2022 ANNUAL REPORT

METAL WORK®
PNEUMATIC

INDEX

CORPORATE BOARDS

BOARD OF DIRECTORS

Chair-woman
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 2023

BOARD OF AUDITORS

Chairman
Renato Camodeca

Statutory auditors
Stefano Colpani
Silvio Piccinelli

Deputy auditors
Cecilia Accampi
Giulia Mina

Term of office: until the date of approval of the Financial Statements as at 31 December 2023

INDEPENDENT AUDITING FIRM AND SUPERVISORY BOARD

KPMG S.p.A.

Term of office: until the date of approval of the Financial Statement sas at 31 December 2024

KEY BUSINESS INDICATORS

Income Statement - Figures in k€	2022	2021	2020
Revenue from sales	245.065	218.564	177.077
Gross operating margin (EBITDA)	38.010	35.782	26.740
Amortisation & depreciation and previsions	17.289	17.290	12.986
Operating income (EBIT)	20.721	18.491	13.754
Pre-tax result (EBT)	19.799	18.348	10.761
Net result (EAT)	**14.532**	**13.590**	**8.659**
Net self-funding	31.821	30.880	21.645

Balance sheet - Figures in k€	2022	2021	2020
Net current assets	72.514	64.606	59.231
Net technical non-current assets	110.969	108.213	113.340
Financial assets	3.642	1.895	1.862
Employee-leaving indemnities/other provicions	-9.202	-8.978	-8.312
Net Invested Capital	**177.923**	**165.736**	**166.121**
Net financial position	**51.076**	**48.277**	**56.066**
Net equity	**126.847**	**117.459**	**110.055**

Figures in k€	2022	2021	2020
Investments in fixed assets	5.732	3.600	309
Investments relating to the factory	7.657	6.752	4.779
Information technology & communication	960	784	1.455
Other investments	4.668	983	478
Total investments	**19.017**	**12.119**	**7.021**
Expenses for R&D personnel only	1.579	1.681	1.570
of which capitalized	0	0	0

Distribution of sales by geographical area - Figures in k€	2022	2021	2020
Italy	123.587	99.278	73.795
UE	73.393	68.070	62.972
Asia	13.869	18.202	14.075
Latin America	5.917	4.634	4.081
North America	13.077	9.842	7.913
Non-UE	10.440	13.924	10.700
Oceania	4.134	3.665	2.789
Africa	648	949	752
Total	**245.065**	**218.564**	**177.077**
% sales in Itlay on total	50%	45%	42%

	delta 2022-2021	delta 2022-2020
Italia	24.309	49.792
Export	2.192	18.196
Total Delta	26.501	67.988
	12%	38%

BUSINESS REPORT ISSUED BY THE BOARD OF DIRECTORS

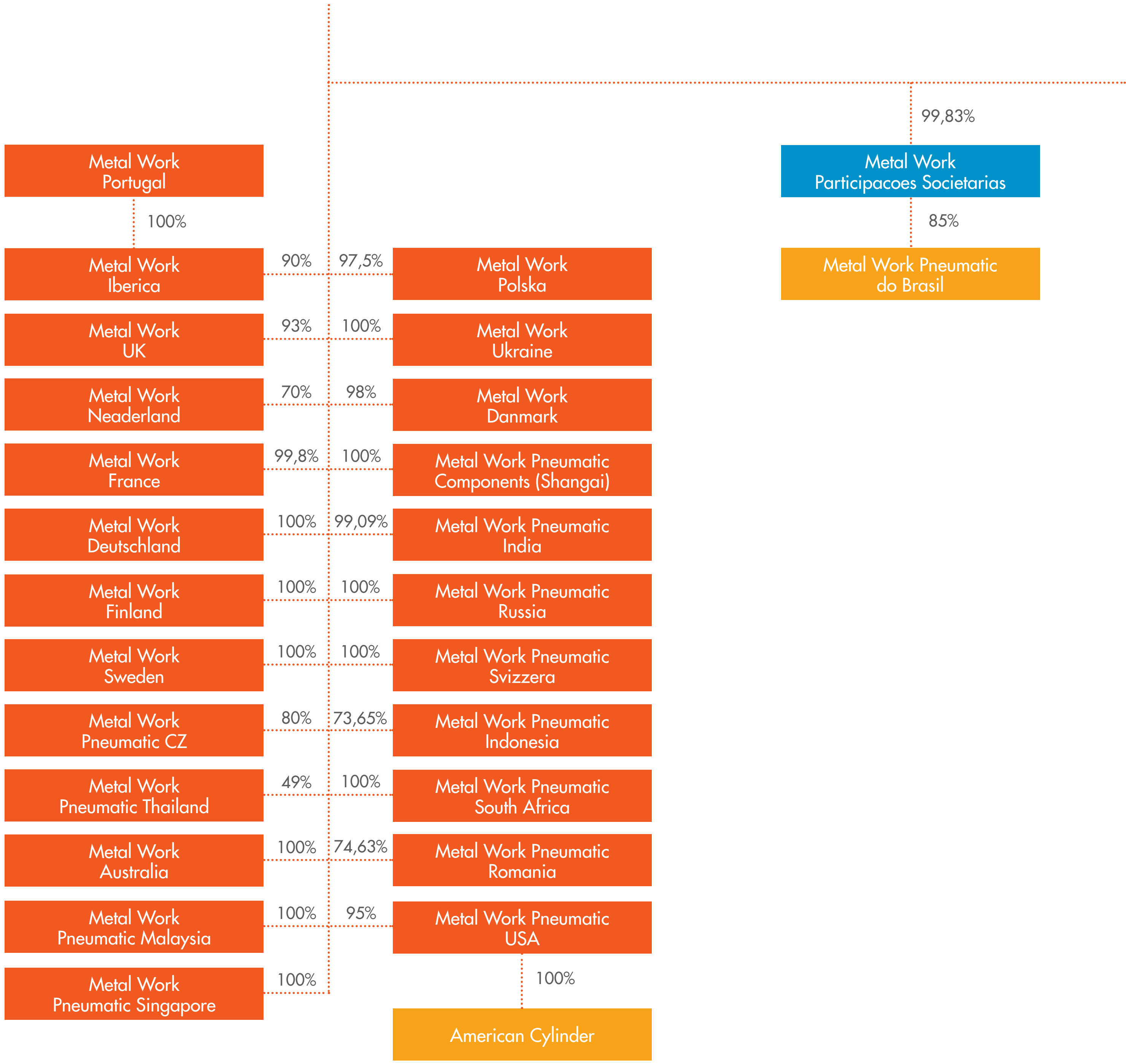
Business report

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:

- A total of 17 companies named Metal Work Service, mainly located in Northern Italy, carry out sales and manufacturing operations in connection with the implementation of automation solutions for the end customer;
- As many as 15 companies named either Metal Work or Metal Work Pneumatic, located in the main EU countries and Ukraine, Russia, Great Britain and Switzerland, carry out both sales and manufacturing operations in connection with the implementation of automation solutions for the end customer;
- 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 products on the Latin American market;
- For the distribution of MW product, further 10 companies located in the United States of America, Southeast Asia, Oceania, China, South Africa and India, all named either Metal Work or Metal Work Pneumatic, carry out both sales and manufacturing operations in connection with the implementation of automation solutions for the end customer;
- 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 the industrial automation and materials handling sector;
- 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. are all Metal Work S.p.A.'s production satellites, which deal in the assembly of fittings, plastic moulding and lathe machining.
- Metal Work Automation S.r.l., a company specialising in the production of special fitting and assembling machines and switchboards, including the implementation of software for industrial use;
- Vdm S.r.l., a company specialising in the coating of industrial component parts;
- Signal S.r.l., an associated company specialising in electronics applied to industrial automation;
- The Spanish associated company Air Vacuum Technology S.l., which deals in the vacuum system industry;
- American Cylinder Inc., headquartered in Peotone (IL), is wholly owned through Metal Work Pneumatic USA Inc., which makes cylinders for the US market;
- The Eurocomp Holding S.r.l. equity holding company


99,83%
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
93%
100%
Metal Work
Ukraine
Metal Work
Neaderland
70%
98%
Metal Work
Danmark
Metal Work
France
99,8%
100%
Metal Work Pneumatic
Components (Shangai)
Metal Work
Deutschland
100%
99,09%
Metal Work Pneumatic
India
Metal Work
Finland
100%
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Metal Work Pneumatic
Russia
Metal Work
Sweden
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Metal Work Pneumatic
Svizzera
Metal Work
Pneumatic CZ
80%
73,65%
Metal Work Pneumatic
Indonesia
Metal Work
Pneumatic Thailand
49%
100%
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South Africa
Metal Work
Australia
100%
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Romania
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Pneumatic Malaysia
100%
95%
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USA
100%
American Cylinder
Metal Work
Pneumatic Singapore
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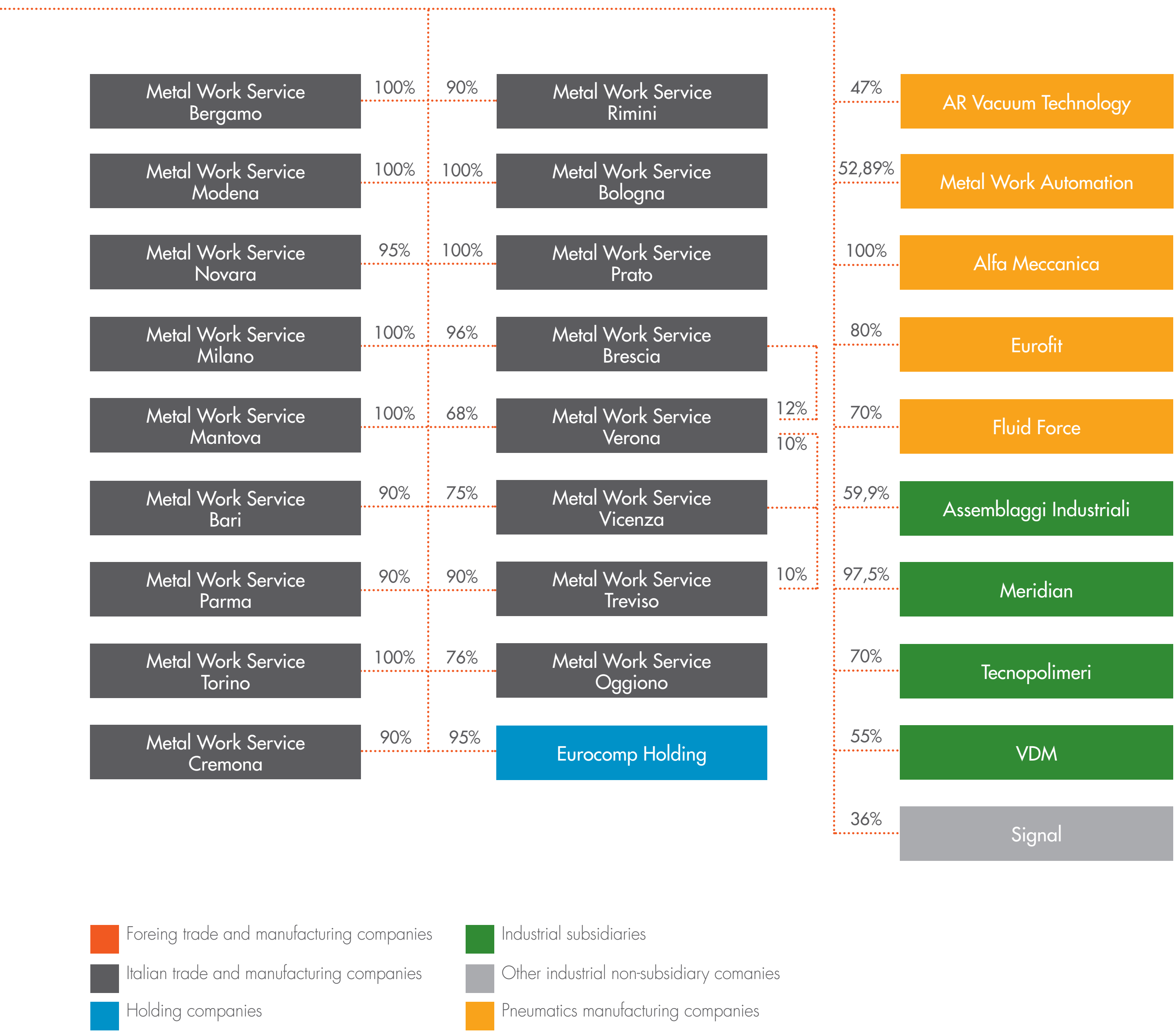
Metal Work Service Bergamo
100%
90%
Metal Work Service Rimini
47%
AR Vacuum Technology
Metal Work Service Modena
100%
100%
Metal Work Service Bologna
52,89%
Metal Work Automation
Metal Work Service Novara
95%
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Metal Work Service Prato
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Alfa Meccanica
Metal Work Service Milano
100%
96%
Metal Work Service Brescia
80%
Eurofit
Metal Work Service Mantova
100%
68%
Metal Work Service Verona
12%
10%
70%
Fluid Force
Metal Work Service Bari
90%
75%
Metal Work Service Vicenza
59,9%
Assemblaggi Industriali
Metal Work Service Parma
90%
90%
Metal Work Service Treviso
10%
97,5%
Meridian
Metal Work Service Torino
100%
76%
Metal Work Service Oggiono
70%
Tecnopolimeri
Metal Work Service Cremona
90%
95%
Eurocomp Holding
55%
VDM
36%
Signal
Foreing trade and manufacturing companies
Italian trade and manufacturing companies
Holding companies
Industrial subsidiaries
Other industrial non-subsidiary comanies
Pneumatics manufacturing companies

SCENARIO

2022 will be remembered as a year marked by Russia's invasion of Ukraine, and the consequences that this war had on international relations and trade, on the increase in some energy and production factors, and on the inflationary spiral that had already taken shape in the previous year.

After the sharp recovery in 2021, linked to the gradual spread of vaccines and the overcoming of the health emergency, world growth in 2022 almost halved by 3.4%, and was less than expected. The most marked slowdown concerned the United States, but China also decelerated, as did Russia due to the continuing conflict. In addition, inflation increased in all the major economies, averaging between 8 and 9%.

US GDP grew by 2.1% throughout 2022. This is significantly lower than the 2021 performance (+5.9%), but unexpected after the poor year start and the decline in GDP in the first two quarters. The strong increase in disposable income supported household consumption, the engine of the US economy, but also increased government spending. Thanks to the sharp drop in imports, foreign trade also made a positive contribution to growth in Q4. It should also be noted that rising inventory, a very volatile figure from one quarter to the next, boosted business activity in previous year's final months. Looking at the negative figures, investments fell sharply for the 3rd consecutive quarter as a result of rising interest rates that are slowing down companies' projects. This is especially true in residential construction, which is in a free fall. The US suffered from the energy shock as compared to Europe, but the economy had already suffered in the first half of 2022 from high inflation and the sharp rise in interest rates: the FED raised them to 3.25%, from zero at the beginning of the year, to curb inflation, which is widespread in the US far beyond energy prices. On average in 2022 and the following year, the US economy is expected to slow sharply (+1.1% in 2023), with a clear downward revision of estimates, though still on the rise.

Growth of the Chinese economy slowed to 3% last year. Covid's restraining measures reduced production and dampened consumer confidence. After popular outcry over the measures imposed, the government revoked many of the restrictions and is now focusing on economic growth. Chinese economy seems to have bottomed out in 2022. The lockdowns imposed to combat the fast-transmitting Omicron variant turned out to be a very costly and, in turn, ineffective practice, leading to a drop in productivity and weaker domestic demand. At the same time, the slowdown in global economy slowdown caused a significant shrinkage in export demand. As a result, the economy's growth remained well below the 5.5% target.

India's economy grew by 6.8 % last year as a result of a recovery in consumption and mainly public investments, though still lower than the 8.6 % in 2021, and the outlook for the following years is of a further slowdown. Economic growth is expected to remain solid supported by public investment in infrastructure, while the expected driving force on private investment may still be weak. The long-term outlook remains strongly optimistic considering that the world's largest growth for the second year in a row has placed India as the fifth largest economy in the world.

In Brazil, gross domestic product increased by 2.8% in 2022, whilst a downturn to 1% is expected in 2023. Inflation remained well above 5% even though it fell significantly after the April peaks of over 12%. 2022 was the year of appreciation of the Brazilian Real, even against the dollar. This was due to aggressive policies by the Brazilian central bank and the rise of commodities, including agricultural products.

In 2022, Russia experienced a moderate economic recession mainly driven by factors related to the start of the conflict. Gross domestic product decreased by 2.1% despite the fact that the energy industry, particularly the oil and gas sector, continued to play a significant role in the Russian economy. Russia was subjected to a set of economic sanctions unprecedented in the history of modern-day economy, which will also lead to a recession in the current year. The Russian Central Bank has taken measures to control the value of the currency that have led to widespread inflation.

Gross domestic product in the euro zone slowed down in 2022, suffering from higher energy and food prices, uncertainty related to the protracted conflict in Ukraine and the start of a tight monetary policy period. Consumer inflation reached its peak since the start of monetary union. Upward pressures resulting from supply bottlenecks and exceptional increases in energy and food commodity prices also flowed down along the price formation chain to the less volatile components of the consumer spending pattern. The end of 2022 saw the start of a downturn in inflation driven by falling energy prices, which is expected to continue in the course of this year. The transmission of high price dynamics to labour costs remains highly heterogeneous by country and sector.

In order to mitigate the risks that high price pressure would spill over into medium- and long-term expectations and to ensure that inflation would return to the 2 per cent target, the European Central Bank raised official rates promptly, with a total increase of 2.5 percentage points between July and December. With inflation persisting at high levels, this tightening of monetary conditions continued in the first months of 2023.

Italy's GDP grew by 3.7 % last year, following a strong recovery in 2021. This trend benefited from the improvement in the healthcare scenario, which made it possible to eliminate measures preventing the spread of the pandemic, boosted by tax incentives for upgrading and improving the energy efficiency of the building infrastructure; however, manufacturing output experienced some difficulties, despite the gradual easing of intermediate inputs. International tensions and uncertainty generated by the conflict in Ukraine, further increases in the price of energy commodities and the start of the restrictive phase in the orientation of monetary policy all contributed to slow GDP in the second half of 2022.

THE INDUSTRIAL AUTOMATION MARKET AND OUR PLANS

The 2022 financial year ended off extremely satisfactorily, reaching consolidated revenue of approximately 245 million euro and approaching the consolidated sales envisaged in the 2020-2025 business plan three years head of schedule.

The demand for capital goods relating to pneumatic and electrical industrial automation remained highly sustained and the reference market value for the Metal Work Group increased from €11.9 bn to €13.7 bn

In the course of the year, we consolidated all our subsidiaries worldwide, and in particular the two newly added companies, the US American Cylinder and the Spanish AR Vacuum Tecnology.

The performance of the two companies in the US market was particularly good, and by the end of 2022, that market was the most important for our Group.

During 2022, we completed the establishment of a company in Vietnam, based near Hanoi, headed by an engineer from our industry, which will be fully operational during 2023. The Vietnamese market is booming, especially in view of the fact that it has become in many cases the satellite market of China, which is facing massive industrial relocation to that country. It was therefore necessary for the Group to be directly present with an initially trading company, without excluding the possibility of also setting up a small cylinder production unit for the local market in the future. Like all companies in the Asia/ Pacific region, this company will fall under the commercial and management responsibility of our Area Manager based in Singapore.

In the year just ended, we continued to invest in human resources related to technical sales support, hiring a number of skilled human resources at our headquarters, who, after in-depth internal training, will join the Product Specialists already operating in supporting our sales force.

All subsidiaries performed satisfactorily during 2022, continuing the process of consolidating structures and increasing our market share.

Through our CRM, we have established direct relationships with more than 23,000 customers worldwide, taking advantage especially of our ability to maintain a positive service in terms of delivery, especially with regard to valve islands, which, due to difficulties in finding electronic components, have been critical factors for our main competitors.

We have made available some dedicated software to configure our products, making it easy to identify the choice of our components.

Given our vocation for customised products, we were able to get in touch with a number of large industrial groups, with whom a fruitful industrial partnership relationship was established.

The early months of 2023 were in any case positive, even though a slowdown in demand is to be assumed, entailing a consolidation of the sales volumes achieved in 2022. As previously highlighted, sales in 2022, which in fact reached the values envisaged in the 2025 business plan, as well as the high inflation and the consequent sharp increase in the cost of key production factors have forced us to prepare a new business plan expiring in 2028, which will actually take shape during the 2023 financial year.

Business trend

HIGHLIGHTS

Revenues as at 31 December 2022 amounted to 245.1 M€, up 27 M€, with a y-o-y 12% increase. This result is due to the positive effect of exchange rate fluctuations for 1.4 M€ and the 3.6% increase in average sales prices.

VALUE ADDED INCOME STATEMENT

	31/12/2022	%	31/12/2021	%	31/12/2020	%
Revenues	245.065	100,0%	218.564	100,0%	177.007	100,0%
Cost of goods sold	137.492	56,1%	118.862	54,4%	96.479	54,5%
CONTRIBUTION MARGIN	**107.573**	**43,9%**	**99.702**	**45,6%**	**80.528**	**45,5%**
Personnel expenses	69.563	28,4%	63.920	29,2%	53.788	30,4%
GROSS OPERATING MARGIN (EBITDA)	**38.010**	**15,5%**	**35.782**	**16,4%**	**26.740**	**15,1%**
Amort. & depreciation, write-downs and provisions	17.289	7,1%	17.290	7,9%	12.986	7,3%
OPERATING INCOME	**20.721**	**8,5%**	**18.491**	**8,5%**	**13.754**	**7,8%**
Net financial expenses/(income)	1.286	0,5%	500	0,2%	2.687	1,5%
Adjustments to net financial assets	364	0,1%	356	0,2%	306	0,2%
PRE-TAX RESULT (EBT)	**19.799**	**8,1%**	**18.348**	**8,4%**	**10.761**	**6,1%**
Taxes for the year	5.267	2,1%	4.759	2,2%	2.102	1,2%
NET OPERATING RESULT	**14.532**	**5,9%**	**13.590**	**6,2%**	**8.659**	**4,9%**
Share result of minority interests	1.601	0,7%	1.351	0,6%	867	0,5%
Share of Group result	12.930	5,3%	12.238	5,6%	7.792	4,4%

Revenues came to 245.1 M€, compared with 218.5 M€ at 31/12/2021, up 12.1%.

In determining the production value, an amount of 1,717 k€ (2021: 1,289 k€) resulted from Increases for internal work: this includes 1,355 k€ for the sale of machinery from the subsidiary to the Parent Company, which were correctly reclassified in accordance with the accounting standards for consolidation methods.

The cost of goods sold, came to 137,492 k€, accounting for 56.1% of revenues, compared to 54.4% in the previous year and was significantly affected by the increase in input cots, linked both to inflation in general terms and the energy factor that suppliers necessarily had to 'reverse' it in the cost of goods sold.

Added value came to 107,573 k€, accounting for 43.9% of revenues versus 45.6% in 2021.

Personnel expenses, totalling 69,563 k€, accounting for 28.4%, compared to 29.2% in 2021.

Gross operating margin amounted to 38,010 k€, accounting for 15.5% of sales (2021: 35,782 k€, 16.4% of sales). amortisation, depreciation, write-downs and provisions totalled 17,289 k€ (2021: 17,290 k€), equivalent to 7.1% (2021: 7.9%), thereby bringing operating income to 20,721 k€.

Net financial expenses amounted to 1,286 k€ compared to 500 k€ in2021, representing 0.5%, compared to 0.1% in 2021, while adjustments to financial assets were positive in the amount of 364 k€ (2021: 356 k€) and related to the valuation of securities recognized under current assets and the equity valuation of associated companies.

Pre-tax profit amounted to 19,799 k€ on which taxes accounted for 5,267 k€, with tax rate of 26.6%, compared to 25.9% in 2021.

Net profit, including minority interests, amounted to 14,532 k€ (previous year: 13,590 k€).

Net self-financing, consisting of the amount of the result for the year, depreciation, amortisation, write-downs and provisions for risks, amounted to €31,821 €K, equal to 13% of revenue (previous year: 14.1%)

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

	31/12/2022	31/12/2021	31/12/2020
Trade receivables	62.055	57.504	48.201
(Trade payables)	-46.216	-41.559	-30.843
Closing inventory	62.019	53.465	44.747
(Other payables)/ Other net receivables	-5.644	-4.804	-2.873
CHARACTERISTIC NET CURRENT ASSETS	**72.214**	**64.605**	**59.231**
Net non-current assets	110.969	108.213	113.340
Net financial assets	3.642	1.895	1.862
Employee-leave indemnities and other provisions	-9.202	-8.978	-8.312
NET INVESTED CAPITAL	**177.622**	**165.736**	**166.121**
SHAREHOLDERS' EQUITY	**126.547**	**117.459**	**110.055**
NET FINANCIAL POSITION	**51.076**	**48.277**	**56.066**
Short-term payables owed to banks	39.075	31.517	29.413
Medium/Long-term payables owed to banks	21.182	27.257	34.884
Short-term payables owed to other lenders	1.096	2.861	2.429
Medium/Long-term payables owed to other lenders	10.354	10.867	7.072
Liquid funds	-16.337	-19.618	-14.489
Other securities	-4.289	-4.605	-3.239
Financial receivables	-4	-3	-2

The reclassified balance sheet shows that net current assets related to current operations increased from 64,603 k€ to 72,214 k€, up 7,609 k€ on 2021.

The value of non-current assets net of depreciation amounts to €110,969 k€. The net carrying value of buildings and land at a consolidated level accounts for 55,572 k€. Investments amounts to 19.0 M€ (2021: 12.1 M€).

Financial assets total 3,642 k€ compared to 1,895 k€ in the previous year, including equity investments in the associated companies Signal S.r.l. and AR Vacuum.

Consolidated shareholders' equity, including the value attributable to minority interests, amounts to 126,547 k€; the net financial position increased by 2,799 k€ compared to 2021 and is negative by 51,076 k€, after the distribution of part of the extraordinary reserve in the amount of 4,440 k€ in 2022 and investments in excess of 20 M€, including the takeover of the Spanish company.

At an equity and financial level, the leverage measuring the ratio between the net financial position and shareholders' equity show a situation under control and significantly improving:

	2022	2021	2020	2019
NFP / Net Financial Position	0,40	0,41	0,51	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, €/CNY and €/AUD 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.

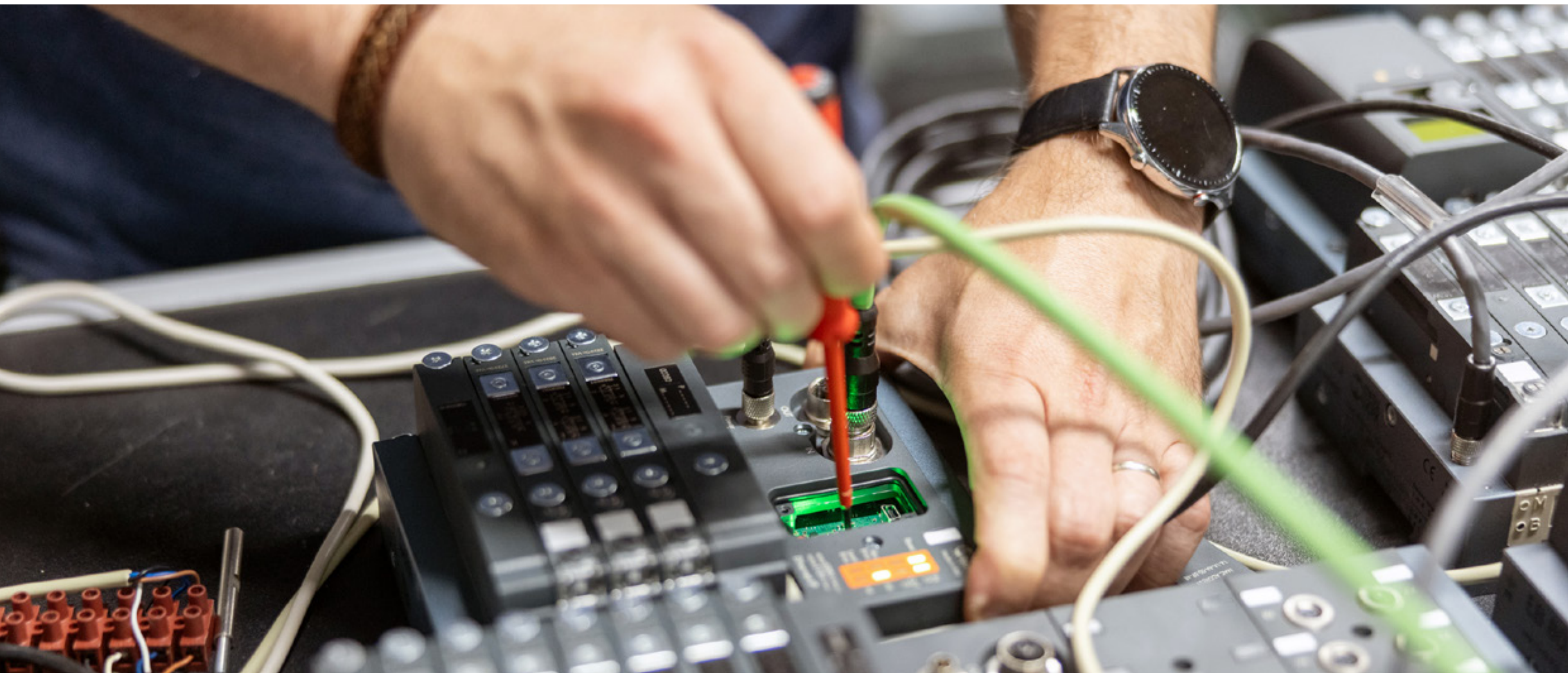
In order to cover the risks arising from financial markets, the Group's objectives and policies are based on the following main guidelines:

- 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 pre-set 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 31.12.2022, the Group did not have any currency options, and had other sales hedging transactions for 9.7 M€ (2021: 2.79 M€);

- interest rate risk: by completing transactions with a limited-risk profile and good flexibility in terms of overall benefit; limiting the incidence of financial expenses; making transactions for pre-set 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 31.12.2022, the Group had established several interest-rate caps of a notional value of 5.9 M€ relating to the framework of the amortisation plans covering financial lease agreements and some IRS contracts of the amount of 1.1 M€. As at the same date, indebtedness relating to medium- and long-term operations accounted for 39.1 M€, of which only 62%, equivalent to 24.5 M€, is exposed to the risk of rising rates.

- 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 prepared, the company had no hedging transactions in place on the copper or aluminium market and had the cost of electricity locked in until the end of the financial year.

- Trade credit risk: given that over 80% of its sales take place through its own commercial organisation, thus generating a credit that is by definition 'uninsurable', the company has policies in place that insure the risk of non-collection of customers belonging to particular geographical markets, as well as the risk arising from all independent Italian customers, who have an exposure beyond a certain limit. Nevertheless, at Group level, credit risk is monitored using innovative tools, with systems that continuously analyse the economic and financial situation of our customers.



INVESTMENTS AND R&D

R&D:

Throughout 2022 Metal Work released several new products in a balanced mix of traditional pneumatic components, aimed at extending the range, and highly innovative devices with the electronics part decidedly prevalent.

These include the new FLUX Series flowmeters, in sizes 1 and 2, fully developed by our team of mechanical and electronic experts. These devices are capable of measuring the flow rate of compressed air flowing through a pneumatic system, as well as the spot pressure and flow temperature. In this way, the FLUX is able to monitor the instantaneous and cumulative energy consumption over a given period of time, providing the user with a series of parameters that are very useful for keeping the system's energy consumption under control, as well as signalling any problems due to breakdowns or unexpected leaks. The decision to develop this device in-house has also allowed Metal Work to acquire its own expertise in a new field of technology that was previously unexplored and, consequently, lay the foundations for the development of new similar control devices.

Another device containing a high degree of electronic know-how, both hardware and software, is the eDirect motion controller, developed in our own laboratories and aimed at controlling DC motors used for example in our ELEKTRO ROUND DC Series cylinders. It is an advanced driver that makes the control of a cylinder driven by a DC motor easy and intuitive, thus facilitating its use and making it a true Plug & Play cylinder.

Within the field of electric actuators, the year 2022 saw the release of the new VBK Series cantilever actuator, typically used as a vertical axis in handling applications.

Again during the past financial year, Metal Work developed and published on its website a newly designed graphical tool for the configuration of EB80 valve islands. The new software, published on the Metal Work site, has direct access with no registration requirements and facilitates the customer in defining, choosing and purchasing EB80 systems. It is an advanced, decidedly user-friendly tool that has enabled a highly successful product like the EB80 to be promoted even further.

Moving on to typically pneumatic applications, in 2022 we launched our first pneumatic handheld actuator (R5 Series) developed for cyclic rotary applications. For the development of this product, we had to acquire the technology for overmoulding elastomeric seals onto metal substrates. This technology was not even in the possession of our suppliers, so it was a product and process growth path that now belongs to Metal Work's know-how.

During the year just ended, Metal Work also released other products for pneumatic automation, such as, for example, the new ø80 size of the Multifix Series guided compact cylinders, which were very popular in the market and had previously stopped at ø40 size. Then, let us recall the extension of the Line-on-Line Series with the introduction of the new Push-Lock flow regulators, the new miniature pressure switches and the new SOV valves with an M8 connector. Completing the product innovations are the protective bellows for ISO 15552 cylinders, which can be used in dirty and dusty environments, the new low-friction cylinders ø160 and ø200, which are used to make pneumatic lifters, the new 1 micron Syntesi purifier and the new digital pressure switch with IO-Link interface.

Lastly, it is worth mentioning the pre- and post-sales service activities that our technical department has guaranteed to all our customers, both historical and recently acquired ones, thanks above all to ongoing supply enabled by the development of new hardware and software platforms that have made it possible to diversify supplies. In fact, where the market has generally severely delayed deliveries due to difficulties in finding electronic components, the diversified development strategy implemented by Metal Work has made it possible to serve our historical clientele as well as gaining new ones, especially with the EB80 Series products. Consequently, our ticketing service for technical sales support also saw intense growth, showing a competence and promptness which is consistently appreciated by customers and colleagues in the sales network.

During the financial year 2022, our company carried out activities that fall within the eligibility criteria set forth in Law 160/2019, as amended, and in this regard, it dedicated a significant commitment of its resources to the implementation of the projects highlighted below, carried out in the facilities located at 5/7/9 VIA SEGNI, CONCESIO (BS):

Project 1 – Technological innovation in favour of new product configurations

Project 2 - Technological Innovation Activities in favour of the study and experimentation of technical and technological solutions to improve process performance.

For the development of these projects, the company incurred costs of €3,542,680 in Technological Innovation activities during the past financial year.

It is hoped that the positive outcome of these innovations will generate good results in terms of turnover with a favourable impact on the company's economy. For Technological Innovation activities, the company intends to avail itself of the tax credit provided for by Law 160/2019, art. 1, paragraph 198/209, as amended by Law 178/2020, art. 1, paragraph 1064 as amended.

Pursuant to art. 2426, point 5 of the Italian Civil Code, national accounting standards no. 24 of the CNDC and CNR revised by the OIC and in compliance with art. 108 of Presidential Decree 917/86 (TUIR) and subsequent amendments, research and development expenses incurred relating only to the projects described above have been considered as a cost for the year and charged entirely to the income statement. While admitting full regulatory discretion in deciding whether to expense these costs during the year or through an amortisation plan, in any case of a duration not exceeding five years, it was not deemed appropriate to capitalise these costs in the balance sheet assets, as it is believed that the broad statutory principles of prudence should prevail, in consideration among other things of the fact that the recoverability of the costs in question through future revenues (an essential requirement for capitalising Technological Innovation costs) is a highly subjective and random assessment.

Expenses of the product design department alone, which comprises 23 units (2021: 22 units), amounted to 3.05 M€ (2021: 3.18 M€), reflecting the company's ongoing commitment to invest in the product and its continuous improvement. During the year, these expenses were not capitalised. In 2022, the company invested in R&D, i.e. in new product developments and relevant engineering, the total amount of 5,566 k€ (2021: 5,503 M€), equivalent to 4.5% of sales (2021: 4.7%).

OPERATIONS BY DEPARTMENT

ICT:

As far as the ICT department is concerned, a large part of operations in 2022 derived from the System Upgrade project of the Group ERP. In order to guarantee the companies a modern system in line with the growing needs of the business, the operating stage of the demanding project to switch to SAP S/4 HANA has commenced and will be implemented simultaneously for all the approximately 500 users of the 30 branches operating on the ERP.

This project is therefore critical for its scope, delicate for the choice of taking the systems out of the Metal Work Server Farm towards the SAP Private Cloud in AWS, and demanding for the extension as it also involves all the SAP satellite systems of the ERP (SAP Hybris, SAP C4C, SAP BYD). So not only application, but also infrastructure and connectivity.

In June our first S/4 HANA system was switched on in AWS and can now be accessed from its operational location by each of the 500 users who routinely work on SAP ECC today. In the second half of the year, we performed the first of the ERP satellite system upgrades: the SAP Hybris system, on which new languages were enabled and new relevant functional extensions necessary to support new dimensioning and calculation programmes published on the Metal Work SpA's website were activated.

With a view to Industry 4.0, other automated warehouses, each with its own WMS (Warehouse Management System), were integrated with SAP ECC and installed at other Italian and foreign commercial branches with the aim of optimising part of the logistics activities associated with material handling.

We also carried out GoLive on the ERP system for 2 new production facilities of the Group, one of which is highly complex because it specialises in the production of equipment for industrial automation. Special machines, for whose production it was necessary to activate the Production on Order model, which was not previously available in the system.

Industrialisation

Work in the Industrialisation Department continues along the direction outlined in the previous year, particularly with regard to setting up the new production department. Alongside new systems with high production rates, a more lean production department was established, where plant flexibility and the use of personnel with transversal skills play a strategic role, especially for medium/short-run products. New machinery that is particularly suitable for lean production and reduced setups was acquired and installed.

The thorough analysis of certain types of production in the milling sector, the number of batches, the shape of semi-finished products and the machine load allowed us to identify and acquire a high-capacity, flexible and low-set-up production solution that will be installed next year. This solution will make it possible to improve the delivery time of certain parts where customer demand is not continuous and is characterised by sudden increases and short delivery times.

The production and management of sections from bars also underwent a significant change this year; through a Lean approach it was possible to reduce the stock, optimise production capacity and improve the service level for the production department at the same time. The use of specially designed shelving has also simplified utilisation while reducing storage space.

Again in the production area, the Industrialisation Department launched a wide-ranging project for the planned and organised management of electrical, mechanical and tooling spare parts, the aim being to optimise and, where possible, automate all processes related to order and stock management, using dedicated software, storage and cataloguing systems, where the real-time availability and sharing of information is the determining factor for precision, time saving and fast work execution.

As far as assembling and testing lines are concerned, a strong impetus was given in the direction of renewing existing production systems and inserting new lines, especially related to the quantitatively larger product ranges such as fittings, valves and cylinders. A series of innovative control systems were also introduced in order to intercept in-line product defects or reduce the risk of human error during manual or semi-automatic assembling.

In order to meet the rapidly growing market demand for new products made largely of polymer components, it was necessary to increase the number of injection moulding machine and, given the complexity of component parts, find ways to improve and tighten quality control, given the complexity of the parts, to find ways to improve and enhance quality control. The previous year saw the systematic application of the Daily Kaizen model to professional maintenance. The results achieved by the project in the production departments, especially with regard to the number of total breakdowns, led us to activate the same methodology for approaching problems in the assembling area.

Training of personnel in the production departments in the use of structured kaizen tools at work sites and problem-solving activities had a further 17 % increase this year, and leads us to reasonably think of total personnel coverage as a goal quickly.

Staff training to increase the coverage of specific tasks using the TWI instruction tool was further increased by 8 % compared to the previous year.

	2022	2021	2020	2019
Product units processed	80.563.324	86.653.506	64.430.184	74.318.256
Mechanical processing hours	270.000	278.575	198.278	206.267

Company-Wide Quality Control and environmental impact management:

During the year 2022, Metal Work's Quality Service continued to pursue its objectives, working in the area of statistical quality controls on machining processes. This activity is aimed at preventing manufacturing defects, reducing scrap and ultimately guaranteeing Quality on the product sold.

The checks are carried out by sampling pieces at a set rate from each individual machine. Testing is then carried out by qualified personnel, using cutting-edge electronic instruments that guarantee high precision reading of the dimensions under control.

Each testing session is entered into the computer system using SPC (statistical process control) software to generate control charts that allow operators to assess in-process quality trends and take preventive action before faulty parts are generated. All input data entered form an essential database at the disposal of process engineers for the improvement of machining cycles.

In the metrology room laboratory, the measuring equipment is kept under control and periodic instrument calibrations are performed; statistical checks are also carried out on products received from external suppliers.

In relation to operations concerning ongoing consolidation of the management system framework, 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.

It is worth highlighting that these are, in all three cases, international standards to which Metal Work has decided to adhere voluntarily, i.e. without any legal obligation, testifying to its great commitment to such important issues as product - process quality, safety and health of its workers and respect for the environment.

These three systems are integrated with each other; this means that a large part of the operating procedures and instructions have been set out jointly across the three systems, thereby optimising their internal management and improving their effectiveness.

More specifically, the Quality system according to the ISO 9001 standard was extended in the past also to most of the Italian and foreign subsidiaries, according to a matrix scheme that provides for the supervision of the individual systems operating externally directly by the HQ Quality Management. The three systems were subjected to the annual periodic audit by the German certifier DEKRA Certifications, with a positive outcome.

In 2022, the management system dedicated to MOCA (= materials and objects in contact with food) was also extended and consolidated to the Group member companies in Italy to meet market demands in the food sector.

Part of the GMP (i.e. Good Manufacturing Practices) defined for Metal Work S.p.A. has been applied to group's member companies. In practice, these are those quality assurance aspects, applicable to distribution activities, that guarantee that the items are constantly kept under control, to ensure compliance with the regulations applicable to them and the quality standards appropriate for their intended use, without constituting a risk to human health or unacceptably altering the composition of the food product or causing a deterioration of its organoleptic characteristics. A specific procedure, with the necessary documentation, has been put in place to ensure the correct handling and complete traceability of food labelled products. Internal audits are also periodically carried out on these aspects by the QAS department, with a positive outcome, highlighting the effectiveness of the procedure and the actions taken. Inspections were carried out by competent bodies

(AST) on a sample of some companies with a fully positive outcome.

In addition, work continued on the product management system with IEC Ex marking, covering a product line, the EB80 valve islands, which is annually audited by Bureau Veritas, based on the EN ISO/IEC 80079-34 standard. Also in this case, a specific manual was drawn up with the relevant procedures and work instructions. As in the case of the MOCA product, the procedures for identifying components at all stages of the production process are crucial, an activity that involved some strategic component suppliers to a considerable extent.

As far as environmental impact issues are concerned, please refer to the non-financial ESG report Metal Work is being publishing for the first time, although it will be compulsory starting in the financial year 2024.

Logistics and 'operations'

As far as logistics operations are concerned, it is worth noting that the value of the goods in stock increased significantly in relation to increased sales and purchase costs of both raw materials and component parts, as well as procurements that were greater than the actual needs due to supply shortages, especially for electronic components. As a result, we reported a decrease in the physical turnover ratio from 5.6 to 4.2. Therefore, the factors driving this increase in absolute terms can be summarised as follows:

a) The great difficulty in procurement of materials which led to doubling the delivery lead time in many cases, thus forcing us to increase our stocks;
b) The upward trend in sales which not being covered by forecast orders forced us to issue additional manual orders;
c) The steady expansion of the sales references handled which results in the availability of inventory of components that have a very low stock-rotation ratio.
d) The increase in costs of both raw materials and components leads to an increase in the value of inventory for the same quantity.

Work on extending a standardised method of managing warehouses and analysing service levels to all Italian branches was completed in 2022; data is managed on a monthly basis and gives branch managers a report that allows them to manage non-rotating materials on time.

The renovation of a 3500 square metre surface area, which became available after the relocation of the plastic moulding shop, was also completed. The area has been used for turning and milling machining and the space generated has allowed the start-up of production of the new machines needed to fill the production gap caused by the sharp increase in sales over the last three years, which will entail the re-sourcing of some external processing required to handle the increased demand.

Share Capital and Treasury Shares

Pursuant to Article 2428 of the Civil Code, it is reported that as of 31 December 2022, the company's share capital amounted to EUR 21,000,000, which was unchanged compared to the previous year.

The share capital is made up of 21,000,000 shares of a par value of 1 euro, of which 97% owned by Metal Work Holding S.p.A. and, the remaining part, by management.

The company does not own, nor has it bought or sold during the year, any of its own shares or shares in parent companies, either directly or indirectly through third parties or trust companies.

Foreseeable development of operations

It is estimated that the trend for the financial year may lead to a decrease in quantities sold of around 5%, while the price list had a general increase. That being said, profitability for 2023 is expected to decline due to the fact that the increase in input costs remains significant. At the consolidated level, however, the trend remains particularly positive and sales levels are likely to increase, given the wider scope of consolidation,

Concesio, 25/05/2023

The Board of Directors

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

BALANCE SHEET	31/12/2022	31/12/2021
B) NON-CURRENT ASSETS		
I Intangible assets		
1) Incorporation and extension costs	5.923	7.160
2) Research, Development and Publicity Costs	701.895	727.072
3) Patent rights and intellectual property rights	1.491.277	1.947.394
4) Concessions, licences, trademarks and similar rights	260.108	441.463
5) Goodwill	2.226.693	2.531.847
6) Work in progress and down payments	339.915	-
7) Others	563.987	902.322
Total intangible assets	**5.589.798**	**6.557.258**
II Tangible assets:		
1) Land & buildings	55.572.357	54.949.857
2) Plant & machinery	32.147.913	35.285.494
3) Industrial and commercial equipment	7.934.695	8.732.000
4) Other assets	2.295.930	2.130.572
5) Work in progress & down payments	7.428.065	558.221
Total tangible assets	**105.378.960**	**101.656.144**
III Financial assets:		
b) Associates	2.485.889	1.052.995
d-bis) Other companies	40.206	38.158
Total financial assets	**2.526.095**	**1.091.153**
2) Receivables:		
d-bis) from others	**534.885**	**509.596**
- From others - Less than 12 months	534.885	509.596
Total receivables	**534.885**	**509.596**
3) Other securities	**4.017**	**3.022**
4) Derivatives receivable	**580.712**	**294.000**
Total financial assets	**3.645.709**	**1.897.771**
TOTAL NON-CURRENT ASSETS (B)	**114.614.467**	**110.111.173**
C) CURRENT ASSETS		
I Inventory:		
1) Raw materials, supplies & consumables	10.837.701	10.226.651
2) Work-in-progress & Semi-finished products	12.957.792	10.423.761

BALANCE SHEET	31/12/2022	31/12/2021
3) Work in progress	738.428	1.095.502
4) Finished products and goods	37.413.723	31.705.675
5) Down payments	71.280	13.050
Total inventory	**62.018.924**	**53.464.639**
II Trade receivables		
1) from customers	**56.463.944**	**54.532.747**
- from customers - Less than 12 months	56.463.944	54.532.747
3) from associates	**24.530**	**930**
- from associates - Less than 12 months	24.530	930
4) from parent companies	**5.566.963**	**2.968.047**
- from parent companies - Less than 12 months	5.566.963	2.968.047
5) from entities controlled by parent companies	**-**	**2.196**
- from entities controlled by parent companies - Less than 12 months	-	2.196
5 bis) Tax assets	**9.455.297**	**6.077.942**
- tax assets - Less than 12 months	9.455.297	6.077.942
5 ter) Prepaid taxes	**2.335.733**	**3.144.772**
- prepaid taxes - Less than 12 months	2.335.733	1.320.833
- prepaid taxes - Over 12 months		1.823.939
5 quater) From others	**1.606.421**	**1.823.599**
- from others - Less than 12 months	1.606.421	1.823.599
Total trade receivables	**75.452.888**	**68.550.233**
III Financial assets other than non-current assets		
6) Other equity investments	4.288.724	4.604.725
Total Financial assets other than non-current assets	**4.288.724**	**4.604.725**
IV Cash and cash equivalents:		
1) Bank and postal deposits	16.291.522	19.448.432
2) Cheques	1.044	1.592
3) Cash on hand	44.930	167.956
Total Cash and cash equivalents	**16.337.496**	**19.617.980**
TOTAL CURRENT ASSETS (C)	**158.098.032**	**146.237.577**
D) ACCRUED INCOME AND PREPAID EXPENSES		
- Accrued income and prepaid expenses	659.192	1.244.489
TOTAL ASSETS	**273.371.691**	**257.593.239**

BALANCE SHEET	31/12/2022	31/12/2021
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	14.341.517
IV Legal reserve	4.200.000	3.700.000
VI Other reserves, indicated separately	22.809.846	19.619.396
Currency translation reserve	-3.084.283	-3.568.290
Group's consolidation reserve	7.514.882	8.134.049
Other reserves	18.379.247	15.053.637
VIII Profit (losses) to be brought forward	24.902.673	20.929.998
IX Profit(loss) for the year	12.930.940	12.238.299
TOTAL SHAREHOLDERS EQUITY (A)	**119.509.064**	**111.153.298**
Minority interest and reserves	7.037.548	6.305.556
TOTAL SHAREHOLDERS EQUITY E MINORITY INTEREST AND RESERVES	**126.546.612**	**117.458.854**
B) PROVISION FOR CONTINGENT LIABILITIES AND CHARGES		
1) Provision for retirement and similar benefits	634.956	613.920
2) For taxes	961.433	1.210.017
3) Financial derivatives liabilities	56.869	55.714
4) Others	675.112	662.661
TOTAL PROVISION FOR CONTINGENT LIABILITIES AND CHARGES	**2.328.370**	**2.542.312**
C) PROVISION FOR EMPLOYEES' SEVERANCE PAY	**6.873.526**	**6.435.251**
D) DEBTS AND OTHER LIABILITIES		
4) Bank borrowings	**60.256.341**	**58.774.160**
- Bank borrowings - Less than 12 months	39.074.530	31.517.139
- Bank borrowings - Over 12 months	21.181.811	27.257.021
5) Borrowings from other lenders	**11.449.748**	**13.728.720**
- Borrowings from other lenders - Less than 12 months	1.096.133	2.861.493
- Borrowings from other lenders - Over 12 months	10.353.615	10.867.227
6) Down payments	**419.484**	**546.229**
- Down payments - Less than 12 months	419.484	546.229
7) Trade payables	**41.819.611**	**39.383.594**
- Trade payables - Less than 12 months	41.819.611	39.383.594
10) Payables owed to associates	**2.093.883**	**1.039.822**
- Payables owed to associates - Less than 12 months	2.093.883	1.039.822

BALANCE SHEET	31/12/2022	31/12/2021
11) Payables owed to parent companies	**2.302.805**	**1.135.470**
- Payables owed to parent companies - Less than 12 months	2.302.805	1.135.470
12) Tax liabilities	**4.899.081**	**5.068.966**
- Tax liabilities - Less than 12 months	4.899.081	5.068.966
13) Payables to entities controlled by parent companies	**3.631.565**	**3.392.644**
- Payables to entities controlled by parent companies - Less than 12 months	3.631.565	3.392.644
14) Other liabilities	**7.376.272**	**6.109.832**
- Other liabilities - Less than 12 months	7.376.272	6.109.832
TOTAL DEBTS AND OTHER LIABILITIES (D)	**134.248.790**	**129.179.437**
E) ACCRUALS AND DEFERRED INCOME		
- Accruals and deferred income	3.374.393	1.977.385
TOTAL LIABILITIES	**273.371.691**	**257.593.239**

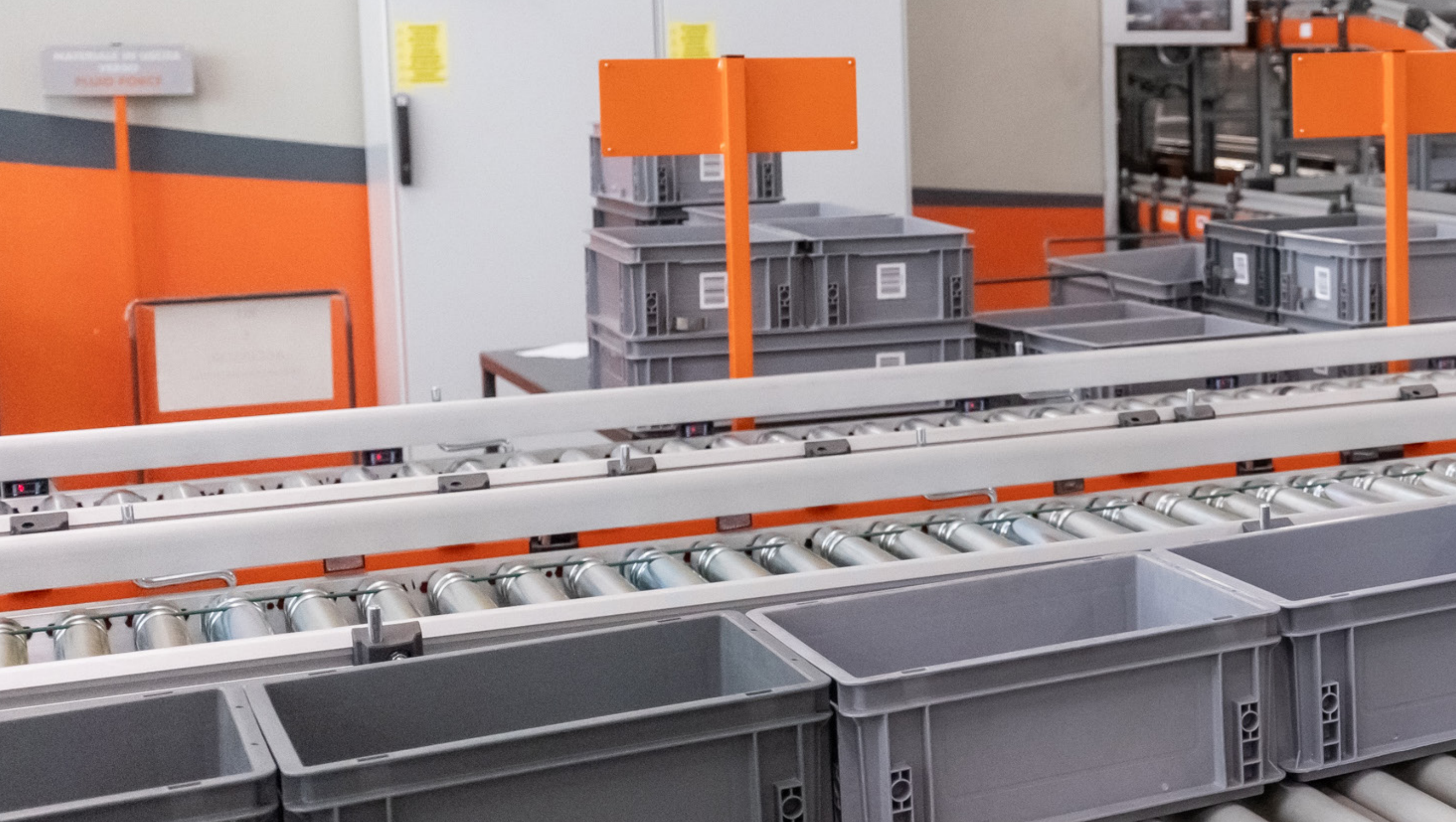
METAL WORK PNEUMATIC

INCOME STATEMENT	31/12/2022	31/12/2021
A) PRODUCTION VALUE		
1) Revenue from goods sold and services rendered	245.065.488	218.563.886
2) Changes on stocks of work-in-progress, semi-finished and finished products	5.233.564	3.651.296
3) Changes in work in progress to order	-357.074	102.124
4) Increases in non-current assets from internal work	1.717.280	1.288.701
5) Other revenue and income:	4.842.256	3.044.876
- Contributions in trading account	1.092.811	790.876
- Other revenue and income	3.749.445	2.254.000
TOTAL PRODUCTION VALUE (A)	**256.501.514**	**226.650.883**
B) PRODUCTION COSTS:		
6) For raw materials, supplies, consumables and goods	104.043.417	84.835.437
7) For services	42.736.636	40.006.865
8) For hire, purchase and leasing charges	3.641.317	3.328.333
9) For personnel:	69.563.443	63.920.467
a) Salaries and wages	48.902.739	44.752.624
b) Social security contributions	13.218.740	12.291.662
c) Provision for employees' severance pay	2.485.337	1.984.667
e) Other personnel costs	4.956.627	4.891.514
10) Depreciation, amortisation & write-downs:	17.230.829	16.929.425
a) Amortisation of Intangible assets	2.877.475	2.293.982
b) Depreciation of tangible assets	13.878.963	14.255.074
d) Provision for doubtful accounts current assets and cash on hand	474.391	380.369
11) Changes in stocks of raw materials, supplies, consumable and goods	-2.792.523	-2.318.652
12) Provision for contingent liabilities	8.476	311.843
13) Other allowances	49.156	49.156
14) Other charges	1.299.652	1.096.753
TOTAL PRODUCTION COSTS (B)	**235.780.403**	**208.159.627**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A - B)	**20.721.111**	**18.491.256**
C) FINANCIAL INCOME AND EXPENSES:		
15) Income from equity investments:	112.025	167.068
- from subsidiaries		77.436
- from others	112.025	89.632
TOTAL INCOME FROM EQUITY INVESTMENTS	**112.025**	**167.068**

INCOME STATEMENT	31/12/2022	31/12/2021
16) Other financial income:		
b) from securities under non-current assets other than equity investments	1.796	231
c) from securities under current assets other than equity investments	44.433	73.018
d) proceeds other than previous items:	321.246	107.030
- from others	321.246	107.030
TOTAL OTHER FINANCIAL INCOME	**367.475**	**180.279**
17) Interest and other financial expenses:		
- from others	1.664.525	1.525.858
TOTAL INTEREST AND OTHER FINANCIAL EXPENSES	**1.664.525**	**1.525.858**
17 bis) Exchange gains and losses	-101.160	678.899
TOTAL FINANCIAL INCOME AND EXPENSES (15 + 16 - 17 +/- 17 bis)	**-1.286.185**	**-499.612**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS AND LIABILITIES		
18) Re-valuations:	686.000	433.382
- of equity investments	325.510	52.038
- of securities under current assets other than equity investments	23.378	360.493
- of financial derivatives	337.112	20.851
19) Write-downs:	322.152	76.565
- of securities under current assets other than equity investments	265.283	-
- of financial derivatives	56.869	76.565
TOTAL ADJUSTSMENTS TO THE VALUE OF FINANCIAL ASSETS AND LIABILITIES	**363.848**	**356.817**
PRE-TAX RESULT (A - B +/- C +/- D)	**19.798.774**	**18.348.461**
20) Current, deferred and prepaid income tax	5.266.802	4.758.956
- current tax	5.651.856	4.885.071
- previous year's tax	836	-9.043
- deferred and prepaid tax	-385.890	-117.072
21) PROFIT (LOSS) FOR THE YEAR including the portion pertaining to minority interests	**14.531.972**	**13.589.505**
22) portion of profit (loss) pertaining to minority interests	1.601.032	1.351.206
23) PROFIT (LOSS) FOR THE YEAR	**12.930.940**	**12.238.299**

CASH FLOW STATEMENT	31/12/2022	31/12/2021
A. Cash flows generated by operating activities (indirect method)		
Profit (loss) for the year	**14.531.972**	**13.589.505**
Income taxes	4.912.134	4.404.288
Interest expenses (interest income)	1.398.210	666.680
(Dividends)	-112.025	-167.068
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from the sale of assets	**20.730.291**	**18.493.405**
Adjustments for non-cash items that had no contra-entry in net working capital		
Allocations to provisions	57.632	360.999
Non-current amortisation and depreciation	16.756.438	16.549.056
Net write-downs (re-valuations) for impairment losses	-	-
Other adjustments for non-monetary items	-38.338	-304.779
2. Cash flows before changes in net current assets	**37.506.023**	**35.098.681**
Changes in net current assets		
Decrease/(increase) in inventories	-8.554.285	-8.717.941
Decrease/(increase) in trade receivables, subsidiaries and associates	-4.551.517	-9.303.257
Decrease/(increase) in tax assets and other receivables	-3.160.177	-2.385.154
Decrease/(increase) in prepaid tax assets	809.039	534.103
Increase/(decrease) in trade payables, subsidiaries and associates	4.513.634	10.715.883
Increase/(decrease) in tax liabilities, social security and other liabilities	631.262	1.217.954
Decrease/(increase) in accrued income and prepaid expenses	585.297	-378.900
Increase/(decrease) in accrued expenses and deferred income	1.397.008	669.774
Net change in provision for contingencies and charges	-271.574	62.208
Net change in employee-leaving indemnity	438.275	242.163
Other changes in net current assets	-126.745	164.227
3. Cash flows after changes in net current assets	**29.216.240**	**27.919.741**
Other adjustments		
Interest received (paid)	-1.279.520	-617.050
(Income taxes paid)	-4.912.134	-4.404.288
Dividends received	112.025	167.068
(Use of accumulated provisions)	0	0
4. Cash flows after other adjustments	**-6.079.629**	**-4.854.270**
Cash flows from operations (A)	**23.136.611**	**23.065.471**

CASH FLOW STATEMENT	31/12/2022	31/12/2021
B. Cash flows from investment operations		
Tangible assets		
(Investments)	-17.458.000	-13.886.000
Divestment realisation price	-	3.501.274
Intangible assets		
(Investments)	-1.754.000	-1.067.000
Divestment realisation price	-	29.496
Financial assets		
(Investments)	-1.623.710	-89.133
Divestment realisation price	-	-
Financial assets not held as non-current assets		
(Investments)	-	-1.365.329
Divestment realisation price	74.096	360.493
Takeover or disposal of subsidiaries or business units net of liquid assets	-	-
Cash flows from equity investment operations (B)	**-20.761.614**	**-12.516.199**
C. Cash flows from financing operations		
Minority interests		
Increase (decrease) in financial liabilities	-589.481	9.931.130
Loan take-up	13.500.000	3.000.000
Loan repayments	-13.826.000	-14.275.000
Own resources		
Capital increase against payment	-300.000	0
Disposal (purchase) of treasury shares	0	0
Dividends (and down payments on dividends) paid	-4.440.000	-4.076.755
Cash flows from financial operations (C)	**-5.655.481**	**-5.420.625**
Increase (decrease) of cash and cash equivalents (A ± B ± C)	**-3.280.484**	**5.128.647**
Cash and cash equivalents at year-start	**19.617.980**	**14.489.333**
Cash and cash equivalents at yea-end	**16.337.496**	**19.617.980**
Increase (Decrease) of cash and cash equivalents	**-3.280.484**	**5.128.647**



EXPLANATORY NOES 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 31.12.2022, 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 euro units, 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 2022, 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:

Companies	Location	Share capital
Metal Work Service S.r.l	Brescia	150.000 €
Metal Work Service S.r.l	Oggiono (LC)	99.000 €
Metal Work Service S.r.l	Arcore (MB)	99.000 €
Metal Work Service S.r.l	Verdellino (BG)	99.000 €
Metal Work Service S.r.l	Bologna	50.000 €
Metal Work Service S.r.l	Cremona	90.000 €
Metal Work Service S.r.l	Modena	50.000 €
Metal Work Service S.r.l	S.Pietro Mosezzo (NO)	50.000 €
Metal Work Service S.r.l	Parma	99.000 €
Metal Work Service S.r.l	Coriano (RN)	99.000 €
Metal Work Service S.r.l	Paese (TV)	80.000 €
Metal Work Service S.r.l	Marano (VI)	99.000 €
Metal Work Service S.r.l	S.Giorgio Bigarello (MN)	90.000 €
Metal Work Service S.r.l	Verona	50.000 €
Metal Work Service S.r.l	Corato (BA)	25.000 €
Metal Work Service S.r.l	Rivalta (TO)	99.000 €
Metal Work Service S.r.l	Prato	90.000 €
Eurofit S.r.l.	Cazzago S.Martino (BS)	100.000 €
Alfa Meccanica S.r.l.	Treviolo (BG)	33.000 €
Meridian S.r.l.	Cazzago S.Martino (BS)	80.000 €
Assemblaggi Ind.li S.r.l.	Concesio (BS)	80.000 €
Tecnopolimeri S.r.l.	Concesio (BS)	80.000 €
Fluid Force S.r.l.	Bedizzole (BS)	50.000 €
Metal Work Automation S.r.l.	Concesio (BS)	20.000 €
VDM S.r.l.	Concesio (BS)	50.000 €
Eurocomp Holding S.r.l.	Concesio (BS)	200.000 €
Metal Work UK Ltd	Milton Keynes	£60.000
Metal Work France S.a.r.l.	Saint Thibault des Vignes	300.000 €
Metal Work Deutschland Pneumatic Gmbh	Landsberg	600.000 €
Metal Work Nederland B. V.	Ede	150.000 €
Metal Work Sverige AB	Vellinge	300.000 kr
Metal Work Iberica S.A.	Barberà del Valles	600.000 €
Metal Work Danmark A/S	Greve	kr 1.000.000
Metal Work Pneumatic (Thailand) Company Ltd	Nonthaburi	THB 1.000.000
Metal Work Pneumatic U.S.A. Inc.	Arlington Texas	$200.000
Metal Work Pneumatic (M) Sdn Bhd	Selangor	R250.000
Metal Work Polska Sp. Z o.o.	Poznan	200.000 zł
Metal Work Finland Ltd	Jarvenpaa	70.000 €
LLC Metal Work Ukraine	Kiev	3.500.000 UAH
Metal Work Pneumatic Australia Pty. Limited	Dandenong South	19 AUD
Metal Work Pneumatic Components (Shangai) Ltd	Shangai	¥5.925.177
Metal Work Partecipacoes Societarias Ltda	San Leopoldo	R$ 24.000.000
Metal Work Pneumatic India Private Ltd	Bangalore	INR 11.055.050
Metal Work Pneumatik Gmbh	Frauenfeld	CHF 100.000
Metal Work Pneumatic CZ s.r.o.	Ostrava	CZK 2.000.000,00
O.O.O. Metal Work Pneumatic	Mosca	RUR 32.000.000
PT Metal Work Pneumatic	Tangerang	IDR 7.870.800.000
Metal Work Pneumatic South Africa (Pty) Ltd	Durban	ZAR 7.250.000
Metal Work Pneumatic Srl	Timis	670.000 RON
Metal Work Pneumatic PT Ltd	Singapore	150.000 SGD

As detailed in the table below, in 2022 the company:

- set up Eurocomp Holding S.r.l., of which it holds 95% of the shares making up the share capital;
- acquired 10% of the shares making up the share capital of Metal Work France Sarl in France;
- made capital investments in:
  Metal Work Pneumatic UK Ltd, based in the UK for 3,067 k€;
  Metal Work Finland Ltd, based in Finland for 107 k€;
  Metal Work Pneumatic South Africa (Pty) Ltd, based in South Africa for 161 k€;
  Metal Work Service S.r.l., based in Bologna for 60 k€.

The equity investments listed above are held directly by the parent company Metal Work S.p.A. without any intermediary, trust company or third party. The parent company also indirectly holds:

- Metal Work Portugal Lda wholly owned by Metal Work Iberica, SA;
- Metal Work Pneumatic Brasil Lda 85% owned by Metal Work Partecipacoes Societarias Lda;
- American Cylinder Co., Inc wholly owned by Metal Work Pneumatic USA, Inc..

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 31.12.2022.

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.

Asset	Amortisation & depreciation period
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.

It should be noted that in the 2020 financial statements, the Group's Italian companies revalued assets pursuant to Law No. 126/2020, in accordance with the methods indicated by the relevant regulatory provisions. The revaluation, with statutory and fiscal validity, concerned assets recognised in the financial statements for the year ended 31 December 2019. It is worth noting that the amortisation of the revalued amounts took place starting from the year 2021. The revaluation amounted to a total of 22,405 k€, 14,785 k€ of which were recognised to the financial statements of the consolidating company Metal Work S.p.A.

Depreciation allowances recognised to the income statement have been calculated in a systematic, straight-line basis at rates deemed representative of the estimated useful life of the assets.

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

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

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

The useful life of the assets, checked by the directors, is appropriate and consistent with the specific characteristics and prospects of use of each asset in the company's production context, and is based on analyses and estimates made by the directors.

Financial assets

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

Financial fixed assets include equity investments in associates, which are valued according to the equity method.

Inventory

Closing inventory is 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 expenses. 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 reflect 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

Prepayments and accruals are portions of income and costs pertaining to the current year but will be recognized in subsequent years.

Prepayments and accruals 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 financial 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.

Provision for contingent liabilities and charges

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

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

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

Employee severance indemnity

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

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

Payables

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

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

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

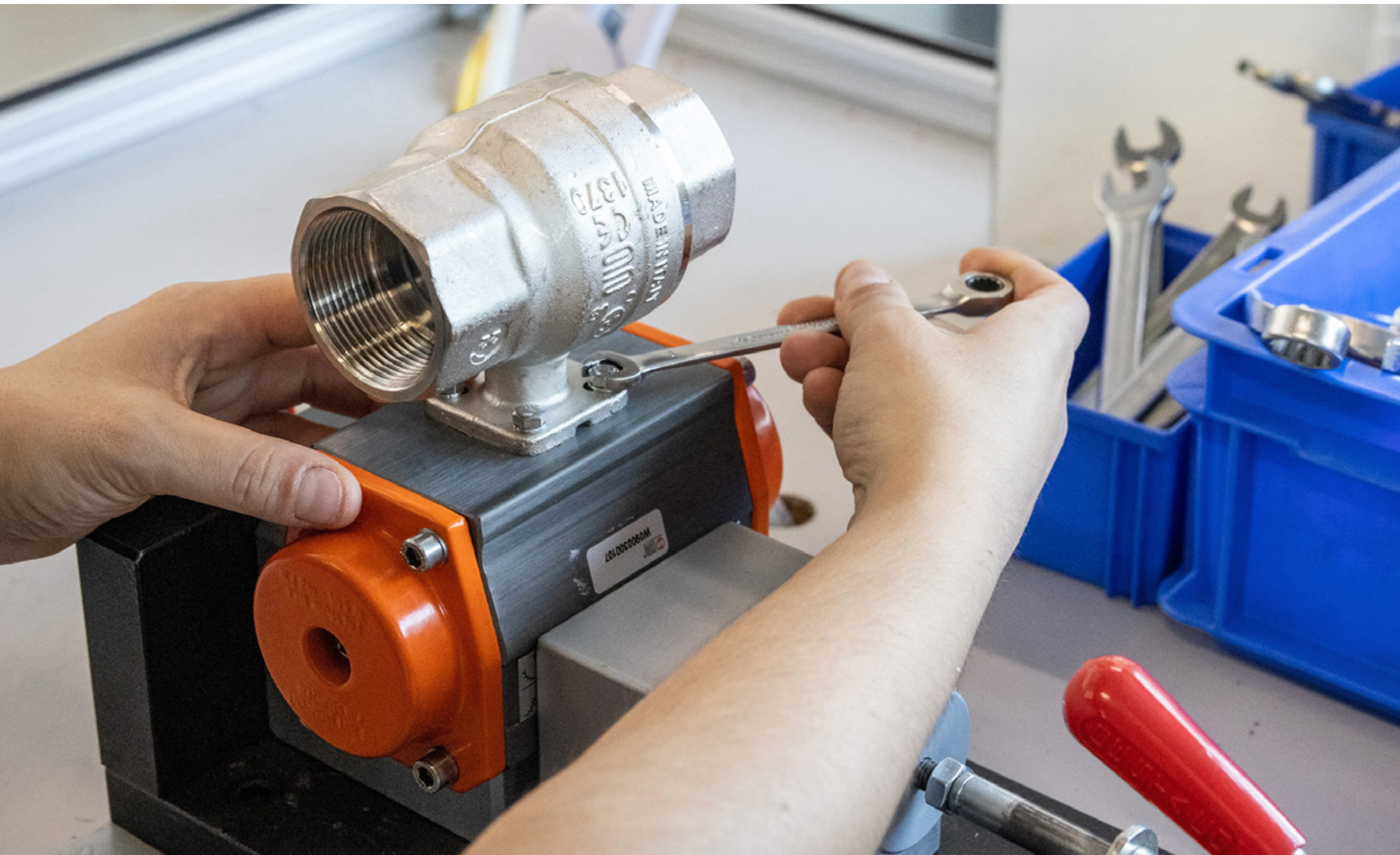
Foreign currency transactions, assets and liabilities

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

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

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

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



Income and charges

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

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

Income taxes

Current taxes are calculated on the basis of a realistic forecast of the taxable income for the year, as determined in accordance with tax legislation, by applying the tax rates in force at the closing date. Tax liability is recognised in the balance sheet, net of any advances paid, withholding taxes and tax assets that can be offset and not 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 31/12/2022	2022 average rate	Rate as at 31/12/2021	2021 average rate
AUD	1,5693	1,5167	1,5615	1,5749
BRL	5,6386	5,4398	6,3101	6,3779
CHF	0,9847	1,0047	1,0331	1,0811
CNY	7,3584	7,0786	7,1947	7,6282
CZK	24,1138	24,5640	24,8580	25,6405
DKK	7,4366	7,4394	7,4364	7,4370
GBP	0,8869	0,8528	0,8403	0,8596
IDR	16.666,6667	16.666,6667	16.100,4200	16.920,7200
INR	88,1834	82,7130	84,2292	87,4392
MYR	4,6984	4,6279	4,7184	4,9015
PLN	4,6808	4,6860	4,5969	4,5652
RON	4,9495	4,9312	4,9490	4,9215
RUB	78,8644	88,4173	85,3004	87,1527
SEK	11,1222	10,6293	10,2503	10,1465
SGD	1,4300	1,4512	1,5279	1,5891
THB	36,8324	36,8596	37,6530	37,8370
UAH	39,0320	34,0252	30,9219	32,2592
USD	1,0666	1,0530	1,1326	1,1827
ZAR	18,0995	17,2087	18,0625	17,4766

DISCLOSURE OF CONSOLIDATED FINANCIAL STATEMENTS' SPECIFIC ITEMS AND RELEVANT CLASSIFICATION

ASSETS

B I) Intangible assets:

'Intangible assets' amounted to 5,590 k€ (2021: 6.557 k€). Investments in intangible assets realised during FY 2022 amounted to € 1,754 thousand.

Changes in intangible assets during the year are shown below.

	Opening value	Exchange rate diffe-rences	Opening rate diffe-rences	Increments (+)	Amortisa-tion	Final value
Incorporation and extension costs	7	-	-	1	3	6
R&D expenses	727	-	-	346	371	702
Patent rights and intellectual property rights	1.947	-3	5	445	902	1.491
Concessions, licences, trademarks and similar rights	441	-	-	14	195	260
Goodwill	2.532	4	126	0	435	2.227
Assets in progress and down payments	-	-	-	340	-	340
Others	902	2	22	609	972	564
Total	**6.557**	**3**	**152**	**1.754**	**2.877**	**5.590**

"R&D expenses' in the year amounted to 346 k€ and relate to costs incurred for the development of new products, which are expected to give positive results in forthcoming years.

Investments sustained in 2022 in 'Patent rights and intellectual property rights', totalling 459 k€ (2021: 335 k€), include ones for the implementation of computer software for handling company processes, as part of an extensive restructuring of the entire Group's IT system.

'Goodwill' amounted to 2,227 k€ at 31/12/2022 (2021: 2,532 k€). It is generated on first-time consolidation of subsidiaries as a consolidation difference (1,962 k€), plus 187 k€, 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. and 78 k€, equal to the net goodwill generated by Metal Work Automation S.r.l. following the merger with Duebi S.r.l.

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

	From 2014 acquisitions	From 2017 acquisitions	From 2019 acquisitions	Total
American Cylinder	-	-	1.846	1.846
Metal Work Deutschland	7	-	-	7
Metal Work Finland	10	-	-	10
Metal Service S.r.l., based in Rimini	-	35	-	35
Metal Service S.r.l., based in Oggiono	-	11	-	11
Metal Service S.r.l., based in Treviso	13	-	-	13
Metal Service S.r.l., based in Brescia	40	-	-	40
Total	**70**	**46**	**1.846**	**1.962**

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

B II) Tangible assets:

'Tangible assets' came to 105,379 k€ (2021: 101,656 k€). Investments in tangible assets in 2022 totalled 17,699 k€, including down payments. Changes in tangible assets during the year are shown below.

	Opening value	Exchange rate differences	Opening rate differ.	Decrements (-)	Increments (+)	Depreciation	Final value
Land and buildings	54.950	5	99	-18	2.440	1.902	55.572
Plant and machinery	35.285	1	49	-4	4.696	7.879	32.148
Industrial and commercial equipment	8.732	1	-23	-18	2.531	3.288	7.935
Other assets	2.131	-6	12	-	728	808	2.056
Work in progress and down payments	558	-	1	-195	7.304	-	7.668
Total	**101.656**	**1**	**139**	**-236**	**17.699**	**13.878**	**105.379**

Investments in 'land and buildings' amounted to 2,440 k€, of which 1.9 M€ relating to the purchase of an industrial building in Concesio by Metal Work S.p.A.

Investments in 'Plant and machinery', amounting to 4,696 k€, were mainly sustained by Metal Work S.p.A. and Alfa Meccanica S.r.l. as part of the technological innovation under the "Industry 4.0" scheme.

The investment in 'Industrial and commercial equipment', totalling 2,531 k€, mainly concerned Metal Work S.p.A..

The item 'Other assets' includes investments for 728 k€.

'Work in progress and down payments' includes sums paid in advance by the parent company for the purchase of machinery and equipment and building being under construction at Metal Work Uk Ltd.

As at 31 December 2022, the "former Pedrini" real estate belonging to the parent company is burdened with a mortgage securing a pooled loan issued by Cassa Centrale and Credito Cooperativo di Brescia of a total residual value of just over €8 M€.

The assets purchased under financial lease agreements, though redeemed, were recognised in accordance with international accounting standard IFRS16. A breakdown of owned and leased assets is given in the table below.

			Gross value	Acc..ed deprec.	Net value	Depr.
Own property			206.507	138.540	66.665	11.894
Leased property:						
	Buildings		32.360	7.868	24.492	912
	Plant and machinery		11.212	5.720	6.794	1.073
		Total	**250.079**	**152.128**	**97.951**	**13.879**

B III) Financial assets:

The item 'Financial assets', totalling 3,646 k€ (2021: 1,898 k€), up 1,748 k€ on the previous year, is detailed as follows:

	Current year	Previous year	Change
Equity interest in associates	2.486	1.053	1.433
Equity interest in other companies	40	38	2
Accounts receivable from others	535	510	25
Other securities	4	3	1
Derivatives assets	581	294	287
Total	**3.646**	**1.898**	**1.748**

Equity interest in subsidiaries, associates and other companies

'Equity interests in associates' accounting for 2,486 k€ (2021: 1,053 k€), relate to the equity investment in Signal S.r.l. and AR Vacuum, the latter being taken over in 2022, both being valued using the equity method.

'Equity interest in other companies', accounting for 40 k€ (2021: 38 k€), increased by 2 k€ y-o-y.

Accounts receivable

'Other non-current receivables', totalling 535 k€, up 25 k€ y-o-y, 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 4 k€ (2021: 3 k€).

Derivatives assets

'Derivatives assets' are entered at 581 k€ (2021: 294 k€) 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 62,019 k€ (2021: 53,465 k€), up €8,554 k€ on the previous year.

	Current year	Previous year	Change
Raw materials, supplies and consumables	10.838	10.227	611
Work in progress and semi-finished products	12.958	10.424	2.534
Work in progress to order	738	1.095	-357
Closing inventories, finished products and goods	38.335	32.182	6.153
Goods write-down provision	-2.186	-2.109	-77
Closing inventories of finished product and goods in transit	1.265	1.633	-368
Down payments	71	13	58
Total	**62.019**	**53.465**	**8.554**

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 Metal Work Automation S.r.l., 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 came to 56,464 k€ (2021: 54,533 k€), up 1,931 k€ on the previous year and are recognised to current assets at their nominal value adjusted by a corresponding provision for bad debts set up to align them with their estimated realisable value.

	Current year	Previous year	Change
Trade receivables	56.464	54.533	1.931
Total	**56.464**	**54.533**	**1.931**

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

Receivables from associates

'Receivables from associates' came to 24 k€ (2021: 1 k€).

	Current year	Previous year	Change
Receivables from associates	24	1	23
Total	**24**	**1**	**23**

Receivables from parent companies

'Receivables from parent companies', totalling 5,567 k€ (2021: 2,968 k€), relate to transfers from the consolidated statutory financial statements of Italian subsidiaries to Metal Work Holding S.p.A.

	Current year	Previous year	Change
Receivables from parent companies	5.567	2.968	2.599
Total	**5.567**	**2.968**	**2.599**

Receivables from companies controlled by parent companies

No 'Receivables from companies controlled by parent companies' are posted (2021: 2 k€).

	Current year	Previous year	Change
Receivables from companies controlled by parent companies	0	2	-2
Total	**0**	**2**	**-2**

Tax assets

'Tax assets', totalling 9,455 k€ (2021: 6,078 k€) 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	9.455	6.078	3.377
Total	**9.455**	**6.078**	**3.377**

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	2.336	3.145	-809
Total	**2.336**	**3.145**	**-809**

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

Receivables from others

''Receivables from others' came to 1,606 k€ (2021: 1,823 k€) down 217 k€ on the previous year.

	Current year	Previous year	Change
Receivables from others	1.606	1.823	-217
Total	**1.606**	**1.823**	**-217**

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

"Financial assets other than non-current assets", totalling 4,289 k€ (2021: 4,605 k€), relates to temporary utilisation of cash on hand, valued at the mark-to-market price as at 31 December 2022.

	Current year	Previous year	Change
Financial assets other than non-current assets	4.289	4.605	-316
Totale	**4.289**	**4.605**	**-316**

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 16,337 k€ (2021: 19,618 k€).

	Current year	Previous year	Change
Bank and post office deposits	16.291	19.448	-3.157
Cheques	1	2	-1
Cash on hands	45	168	-123
Total	**16.337**	**19.618**	**-3.281**

D) Accrued income and prepaid expenses:

"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	241	198	43
Accrued income	418	1.046	-628
Total	**659**	**1.244**	**-585**

LIABILITIES

A) Consolidated shareholders' equity:

The Group's consolidated shareholders' equity totalled 119,809 k€ (2021: 111,153 k€). A breakdown of this item is given in the table below.

	SHAREHOLDERS EQUITY	31/12/2022	31/12/2021
I	Share capital	21.000	21.000
II	Share premium reserve	19.324	19.324
III	Revaluation reserve	14.341	14.341
IV	Legal reserve	4.200	3.700
VII	Other reserves		
	Currency translation reserves	-3.084	-3.568
	Consolidation reserves	7.515	8.134
	Other reserves	18.379	15.054
VIII	a - Profit (loss) brought forward	24.903	20.930
IX	Group's profit (loss) for the year	12.931	12.238
	GROUP'S TOTAL SHAREHOLDERS' EQUITY	**119.509**	**111.153**
	Profit (loss) for the year	1.601	1.351
	Minority interest and reserves	5.436	4.955
	TOTAL MINORITY INTEREST EQUITY	**7.037**	**6.306**
	TOTAL CONSOLIDATED EQUITY	**126.546**	**117.459**

Changes in the Group's consolidated shareholders equity are detailed below.

	Share capital	Share premium reserve	Legal reserve	Extra-ord. reserve	Re-valua-tion reserve	Conso-li-da-tion reserve	Con-version reserve	Retai-ned earnin-gs	Ope-rating result	Total
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**
Allocation of previous year's profit			300	4.988				2.504	-7.792	0
- distribution of reserves				-4.077						-4.077
- other movements						-831				-831
- currency exchange effect							564			564
Operating result for the year									12.238	12.238
Group's shareholders' equity as at 31/12/2021	**21.000**	**19.324**	**3.700**	**15.053**	**14.341**	**8.134**	**-3.568**	**20.931**	**12.238**	**111.153**
Allocation of previous year's profit			500	7.765				3.973	-12.238	0
- distribution of reserves				-4.440						-4.440
- other movements						-619				-619
- currency exchange effect							484			484
Operating result for the year									12.931	12.931
Group's shareholders' equity as at 31/12/2022	**21.000**	**19.324**	**4.200**	**18.378**	**14.341**	**7.515**	**-3.084**	**24.904**	**12.931**	**119.509**

The share capital amounts to 21,000 k€ and is made up of ordinary shares of the nominal value of €1 each;

The share premium reserve amounts to 19,324 k€.

The legal reserve amounts to 4,200 k€ and changes were related to the allocation of the parent company's previous result;

The extraordinary reserve decreased overall by 4,440 k€, due to profit distribution to Metal Work S.p.A. shareholders, (450 k€ of which were allocated to type-B shares upon approval of the 2021 financial statements), and increased by 7,765 k€ due to the allocation of the parent company's operating result.

The revaluation reserve amounts to 14,341 k€ as a result of the inclusion in the 2020 financial statements of the revaluation reserve made by Metal Work S.p.A. in accordance with Act 126/2020.

The changes in the consolidation reserve refer to the impact of the changes in the consolidation scope.

"Conversion reserve" shows a positive change of 484 k€.

Retained earnings show an increase equal to the difference between the profit for the 2021 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	85.033	7.789
Adjustments following adoption of IAS 17 for the parent company	7.378	428
Parent company's adjusted shareholders' equity	**92.411**	**8.217**
Derecognition of the carrying value of consolidated equity investments		
Pro-rata results achieved by associates	376	326
Consolidation effect for the subsidiaries	21.333	12.495
Goodwill	1.870	-379
Derecognition of the effects of inter-company transactions		
Infra-group profits net of tax effect	-5.105	-436
Write-off of write-downs/reinstatement of previous write-downs	8.624	-638
Dividends received from associates		-6.654
Shareholders' equity and result for the period as shown in the consolidated financial statements	**119.509**	**12.931**

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

	Capital and reserves	Result for the year	Total
Minority interest equity as at 31/12/2021	**4.954**	**1.351**	**6.305**
Allocation of previous year's result	1.351	-1.351	0
- allocation of reserves	-882	-	-882
- other changes	13	-	13
Operating result for the year	-	1.601	1.601
Minority interest equity as at 31/12/2022	**5.436**	**1.601**	**7.037**

B) Provision for contingent liabilities and charges:

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

	Current year	Previous year	Change
Employee severance pay provision	635	614	21
Provision for deferred taxes	961	1.210	-249
Provision for risks	675	663	12
Financial derivatives	57	55	2
Total	**2.328**	**2.542**	**-214**

'Provisions for end-of-mandate indemnity', totalling 635 k€, only refers to the end-of-mandate benefits for the directors of some of the companies in the Group.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'Provision for deferred taxes', totalling 961 k€, comprises deferred taxes for the year relating to temporary differences between the statutory and the tax value attributed to the same item.

'Provisions for contingent liabilities and charges' totalling 675 k€ (2021: 663 k€) 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, as defined in the early months of 2023.

Financial derivatives payable amounted to 57 k€ (2021: 55 k€) and related to hedging transactions carried out by the parent company.

C) Provision for employees' severance pay:

'Provision for employee-leaving indemnity', totalling 6,873 k€ (2021: 6,435 k€), 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	6.873	6.435	438
Total	**6.873**	**6.435**	**438**

D) Payables:

A breakdown of overall indebtedness is given below.

	Current year	Previous year	Change
Bank borrowings	60.256	58.774	1.482
Borrowings from other lenders	11.450	13.728	-2.278
Down payments	419	546	-127
Trade payables	41.820	39.384	2.436
Payables owed to associates	2.094	1.040	1.054
Payables owed to parent companies	2.303	1.135	1.168
Tax liabilities	4.899	5.069	-170
Payables owed to social security institutes	3.632	3.393	239
Other liabilities	7.076	6.110	966
Total	**133.949**	**129.179**	**4.770**

Bank borrowings

Details of bank borrowings are shown in the following table.

	Current year	Previous year	Change
Bank borrowings – Less than 12 months	39.074	31.517	7.557
Bank borrowings – Over 12 months	21.182	27.257	-6.075
Total	**60.256**	**58.774**	**1.482**

‘Bank borrowings’ came overall to 60,256 k€ (2021: 58,774 k€), of which 21,182 k€ falling due over 12 months.

Bank borrowings for loans, including long-term and short-term portions, are detailed in the table below.

Bank borrowings for loans	Value as at 31/12/2021	New payments	Repayments	Value as at 31/12/2022
Mutuo Intesa - Metal Work Pneumatic USA	2.477	-	349	2.128
Mutui Unicredit - Metal Work S.p.A.	2.334	-	668	1.666
Mutui Banco Popolare BPM - Metal Work S.p.A.	2.709	5.000	912	6.797
Mutuo BNL - Metal Work S.p.A.	5.008	5.000	4.211	5.797
Mutuo Pool Cassa Centrale Metal Work S.p.A.	9.062	-	948	8.114
Mutuo Credem - Metal Work S.p.A.	3.837	3.000	1.263	5.574
Mutuo Credit Agricole - Metal Work S.p.A.	1.596	-	442	1.154
Mutuo Alfa Meccanica S.r.l. - BPM	668	-	43	625
Mutuo Alfa Meccanica S.r.l. - Credit Agricole	-	500	96	404
Mutuo Metal Work Automation S.r.l. - BPER	70	-	40	30
Mutuo Metal Work Automation S.r.l. - Unicredit	315	-	115	200
Mutuo Eurofit S.r.l.	703	-	401	302
Mutuo Fluid Force S.r.l.	70	-	40	30
Mutuo Metal Work Service S.r.l. - Brescia	3.160	-	687	2.473
Mutuo Metal Work Service S.r.l. - Vicenza	786	-	286	500
Mutuo Metal Work Service S.r.l. - Treviso	864	-	314	550
Mutuo Metal Work Service S.r.l. - Parma	786	-	286	500
Mutuo Metal Work Service S.r.l. - Bari	235	-	85	150
Mutuo Metal Work Service S.r.l. - Novara	562	-	220	342
Mutuo Metal Work Service S.r.l. - Mantova	71	-	41	30
Mutuo Metal Work Service S.r.l. - Torino	632	-	360	272
Mutuo Metal Work Service S.r.l. - Prato	210	-	119	91
Mutuo Metal Work Service S.r.l. - Verona	351	-	200	151
Mutuo Metal Work Service S.r.l. - Bergamo	913	-	520	393
Mutuo Metal Work Service S.r.l. - Rimini	562	-	320	242
Mutuo Metal Work Service S.r.l. - Arcore	316	-	180	136
Mutuo Metal Work Service S.r.l. - Oggiono	843	-	480	363
Mutuo Metal Work Service S.r.l. - Cremona	351	-	200	151
Total	**39.491**	**13.500**	**13.826**	**36.344**

Financial payables are not guaranteed by mortgages or lien on assets owned by the company, except for the original 10 M€ 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 3,148 k€.

Borrowings from other lenders

'Borrowings from other lenders', totalling 11,450 k€ (2021: 13,729 k€), mainly comprise payables to leasing companies, accounted for in accordance with IAS17. Changes are detailed in the table below:

	Current year	Previous year	Change
Borrowings from other lenders – Less than 12 months	1.096	2.862	-1.766
Borrowings from other lenders – Over 12 months	10.354	10.867	-513
Total	**11.450**	**13.729**	**-2.279**

Borrowings relating to lease transactions falling due beyond 2023 amount to 9,840 k€, of which 2,484 k€ falling due beyond 5 years.

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

Down payments

'Down payments' accounted for 419 k€ (2021: 546 k€), down 127 k€ thousand on the previous year.

	Current year	Previous year	Change
From customers – Less than 12 months	419	546	-127
Total	**419**	**546**	**-127**

Trade payables

'Trade payables', totalling 41,820 k€ (2021: 39,383 k€), reflects debts incurred in the performance of core business operations. There were no significant amounts owed to a single supplier or a small group of suppliers.

	Current year	Previous year	Change
Trade creditors – Less than 12 months	41.820	39.383	2.437
Total	**41.820**	**39.383**	**2.437**

Payables owed to associates

'Payables owed to associates', totalling 2,094 k€ (2021: 1,040 k€), relate to liabilities connected with supplies received from Signal S.r.l. and Ar Vacuum Technology S.l.

	Current year	Previous year	Change
Payables owed to associates – Less than 12 months	2.094	1.040	1.054
Total	**2.094**	**1.040**	**1.054**

Payables owed to parent companies

'Payables owed to parent companies' totalling 2,303 k€ (2021: 1,135 k€), relate to transfers deriving from tax consolidation and group inter-company transactions with Metal Work Holding S.p.A.

	Current year	Previous year	Change
Payables owed to parent companies – Less than 12 months	2.303	1.135	1.168
Total	**2.303**	**1.135**	**1.168**

Tax liabilities

'Tax liabilities', totalling 4,899 k€ (2021: 5,069 k€), relate 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	4.899	5.069	-170
Total	**4.899**	**5.069**	**-170**

Payables owed to social security institutes

'Payables owed to social security institutes", totalling 3,631 k€ (2021: 3,393 k€), relate to sums owed to social security and welfare institutions, in accordance with current legislation on employees.

	Current year	Previous year	Change
Payables owed to social security institutes - Less than 12 months	3.631	3.393	238
Total	**3.631**	**3.393**	**238**

Sundry payables

'Sundry payables", totalling 7,376 k€ (2021: 6,110 k€), mainly consist of remuneration owed to employees for amounts accrued but not yet paid on the closing date.

	Current year	Previous year	Change
Sundry payables – Less than 12 months	7.376	6.110	1.266
Total	**7.376**	**6.110**	**1.266**

E) Accrued expenses and deferred income

'Accrued expenses and deferred income', totalling 3,374 k€ (2021: 1,977 k€) 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
Accrued expenses	1.362	972	390
Deferred income	2.012	1.005	1007
Total	**3.374**	**1.977**	**1.397**

Accrued expenses accounted for 1,362 k€ (2021: 972 k€) and mainly relates to financial expenses accrued on debt positions at the end of the year.

Deferred income accounted for 2,012 k€ (2021: 1,005 k€) and relate to tax assets for investments made by the parent company under Act no. 190/2014 and tax assets for investments made and subsidies from the Lombardy Government for investments made to increase production capacity and upgrading to Industry 4.0.

Other commitments

Furthermore, Metal Work S.p.A. is committed to acquire, by December 2025, the remaining 53% of the shares representing the share capital of Ar Vacuum Technology should the shareholders exercise their right to sell their shares; concurrently, beyond this limit, it has the right to acquire the same shares, reaching 100% of the share capital.

Analysis of 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.

Revenue from goods sold and services rendered, art.38 point i)

Overall sales amounted to 245,065 k€ (2021: 218,564 k€) to which 4,842 k€ (2021: 3,045 k€) other revenue and income are to be added.

Revenues by geographical area are detailed in the business report.

Increases in non-current assets for in-housel works

Increases in no-current assets for in-house, totalling 1,335 k€ (2021: 1,289 k€) relate to sales of machinery by the subsidiary Metal Work Automation S.r.l. to the parent company, which were correctly reclassified in accordance with accounting standards.

Financial expenses, art.38 punto g)

Financial expenses amounted to 1,664k (2021: 1,526 k€), of which 267 k€ resulted from the application of the IAS 17 concerning the accounting of leased assets using the financial method. Details of financial expenses are shown in the table below.

Financial expenses	Current year	Previous year
Loan interest payable	459	421
Financial expenses on lease agreements	267	245
Financial expenses on open accounts	274	251
Financial expenses for export down payments	44	40
Others	620	569
Total	**1.664**	**1.526**

Adjustment to the value of financial assets

Adjustments of financial assets, in the positive for 364 k€ (2021: 357 k€) relate to 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 expenses recognised under assets;
- the average number of employees is detailed in the table below:

Categories	2022	2021	Average 2022	Average 2021
Executives	16	17	16	18
White collars	769	711	752	697
Middle managers	4	4	4	4
Blue collars	570	561	575	551
Beginners	4	4	4	4
Total	**1.363**	**1.297**	**1.351**	**1.274**

Taxes for the year

Taxes for the year came to 5,267 k€ as compared to 4,759k€ in the previous year. A breakdown of this item is given in the table below.

	Current year	Previous year	Change
Corporate income tax provision	4.911	4.020	891
Provision for IRAP (trade income tax)	740	772	-32
Provision for tax assets	-384	-33	-351
Total	**5.267**	**4.759**	**508**

Remuneration of directors, internal statutory auditors and independent auditing firm

During the year, the parent company Metal Work S.p.A. paid fees to the Board of Directors for a total of 1,013 k€ (previous year: 1,109 k€) and set aside fees amounting to 52 k€ (previous year: 52 k€) for the Board of Statutory Auditors and 40 k€ (previous year: 34 k€) for the independent auditing firm.

Transactions with related parties

The company has contracted out assembling operations to the two following small firms, whose owners have family ties with the Chairwoman of the Board of Directors. Operations in 2022took 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.	1.129	1.124	5
Lu.de.ma. di Luca Dell'Anna	444	351	93
Total	**1.573**	**1.475**	**98**

Disclosure pursuant to act 124 of 4 August 2018

In compliance with the transparency and publicity requirements under Act no. 124 of 4 August 2018, art. 1, subsections 125-129, it is noted that during FY 2022, the parent Metal Work S.p.A. received operating grants of a total amount of €980,583, as detailed in the table below.

For €213,173 deriving from GSE disbursements in relation to photovoltaic installations;

Lender	Tax ID - VAT number	contribution	reason
Gestore dei Servizi Energetici GSE S.p.A. Viale Maresciallo Pilsudski, 92 - Roma	5754381001	213.173	contribution for energy production from photovoltaic installations
Total		**213.173**	

For additional €767,410, as detailed below:

- tax credit for investments in capital goods for €284,919;
- tax credit for incremental advertising investments for €17,735;
- tax credit under Act 160/2019, as amended, for €354,268;
- ARTBONUS tax credit for €4,047;
- contributions from Fondimpresa for €43,597;
- contributions from Fondirigenti for €5,730;
- contributions for the purchase of natural gas for energy uses other than thermoelectric use - non-gas consuming companies - art. 1 subsection 5, Act 175/2022 for €57,114.

Management and coordination

In compliance with the regulations on "Management and Coordination of Companies", governed by Articles 2497-bis - 2497-septies of the Italian Civil Code, a summary of key figures (in thousands of Euro) of the approved 2021 ordinary financial statements of Metal Work Holding S.p.A. is given below

BALANCE SHEET	31/12/2021
A) Shareholders' loan (unpaid capital)	
B) Non-current assets	53.886
C) Current assets	4.548
D) Accrued income and prepaid expenses	36
Total assets	**58.470**
A) Shareholders' equity	44.815
B) Provision for risks and charges	222
C) Provision for employees' severance pay	603
D) Debts and other liabilities	12.820
E) Accrued expenses and deferred income	9
Total liabilities	**58.470**

INCOME STATEMENT	31/12/2021
A) Production value	2.267
B) Production costs	2.286
C) Financial income and expenses	3.715
D) Adjustments to the value of financial assets	158
20) Income tax	-217
21) Net operating result	**4.070**

Cash flow statement

The statement of sources and utilisations highlights that:

- current asset cash flows generated by current management came to 20,730 k€ as against 18,493 k€ in the previous year;
- financial cash flow, prior to changes in net current assets, amounted to 37,506 k€ as against 35,099 k€, in the previous year;
- financial cash flow, excluding current assets, amounted to 29,216 k€ as against 27,920 k€, in the previous year;
- income management cash flow came to 22,837 k€ as against 23,065 k€, in 2021;
- financial cash flows from investments in technical and financial assets are in the negative for 20,762 k€ (2021: -12,516 k€);
- reserves amounting to 4,440 k€ (2021: 4,077 k€) were distributed;
- financing operations entailed funds totalling 5,655 k€ as against 5,421 k€ in the previous year;
- liquid assets decreased frp, 19,618 k€ to 16,337 k€, down 3,280 k€.

Events of significance occurring after the reporting date

To date, there have been no events occurring after 31 December 2022 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, 25 May 2023

The Board of Directors

Chair-woman: Donatina Dell'Anna

Vice-Chair-woman Riccardo Cavagna

Gianpietro Gamba

Daniele Marconi

Valentino Pellenghi

Fausto Rodella

BOARD OF AUDITORS' REPORT

METAL WORK S.p.A.

Registered office at 5-7-9 Via Segni, Concesio (BS) - Share capital € 21,000,000 fully paid-up
Brescia Trade Register no. 03472820178 - Business and Administration Index (REA) no. 404497

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BOARD OF AUDITORS' REPORT

pursuant to article 2429, subsection 2, of the Italian Civil Code

To the shareholders.

During the year ending on 31 December 2022, we performed our checks and assessments in compliance with the law and the current Rules of Conduct for Boards of Statutory Auditors of Unlisted Companies, issued by the National Council of Chartered Accounts and Tax Advisors. We are hereby informing you of this activity and the results achieved.

1) Supervisory functions over governance in accordance to arts. 2403 et seq. of the Italian Civil Code

We monitored compliance with the law and the articles of association, respect for the principles of proper administration and, more specifically, the adequacy of the organisational structures, the administrative and accounting system and their actual functioning.

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 periodically obtained from the administrative body, during the meetings held, 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. In this regard, we can provide reasonable assurance that actions put in place 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, either related or unrelated parties.

We appraised the operations of the administrative body as not manifestly imprudent or reckless, nor in potential conflict of interest or such as to compromise the overall value of the company's assets.

We acquired knowledge of and supervised the adequacy of the organisational, administrative and accounting structure and its actual performance, by all means including gathering information from the heads of functions and we have no particular observations to report in this regard.

We acquired knowledge and supervised, within the scope of our responsibilities, the adequacy and performance of the administrative and accounting system, as well as the reliability thereof in correctly representing the operations, by obtaining information from the heads of functions and examining company documents and we have no particular observations to report in this regard.

We exchanged information relevant to the fulfilment of our supervisory task with the auditing firm KPMG S.p.A. entrusted with the statutory audit of the accounts and, in this regard, no relevant data or information worthy of being highlighted in this report has emerged.
We also inform you that, during the financial year 2022 and up 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.

Finally, we inform you that we have not made any reports to the board of directors pursuant to and for the purposes of Article 15 of Legislative Decree No. 118/2021 or pursuant to and for the purposes of Article 25-octies of Legislative Decree No. 14 of 12 January 2019. Moreover, we have not received any reports from public creditors pursuant to and for the purposes of Article 25-novies, Legislative Decree no. 14 of 12 January 2019, or pursuant to and for the the purposes of Article 30-sexies of Legislative Decree no. 152 of 6 November 2021, converted by Act no. 233 of 29 December 2021, as amended.

2) Observations on the Financial Statements for the year and the Consolidated Financial Statements as at 31 December 2022.
Since the Board of Auditors was not entrusted with the statutory audit, it carried out the supervisory activities on the financial statements as set forth in Rule 3.8. of the "Rules of Conduct for the Board of Auditors of Unlisted Companies" consisting of an overall summary check aimed at verifying that the financial statements are properly prepared.
In fact, it is the responsibility of the person in charge of the independent auditing firm to verify the compliance of accounting data.
Financial statements for the year ending 31 December 2022
With reference to the financial statements for the year ending 31 December 2022, we report the following in accordance with art. 2429, subsection 2, of the Italian Civil Code.
The financial statements of Metal Work S.p.A. were approved by the Board of Directors and made available to us. They show a net profit of **€7,788,726**.
Within our scope of responsibility, since we were not required to conduct the statutory audit of the accounts, we monitored the general layout of the financial statements and general compliance with the law and have no particular observations to report in this regard. We also verified compliance with the provisions of law concerning the preparation of the Business Report and have no particular observations to report in this regard.
The figures concerning intangible assets are recorded in the balance sheet, where required, with our consent, pursuant to Art. 2426 of the Italian Civil Code.
To the best of our knowledge, in preparing the financial statements, the directors did not make any exceptions to the statutory provisions pursuant to Art. 2423, subsection five, of the Italian Civil Code.
On 27 June 2023, the auditing firm KPMG S.p.A. issued the independent auditors' report pursuant to art. 14 of Legislative Decree no. 39/2010, in which there are no remarks or

requests for information and attests that the financial statements as at 31 December 2022 provide a true and fair view of your company's financial position and the operating result.

Consolidated financial statements of the Metal Work Group as at 31.12.2022
The consolidated financial statements were approved by the Board of Directors and made available to us. They show a net profit of **€12,930,940** pertaining to the Group.

As at 31 December 2022, the scope of consolidation comprised fifty companies directly owned by Metal Work S.p.a., plus three indirectly owned subsidiaries, which gives fifty-three.

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 27 June 2023 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 2022 provide a true and correct representation of Metal Work Group's equity, financial situation and the operating result for the year.
3) Comments and proposals regarding the approval of the financial statements as at 31 December 2022
Considering the results of the task we have performed and the opinion expressed in the statutory audit report issued by the independent auditor, we invite the shareholders to approve the financial statements for the year ended 31 December 2022, as prepared by the directors.
The Board of Auditors agrees with the proposal for the allocation of the result for the year as set forth by the directors in the Note to the financial statements.

Concesio, June 28, 2023

The Board of Auditors

Renato Camodeca (Presidente) ____________________

Stefano Colpani ____________________

Silvio Piccinelli ____________________


METAL WORK
PNEUMATIC
www.metalwork.it

INDEPENDENT AUDITING FIRM'S REPORT

KPMG S.p.A.
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Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

Independent auditors' report pursuant to art. 14 of legislative decree no. 39 of 27.01.2010

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 31 December 2022, 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 2022, 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 Independent Auditors' 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 in preparing the financial statements 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 is responsible for overseeing the Group's financial reporting process, in accordance with the provisions of law.

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- understand internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting standards used and the reasonableness of accounting estimates and related disclosures made by directors.
- conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to review our opinion accordingly. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

The directors of Metal Work S.p.A. are responsible for preparing the Metal Work Group's business report as at 31 December 2022, 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 2022, 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 2022, 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, June 27, 2023

KPMG S.p.A.

Paolo Andreasi
Partner

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