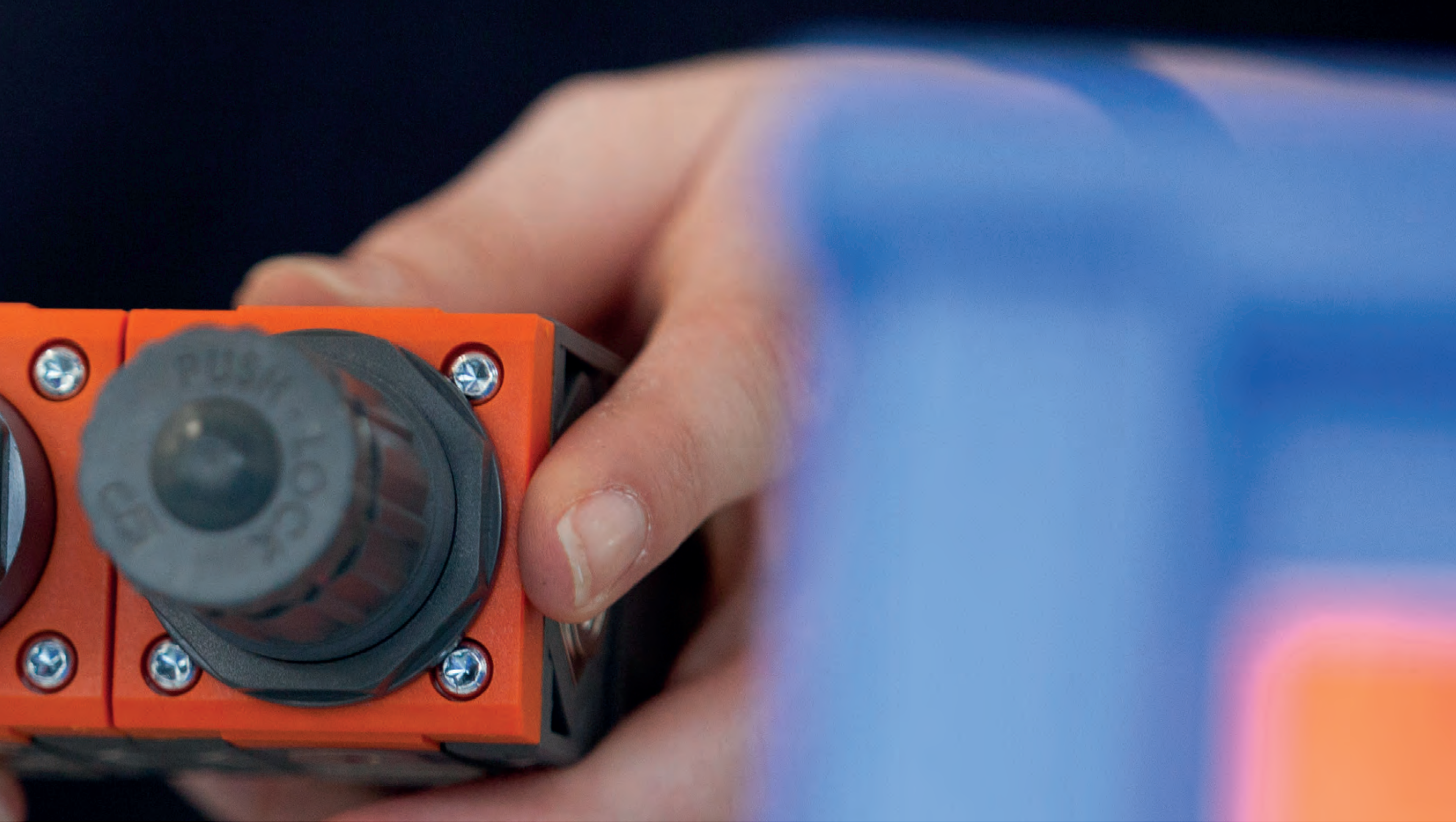
The cash flow statement shows the plus and minus changes in cash flows in the reporting year, using the indirect method, according to the layout envisaged in the accounting standard OIC 10. The figures in the balance sheet, the income statement and the cash flow statement are expressed in euros, without decimals, while the figures in the explanatory notes are expressed in thousands of euros, unless specified otherwise. Items 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 with 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 these 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 31 December 2020, the companies included in the scope of consolidation using the full consolidation 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 31/12/2020
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 Bigarello	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	$200.000	95,00%
35	Metal Work Pneumatic (M) Sdn Bhd	Selangor	R250.000	100,00%
36	Metal Work Polska Sp. Z o.o.	Poznan	200.000 zł	97,50%
37	Metal Work Finland Ltd	Jarvenpaa	70.000 €	100,00%
38	LLC Metal Work Ukraine	Kiev	3.500.000 UAH	100,00%
39	Metal Work Pneumatic Australia Pty. Limited	Dandenong South	19 AUD	100,00%
40	Metal Work Pneumatic Components (Shangai) Ltd	Shangai	¥5.925.177	100,00%
41	Metal Work Partecipacoes Societarias Ltda	San Leopoldo	R$ 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 only changed for the acquisition of 7% interest in the share capital of Metal Work Uk Ltd.

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 Partecipaçoes Societarias Lda;
- Duebi S.r.l., 51% controlled by Spmc S.r.l.;
- 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 in the scope of consolidation, namely the subsidiary Metal Work Pneumatic India Private, which closes the financial statements as at 31 March, is included in the scope of consolidation on the basis of the interim annual financial statements as at 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 they 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 carrying 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 Shareholders' 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 to 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 31.12.2020.

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.

The Company has entered in these financial statements the revaluation of assets pursuant to Law 126/2020, in accordance with the procedures indicated by the relevant regulatory provisions. The revaluation, which is valid for statutory and fiscal purposes, concerned assets recorded in the financial statements for the year ended 31 December 2019. It should be noted that the depreciation of the revalued amounts will take place starting from the financial year 2021.

Pursuant to art..11 of Act no. 342/2000, as referred to in Law Decree 104/2020, the following information is provided with regard to the reasons and criteria used to carry out the above-mentioned revaluation concerning owned assets entered in the financial statements for the year ended 31 December 2019:

	Figures in €/1000
Software and application packages	1.570
Other intangible assets	86
Buildings	4.288
Plant and machinery	14.016
Industrial and commercial equipment	2.083
Other assets	362
Total	**22.405**

With regard to the reasons related to the need to re-assess company assets, it was deemed appropriate to make a revaluation of the carrying amount of certain assets in the categories indicated in order to adjust it to their current value of use in relation to their actual economic use in the company.

To this end, a number of specific assets were identified within the software and application packages, plant, machinery and equipment categories, in accordance with the option granted by law. The criterion adopted to adjust the net carrying value of the assets was the determination of the current value of use based on the useful life and residual life of the fixed assets as at 31 December 2020, on the basis of a special report prepared by an independent company specialised in estimates or, alternatively, on the basis of a report prepared by the directors, as is also the case for software, and their subsequent comparison with the residual amount to be depreciated in the financial statements of the asset itself, assuming the amount resulting from the report as the maximum limit of the revaluation. With regard to real estate owned by the companies, the current value was considered, taking into account the costs of transferring similar real estate in the reference market on the basis of a specific technical report prepared by independent experts.

The revaluation for assets included in the listed categories, made for tax purposes, was carried out by increasing the historical cost or decreasing the provision for depreciation by €22,405 thousand. The higher values resulting from the revaluation will be considered for depreciation only as from the next financial year. Pursuant to art. 11 of Act no. 342/00, as recalled by Decree Law 104/2020, it is certified that the revaluation made does not exceed the value limits “effectively attributable to the assets with reference to their amount, production capacity, the effective economic possibility of use in the company, as well as the current values and quotations on regulated Italian or foreign markets”.

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.

Cespite	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.

Tangible assets for parent and the group companies are revalued, within the limits of their recoverable value, only in cases where this is contemplated and permitted by law in the countries of reference.

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 value 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

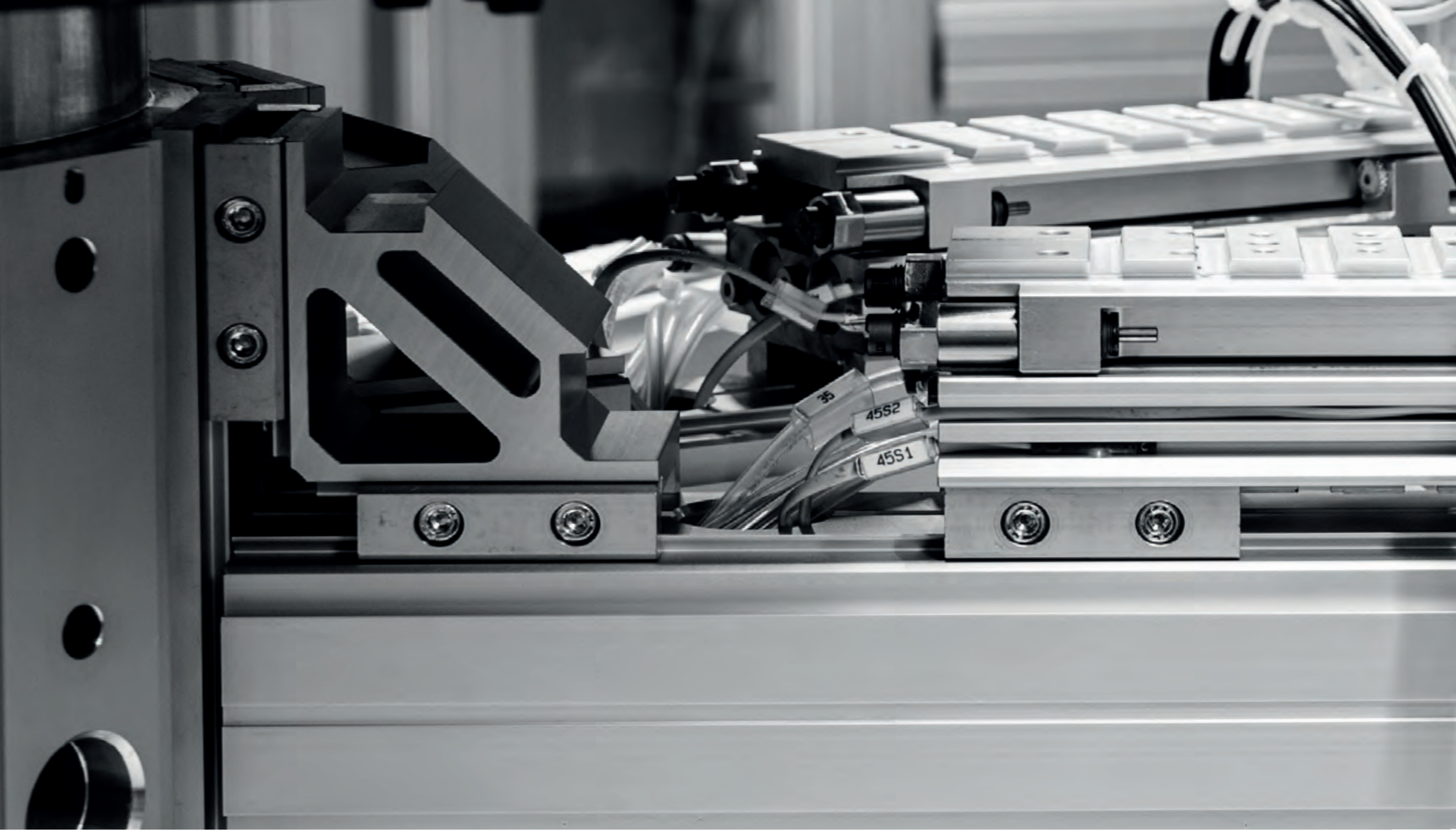
Income and revenues, costs and charges are stated net of returns, discounts, rebates and allowances, and net of taxes directly related to the sale of products and the provision of services, in compliance with the principles of competence and prudence. Revenues from sales transactions are recognised when 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


metal work
PNEUMATIC



sheet, net of any advances paid, withholding taxes and tax assets that can be offset and not claimed for 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.

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.

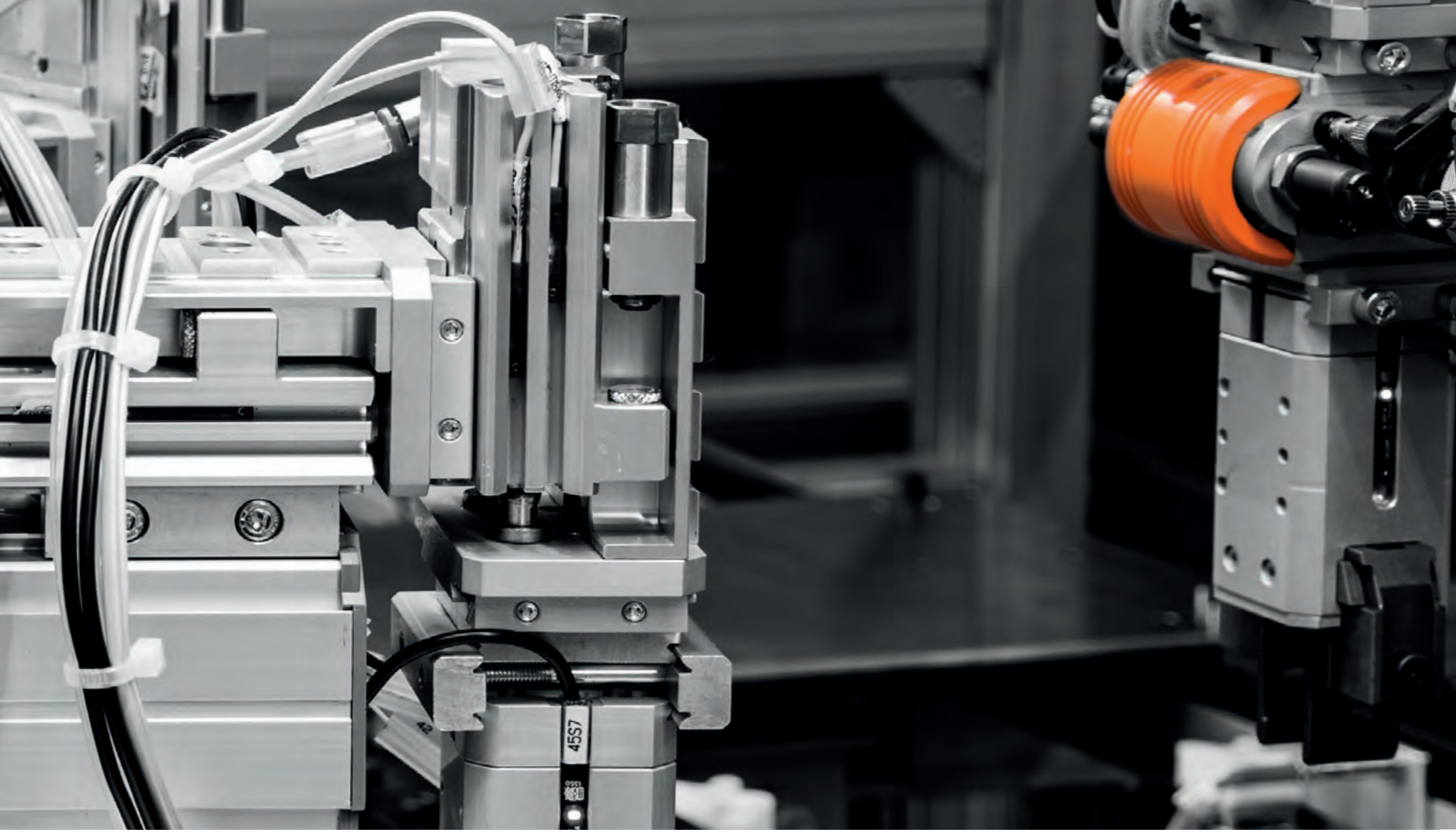
Deferred taxes relating to transactions that directly involved shareholders' equity are initially recognised in the provision for contingent liabilities and charges, and not in the income statement, by reducing the corresponding equity item.

Deferred 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 be reversed.

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

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.



Currency	Rate as at 31/12/2020	Average rate 2020	Rate on the closing date - Previous Year 31/12/2019	Average rate - Previous Year 2019
AUD	1,5896	1,6548	1,6548	1,6109
BRL	6,3735	5,8943	5,8943	4,4134
CHF	1,0802	1,0705	1,0705	1,1124
CNY	8,0225	7,8747	7,8747	7,7355
CZK	26,2420	26,4551	26,4551	25,6705
DKK	7,4409	7,4542	7,4542	7,4661
GBP	0,8990	0,8897	0,8897	0,8778
IDR	17.240,7600	16.627,3700	16.627,3700	15.835,2700
INR	89,6605	84,6392	84,6392	78,8361
MYR	4,9340	4,7959	4,7959	4,6374
PLN	4,5597	4,4430	4,4430	4,2975
RON	4,8683	4,8383	4,8383	4,7453
RUB	91,4671	82,7248	82,7248	72,4553
SEK	10,0343	10,4848	10,4848	10,5891
THB	36,7647	35,7143	35,7143	34,7570
UAH	34,7689	30,8506	30,8506	28,9220
USD	1,2271	1,1422	1,1422	1,1195
ZAR	18,0219	18,7655	18,7655	16,1757

DISCLOSURE OF CONSOLIDATED FINANCIAL STATEMENTS' SPECIFIC ITEMS AND RELEVANT CLASSIFICATION

ASSETS

B I) Intangible assets:

Intangible assets amounted to 7,814 thousand euro (2019: 6,775 thousand euro). The following table shows the movements during the year expressed in thousands of euros. Pursuant to the provisions of Act 126/2020, Metal Work S.p.A. and its Italian subsidiaries have revalued their owned assets: the impact of the revaluation on intangible fixed assets is 1,656 thousand euro. Movements in intangible assets during the year are shown below.

	Opening value	Exchange rate differ-ences	Opening rate differ-ences	Decre-ments (-)	Incre-ments (+)	Amorti-sation	Revaluation L. 126/2020	Closing value
Incorporation costs	20	-	-	-	-	6	-	14
Development costs	1.062	-	-	-	323	539	-	846
Patent rights and intellectual property rights	756	-1	-3	-	799	571	1570	2.550
Trademarks, licenses and similar rights	828	-	-	-	1	197	-	631
Goodwill	3.187	20	-222	-	265	494	-	2.756
Others	923	-1	-36	-68	273	160	86	1.017
Total	**6.775**	**17**	**-261**	**-68**	**1.661**	**1.967**	**1.656**	**7.814**

Development costs amounted to 323 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 2020 in Trademarks and licenses and Patent rights and intellectual property rights, totalling 799 thousand euro (2019: 470 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.

Goodwill is generated on first-time consolidation of subsidiaries, as a consolidation difference, and amounted to €2,518 thousand at 31/12/2020 (2019: 3,187 thousand euro), plus 238 thousand euro, equal to the net goodwill recognised by Metal Work Service S.r.l. with registered office in Oggiono on acquisition of the business unit of RGF S.n.c..

The table below – with figures expressed in thousands of euros – provides a temporal stratification of the net carrying value of the consolidation difference.

	from 2012 acquisitions	from 2013 acquisitions	from 2014 acquisitions	from 2017 acquisitions	from 2019 acquisitions	Total
Metal Work Service S.r.l. based in Cremona	5	10	-	-	-	15
Spmc S.r.l.	16	-	-	-	-	16
American Cylinder	-	-	-	-	2.140	2.140
Metal Work Deutschland	-	-	22	-	-	22
Metal Work Finland	-	-	27	-	-	27
Metal Work Service S.r.l. based in in Rimini	-	-	-	52	-	52
Metal Work Service S.r.l. based in in Oggiono	-	-	-	17	-	17
Metal Work Service S.r.l. based in in Treviso	-	-	41	-	-	41
Metal Work Service S.r.l. based in in Brescia	-	-	122	-	-	122
Duebi S.r.l.	-	-	-	-	66	66
Total	**21**	**10**	**212**	**69**	**2.206**	**2.518**

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

B II) Tangible assets:

Tangible assets came to 105,526 thousand euro (2019: 93,526 thousand euro). Investments in tangible assets in 2020 totalled 6,708 thousand euro, including down payments. Pursuant to the provisions of Law 126/2020, Metal Work S.p.A. and its Italian subsidiaries have revalued their owned assets: the impact of the revaluation on tangible fixed assets is equal to 20,748 thousand euro. Movements in tangible assets during the year are shown below.

	Opening value	Reclassifi-cations	Exchange rate differences	Opening rate differ.	Decre-ments (-)	Incre-ments (+)	Depreci-ation	Revaluat. under L. 126/2020	Closing value
Land and buildings	52.357	-2.733	1	-639	-38	359	2.169	4.288	51.426
Plant and machinery	28.810	-395	-6	-134	-8	2.006	5.078	14.016	39.211
Industrial and commercial equipment	7.055	-	7	-44	-97	2.720	2.512	2.083	9.213
Other assets	2.411	-	5	-78	-81	603	796	362	2.426
Work in progress and advances	2.893	-	-	-4	-655	1.020	-	-	3.253
Total	**93.526**	**-3.128**	**7**	**-899**	**-879**	**6.708**	**10.555**	**20.749**	**105.526**

The revaluation of property, plant and equipment acquired under finance leases and redeemed by 31 December 2019, was recognised at 31 December 2020 and led to the reversal of the amounts previously recognised in accordance with IAS 17. The overall effect, included in the adjustment column, amounted to 3,128 thousand euro: 2,733 thousand euro related to property and 395 thousand euro related to plant and machinery.

The impact of exchange rate differences recorded during the year was 899 thousand euro in the negative, mainly due to fluctuations in the Brazilian currency.

Investments in "land and buildings" amounted to 359 thousand euro. The revaluations of buildings carried out by five Italian subsidiaries resulted in higher value of 4,288 thousand euros, to be reduced by 2,733 thousand euro at the consolidation level due to the effects previously recognised in accordance with the international accounting standard IAS 17.

Investments in "Plant and machinery", amounting to 2,006 thousand euros, were mainly sustained by Metal Work S.p.A. as part of the technological innovation under the "Industry 4.0" scheme. The revaluations of plant and machinery carried out by the Parent Company and the Italian subsidiaries led to the recognition of a 14,016 thousand euros higher value, to be reduced by 395 thousand euro at the consolidation level due to the effects previously recognised in accordance with IAS 17.

The investment in "Industrial and commercial equipment", amounting to 2,720 thousand euro, mainly relates to dies and moulds (1,164 thousand euro) and industrial equipment (1,122 thousand euro) purchased by Metal Work S.p.A. The revaluations of this item carried out by the Parent Company and its Italian subsidiaries have led to the recognition of a higher value of 2,083 thousand euro.

The item "Other assets" includes investments for 603 thousand euro and revaluations for 362 thousand euro.

"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.

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

			Gross value	Accumulated depreciation	Net value	Depreciation
Own property			194.029	117.858	76.171	8.724
Leased property						
	buildings		26.405	5.240	21.165	720
	machinery		9.549	4.611	4.938	1.111
		Total	**229.983**	**127.709**	**102.274**	**10.555**

B III) Financial assets:

Financial assets came to 1,864 thousand euro (2019: 2,117 thousand euro), down 253 thousand euro, as shown in the table below.

	Current year	Previous year	Change
Equity interest in associates	1.027	1.054	-27
Equity interest in other companies	41	39	2
Accounts receivable from others	449	528	-78
Other securities	2	101	-99
Derivatives assets	345	395	-50
Total	**1.864**	**2.116**	**-252**

Equity interest in subsidiaries, associates and other companies

"Equity interests in associates", accounting for 1,027 thousand euro (2019: 1,054 thousand euro), relate to the stake in Signal S.r.l., as valued using the equity method; the difference is due to revaluation deriving from the positive result of the company's financial year.

"Equity interest in other companies", accounting for 41 thousand euro (2019: 39 thousand euro), had an increase of 2 thousand euro.

Accounts receivable

"Other non-current receivables", totalling 449 thousand euro, with a decrease of 78 thousand euro compared to the previous year, 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 executive directors.

Other securities

The item "Other securities" came to 2 thousand euro (2019: 101 thousand euro).

Derivatives assets

"Derivatives assets" are entered at 344 thousand euro (2019: 395 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 44,747 thousand euro (2019: 45,675 thousand euro), down 928 thousand euro on the previous year.

	Current year	Previous year	Change
Raw materials, supplies and consumables	7.171	7.197	-26
Work in progress and semi-finished products	7.609	8.544	-935
Work in progress to order	993	1.343	-350
Closing inventories, finished products and goods	29.763	29.972	-209
Goods write-down provision	-1.919	-1.874	-45
Closing inventories of finished product and goods in transit	1.073	391	681
Down payments	57	102	-45
Total	**44.747**	**45.675**	**-929**

Inventories are adjusted for the portion of profit resulting from commercial transactions between Group companies not realised on the closing date. Contract work in progress refers to the inventories of the company Spmc Srl, which produces to order and may have a lead time of more than one calendar year.

C) II) Receivables:

Trade receivables

"Trade receivables" of a commercial nature amounted to 44,785 thousand euro (2019: 48,222 thousand euro), down 3,436 thousand euro on the previous year, 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
Trade receivables	44.785	48.222	-3.436
Total	**44.785**	**48.222**	**-3.436**

The Group had no significant amounts receivable referring to one or a few customers. There were no receivables collectable after 5 years.

Receivables from associates

"Receivables from associates "amount to 1 thousand euro (2019: 0 thousand euro).

	Current year	Previous year	Change
Receivables from associates	1	0	1
Total	**1**	**0**	**1**

Accounts receivable from parent companies

"Receivables from parent companies", totalling 3,414 thousand euro (2019: 3,428 thousand euro), 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	3.414	3.428	14
Total	**3.414**	**3.428**	**-14**

Tax assets

"Tax assets", totalling 4,449 thousand euro (2019: 5,307 thousand euro) comprises 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	4.449	5.307	-858
Total	**4.449**	**5.307**	**-858**

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	1.456	1.399	57
Prepaid taxes – over 12 months	2.223	2.353	-131
Total	**3.679**	**3.752**	**-74**

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

Accounts receivables from others

"Accounts receivable from others" amounted to 1,068 thousand euro (2019: 1,274 thousand euro) down 207 thousand euro on the previous year. .

	Current year	Previous year	Change
Accounts receivable from others	1.068	1.274	-207
Total	**1.068**	**1.274**	**-207**

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

"Financial assets other than non-current assets", totalling 3,239 thousand euro (2019: 3,411 thousand euro), relates to temporary utilisation of cash in hand, valued at the mark-to-market price as at 31 December 2020.

	Current year	Previous year	Change
Financial assets other than non-current assets	3.239	3.411	-171
Total	**3.239**	**3.411**	**-171**

C) IV) Cash and cash equivalents:

"Cash and cash equivalents" comprise bank deposits, cash on hand and other liquid resources on the closing date for a total amount of 14,489 thousand euro (2019: 3,945 thousand euro).

	Current year	Previous year	Change
Bank and post office deposits	14.338	3.831	10.507
Cheques	7	3	4
Cash and cash on hands	145	111	34
Total	**14.489**	**3.945**	**10.544**

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	151	114	37
Accrued income	715	938	-223
Total	**866**	**1.052**	**-186**

LIABILITIES

A) Consolidated shareholders' equity:

The Group's consolidated shareholders' equity totalled 103,259 thousand euro (2019: 82,589 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
III	Revaluation reserve	14.341	0
IV	Legal reserve	3.400	3.000
VII	Other reserves		
	Currency translation reserves	-4.131	-836
	Consolidation reserves	8.965	3.086
	Other reserves	14.142	11.329
VIII	a - Profit (loss) brought forward	18.426	16.739
IX	Group's profit (loss) for the year	7.792	8.947
	GROUP'S TOTAL SHAREHOLDERS' EQUITY	**103.259**	**82.589**
	Profit (loss) for the year	867	1.132
	Minority interest and reserves	5.929	4.920
	TOTAL MINORITY INTEREST EQUITY	**6.796**	**6.052**
	TOTAL CONSOLIDATED EQUITY	**110.055**	**88.641**

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

	Share capital	Share premium reserve	Legal reserve	Extraord. reserve	Revaluation reserve	Consolidation reserve	Conversion reserve	Retained earnings	Operating result	Total
Group's shareholders' equity as at 31/12/2018	**21.000**	**19.324**	**2.200**	**8.332**	**0**	**3.145**	**-1.213**	**14.237**	**10.554**	**77.579**
Allocation of previous year's profit			800	7.251				2.503	-10.554	0
- 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 2019	**21.000**	**19.324**	**3.000**	**11.328**	**0**	**3.086**	**-836**	**16.740**	**8.947**	**82.589**
Allocation of previous year's profit			400	6.860				1.687	-8.947	0
- distribution of reserves				-4.046						-4.046
- other movements					14.341	5.879				20.220
- currency exchange effect							-3.296			-3.296
Operating result for the year									7.792	7.792
Group's shareholders' equity as at 31/12/2020	**21.000**	**19.324**	**3.400**	**14.142**	**14.341**	**8.965**	**-4.132**	**18.427**	**7.792**	**103.259**

The share capital amounts to 21,000 thousand euro and is made up of ordinary shares of the nominal value of €1 each; The share premium reserve amounts to 19,324 thousand euro.

The legal reserve amounts to 3,400 thousand euro and movements were related to the allocation of the parent company's previous result;

The revaluation reserve amounts to 14,142 thousand euro and was generated during the year 2020 as a result of the inclusion of the revaluation reserve made by Metal Work S.p.A. in accordance with Act 126/2020.

The extraordinary reserve decreased overall by 4,046 thousand euro, due to profit distribution to Metal Work S.p.A. shareholders, and increased by 6,860 thousand euro due to the allocation of the parent company's operating result.

The changes in the consolidation reserve refer to the combined effect of the recognition of revaluation reserves by the individual Italian subsidiaries, net of the reversal of the effects on shareholders' equity recognised in accordance with IAS 17 on revalued assets in the 2020 financial statements, and changes in the scope of consolidation.

The change in the "Translation reserve" for 3,296 thousand euro is due to the strong appreciation of the EUR currency during the start of the pandemic and the strong devaluation of the Brazilian Real.

Retained earnings show an increase equal to the difference between the profit for the 2019 financial year of Metal Work S.p.A. and the consolidated profit for the same year.

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 the operating result appearing in the consolidated financial statements.

	Shareholders' equity	of which result for the year
Parent company's shareholders' equity and result	77.496	5.288
Adjustments following adoption of IAS 17 for the parent company	6.113	884
Parent company's adjusted shareholders' equity	**83.609**	**6.172**
Write-off of consolidated investment carrying amount		
Pro-rata results achieved by associates	25	-26
Consolidation effect for the subsidiaries	8.222	5.735
Revaluation of subsidiaries' assets	5.878	0
Change in the scope of consolidation	0	0
Goodwill	311	-172
Write-off of the effects of transactions with related parties		
Infra-group profits net of tax effect	-3.704	215
Write-off of write-downs/reinstatement of previous write-downs	8.918	1.390
Dividends received from associates		-5.522
Shareholders' equity and result for the period as shown in the consolidated financial statements	**103.259**	**7.792**

Changes in "Minority interest shareholders' capital and reserves" are detailed in the following table:

	Share capital and reserves	Net result	Total
Minority interest shareholders' capital and reserves as at 31/12/2019	**4.921**	**1.131**	**6.052**
Allocation of previous year's result	1.131	-1.131	0
- allocation of reserves	-813		-813
- other changes	689		689
Operating result for the year		867	867
Minority interest shareholders' capital and reserves as at 31/12/2020	**5.928**	**867**	**6.795**

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.


METAL WORK
PNEUMATIC

	Current year	Previous year	Change
Employee severance pay provision	580	449	131
Provision for deferred taxes	1.216	1.433	-217
Provision for risks	323	328	-5
Total	**2.119**	**2.209**	**-90**

"Provisions for end-of-mandate indemnity", totalling 580 thousand euro, only refers to the end-of-mandate benefits for the directors of some of the companies in the Group.

"Provision for deferred taxes", totalling 1,216 thousand euro, contains deferred taxes for the year relating to temporary differences between the statutory and the tax value attributed to the same item.

"Other provisions", totalling 323 thousand euro (2019: 328 thousand euro), includes provisions for foreseeable charges and losses not related to specific asset items, or contingent assets that could arise from pending tax disputes resulting from a tax inspection carried out at the Parent company by the tax authorities.

C) Provision for employee leaving indemnity:

"Provision for employee-leaving indemnity", totalling 6,193 thousand euro (2019: 6,198 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	6.193	6.198	-5
Total	**6.193**	**6.198**	**-5**

D) Accounts payable:

A breakdown of overall indebtedness is given below.

	Current year	Previous year	Change
Bank borrowings	64.297	63.227	1.069
Borrowings from other lenders	9.500	12.375	-2.875
Down payments	382	319	63
Tade payables	29.466	30.373	-907
Payables owed to associates	839	727	112
Payables owed to parent companies	507	634	-127
Tax liabilities subject to control by parent companies	52	-	52
Tax liabilities	3.955	4.060	-105
Payables owed to social security institutes	2.971	3.179	-208
Sundry payables	4.299	5.501	-1.206
Total	**116.266**	**120.395**	**-4.132**

Bank borrowings

Details of bank borrowings are shown in the following table.

	Current year	Previous year	Change
Bank borrowings – less than 12 months	29.413	36.622	-7.209
Bank borrowings – over 12 months	34.884	26.605	8.278
Total	**64.297**	**63.227**	**1.069**

"Bank borrowings" came overall to 64,297 thousand euro (2019: 63,227 thousand euro), of which 29,413 thousand euro falling due by the end of 2021 and 26,605 thousand euro after the end of 2021.

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

Bank loans	Value as at 31/12/2019	New loans	Repayments	Value as at 31/12/2020
Ubi - Metal Work Pneumatic USA	3.097			3.097
Unicredit - Metal Work S.p.A.	4.347	3.000	2.861	4.486
Banco Popolare BPM - Metal Work S.p.A.	6.740		2.383	4.357
BNL - Metal Work S.p.A.	6.713	4.439	2.308	8.844
Pool Cassa Centrale Metal Work S.p.A.	10.000			10.000
Credem - Metal Work S.p.A.	753	4.000	873	3.880
Alfa Meccanica S.r.l. - Banco Popolare	226	625	226	625
Alfa Meccanica S.r.l. - UBI	334		207	127
RA Energy S.r.l.		695	100	595
SPMC S.r.l.		400		400
Eurofit S.r.l.		1.000		1.000
DUEBI S.r.l.		100		100
Fluid Force S.r.l.		142	42	100
Metal Work Service S.r.l. - Brescia		3.500		3.500
Metal Work Service S.r.l. - Vicenza		1.000		1.000
Metal Work Service S.r.l. - Treviso		1.100		1.100
Metal Work Service S.r.l. - Parma		1.000		1.000
Metal Work Service S.r.l. - Bari		300		300
Metal Work Service S.r.l. - Novara		800		800
Metal Work Service S.r.l. - Mantua		100		100
Metal Work Service S.r.l. - Torino		900		900
Metal Work Service S.r.l. - Prato		300		300
Metal Work Service S.r.l. - Verona		500		500
Metal Work Service S.r.l. - Bergamo		1.300		1.300
Metal Work Service S.r.l. - Rimini		800		800
Metal Work Service S.r.l. - Arcore		450		450
Metal Work Service S.r.l. - Oggiono		1.200		1.200
Metal Work Service S.r.l. - Cremona		500		500
Total	**32.210**	**28.151**	**9.000**	**43.211**

Financial payables are not guaranteed by mortgages or lien on assets owned by the company, except for the 10m euro loan granted by Cassa Centrale used for the acquisition of the Pedrini real estate. Bank borrowings include loans falling due beyond 5 years of the amount of 4m euro.

Borrowings from other lenders

"Borrowings from other lenders", totalling 9,500 thousand euro (2019: 12,375 thousand euro), comprises residual payables to leasing companies, accounted for in accordance with IAS 17. The movements are detailed in the table below.

	Current year	Previous year	Change
Deposits from customers – less than 12 months	382	81	301
Deposits from customers – over 12 months	-	238	-238
Total	**382**	**319**	**63**

Trade payables

"Trade payables", totalling 29,466 thousand euro (2019: 30,373 thousand euro), represents debts incurred in the performance of core business activities. 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	29.466	30.373	-907
Total	**29.466**	**30.373**	**-907**

Payables owed to associates

"Payables owed to associates", totalling 838 thousand euro (2019: 727 thousand euro), relate to liabilities connected with supplies received from Signal S.r.l.

	Current year	Previous year	Change
Payables owed to associates – less than 12 months	839	727	112
Total	**839**	**727**	**112**

Payables owed to parent companies

"Payables owed to parent companies" , totalling 507 thousand euro (2019: 634 thousand euro), relates to transfers deriving from tax consolidation and business transactions between the Group companies with Metal Work Holding S.p.A.

	Current year	Previous year	Change
Payables owed to parent companies – less than 12 months	507	634	-127
Total	**507**	**634**	**-127**

Tax liabilities

"Tax liabilities", totalling 3,955 thousand euro (2019: 4,060 thousand euro), relates to the debit position with tax authorities for income taxes, VAT and withholding tax payable as a withholding agent.

	Current year	Previous year	Change
Tax liabilities – less than 12 months	3.528	4.060	-532
Tax liabilities – over 12 months	427	-	427
Total	**3.955**	**4.060**	**-105**

Payables owed to social security institutes

"Social security payables", totalling 2,971 thousand euro (2019: 3,179 thousand euro), relates to sums owed to social security and welfare institutes, in accordance with current legislation on employees.

	Current year	Previous year	Change
Payables owned to social security institutes - less than 12 mounths	2.971	3.179	-208
Total	**2.971**	**3.179**	**-208**

Sundry payables

"Sundry Payables"", totalling 4,299 thousand euro (2019: 5,501 thousand euro), mainly consist of remuneration owed to employees for amounts accrued but not paid on the closing date.

	Current year	Previous year	Change
Sundry payables – less than 12 months	4.299	5.501	-1.202
Total	**4.299**	**5.501**	**-1.202**

E) Deferred income and accrued expenses

"Deferred income and accrued expenses" totalling 1,307 thousand euro (2019: 1,178 thousand euro), were calculated on an accrual basis in order to allocate the portions of income and expenses to the exact period to which they refer.

	Current year	Previous year	Change
Deferred income	631	607	25
Accrued expenses	677	572	105
Total	**1.308**	**1.178**	**130**

Deferred income accounted for 631 thousand euro (2019: 607 thousand euro) and mainly relates to financial expenses accrued on debt positions at the end of the year.

Accrued expenses accounted for 677 thousand euro (2019: 572 thousand euro), of which 455 thousand euro relating to tax assets for investments made by the parent company under Act no. 190/2014; 137 thousand euro relating to tax assets for investments made and subsidies from the Lombardy Government for investments made to increase production capacity upgrading to Industry 4.0.

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 consolidated financial statements.

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

Overall sales amounted to 177,007 thousand euro (2019: 190,966 thousand euro), to which 3,759 thousand euro (2019: 3,288 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 1,836 thousand euro (2019: 1,624 thousand euro), of which 432 thousand euro deriving from the application of IAS17, which covers the entry of leased assets using the financial method. The table below provides a breakdown of financial charges.

Financial expenses	Current year	Previous year
Loan interest payable	507	492
Financial expenses on lease agreements	295	360
Financial expenses on open accounts	302	95
Financial expenses for export down payments	48	60
Others	684	617
Total	**1.836**	**1.624**

Adjustments to the value of financial assets

This item was in the positive at 305 thousand euro (2019: 819 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 and the valuation of associates.

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	2020	2019	Average 2020	Average 2019
Executives	18	18	18	18
White collars	662	675	653	637
Middle managers	4	6	7	7
Blue collars	506	477	508	493
Beginners	7	6	4	5
Total	**1.197**	**1.182**	**1190**	**1.160**

TAXES FOR THE YEAR

Taxes for the year came to 2,102 thousand euro, compared to 3,011 thousand euro in 2019. A breakdown of this item is given in the table below.

	Current year	Previous year	Change
IRES allowance	1.542	2.177	-635
IRAP allowance	287	471	-184
Deferred tax allowance	228	391	-163
Deferred tax asset allowance	45	-74	119
Previous years' tax	-	46	-46
Total	**2.102**	**3.011**	**-909**

Remuneration of directors, internal auditors and audit firm

In 2020, the company paid fees to the board of directors for the amount of 1,111 thousand euro (2019: 865 thousand euro), 59 thousand euro (2019: 64 thousand euro) to the board of auditors and 41 thousand euro (2019: 40 thousand euro) to the auditing firm.

Transactions with related parties

The company has contracted out assembly activities to the following small firms, whose owners have family ties with the Chairwoman of the Board of Directors. Operations in 2020 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.	912	932	-20
Lu.de.ma. di Luca Dell'Anna	284	420	-136
Total	**1.196**	**1.352**	**-156**

Disclosure pursuant to Act 124 of 4 August 2019

In compliance with the transparency and publicity requirements under Act no. 124 of 4 August 2019, art. 1, subsections 125-129, it is noted that during the 2020 financial year, the parent Metal Work S.p.A. received operating grants of a total amount of 228,047 Euro, as detailed in the table below:

Payer	Tax ID code	Subsidy	Reason
Gestore dei Servizi Energetici GSE S.p.A. Viale Maresciallo Pilsudski, 92 - Roma	5754381001	228.047	subsidy for photovoltaic generated energy
Total		**228.047**	**-156**

The company has also recognised positive income components related to:

- tax credit for sanitation and purchase of PPE (art. 125, Law Decree no. 34/2020) for the amount of €28,297;
- tax credit for investments in capital goods for the amount of €29,863;
- tax credit for the amount of €257,155 as per Law no. 160/2019, as amended.

Furthermore, Metal Work S.p.A. did not pay the first advance payment of IRAP 2020 in the amount of €57,591, as provided for by Law Decree No. 24 of 19 May 2020.

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 2019 financial statements of Metal Work Holding S.p.A. is given below.

BALANCE SHEET	
A) Shareholders' loan (unpaid capital)	
B) Non-current assets	50.208
C) Current assets	3.744
D) Prepayments and accrued income	22
Total assets	**53.974**
A) Shareholders' equity	38.560
B) Provision for risks and charges	314
C) Provision for employees' severance pay	491
D) Debts and other liabilities	14.600
E) Accruals and deferred income	9
Total liabilities	**53.974**

INCOME STATEMENT	
A) Production value	2.247
B) Production costs	2.292
C) Financial income and expenses	3.737
D) Adjustments to the value of financial assets	117
20) Income tax	32
21) Total net result	**3.543**

Cash flow statement

The statement of sources and utilisations highlights that:

- current asset cash flows generated by current management came to 13,094 thousand euro, compared to 12,988 thousand euro in the previous year;
- financial cash flow, prior to changes in net current assets, amounted to 25,975 thousand euro, compared to 24,553 thousand euro in the previous year;
- financial cash flow, excluding current assets, amounted to 26,997 thousand euro, compared to 17,686 thousand euro in the previous year;
- income management cash flow came to 22,563 thousand euro, compared to 13,644 thousand euro in 2019;
- investments in technical and financial assets totalled 6,166 thousand euro (2019: 11,407 thousand euro);
- reserves for 4,047 thousand euro were distributed (2019: 4,255 thousand euro);
- funding involved a negative flow for a total of 5,282 thousand euro, compared to 3,823 thousand euro in the previous year;
- liquid assets increased from 3,945 thousand euro to 14,489 thousand euro, up 10,544 thousand euro.

Events of significance occurring after the reporting date

To date, there have been no events occurring after 31 December 2020 that would make the current equity and financial situation substantially different from that shown in the balance sheet on the closing date or such that would require adjustments or additional notes to the financial statements.

We feel that the above information provides a comprehensive and true representation of the economic, financial and equity situation of the Metal Work Group.

Concesio, 27 May 2021

The Board of Directors

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

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 31 December 2020.

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 31 December 2020, 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, related parties or unrelated parties;
- 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 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 2020 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 31.12.2020

With reference to the financial statements for the year ended 31 December 2020, 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 **€5,287,904,** compared to a net profit of **€7,260,369** in 2019. The audit firm KPMG S.p.A. issued their audit report on 25 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 31 December 2020 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 31 December 2020 are summarized as follows.

Balance Sheet

Description	2020	2019	Variance
NON-CURRENT ASSETS	82,349,174	70,922,252	11,426,922
CURRENT ASSETS	54,820,454	61,248,106	-6,427,652
PREPAYMENTS AND ACCRUED INCOME	4,219,114	4,787,607	-568,493
TOTAL ASSETS	**141,388,742**	**136,957,965**	**4,430,777**

Description	2020	2019	Variance
SHAREHOLDERS' EQUITY	77,495,980	61,913,158	15,582,822
PROVISION FOR CONTINGENT LIABILITIES AND CHARGES	786,054	563,462	222,592
PROVISION FOR EMPLOYEES' SEVERANCE PAY	1,041,014	1,117,816	-76,802
ACCOUNTS PAYABLE	61,347,800	72,745,456	-11,397,656
ACCRUALS AND DEFERRED INCOME	717,894	618,073	99,821
TOTAL LIABILITIES	**141,388,742**	**136,957,964**	**4,430,778**

Income Statement

Description	2020	2019	Variance
PRODUCTION VALUE	90,101,268	97,521,703	-7,420,435
REVENUE FROM GOODS SOLD AND SERVICES RENDERED	89,270,718	94,920,075	-5,649,357
PRODUCTION COSTS	87,593,311	95,580,088	-7,986,777
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	**2,507,957**	**1,941,615**	**566,342**
PROFIT/ (LOSS) BEFORE TAXATION (A-B±C±D±E)	**5,094,696**	**7,377,364**	**-2,282,668**
CURRENT, DEFERRED AND ADVANCED INCOME TAX	-193,208	116,995	-310,203
NET PROFIT (LOSS) FOR THE YEAR	**5,287,904**	**7,260,369**	**-1,972,465**

Cash Flow Statement

Description	2020	2019	Variance
CASH FLOW GENERATED BY OPERATING ACTIVITIES	28.945.535	10.340.181	18.605.354
CASH FLOW GENERATED BY INVESTMENT ACTIVITIES	-8.437.606	-8.516.943	79.337
CASH FLOW GENERATED BY FUNDING ACTIVITIES	-15.270.764	-2.162.577	-13.108.187
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5.237.165**	**-339.339**	**5.576.504**

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.

With reference to the revaluation of assets made pursuant to and for the purposes of act 126/2020 (converting Law Decree 104/2020, which also refers to act 342/2000), we specify that the criteria followed in the revaluation of assets are indicated and explained in the Business Report. In this regard, we state that the values entered in the records and inventories according to the aforementioned revaluation do not exceed the values actually attributable to the assets with regard to their amount, production capacity, effective possibility of economic use in the company, and their current values.

To the best of our knowledge, in preparing the financial statements for the year ended 31 December 2020 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 28 June 2021, we do not find any impediment to the approval of the draft financial statements for the year ended 31 December 2020, 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 31.12.2020

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 **€7,792,178** against **€8,946,724** 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	2020	2019	Variance
NON-CURRENT ASSETS	115.204.580	102.418.260	12.786.320
CURRENT ASSETS	119.871.352	115.152.044	4.719.308
PREPAYMENTS AND ACCRUED INCOME	865.589	1.051.466	-185.877
TOTAL ASSETS	**235.941.521**	**218.621.770**	**17.319.751**

Description	2020	2019	Variance
SHAREHOLDERS' EQUITY	103,259,519	82,589,356	20,670,163
EQUITY AND PROVISIONS PERTAINING TO MINORITY INTERESTS	6,795,851	6,051,834	744,017
PROVISION FOR CONTINGENT LIABILITIES AND CHARGES	2,119,105	2,209,224	-90,119
PROVISION FOR EMPLOYEES' SEVERANCE PAY	6,193,088	6,197,994	-4,906
ACCOUNTS PAYABLE	116,266,347	120,395,032	-4,128,685
ACCRUED EXPENSES AND DEFERRED INCOME	1,307,611	1,178,330	129,281
TOTAL LIABILITIES	**235,941,521**	**218,621,770**	**17,319,751**

Consolidated Income Statement

Description	2020	2019	Variance
PRODUCTION VALUE	178,986,522	195,962,624	-16,976,102

Description	2020	2019	Variance
REVENUE FROM GOODS SOLD AND SERVICES RENDERED	177,007,367	190,966,444	-13,959,077
PRODUCTION COSTS	165,231,707	182,661,069	-17,429,362
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	**13,754,815**	**13,301,555**	**453,260**
PROFIT/ (LOSS) BEFORE TAXATION (A-B±C±D±E)	**10,761,671**	**13,089,734**	**-2,328,063**
CURRENT, DEFERRED AND ADVANCED INCOME TAX	2,102,311	3,011,498	-909,187
NET PROFIT (LOSS) PERTAINING TO MINORITY INTERESTS	**867,182**	**1,131,512**	**-264,330**
NET PROFIT (LOSS) FOR THE YEAR	**7,792,178**	**8,946,724**	**-1,154,546**

Consolidated Cash Flow Statement

Description	2020	2019	Variance
CASH FLOW GENERATED BY OPERATING ACTIVITIES	22,562,695	13,644,591	8,918,104
CASH FLOW GENERATED BY INVESTMENT ACTIVITIES	-6,166,272	-11,407,066	5,240,794
CASH FLOW GENERATED BY FUNDING ACTIVITIES	-5,852,088	-3,822,661	-2,029,427
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**10,544,335**	**-1,585,136**	**12,129,471**

As at 31 December 2020, the number of companies included in the consolidation scope, directly owned by Metal Work S.p.a., was forty-eight plus four indirect subsidiaries, which gives fifty-two.

Within our scope of our 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 28 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 31 December 2020 provide a true and correct representation of Metal Work Group's equity, financial situation and the operating result for the year.

Concesio, 28 June 2021

THE BOARD OF AUDITORS

THE CHAIRMAN OF THE BOARD OF AUDITORS

RENATO CAMODECA Digitally signed


METAL®
WORK
PNEUMATIC

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 2020, 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 31 December 2020, 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.

KPMG

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 31 December 2020, 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 31 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 31 December 2020, 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, 28 June 2021

KPMG S.p.A.
[Signature]
Paolo Andreasi
Partner

Metal Work S.p.A.
via Segni, 5/7/9 - UL Magazzino: Via Borsellino, 25/27/29 - 25062 Concesio (Brescia) - Italy
Tel +39 030 218711- metalwork@metalwork.it - www.metalwork.it