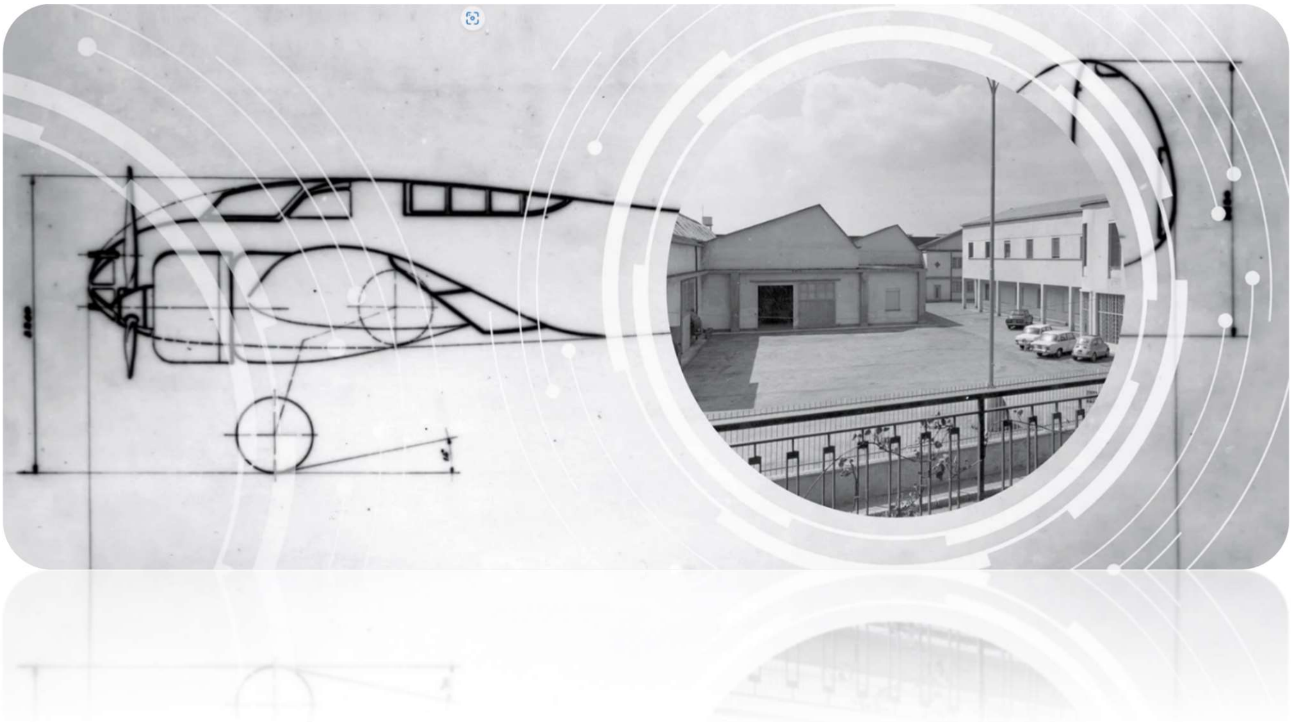


UmbraGroup S.p.A.
Consolidated Financial Statements
December 31, 2022

Dear Shareholders,

I write to you as the Chairperson of the Board of Directors. I have only been in this role for one year. In such a short space of time however, I have witnessed changes within the Umbra Group and globally that are unlikely to be repeated in such a concentrated way again.

The year of 2022 shall not be forgotten. Firstly as it was Umbragroup's 50th birthday, and also as many factors - both internal and external - have changed the face of the parent company and the Group.

Internally, we have seen a change in our governance which - beginning in January 2022 with the appointment of the new Chief Executive Officer Matteo Notarangelo - in June 2022 saw the renewal of the Board of Directors. We have also continued to strengthen the management team during the year, with the hiring of new Group level managers.

In Europe, the war between Russia and Ukraine has upset the balance of international relations, prompting the procurement prices of components and energy to spiral, while resulting in longer supply lead times.

This terrible latter event, aside from causing a massive loss of life among civilians and the military, has created instability in the European economy and, to a lesser extent, globally.

At the same time, the Umbragroup shareholder structure has changed significantly. The IPOC3 fund, which held 18.75% of the company, disposed of its entire holding. The shares were bought back by POLISCOM and SAFIN (the Baldaccini and Ortolani family companies) and partly by Umbragroup itself.

In this new scenario, the company has concentrated resources on launching a new phase of development in order to ensure a long and solid future for all stakeholders.

The new Board of Directors immediately set about reviewing the 2021-2025 business plan, which was approved in January 2021. The new 2023-2027 business plan was approved by the Board of Directors in January 2023.

Against such intensive developments, Umbragroup marked its 50th birthday with a series of celebrations. I mention only some of the most significant events: September 16, the meeting with local authorities and customers; November 25, the meeting with suppliers; December 18, the meeting with employees and family members. On each of these occasions, the desire to maintain those values that the founding father, Valter Baldaccini, passed on to all his staff and that have enabled Umbragroup to become a beacon of excellence both locally and internationally was strongly reaffirmed.

Before commenting on some of the figures, I would like to underscore that the 2022 consolidated financial statements were drawn up in accordance with IAS/IFRS, which have replaced Italian GAAP. The new standards were essentially applied in view of our strong international presence, providing therefore an opportunity to adopt the prevailing set of accounting standards.

The first key figure regards the restart to hiring across all production sites. The headcount in fact increased from 1,066 to 1,153.

Revenues amounted to Euro 189,235 thousand, compared to Euro 171,441 thousand in the previous year, up 10.4%. Specifically, the Aerospace line returned Euro 105,996 thousand of revenues, up 12.2%, while the Industrial line reported revenues of Euro 81,370 thousand, increasing 8.2%.

The EBITDA margin was Euro 25,975 thousand (13.7% margin), decreasing on 2021 (Euro 26,450 thousand, 15.4%). We indicate that energy cost movements impacted for approx. Euro 5 million compared to that budgeted. Excluding this effect, EBITDA would have amounted to Euro 31 million, with a 16.5%, margin, significantly improving on 2021.

From a financial viewpoint, the net financial debt decreased from a cash position of Euro 34,047 thousand to a debt of Euro 15,811 thousand, a decline of approx. Euro 40 million. This is mainly due to the treasury share buyback transactions (from the IPOC3 fund and other senior managers departing the Group), which impacted for Euro 47,292 thousand.

The solid performances in 2022, considering the external and internal factors which the Group has faced, is testament to our ability to provide, also in challenging circumstances, efficient solutions, thanks to our undisputed expertise, commitment, and passion. These factors, principles, and values have always been shared by the Company's personnel, whose significant value will no doubt allow us to pursue our continued growth.

Also during the year, the Group made advances in terms of the ESG (Environmental, Social, Governance) criteria, which are aspects frequently taken into consideration by international groups looking to build business models that will allow them to engage in responsible investment projects from a financial management perspective, and in consideration of the environmental, social, and governance topics. These activities were undertaken ahead of drawing up the sustainability report, which shall be made official together with the approval of the 2024 financial statements.

Despite a complex domestic and international environment, the Group continued to invest in projects to help vulnerable people by making significant financial contributions through the Valter Baldaccini Foundation, among other types of support.

We can all be proud of the fact Umbragroup is now a leading manufacturer of ballscrews and electromechanical actuators. And we owe it all to a well-established, unified, and close-knit Group that has made innovation its creed.

We can be proud of the current and future successes of the Group, which continues - thanks to its human capital - to bring innovation, passion, respect and social development.

Foligno, May 29, 2023

The Chairperson

Reno Ortolani

Contents

Company Information

Registered office of the parent company

Via V. Baldaccini 1-Loc. Paciana
06034 Foligno PG
Italy

Parent Company Legal Details

Share capital approved Euro 12,055,987.94 fully paid-in
Share Capital subscribed and paid-in Euro 12,055,987.94
Perugia Companies Registration Office No. 02016930543
R.E.A. No. 174039

Registered Offices of the Subsidiaries

- KUHN Prazisionsspindeln und Gewindetechnik GmbH
  Alte Bahnlinie, 2
  71691, Freiberg am Neckar
  Germany

- Umbra Cuscinetti Inc.
  Hardeson Rd, 6707
  98203, Everett
  WA, United States

- PrazisionsKulgen Eltmann GmbH
  Industriestrasse, 2
  97483, Eltmann
  Germany

- AMCo S.r.l.
  Via E. Bartolomei, 24
  06034, Foligno (PG)
  Italy

- SERMS S.r.l.
  Str. di Pentima, 8.
  05100, Terni (TR)
  Italy

- UGI Holding Inc.
  North Hamilton Street, 628
  48602, Saginaw
  MI, United States

Composition of the corporate boards at the date of approval of the financial statements at December 31, 2022

Board of Directors
Reno Ortolani
Matteo Adolfo Notarangelo
Beatrice Baldaccini
Sara Ortolani
Leonardo Baldaccini
Marco Rossi
Sonia Bonfiglioli

Board of Statutory Auditors
Mariano Spigarelli
Gianluca Bogini
Giuliano Cervini
Monia Bazzucchi
Roberto Ortolani

Supervisory Board
Buchetti Cristiana
Lolli Tiziana
Maccarelli Fabio

Independent audit firm
KPMG S.p.A.

Directors' Report

Dear Shareholders,

The year 2022 will be remembered as a particularly challenging one as a result of events that negatively affected the economic landscape both globally and domestically. From the post-pandemic recovery phase, in which several economic indicators had returned positive and pointed towards growth, a geopolitical crisis related to the Russia-Ukraine conflict emerged, once again impacting the international climate.

Despite the still particularly volatile macroeconomic environment due to the multiple events that characterised the year under review, the Group once again managed to maintain double-digit EBITDA margin this year, in line with the previous year.
Work aimed at focusing on strategic objectives, protecting the environment, and pursuing the Group's innovation and digitalisation also continued in 2022.

The consolidated financial statements for the year ended December 31, 2022, include the first-time adoption of the International Financial Reporting Standards (IFRS) in place of the Italian GAAP standards. Application of these new standards, which the Group had been assessing for some time, was essentially motivated by our significant international presence, which made it appropriate to conform to the more prevalent model of financial reporting.

The year ended December 31, 2022, shows net profits of Euro 9,489 thousand, a decrease from the previous year (Euro 15,853 thousand in 2021). However, last year's performance was mainly impacted by the tax benefit of Euro 5,033 thousand related to the "Patent Box".

Shown below are the financial highlights that will be discussed in greater detail below.

Description (Euro thousands)	2022	2021
EBITDA	25,975	26,450
EBITDA Margin	*14%*	*15%*
Adj. EBITDA	25,286	29,268
Adj. EBITDA Margin	*13%*	*17%*
EBIT	12,064	11,014
Net Profit	9,489	15,823
Adj. Net Profit	8,800	13,710
Equity	112,753	154,243
Financial debt	15,810	(34,047)

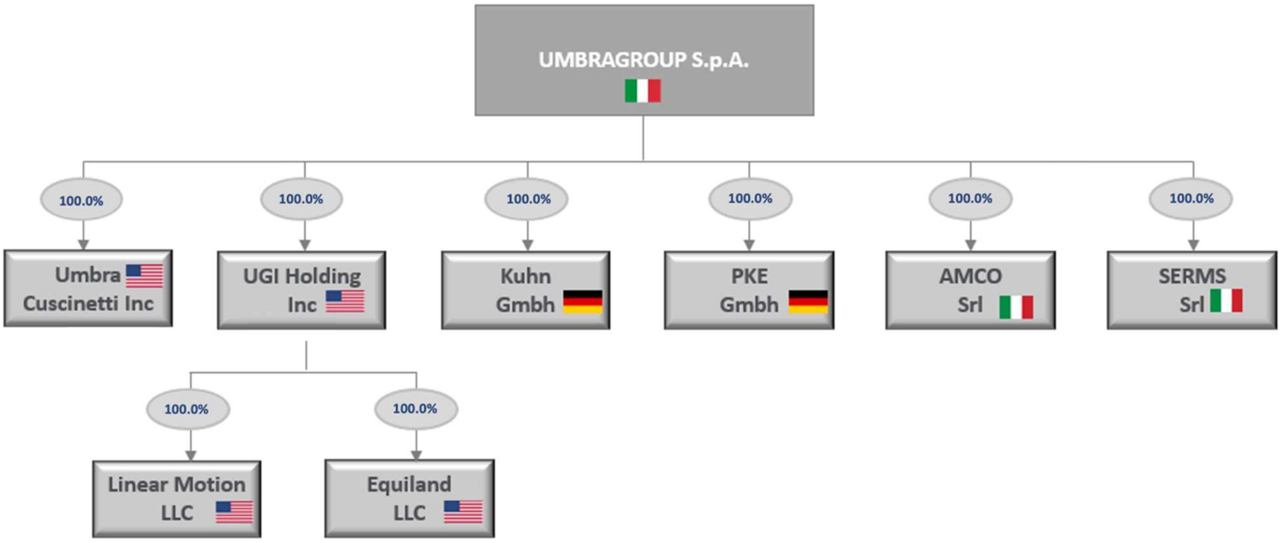
The figures above, and throughout this report, have been measured based on the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). For better comparison with the figures for previous years, see the Explanatory Notes, which show the effects of first-time application of the IFRSs in terms of materiality and importance for the areas concerned.

Operating conditions and developments

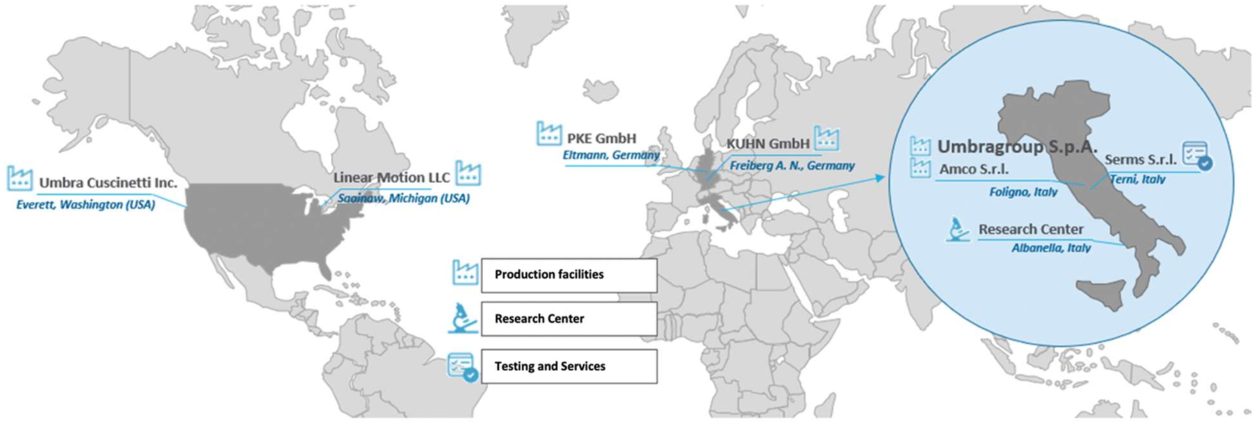
In accordance with Article 2428, the parent company operates from the registered office in Foligno, with secondary offices also in Foligno and at the Albanella (SA) research centre.
UmbraGroup S.p.A. directly controls the other companies of the Group, involved in complementary and support activities to the Group's core business.

Group Governance Structure

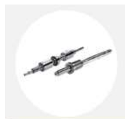
The graphic below presents the companies of the Group, the interest held in each, and the geographical area covered as at December 31, 2022.



The figure below shows the locations of the Group's various consolidated companies.



Umbra Cuscinetti Inc. – Everett, WA, USA
Holding 100%
Direct control
Activities carried out - Production and Sale of aerospace components



Kuhn GmbH – Freiberg am Neckar, Germany
Holding 100%
Direct control
Activities - Production and Sale of ball screws for industrial applications

Präzisionskugeln Eltmann GmbH – Eltmann, Germany
Holding 100%
Direct control
Activities - Production and Sale of ball bearings

UGI Holding Inc. – USA
Holding 100%
Direct control
Activities carried out - Financial Holding company

Linear Motion LLC – Saginaw, MI, USA
Holding 100%
Direct control through UGI Holding Inc.
Activities - Production and Sale of aerospace components and maintenance services

Equiland LLC – USA
Holding 100%
Direct control through UGI Holding Inc.
Activities carried out - Real estate company

AMCO S.r.l. – Foligno, Italy
Holding 100%
Direct control
Activities carried out - Production and Sale of industrial products

Serms S.r.l. – Terni, Italy
Holding 100%
Direct control
Activities – materials testing

Mission and Vision

Our Mission:
'To be, in the eyes of the customer, the smart supplier of actuators, ball screws, bearings, and components for the high-tech markets.
An excellent service shall be at the heart of all operations.
We don't want to be *at* the cutting edge; we want to *be* the cutting edge!

Structure and Governance model

The system of corporate governance adopted by the Parent Company plays a key role in achieving our strategic objectives by helping to create sustainable value over the medium and long term.
At December 31, 2022, the Group comprised six direct subsidiaries and the Parent Company UmbraGroup S.p.A., and two indirect subsidiaries through UGI Holding Inc.
The Parent Company has a traditional governance system comprising the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors in an oversight role.
The audit is carried out by the independent audit firm KPMG S.p.A.
The Shareholders' Meeting acts solely to pass resolutions within its purview as defined by law and limited to the most important decisions concerning the company.
The Board of Directors, comprising 7 members, including 3 women, is granted broad strategic decision-making powers over the Group and for corporate governance and the management of the internal control procedures. Its functions include the setting of the type and level of risk compatible with the strategic objectives, with their assessments also including all risks considered significant with regard to the sustainability of operations over the medium/long-term.
The Parent Company has adopted an organisation model compliant with Italian Legislative Decree 231/2001 and appointed a related Supervisory Board.
The Board of Statutory Auditors of the Parent Company comprises three Statutory Auditors and two Alternate Auditors, verifies compliance with law and the By-Laws, with the principles of correct administration and in particular the adequacy of the organisation, administration and accounting structure adopted and its correct functioning and the adequacy of the internal control system.
Finally, the Supervisory Board, comprising tree members, of which one internal, verifies the efficacy of the Organisation, Management and Control Models approved by the Parent Company. In particular, the Supervisory Board controls the procedures for the prevention of the following sustainability-related offenses: offenses in violation of workplace health and safety rules, environmental offenses, tax offenses, and offenses against the individual.

The Board of Directors of the Parent Company is comprised as follows:

Board of Directors

	2022
Number of Directors	7
Number of Independent Directors	1
Number of female Directors	3
Meetings held in 2022	14

Board of Directors of the Parent Company at December 31, 2022

Office	Members
Chairperson	Ortolani Reno
Chief Executive Officer	Notarangelo Matteo Adolfo
Vice Chairperson of the Board of Directors	Baldaccini Beatrice
Director	Bonfiglioli Sonia*
Director	Ortolani Sara
Director	Rossi Marco
Director	Baldaccini Leonardo

Board of Statutory Auditors of the Parent Company at December 31, 2022

Office	Members
Chairperson	Spigarelli Mariano
Statutory Auditor	Bogini Gianluca
Statutory Auditor	Cervini Giuliano
Alternate Auditor	Ortolani Roberto
Alternate Auditor	Bazzucchi Monia
Independent Audit Firm	KPMG S.p.A.

Supervisory Board of the Parent Company at December 31, 2022

Office	Members
Chairperson	Buchetti Cristiana
Standing member (external)	Fabio Maccarelli
Standing member (internal)	Tiziana Lolli

The Board of Directors of the parent company was appointed on June 10, 2022 and will serve until the approval of the financial statements at December 31, 2022.
The Board of Statutory Auditors and Independent Audit Firm of the Parent Company were appointed by the Shareholders' Meeting on June 10, 2022 and will hold office until the approval of the Financial Statements at December 31, 2024.

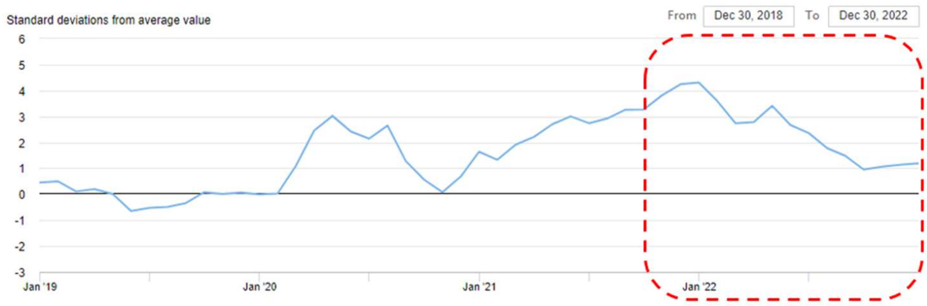
Operating overview

Economic overview
General economic overview

In 2022, the global economy was faced with a number of new geopolitical challenges. The economic crisis brought about by the COVID-19 pandemic was exacerbated by the war between Russia and Ukraine. This will necessarily lead to a slowing in global real GDP in 2023.
In particular, inflation is one of the primary areas of focus in the world's economy. The average rate of inflation in OECD countries in 2022 was 9.4%, nearly six times the average of 1.6% over the period 2013-2019. Inflation is weighing on the economic outlook for its impact on higher production costs for businesses and its erosion of household disposable income, as well as because it forces central banks to tighten monetary policy in order to slow down their economies.

The primary challenge for the economies of Europe and the world in recent months has been the tension in the energy market. We have seen energy prices increase sharply, mainly in response to the countermeasures of the Russian Federation in reaction to the economic sanctions of western nations following Russia's invasion of Ukraine, but also to changes in policies for the provision of energy by European countries.

In addition to the rising cost of energy, the general increase in prices has been brought about by the supply chain issues that have impacted the global economy since the height of the pandemic in 2020.
The Russia-Ukraine crisis adds to an already complex landscape in which disjointed economic recovery around the world on the back of the pandemic has created bottlenecks in the supply of components and raw materials that are crucial to economic activity.
These dynamics can be clearly seen in the Global Supply Chain Pressure Index (GSCPI) published by the New York Federal Reserve. This index shows a substantial decline from the levels seen in April 2022, potentially due to a reduction in the time needed to deliver goods, a lessening of congestion at key harbours, and the delivery of back orders, allowing for an outlook of lower inflation (with the exception of energy) in the future. This was also due to a slowing in consumer demand for durable goods, which is helping to lessen the supply chain bottlenecks.



These improvements, together with the drop in energy prices in recent months, can also be seen in an inversion in trend for the producer price index (PPI), which has shown its first signs of cooling, pointing to a potential lessening of inflationary pressures in 2023.
While on the one hand it is evident that current dynamics throughout the supply chain are being dominated by the pandemic and recent geopolitical developments, it is also important to underscore the other factors impacting supply chains both in Europe — such as Brexit — and globally — including climate change, sustainability and the energy transition.

The rise in the consumer price index (CPI) in 2022 was due mainly to the increase in energy prices, which accounted for roughly half of total inflation. Inflation rates have been particularly high in both Italy and the rest of Europe, including in France, Germany and Spain. As for the producer price index (PPI), a significant inversion in trend was seen in the latter part of the year and is expected to be reflected in a drop in the CPI in the coming months.
The significant contribution of the service sector and the limited volatility of prices in the sector are important factors to consider when assessing the direction of inflation for the next few quarters. On the one hand, overall inflation is expected to decline in 2023 in response to a potential lessening of pressure from energy prices and supply chain issues. On the other, though, the lower volatility of the CPI for services could help keep inflation overall at levels significantly higher than we have seen in recent years.
High inflation is also leading to increases in nominal wages, which should help to mitigate the erosion in consumer buying power. This increase in nominal wages could also lead to further inflationary pressures in the coming years, but without necessarily giving rise to a price-wage spiral, as empirically witnessed over the last few decades.

In an uncertain climate such as this one, the short-term indicators are particularly useful in interpreting economic trends and developing forecasts for Italy's economy. The first indicator to take into account is industrial production, which, in the third quarter of 2022 in Italy, was at even lower levels (-0.2%) than in the third quarter of 2019 (pre-pandemic).
Nonetheless, more encouraging signs come from a comparison of Q3 2022 with the same quarter of 2021, which shows an increase of 0.3%. Finally, comparing the figure for October 2022 with September, we see a contraction in this indicator of 1.0%, or -1.6% compared to the same month of the previous year.

Italian industry is holding up against the recent economic and geopolitical challenges, although we must take account of the diversity of the sector, the various dynamics within it, and the high levels of uncertainty of recent months.

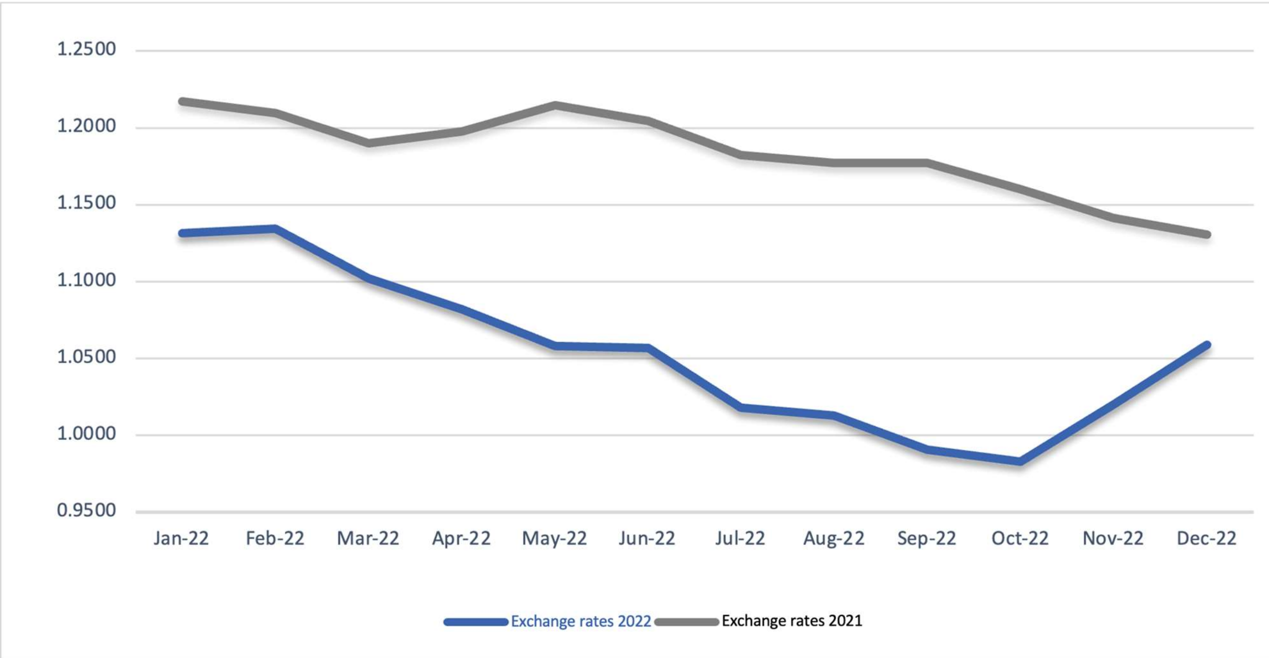
Given the symmetrical nature of the shock brought about by energy supply, it should not be surprising that other leading European nations are afflicted by a similarly negative outlook.
The factors limiting economic activity, as indicated in a survey conducted by the European Commission, are various and have changed over time, pointing to structural changes in the economy. New dynamics have emerged in recent years, and the lack of materials and equipment has become the primary cause of the economic crisis, particularly in early 2021 when the problems with global supply chains had become especially widespread.
Nonetheless, the most recent OECD Economic Outlook calls for overall GDP growth in the euro area in 2023 of 0.5%.

Currency markets

In 2022, the average Euro/Dollar exchange rate was 1.0530, down 11.0% on 2021 (1.1827).
Exchange rates continued to fluctuate throughout the year. The first nine months saw a strengthening of the dollar, going from levels near 1.15 in early January to a low of 0.9565 by September.

These trends resulted in the following low, average and high exchange rates in 2022:
- Average Value: 1.0530
- Average Minimum Value: 0.9565 on September 28, 2022
- Average Maximum Value: 1.1464 on February 4, 2022

The figure below shows the trend in monthly average EUR/USD exchange rates in 2022.



The table below presents the average 2022 rates and the December 31, 2022 rates for the most significant Group currencies, in addition to the percentage change against the Euro compared to the average and year-end rates for 2021.

	Average exchange rate			Year-end exchange rate		
	2022	2021	Change on 2021	31.12.2022	31.12.2021	Change on 2021
	:1 Euro	:1 Euro	%	:1Euro	:1Euro	%
US Dollar (USD)	1.05	1.18	-11.0%	1.07	1.13	-5.8%
Canadian Dollar (CAD)	1.37	1.48	-7.6%	1.44	1.44	0.3%
Australian Dollar (AUD)	1.52	1.57	-3.7%	1.57	1.56	0.5%
UK Sterling (GBP)	0.85	0.86	-0.8%	0.89	0.84	5.6%
Swiss Franc (CHF)	1.00	1.08	-7.1%	0.98	1.03	-4.7%

Group operating performance

Aerospace Sector

The aerospace sector, like the economy as a whole, continued to be heavily impacted by developments in the pandemic and geopolitical developments.

After a 2020 in which the industry suffered the worst slump in its history, and a 2021 in slight recovery from the pandemic, thanks to a slight increase in demand, driven initially by domestic air traffic (particularly in China and the United States) and then toward the end of the year also by short and medium-haul international traffic, especially to summer tourist destinations, 2022 was a year of recovery for the industry with volumes close to pre-pandemic levels.

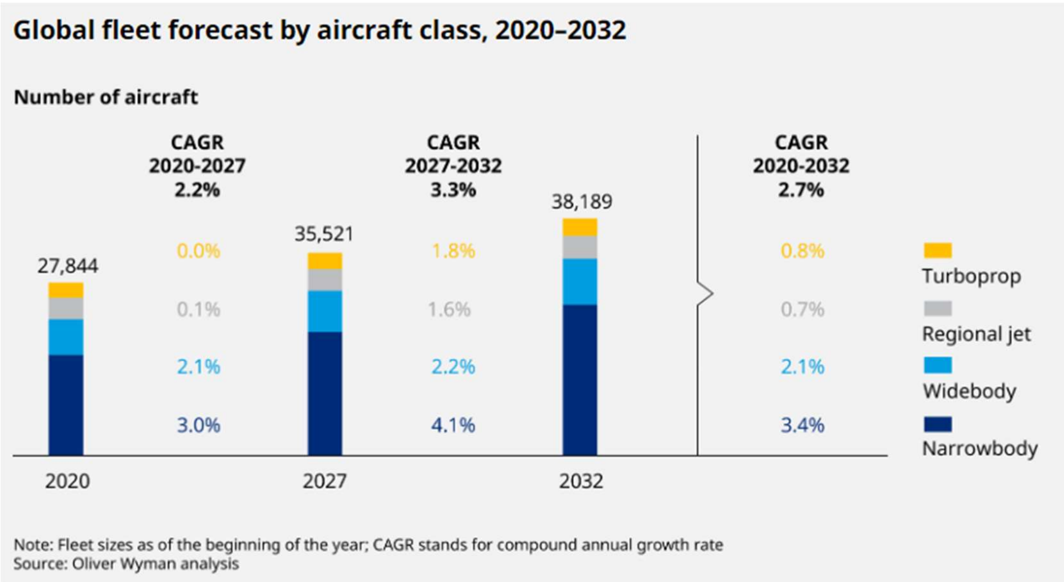
According to the latest statistics of the International Air Transport Association (IATA), global revenue passenger kilometres (RPKs) at December 2022 increased by 64% over 2021 and by 40% for the month of December alone.

Compared to the pre-pandemic levels of December 2019, passenger traffic began to post significant improvements during the year under review. This improvement was due mainly to the removal, by nearly all governments, of travel restrictions, so people around the world began travelling at a much higher rate.

According to estimates by Fitch Ratings of November 2022, the Aerospace & Defence sector is expected to improve as favourable dynamics in demand should lead to an increase in cash flow and a reduction in debt capacity.

Fitch Ratings has also confirmed that original equipment manufacturers (OEMs) and suppliers of commercial aircraft will benefit from strong global demand. Production rates should remain relatively stable in the first quarter of 2023, but could increase towards the end of the year.

According to forecasts by Oliver Wyman, the in-service fleet globally in the first half of 2023 should reach, and even surpass, the peak reached in 2019 prior to the pandemic. As shown in the figure below, the in-service fleet is expected to number 38,189 aircraft by 2032.



The recovery in fleet is expected to mainly concern domestic flights, which will account for about 64% of the total by 2032, up from 58% at January 2020. It is also important to note that the industry had already been impacted, prior to the pandemic, by the global grounding of the 737 MAX in 2019.

Another new challenge to be faced by the aeronautics industry is climate change. At present, aviation is responsible for roughly 2.3% of total carbon emissions, which is lower than the percentage for road transport and other economic activities. The expected transition to electric vehicles over the next 10 years will likely reduce total emissions by road transport and could potentially increase that of aviation, a sector that does not have an immediate alternative to fossil fuels.

This could increase pressures on the industry and even lead to efforts to limit commercial flights.

Despite the fact that aerospace manufacturers have been committed to greater efficiency in fuel consumption practically since the birth of the industry, there is not currently a technological solution that would significantly reduce emissions.

Research and development is underway in the area of hydrogen or electric propulsion for aircraft, but production is not expected to begin for another 15-20 years.

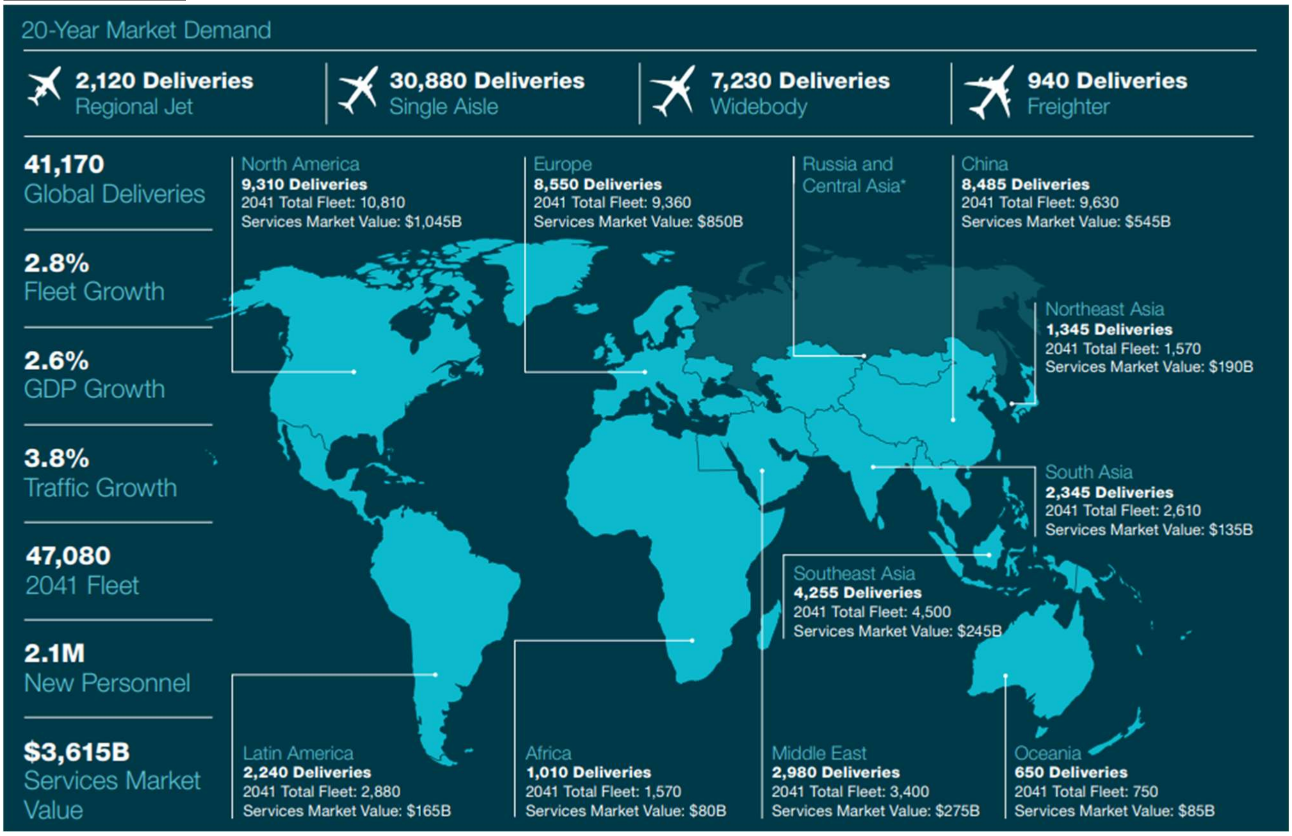
Commercial market outlooks (CMOs) for the next 20 years (2022-2041) published in October 2022 by both Boeing and Airbus confirm that domestic air travel demand saw a major recovery in various regions, while international traffic is getting a boost from the lifting of restrictions and is expected to return to pre-pandemic levels by 2023-2024.

Boeing expects new aircraft deliveries to reach USD 7.2 trillion on an increase in the global fleet of 80% through 2041 from the pre-pandemic levels of 2019, and the market for commercial services to meet this demand is valued at USD 3.6 trillion. The current CMO confirms from last year that Asian markets will represent about 40% of long-term global demand for new aircraft. Europe and North America reach just over 20% of total demand each, with 15% of demand going to other regions.

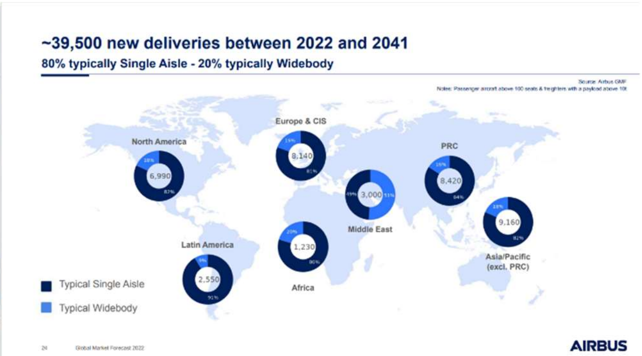
Airbus's 2022-2024 commercial market outlook agrees with Boeing's on certain key trends, such as the prevalence of deliveries of new narrow-body aircraft and Asia and the Middle East being the region that will receive the lion's share of deliveries.

The figures on the following page provide the highlights from the Boeing and Airbus outlooks.

Boeing's Outlook



Airbus's Outlook

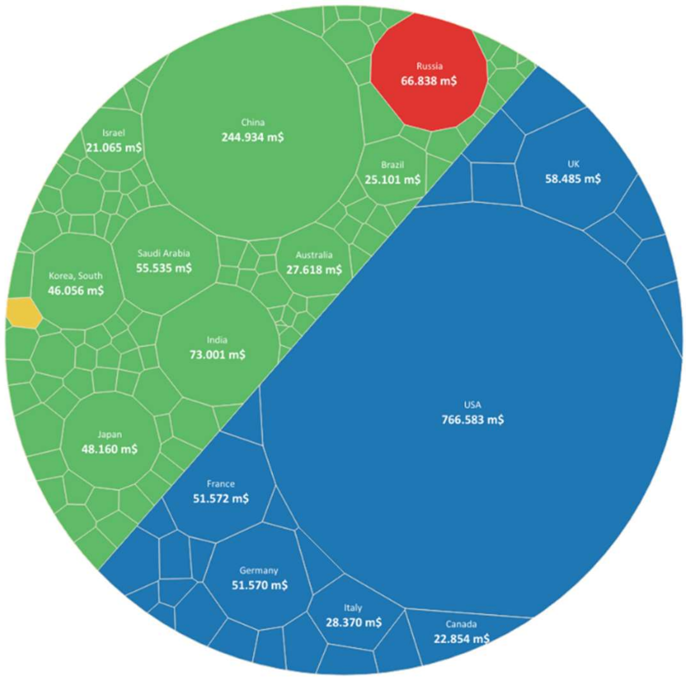


In 2022, a total of 1,141 aircraft were delivered by Airbus and Boeing, an increase of 20% from 2021 but still below (-29%) the 2018 high (1,606).
Airbus delivered 661 commercial aircraft (up from 611 in 2021), confirming its dominant position as the world's largest supplier of commercial aircraft. Boeing improved sharply, delivering 480 aircraft in 2022 compared to 340 in 2021.

Defence Sector

Because it is tied to government budgets, Defence is, by its nature, less exposed to cyclical fluctuations; therefore, even in the face of events such as the pandemic, which proved devastating for the Commercial segment, it has not suffered particular consequences. In 2022, the war that broke out between Russia and Ukraine led to increases in military spending in all countries.
According to Fitch Ratings, the defence sector will show benefits in the second half of 2023, with a moderate acceleration in 2024 thanks to increased government defence spending globally. The sector is well positioned for long-term growth given the ongoing geopolitical tensions and related increases in defence spending.
The figure below provides a summary of the data from the report by the Stockholm International Peace Research Institute (SIPRI). NATO countries are aggregated in blue, while Russia is in red and Ukraine in yellow.

Country	Military Expenditure ($/000)
USA	766,583
China	244,934
India	73,001
Russia	66,838
Great Britain	58,485
Saudi Arabia	55,535
France	51,572
Germany	51,570
Japan	48,160
South Korea	46,056
Italy	28,370
Australia	27,618



Since 2015, global defence spending has risen continuously. The United States, China, India and Russia are the nations driving the increase in military spending. As shown in the figure, NATO members are among the biggest defence spenders. Nonetheless, Italy remains among the top 5 European nations and 11th globally.

Maintenance, Repair and Operations (MRO)

As the COVID-19 pandemic spread around the world, the aeronautics industry lost more than USD 118 billion in value in 2020 (according to IATA estimates) and saw several airlines stop flying entirely. At present, the sector features a fleet in transition due in part to the greater number of aircraft retired than put into operation. MRO demand should return to pre-COVID levels by 2024 and, by 2030, MRO demand should reach USD 118 billion, 13% below the pre-COVID forecast of USD 135 billion. In line with the Boeing and Airbus outlooks regarding demand for new aircraft, as described above, narrow-body craft are expected to account for an increasing portion of the MRO market, continuing the rise of this segment prior to the pandemic due to low-cost carriers gaining increasing levels of market share. Conversely, we are expecting slower growth in wide-body craft in the MRO market unless we see a faster-than-expected recovery in long-haul routes.

According to both Fitch Ratings and Oliver Wyman, sales of MRO and post-sale services should benefit from global air traffic which is expected to approach 2019 levels by 2024.

Industrial Line

According to forecasts published in February 2023 by CECIMO, the European Association of the Machine Tool Industries and related Manufacturing Technologies, the global machine tool market is entering a year of growth, after nearly three years of stagnation, due to a significant order backlog.
In macroeconomic terms, forecasts are supported by the expectation that inflation has peaked.
Energy and raw materials priced have begun to fall, and the removal of COVID restrictions in China, the largest market, will stimulate activity. Global investment has increased for the third consecutive year, although more slowly that for the previous two years, and international consumption of machine tools is reaping the benefits. After an 11.5% increase in 2021, the market is expected to grow by another 10% in 2022. The total commercial balance should reach a surplus of about Euro 7.8 billion this year.

The index of total orders reached an all-time high in the first half of 2022 and suffered a slight drop in the second half, but remained above 2021 levels. For next year, with all the challenges to be faced by the world's economies, new orders are expected to decrease in the first half of 2023. However, given the expected slowing of inflation and the loosening of energy supply and prices, order forecasts for the second half of 2023 are stable and more optimistic.
After an encouraging 2021 for the machine tool and automation industry, 2022 closed with double-digit growth in nearly all key economic indicators, and 2023 is expected to be favourable, although at more modest rates of growth, as shown in the preliminary figures of the UCIMU Centre of Enterprise Studies & Culture.
In 2022, production reached Euro 7,255 million, increasing by 14.6% over the previous year. This was the result of the excellent performance of deliveries by Italian manufacturers within the domestic market, which increased by 27%, and of the growth in exports, which improved 2.5% compared to the previous year. Italian demand for machine tools and automation was also decidedly vibrant. Increasing by 31.3%, domestic consumption grew to Euro 6,575 million, driven both by deliveries by Italian manufacturers and by exports (Euro 2,595 million, +38.5%).

According to other forecasts by UCIMU, production in 2023 is expected to grow to Euro 7,565 million (+4.3% from 2022) on the increase in exports, which should reach Euro 3,375 million (+3.1%), and in deliveries by domestic manufacturers, which are expected to grow 5.3% to Euro 4,190 million.
Consumption will also continue growing to reach Euro 6,820 million, up 3.7% on 2022. Although to a lesser extent than for manufacturer deliveries, imports are also expected to benefit from the vibrant domestic demand for an increase of 1.3% to Euro 2,630 million.
Confirmation that the growth seen in 2022 will continue into 2023, as pointed to by forecasts, also comes from an analysis of the order backlog of Italian manufacturers, which, for the first nine months of the year (most recent figures available) showed 8.1 months of guaranteed production, the highest this figure has been in the last 30 years.

Significant events in 2022

On ***January 11***, the Board of Directors of UmbraGroup S.p.A. accepted the resignation of Antonio Baldaccini from the board, effective as of December 31, 2021. The new governance structure calls for the appointment of Matteo Adolfo Notarangelo to the position of Chief Executive Officer of the Parent Company.

On ***February 2***, UmbraGroup S.p.A. received the Airbus Helicopters Innovation Award at the 2022 Airbus Helicopters Supplier Conference. This award acknowledged the innovation, commitment, and results achieved on projects developed with this client in developing a new rotary actuator architecture that creates added value for the client.

On ***February 25***, the 30th supplier meeting was held with the goal of continuing to grow and to create value for the community, and UmbraGroup shared company values and strategy with our strategic suppliers.

On ***March 15***, just a few months from the 35th anniversary of our partnership with The Boeing Company, a US multinational organisation and global leader in the production of civil and military aircraft, UmbraGroup welcomed special guests Angela Natale, chairperson of Boeing Italy and General Director for Southern Europe, Costanza Sebastiani, head of Government Affairs for Boeing Italy and Southern Europe, Michele Illiano, Senior Manager of Supplier Management and EMEA Field Operations for Boeing, and Armida Balla, Communications Manager for Boeing Italy, Southern Europe and Israel. This meeting focused on the relationship between the two organisations, on business strategy, and on future challenges.

On ***April 1***, UmbraGroup S.p.A. celebrated its 50th anniversary as both a major milestone and, above all, the start of a new chapter. UmbraGroup looks to the future with a new vision and a clear business strategy, backed by values and with the primary objective of innovating to create value for our customers, for the Group, for the community, and for all our stakeholders. In conjunction with this 50th anniversary, UmbraGroup joined the project Pollinate the Planet in collaboration with 3BEE. The result was the UmbraGroup beehive in support of a local beekeeper with the goal of protecting the planet's biodiversity. Celebrations of the 50th anniversary of the Parent Company featured three major events. On September 16, celebrations were held in honour of our longstanding clients, partners, and stakeholders with an all-day event at Palazzo Trinci in Foligno (Perugia, Italy). On November 25, the 2022 Supplier Meeting was held at the head office of UmbraGroup both to discuss future projects and strategies and to celebrate this important milestone with our strategic suppliers. Finally, on December 18, celebrations were held with employees and their families, followed by a motivational event with Julio Velasco.

On ***April 29***, Poliscom S.r.l. and Safini S.r.l., led by the Baldaccini and Ortolani families, together with UmbraGroup S.p.A., announced the signing of an agreement to repurchase an 18.75% minority interest in IPOC 3 S.p.A., a special-purpose vehicle held by the IpoClub fund managed by Azimut Libera Impresa SGR, by fund promoters AGC and Electa Ventures, and by a group of private investors.

On ***May 27***, UmbraGroup S.p.A. was included among the 1,000 "Champion" enterprises of 2022, the result of a study conducted by ItalyPost in collaboration with *Corriere della Sera*, and was among the top 200 companies with revenue in the range of Euro 50 to 500 million, selected based on indicators of financial performance.

On ***May 30***, UmbraGroup S.p.A. returned as a member of UCIMU – Sistemi di Produzione, the association of Italian manufacturers of machine tools, automation, and ancillary products. Being a part of one of the most authoritative bodies of the Confindustria system means being able to count on a strategic partnership that enables UmbraGroup to work with more than 200 other members who account for over 70% of Italy's production in this sector.

On *June 13*, with approval of the 2021 accounts, the terms were renewed for the entire Board of Directors. The board will comprise both representatives of the majority shareholders, Poliscom S.r.l. and Safin S.r.l., who will contribute their know-how and provide continuity, and independent directors with invaluable, complementary talents.

On *June 14*, in the head office of SERMS S.r.l., an acceptance test was conducted of the Global Navigation Satellite System (GNSS) receiver for space applications. The test was overseen by personnel from NASA.

On ***August 3***, UmbraGroup S.p.A. passed the PRI Nadcap audit of Galvanic Processes with flying colours and renewed our certification "with merit". This was the result of the great talent and dedication of the entire Aerospace team.

On ***October 25***, UmbraGroup received the 2022 Rolls-Royce Defense Most Improved Supplier Award for Innovation from the Rolls-Royce team. The Rolls-Royce team particularly noted the perseverance of the entire UmbraGroup team in overcoming obstacles, maintaining delivery times, and eliminating concessions. They also appreciated and underscored our maintenance of punctual deliveries with zero defects and noted that strong collaboration is an excellent recipe for continued success.

On ***December 6,*** UmbraGroup obtained - for the fourth consecutive year - the rating of national Welfare Champion as part of the SME Welfare Index research. The award ceremony was held in Rome and was attended by Italy's Minister of Labour and Social Policy, Marina Elvira Calderone. This award confirms the Group's progress towards constant improvement in employee remuneration policies.

On ***December 12***, UmbraGroup began work towards the important ISO 50001 certification of the efficient use of energy. This commitment began in 2012 with the achievement of ISO 14001 environmental certification and ISO 45001 certification of occupational health and safety. At present, a dedicated team is working towards achieving the best possible energy performance in order to ensure an increasingly sustainable future.

Operating Results

The year 2022 saw a 10.4% increase in revenues from the previous year. Net profits declined from the previous year, due mainly to the positive effect in 2021 of recognition of the tax benefit related to the "Patent Box".
Net debt was Euro 15,810 thousand at December 31, 2022, declining on the net cash position of Euro 34,047 thousand for the previous year.

The Group's key performance indicators (KPIs) for the period and main changes are shown below:

Operating performance	2022	2021	Change	% Change
Revenues	189,235	171,441	17,794	10.4%
Value of production	199,218	173,192	26,026	15.0%
Value added	95,059	90,754	4,305	4.7%
EBITDA	**25,975**	**26,450**	**(475)**	**-1.8%**
Adj EBITDA	25,286	29,268	(3,982)	-13.6%
EBITDA Margin (EBITDA/Revenues)	**13.7%**	**15.4%**	**-1.7%**	
Adj EBITDA Margin (Adj EBITDA/Revenues)	**13.4%**	**17.1%**	**-3.7%**	
EBIT	12,064	11,014	1,050	9.5%
EBIT/Revenues	**6.4%**	**6.4%**	**0.0%**	
Net Profit	9,489	15,823	(6,334)	-40.0%
Financial Performance	2022	2021	Change	% Change
Capital Employed	255,792	290,409	(34,617)	-11.9%
Total investments	7,473	4,483	2,990	66.7%
Net working capital	67,245	55,386	11,859	21.4%
Net Capital Employed	128,563	120,196	8,367	7.0%
Financial debt	**15,810**	**(34,047)**	**49,857**	**-146.4%**

The Group's alternative performance indicators are defined as follows:

- *Value of production:* the sum of revenues from sales and services, other operating revenues, the increase in internal work capitalised and changes in inventories of semi-finished and finished products.
- *Value added:* margin attained as the difference between revenues net of premiums and consumables, services (including outsourcing costs) and operating costs. The added value in fact measures the wealth generated by the Group in the year against that distributed.
- *EBITDA*: the difference between revenues from sales and consumables, service costs, personnel costs and net operating income/charges. It represents the margin before amortisation, depreciation, financial management (financial income/charges) and income taxes. EBITDA so defined is not recognised under Italian GAAP and therefore the measurement criteria employed by the Group may differ from those of other Groups and is therefore not comparable. This indicator is commonly used by analysts in order to assess a company's performance.
- *Adjusted EBITDA*: EBITDA adjusted for extraordinary and/or non-recurring income and expenses.
- *EBIT:* the difference between EBITDA and amortisation, depreciation and write-downs. It represents the margin before financial management and income taxes.
- *Adjusted Net Profit:* Book net profit net of extraordinary income and charges.
- *Net working capital*: the difference between current assets and current liabilities (excluding cash and cash equivalents, financial payables and provisions for risks and charges).
- *Net capital employed*: the sum of fixed assets and net working capital, net of provisions for risks and charges and post-employment benefits.
- *Financial debt*: the difference between cash and cash equivalents and current and non-current financial payables.

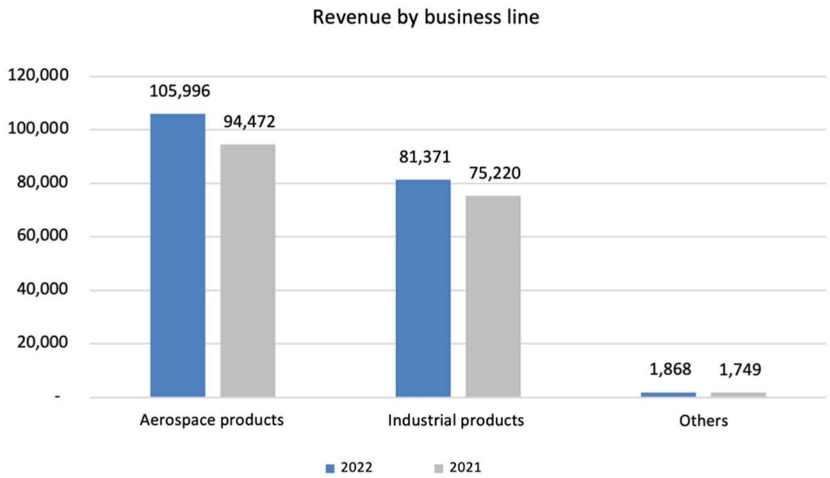
The above indicators are not governed by the Group's accounting standards.

Revenues

Revenues from sales and services in 2022 amounted to Euro 189,235 thousand, compared to Euro 171,441 thousand in 2021 (+10%). The value of production is Euro 199,218 thousand, compared to Euro 173,192 thousand in 2021 (+15%). The increase in revenues is mainly due to the market recovery, particularly in the Aerospace segment, having come out of the crisis brought about by the COVID-19 pandemic, which had caused a significant reduction in demand.

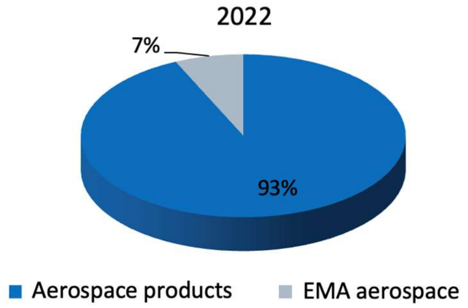
Revenues by business line and the change on the previous year are outlined in the table below.

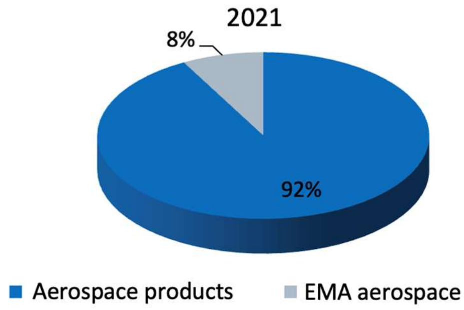
(in Euro thousands)	2022	2021	Change	Change %
Aerospace Products	105,996	94,472	11,524	12%
Industrial Products	81,371	75,220	6,151	8%
Others	1,868	1,749	119	7%
TOTAL	189,235	171,441	17,795	10%



Aerospace Line breakdown:

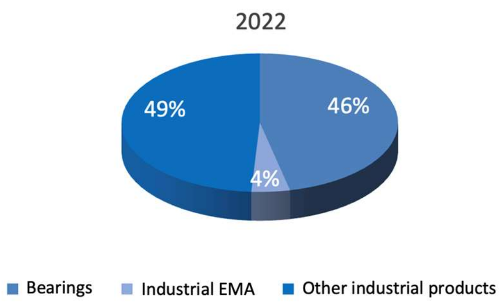
(in Euro thousands)	2,022	2,021	Change	Change %
Aerospace Products	98,743	86,956	11,787	14%
EMA Aerospace	7,253	7,516	(263)	-4%
Total	105,996	94,472	11,524	12%

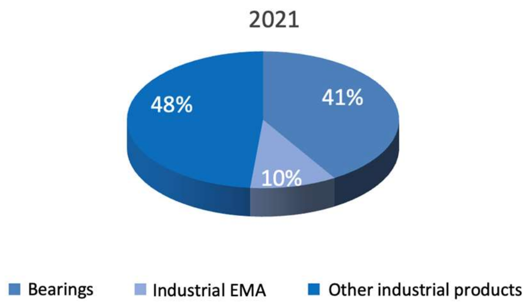




Industrial Line breakdown:

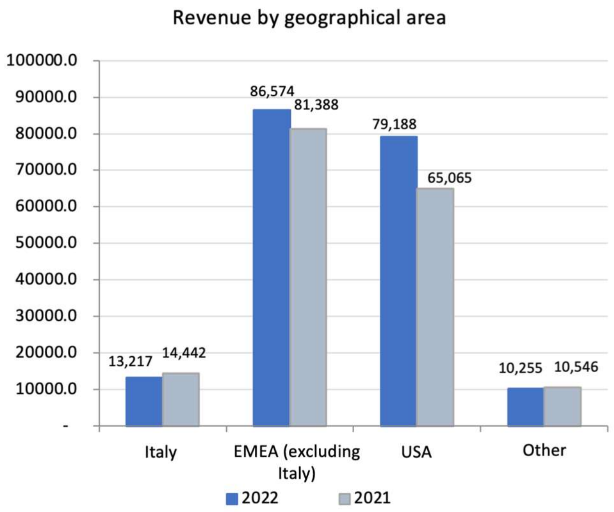
(in Euro thousands)	2022	2021	Change	Change %
Bearings	37,832	31,003	6,829	22.0%
EMA Industrial	3,653	7,749	(4,096)	-52.9%
Other Industrial Products	39,886	36,468	3,418	9.4%
Total	81,371	75,220	6,151	8.2%

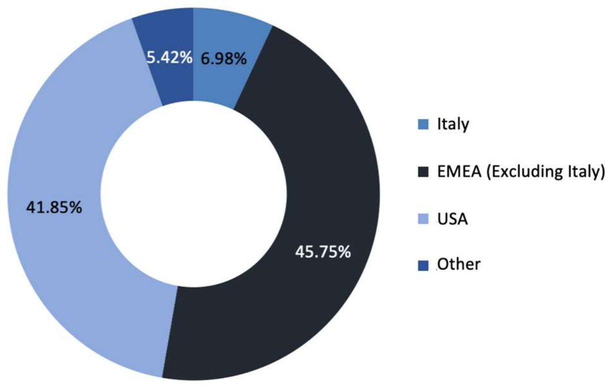




Sales by geographic area

The table below outlines changes in sales by each area.





The EMEA (Europe, Middle East and Africa) region is the largest Group sales market, accounting for 45.75% of the total. The area that saw the greatest contraction in revenues in 2022 was Italy, which fell 8.5% compared to 2021.
For the breakdown of revenues from the other Group companies, reference should be made to the Transactions with subsidiary, associate and holding companies and those under their control section.

Costs

The core operational costs (extensively detailed in the explanatory notes) are as follows:

(in Euro thousands)	2022	% Revenues	2021	% Revenues	Change	% Change
Raw Materials	57,236	30.2%	54,844	32.0%	2,392	4.4%
Service costs	39,069	20.6%	30,978	18.1%	8,091	26.1%
Personnel expenses	69,113	36.5%	64,304	37.5%	4,809	7.5%
Total operating charges	*165,418*	87.4%	*150,126*	87.6%	15,292	*10.2%*
Amortisation and depreciation	13,743	7.3%	15,309	8.9%	(1,566)	-10.2%
Write-downs and provisions	168	0.1%	127	0.1%	41	32.3%

Against a 10% increase in revenues, total operating charges compared with the previous year increased by Euro 15,292 thousand (+10.2%). Raw materials, ancillary and consumables increased 4.4%, while services rose 26.1%.

Personnel expenses totalled Euro 69,113 thousand (+7.5% on Euro 64,304 thousand in 2021). The revenue margin was 36.5%, slightly decreasing on 2021 (37.5%). Personnel expenses at the parent company, as in previous years, reflects a more favourable treatment of employees than under the National Collective Bargaining Agreement for Mechanical Engineering, with the provision of a 14^{th} month, a production bonus and, for senior positions, an MBO. All these remuneration items resulted in costs of Euro 2,070 thousand in 2022, accounting for 5% of total parent company personnel costs. Personnel expenses also include extraordinary costs related to the conclusion of employment of members of senior management in the amount of Euro 199 thousand.

Amortisation and depreciation totalled Euro 13,743 thousand, compared to Euro 15,309 thousand in the previous year (7.3% of Revenues - 8.9% in 2021).

The financial performance follows:

(in Euro thousands)	2022	% Revenues	2021	% Revenues	Change	Change %
Interest and other financial charges	(1,752)	-0.9%	(1,292)	-0.8%	(460)	35.6%
Other financial income/(expenses)	116	0.1%	73	0.0%	43	58.9%
Net financial expense	*(1,636)*	*-0.9%*	*(1,219)*	*-0.7%*	*(417)*	*34.2%*
Currency (Losses)/Gains	2,458	1.3%	2,894	1.7%	(436)	-15.1%
Adjust. to financial assets/liabilities	(1,524)	-0.8%	(877)	-0.5%	(647)	73.8%
Financial management	*(702)*	*-0.4%*	*798*	*0.5%*	*(1,500)*	*-188.0%*

Net financial expenses in 2022 were Euro 1,636 thousand, of which financial charges of Euro 1,752 thousand and financial income of Euro 116 thousand.

Net currency gains totalled Euro 2,458 thousand and was mainly affected by adjustments to amounts in a foreign currency of the Parent Company at December 31, 2022 in the amount of Euro 2,198 thousand.

Adjustments to financial assets were negative for Euro 1,524 thousand and represented changes in the fair value of derivatives at December 31, 2022.

Income taxes and net profit

The 2022 **net profit was Euro 9,489 thousand** (Euro 15,823 thousand in 2021, -40% on the previous year), after ordinary amortisation and depreciation of Euro 13,743 thousand (Euro 15,309 thousand in 2021) and **income taxes** (current and deferred) of Euro 1,873 thousand (positive amount of Euro 4,011 thousand in 2021).

EBIT was Euro 12,064 thousand, increasing Euro 1,050 thousand (+9.5% on 2021).

Operating cash flow (Net Result, Amortisation and Depreciation and Provisions) was Euro 23,400 thousand, decreasing on the previous year 25%.

The reclassified income statement follows:

(in Euro thousands)	2022	2021	Change	Cge %
Value of production	199,218	173,192	26,026	15%
Consumables & external costs	104,130	82,438	21,692	26%
Personnel expenses	69,113	64,304	4,809	7%
% on value of production	***35%***	***37%***	***-2%***	
EBITDA	25,975	26,450	(475)	-2%
% on value of production	***13%***	***15%***	***-2%***	
Write-downs and Provisions	168	127	41	32%
Amortisation and depreciation	13,743	15,309	(1,566)	-10%
Operating profit - EBIT	12,064	11,014	1,050	10%
% on value of production	***6%***	***6%***	***0%***	
Financial income	116	73	43	59%
Financial expenses	(1,752)	(1,292)	(460)	36%
Currency gains and losses	2,458	2,894	(436)	-15%
Net financial expense	**822**	**1,675**	**(853)**	-51%
% on value of production	***0%***	***1%***	***-1%***	
Adjustments to fin. asset/liability values	**(1,524)**	**(877)**	**(647)**	74%
% on value of production	***-1%***	***-1%***	***0%***	
Result before taxes	11,362	11,812	(450)	-4%
% on value of production	***6%***	***7%***	***-1%***	
Income taxes	(1,873)	4,011	(5,884)	-147%
Profit/(loss) for the year	**9,489**	**15,823**	**(6,334)**	-40%
Group Net Profit	9,489	15,823	(6,334)	-40%

The Tax rate increased from -34% in 2021 to 16.5% in 2022. This stems from the Patent Box tax benefit obtained by the parent company in the previous year. Net of this effect, the tax rate increased however from 8.6% in 2021 to 16.5% in 2022.

	2022	2021	Change	% Change

Current income taxes	(2,673)	(1,061)	(1,613)	152%
Taxes from previous year	473	5,033	(4,560)	-91%
Deferred tax liabilities	211	(202)	413	-205%
Income from tax consolidation	117	241	(124)	-51%
Total taxes	(1,872)	4,011	(5,883)	-147%
Result before taxes	11,362	11,812	(450)	-4%
Tax rate	16.5%	-34.0%		

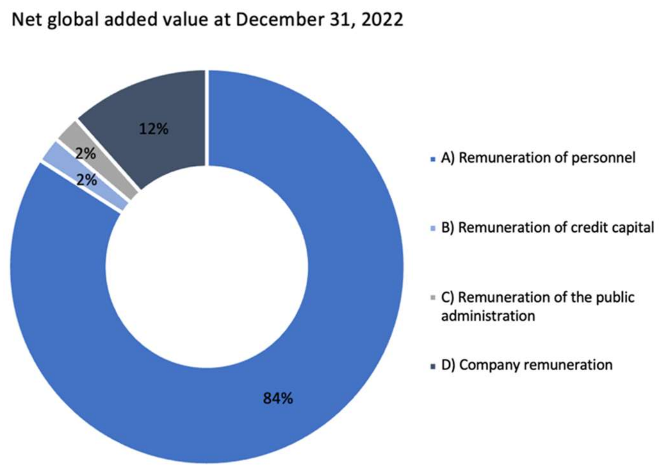
	2022	2021	Change	% Change
Total amount adjusted for the Patent Box effect	(1,872)	(1,021)	(851)	83%
Tax Rate ADJ	16.5%	8.6%		

A further reclassification of the added value income statement for 2022 compared with the previous year is reported below, with a breakdown of the net global added value.

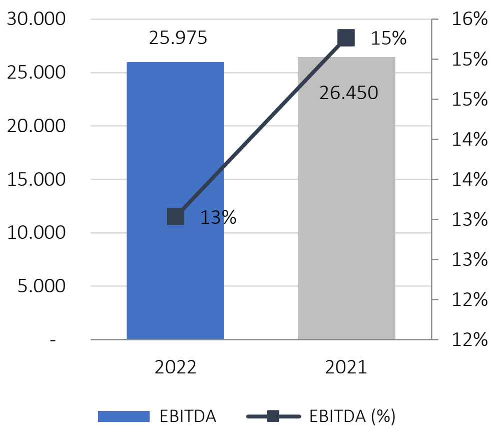
(in Euro thousands)	2022	2021	Change	Change %
Value of production	199,218	173,192	26,026	15.0%
Costs	104,130	82,438	21,692	26.3%
Gross added value	**95,088**	**90,754**	**4,334**	**4.8%**
Net added value	82,227	77,408	4,819	6.2%

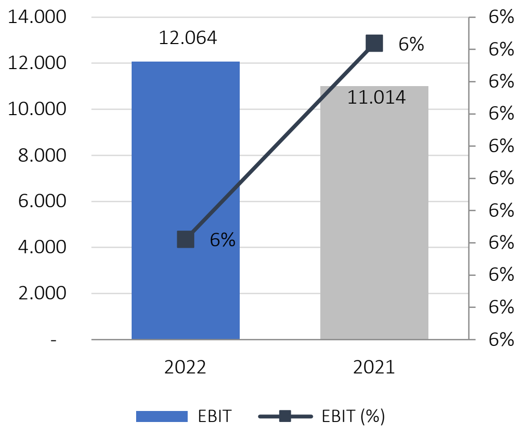
	2022	2021	Change	%
Net added value	**82,227**	**77,408**	**4,819**	**6.2%**
A) Remuneration of personnel *(Employee)*	69,113	64,304	4,809	7.5%
B) Remuneration of credit capital *(financial expense)*	1,752	1,292	460	35.6%
C) Remuneration of the public administration *(direct taxes)*	1,873	1,021	852	83.4%
E) Company remuneration	**9,489**	**10,791**	**(1,302)**	**-12.1%**
Patent Box benefit	-	5,033	(5,033)	N.C
F) Company remuneration (including Patent Box Effect)	**9,489**	**15,823**	**(6,334)**	**-40.0%**

The wealth generated by the Group was distributed among the following:



The following graphs outline the EBITDA and EBIT performance for 2021 and 2022 (Euro thousands), and as a percentage of the Value of Production.





EBITDA in 2022 totalled Euro 25,975, decreasing Euro 474 on the previous year (-1.8%). EBIT was Euro 12,064, increasing 9.5% on 2021.

Adjusted EBITDA

Adjusted EBITDA for 2022 is presented below, compared with the previous year and excluding other extraordinary or non-recurring charges and income i.e. significant or exceptional events outside of core business operations.

	2022	2021	Change	Change %
EBITDA	**25,975**	**26,450**	**(475)**	**-1.8%**
% EBITDA on Total Revenues	*13.7%*	*15.4%*	*-1.7%*	
Extraordinary costs	333	461	(128)	-27.8%
Leaving incentives	199	3,444	(3,245)	-94.2%
Release Linear Motion risks provision	(1,221)	(1,087)	(134)	12.3%
ADJ EBITDA	**25,286**	**29,268**	**(3,982)**	**-13.6%**
% Adj EBITDA on Total Revenues	*13.4%*	*17.1%*	*-3.7%*	

The EBITDA and EBIT of the Group companies is reported below, with indication of the percentage contribution of each to the consolidated results.

Company	EBITDA				EBIT			
	2022	%	2021	%	2022	%	2021	%
UMBRAGROUP S.p.a	20,544	76.0%	16,191	61.7%	12,030	*92.4%*	6,887	*64.3%*
Umbra Cuscinetti Inc.	65	0.2%	2,485	9.5%	(1,280)	*-9.8%*	933	*8.7%*
UGI Holding	3,709	13.7%	4,943	18.8%	2,118	*16.3%*	2,632	*24.6%*
Kuhn Gmbh	462	1.7%	281	1.1%	42	*0.3%*	(58)	*-0.5%*
PKE Gmbh	1,483	5.5%	1,762	6.7%	420	*3.2%*	815	*7.6%*
AMCO S.r.l	658	2.4%	460	1.8%	(271)	*-2.1%*	(471)	*-4.4%*
Serms S.r.l	94	0.3%	107	0.4%	(44)	*-0.3%*	(30)	*-0.3%*
Total	27,014		26,230		13,015		10,709	
Eliminations	(1,039)		220		(951)		305	
Consolidated result	25,975		26,450		12,064		11,014	

The performance is summarised by the following indicators:

	2022	2021

ROE	8.4%	10.3%
ROS	6.4%	6.4%
ROI	4.7%	3.8%
ROACE	9.7%	8.6%
EBITDA Margin (EBITDA/Revenues)	13.7%	15.4%
Adj EBITDA Margin (Adj EBITDA/Revenues)	13.4%	17.1%

The ROE (Return on Equity) was determined as the ratio between the Group net profit (NP) and the net equity (NE) in the period.

The ROS (Return on sales) is the ratio between the period operating result (OR) and Revenues.

The ROI (Return on Investments) is the ratio between the operating result (OR) and the Net capital employed (NCE).

Return on average capital employed (ROACE) is the ratio of: (i) ordinary EBIT excluding items not related to core business, e.g. gains on the sale of assets and impairment of assets, which are considered extraordinary items for the purposes of calculating ordinary earnings; and (ii) average net capital employed, based on the opening and year-end balances of capital employed.

The EBITDA margin is the ratio between EBITDA and Revenues; the Adjusted EBITDA Margin was also calculated, net of the effects related to non-recurring revenues and costs.

These two indicators should not be considered separately or as a replacement of the financial statement accounts drawn up according to IFRS; rather, these indicators should be used to supplement the results calculated according to IFRS and to assist the reader's understanding of the Group's operating performances.

The Adjusted Group Net Profit decreased by Euro 4,911 thousand - from Euro 13,710 thousand to Euro 8,800 thousand.

The reconciliation between adjusted net profit and the net result is presented in the table below.

(in Euro thousands)	2022	2021
Net Result	9,489	15,823
Patent Box benefit	-	(5,033)
Provision for risks and charges	-	102
Leaving incentives	199	3,444
Extraordinary costs	333	461
Linear Motion provision	(1,221)	(1,087)
Adj. Net Profit	8,800	13,710

The operating performance in 2022 was impacted by energy cost movements.

(in Euro thousands)	2022	2021
Revenues	189,235	171,441
Cost of Energy	(8,758)	(3,408)
Percentage impact on Revenues	-4.6%	-2.0%

Had the percentage of energy costs remained unchanged from 2021, the adjusted net profit would have been Euro 13,796 thousand, as compared to Euro 13,710 thousand in 2021.

Balance sheet overview

The reclassified balance sheet as presented according to the financial criterion is shown below.

Balance Sheet	2022	2021	Changes
Net trade receivables	28,153	22,558	5,595

Other receivables	18,418	19,406	(988)
Inventories	62,438	48,913	13,525
Current financial assets	259	187	72
Current non-financial liabilities	(42,023)	(35,678)	(6,345)
A) Net Working Capital	67,245	55,386	11,859
Receivables beyond 12 months	10	9	1
Equity investments	184	149	35
Financial Instruments - Assets	239	270	(31)
Intangible assets	3,224	3,073	151
Property, plant and equipment	69,381	74,626	(5,245)
Long-term non-financial liabilities	(658)	(1,893)	1,235
B) Net Fixed Assets	72,380	76,234	(3,854)
C) Post-employment benefit provision	(3,857)	(4,022)	165
D) Provisions for risks and charges	(7,205)	(7,402)	197
E) Capital employed net of current liabilities (A+B+C+D)	**128,563**	**120,196**	**8,367**
Financed by:			
Short-term debt	23,437	19,029	4,408
Financial payables – Medium-term	65,859	68,142	(2,283)
Cash & cash equivalents and short-term current	(73,486)	(121,218)	47,732
F) Net financial debt	15,810	(34,047)	49,857
H) Equity	112,753	154,243	(41,490)
I) Total (F+H) as in E	128,563	120,196	8,367

Compared to December 31, 2021, capital employed net of current liabilities increased by euro 8,367 thousand (+6.96%). The accounts reporting the greatest changes were:

- Net trade receivables: amounted to Euro 28,153 thousand, accounting for 14.9% of revenues in 2022 - increasing on 13.2% in 2021. the increase is attributable to both the increase in Revenues and in collection days.
- Inventories: the item stood at Euro 62,438 thousand, increasing Euro 13,525 thousand (+27.7%) on 2021. Inventories account for 33% of revenues, increasing on 28.5% in 2021. This increase was partly due to the greater volumes sold, as well as to the trend in raw materials prices.
- Current non-financial liabilities: this mainly includes trade payables. The aggregate increased by Euro 6,345 thousand from the previous year (+17.8%), which is in line with the increase in value of production and in operating costs;
- Property, plant and equipment: these decreased by Euro 5,245 thousand due mainly to ordinary depreciation for the year;
- Financial payables: the account increased in terms of the short-term payables. In 2022, the parent company drew down new loans for Euro 22 million;
- Equity: this account decreased by Euro 41,490 thousand, which reflects the payment of dividends in the amount of Euro 3,600 thousand, recognition of the negative reserve for the fair value of derivative instruments used to hedge commodities in the amount of Euro 1,302 thousand, and the extraordinary purchase of treasury shares by the Parent Company in the amount of Euro 47,292 thousand.

The rotation indexes are shown below:

	2022	2021
Trade receivables days outstanding (trade receivables / net revenues *365)	54	48
Trade payables days outstanding (trade payables / purchase of goods and services * 365)	110	97
Inventory rotation days (final inventories / total consumables * 365)	299	295

The Financial Debt in 2022 of Euro 15,811 thousand represents a worsening in financial position of Euro 49,858 thousand from the net cash balance at the end of 2021.

Description	2022	2021

Cash and Cash Equivalents	(73,486)	(121,218)
Current loans and borrowings	21,611	16,185
Payables to other lenders	1,826	2,844
Current financial debt	(50,049)	(102,189)
Non-current loans and borrowings	62,020	63,302
Payables to other lenders	3,839	4,840
Medium/long-term financial debt	65,859	68,142
Total	15,810	(34,047)

Cash and cash equivalents decreased by Euro 47,732 thousand compared to the previous year. Financial debt in 2022 was significantly impacted by the extraordinary repurchase of treasury shares related to the minority interest repurchased by the IPOC fund.

It should also be noted that the balance of Euro 73,486 thousand includes euro 29,795 thousand in time deposits of the Parent Company.

Bank payables (current and non-current) at December 31, 2022 amounted to Euro 83,631 thousand (Euro 79,487 thousand in 2021), increasing Euro 4,144 thousand on the previous year; this followed, in addition to the repayment of outstanding loans, the issue of new loans totalling Euro 22,000 thousand in 2022 by the Parent Company. Other lenders includes loans at subsidised rates related to R&D projects and amounts due to Leasing Companies as an effect of the application of IFRS 16.

The movement of the Financial Debt and Equity since 2020 is presented below:

	2020	2021	2022
ST+ML Financial debt	(15,203)	(34,047)	15,810
Equity	140,926	154,243	112,753
	N.C	N.C	0.14

The debt-to-equity ratio for 2022 was 0.14 and was not calculated for the previous year due to the net cash balance.

Cash and cash equivalents and financial payables by maturity are respectively presented at December 31, 2022:

	2022	%
Cash	73,486	88%
Bank payables	83,631	100%
Maturity 2023	21,611	26%
Maturity 2024	20,545	25%
Maturity 2025	16,137	19%
Maturity 2026	10,297	12%
Maturity 2027	9,144	11%
Over 5 years	5,896	7%
Total	83,631	100%

Investments

Investments totalling Euro 7,473 thousand (+66% on 2021) were made in the year.

The areas of investment were as follows:

Intangible assets	2022	2021
Industrial patents & intellectual property rights	241	511
Goodwill	-	494

Assets in progress and advances	568	207
Other fixed assets	73	53
	882	**1,265**

Property, plant and equipment	2022	2021
Land & buildings	569	100
Plant & machinery	2,358	1,481
Industrial & commercial equipment	1,024	1,180
Other assets	118	99
Assets in progress and advances	2,522	357
	6,591	**3,217**

The Group has continued pursuing an investment strategy aimed at maintaining the full efficiency of our cutting-edge production technologies. Investments in information systems and in digitalisation are of increasing importance as they are essential to the innovation process.

The movements in Property, plant and equipment and Intangible assets are reported upon in the Explanatory Notes.

Human Resources and Organisation

In 2022, UmbraGroup implemented adequate systems of human resources management at all Group locations in order to support the post-pandemic recovery and manage the challenges related to the uncertainty brought about by the geopolitical instability triggered by the Russia-Ukraine crisis.

More specifically, 2022 featured:

- The appointment of a new Board of Directors at the parent company with a percentage increase in the presence of women on the Board. Even among executives, the number of women in top roles has been increased;
- maintaining flexibility through the "Smart Working" tool;
- the gradual reduction of the use of social safety nets. In particular, only UmbraGroup S.p.A. resorted to temporary layoffs, and only in the first half of 2022, gradually reducing the number of employees involved until they were no longer necessary. The other companies of the Group did not make use of similar mechanisms made available by their local governments;
- the recovery in employment in Europe, particularly in Italy;
- the recovery in the use of temporary workers in all areas of production of the Parent Company;
- the recruiting of people able to support the sales force Germany, Austria and Switzerland (DACH).

UmbraGroup places the individual at the centre of its activities. In a business in which expertise is a fundamental factor for success, the management and development of human capital is a key competitive advantage. Having qualified, motivated and engaged personnel is in fact crucial for the business's long-term success. Working at Umbragroup means joining a community which does not tolerate any type of discrimination or favouritism, and which encourages the growth of talent to realise their professional and personal potential.

Details on Group personnel is presented below.

Employees by geographical area

(including temporary workers)

Region	2022	2021
Italy	800	721
of whom temporary	*52*	*2*
Rest of Europe	143	144
of whom temporary	-	-
North America	210	201
of whom temporary	-	-
Total	1,153	1,066

Employees by company

(including temporary workers)

	2022			2021		
	Male	Female	Total	Male	Female	Total
UmbraGroup Spa	701	47	748	632	42	674
Amco Srl	47	1	48	42	1	43
Serms Srl	3	1	4	3	1	4
Pke	98	9	107	99	8	107
Kuhn	29	7	36	30	7	37
Linear Motion	129	19	148	123	21	144
Umbra Cuscinetti Inc	47	15	62	48	9	57
UMBRAGROUP	1,054	99	1,153	977	89	1,066

Employees by company and category

(including temporary workers)

GROUP	2022			2021		
	Male	Female	Total	Male	Female	Total
Executives	16	2	18	25	1	26
Managers	38	10	48	40	8	48
White-collar	263	62	325	255	57	312
Blue-collar	737	25	762	657	23	680
Total	1,054	99	1,153	977	89	1,066

UMBRAGROUP S.p.A.	2022			2021		
	Male	Female	Total	Male	Female	Total
Executives	7	2	9	9	1	10
Managers	14	2	16	12	2	14
White-collar	192	36	228	188	32	220
Blue-collar	488	7	495	423	7	430
Total	701	47	748	632	42	674

AMCO	2022			2021		
	Male	Female	*Total*	Male	Female	*Total*
White-collar	6	-	6	6	-	6
Blue-collar	41	1	42	36	1	37
Total	47	1	48	42	1	43

SERMS			2022			2021
	Male	Female	Total	Male	Female	Total
Executives	-	-	-	-	-	-
Managers	1	-	1	1	-	1
White-collar	2	1	3	2	1	3
Blue-collar	-	-	-	-	-	-
Total	3	1	4	3	1	4

KUHN			2022			2021
	Male	Female	*Total*	Male	Female	*Total*
Executives	1	-	1	1	-	1
Managers	2	1	3	4	1	5
White-collar	4	3	7	3	3	6
Blue-collar	22	3	25	22	3	25
Total	29	7	36	30	7	37

PKE			2022			2021
	Male	Female	*Total*	Male	Female	*Total*
Executives	3	-	3	3	-	3

Managers	12	1	13	10	1	11
White-collar	5	4	9	4	3	7
Blue-collar	78	4	82	82	4	86
Total	98	9	107	99	8	107

LINEAR MOTION			2022			2021
	Male	Female	*Total*	Male	Female	*Total*
Executives	5	-	5	8	-	8
Managers	5	2	7	8	3	11
White-collar	43	12	55	35	12	47
Blue-collar	76	5	81	72	6	78
Total	129	19	148	123	21	144

UCI			2022			2021
	Male	Female	*Total*	Male	Female	*Total*
Executives	-	-	-	4	-	4
Managers	4	4	8	5	1	6
White-collar	11	6	17	17	6	23
Blue-collar	32	5	37	22	2	24
Total	47	15	62	48	9	57

Female

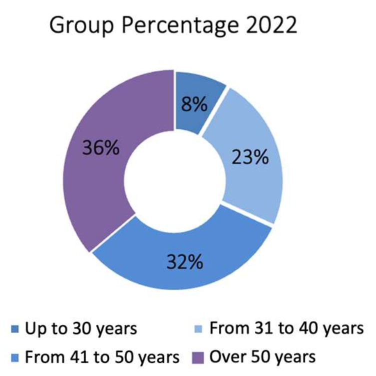
	2022	2021
% female Board of Directors	33.0%	43.0%
% female Executives	0.4%	11.0%
% female employees	8.4%	8.6%

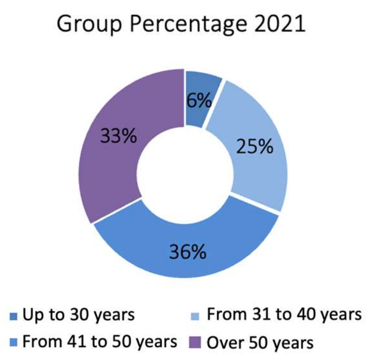
Employee age

(Data below does not include temporary workers)

Employees age	UGS	AMCO	SERMS	PKE	KUHN	LINEAR MOTION	UCI	Total
Up to 30 years	31	10	2	19	8	13	9	92
From 31 to 40 years	162	18	-	29	10	17	22	258
From 41 to 50 years	273	13	2	15	5	29	16	353
over 50 years	230	7	-	44	13	89	15	398
Total	696	48	4	107	36	148	62	1,101

Age of employees - Group percentage





Contract type, internal mobility and turnover

(Data below does not include temporary workers)

Contract method	UGS	AMCO	SERMS	PKE	KUHN	LINEAR MOTION	UCI
Permanent employees	691	46	4	106	36	147	62
Temporary employees	5	2		1	-		
Employees Full time	682	47	4	102	36	147	62
Employees Part time	14	1	-	5	-	-	-
Number of hires	37	3	-	8	8	26	21
Number of departures	13	1	1	8	10	22	15
Number of employees obtaining career advancement	5	-	-	-	3	-	-
Turnover rate (%)	*7.0%*	*8.0%*	*25.0%*	*15.0%*	*50.0%*	*33.0%*	*58.0%*

Employees by qualification

Due to the differences between the education systems of the various countries, educational qualifications are classified as follows:

- Elementary and Secondary: those who did not go on to university education;
- Diploma (Higher Education): those who undertook a university education or studies which permitted direct entry into a profession (e.g. surveyor diploma);
- Degree: Includes all those undertaking university or post-university (e.g. Masters) studies.

	2022			2021		
GROUP	Male	Female	*Total*	Male	Female	*Total*
University or post-graduate	120	41	161	88	31	119
Secondary-school diploma	625	44	669	424	16	440
Middle-school diploma	163	4	167	288	10	298
Elementary school diploma	92	12	104	4	2	6
Total	1,000	101	1,101	804	59	863*

**Note: Data for Umbra Cuscinetti Inc. and Linear Motion not available for 2021*

Employee training

In 2022, the Group provided training to ensure compliance with local and industry laws and regulations, alongside all training necessary in order to ensure full operational continuity, such as obtaining and maintaining technical certification in the areas of business in which we operate.

The following points encapsulate the training focus:

- Aerospace culture: knowledge and application of rules and regulations;
- Lean Culture: the Six Sigma and Continuous Improvement approaches;
- Quality: Quality system auditing training;
- Production Technology: Updates to quality control software and non-destructive controls;
- Promotion of foreign languages.

The Human Resources service continued its ongoing dialogue with the various stakeholders to identify training and development needs. The processes of needs planning and of conducting and monitoring training efforts involve the various units of the company, with the HR department engaged in integrating the various specific needs across the organisation.

	2022	2021
Average hours of training per capita	11.7	13.0
No data are present for UCI		
Average hours of training per capita female	3.6	10.0
2022 Italy + PKE Data		
Training costs	300.0	170.0
2022 Europe Data		

Company welfare

For 2022, the Group chose to continue to utilise its company welfare policy as an integral part of its remuneration policies, both in terms of collective and company level agreements. From 2018, performance-based bonus agreements included the option for employees to choose whether they want to convert the bonus in whole or in part into goods and services falling within the categories defined in the Tax Code (TUIR). This option compliments the traditional payment of performance-based bonuses in salaries. All this is managed through a service platform where it is possible to buy travel, subscriptions, tickets for cultural and sporting events or request the reimbursement of expenses for the education of children or the care and assistance of elderly or non-self-sufficient family members.

Via the welfare platform employees can also use their welfare credits to pay for benefits not covered by their health plan, including excluded services, excesses and dental benefits. The Timeswapp platform is currently being used by UmbraGroup, Serms and Amco.

Remote Working Project

The remote working project that began in 2020 has produced excellent results in terms of both performance and efficiency, as well as in terms of employee wellness for all those involved, so much so that, at UmbraGroup, it has been made a permanent option when well balanced with in-office work.

The Group maximised remote working for all compatible positions.

The “three B’s” that make work “SMART” embody the core values of UmbraGroup:

- Bricks: changes to physical spaces and selection of the most comfortable setting that meets business and personal needs, so as to maximise performance, creativity, and collaboration. The synthesis of an optimal work-life balance.
- Bytes: Innovation and Technology. Technology is key to implementing an effective remote working model. It enables people to overcome differences in space and time and make work flexible, efficient and productive.
- Behaviour: the focus on people, making them feel accountable and fostering a relationship of trust between managers and their employees. A change in management culture is essential, particularly in terms of evaluations based on defined objectives and achieving predetermined results. It is a different way of working and of interacting, one that is based on autonomy and on the convergence of personal and organisational goals.

Social responsibility

Sponsorships

The year 2022 was one of recovery, despite the continued uncertainty related to the pandemic at the start of the year, with the return to in-person activities that began in the second quarter becoming more intensive in the second half of the year.
For UmbraGroup, it was also the year of the company’s 50th anniversary, which permeated throughout the company all year long.
In accordance with internal guidelines, UmbraGroup continued the company’s support for projects and other initiatives that embody our core values, while also supporting initiatives aimed at promoting the important milestone of reaching 50 years of doing business.
With a view to sharing such an important moment in the company’s history with the entire community, UmbraGroup decided, for 2022-2023, to take advantage of the Art Bonus, an initiative of the City of Foligno, funding the refurbishment of the Santa Caterina Auditorium, where the company held a gala for clients and strategic partners.
The stunning auditorium, one of the city’s most important historical landmarks, was erected in the 13th century as the Church of Santa Caterina used as a place of worship by the sisters of the Second Franciscan Order founded by Saint Claire of Assisi. The building features invaluable frescoes, most of which are only fragments, dating back to the 14th, 16th and 17th centuries, a few of which are attributed to Dono Doni and his school, a testament to the important role the convent played in the community. The exterior of the auditorium is clad in white and pink Subasio stone, while the Gothic facade features a pointed arch and circular rose window, only the external crown of which remains to this day. The church’s facade was declared a historical monument in 1878.

The auditorium is a public asset subject to the Art Bonus with the goal of erecting a modular stage with access ramp, lattice girders for lighting, and an audio system (for conferences). The objective is to make this location a cultural hub that can be used for public and private events for up to 180 people.
Therefore, UmbraGroup is committed to supporting this redevelopment project in order to safeguard cultural heritage and cultural development and to help drive tourism to this city in which the Group has its head office.
With a focus on the values of sport as a vehicle of education and community growth, the most important commitment for 2022 went to the football club ASD Cannara Calcio. A football school of great importance to the founder of UmbraGroup, Valter Baldaccini, it has received UmbraGroup's continued support with the goal of helping youth to approach the sport of football, while promoting sound values among the younger generations and developing young talent. Other minor sponsorships include the support of Atletica Winner, an organisation that engages with a great many people of all ages in the Foligno community, both professional athletes and absolute beginners, united by the same passion for a wide range of athletic disciplines. In 2022, many of these athletes also made names for themselves at the national level.
During this year of our 50th anniversary, we also took the opportunity to celebrate our past and look to the future. Traditional values such as innovation, respect and social responsibility, as embodied in three of the five initials of the acronym "FIRST", together with faith in progress and in the ability to create a better future, have guided our actions and our operations and have made us what we are today.

Charitable donations

Each and every year, the fundamental, non-negotiable value of social development is put into practice by UmbraGroup with real-world action aimed at redistributing wealth to the community at large.
In particular, UmbraGroup is a founding member and primary donor of the Valter Baldaccini Foundation, which, again in 2022, was the primary beneficiary of a grant aimed at supporting national and international projects targeting the most vulnerable members of society through real-world action in the three key areas of the foundation's mission: family, education, and work.
The most notable of the various contributions made went to Skyfitness for the installation in 2021 at the park on Via V. Baldaccini: by which UmbraGroup and our Employee Recreational Centres funded nine new pieces of equipment to further enrich the community's park. A way to encourage sports for free and with state-of-the-art equipment. On a daily basis, the green area remains a popular park experienced by citizens even during the winter period; this confirms how much the local community has appreciated this open-air gymnasium, which currently is one of the largest in Italy. Other major donations include one to Telethon, in support of its nationwide research projects.

Valter Baldaccini Foundation

In 2022, UmbraGroup was committed to supporting the local and international communities through important donations to support the projects and activities of the Valter Baldaccini Foundation, of which UmbraGroup is a founding member.
During 2022, an extraordinary grant was also approved and disbursed for the publication of the writings and speeches of Valter Baldaccini, a book that will be produced so as to continue to disseminate the actions and values of Valter Baldaccini, founder of UmbraGroup, with publication in 2023.

A summary of disbursements to the Foundation for 2022 follows:

ENTITY	AMOUNT
VALTER BALDACCINI FOUNDATION	100,000
FVB Publication	15,000
TOTAL	115,000

For the Foundation, UmbraGroup is its largest donor, and its support has made it possible again this year to carry out several projects in favour of those who are most in need and those who are most fragile and vulnerable, with concrete actions in the Foundation's three areas of intervention: family, education and work.
In 2022, the Valter Baldaccini Foundation undertook ten projects, four in Italy and six internationally, of which one in America, one in Europe and four in Africa.

The central Con le Famiglie (With the Family) project continued locally for the fourth year, together with Doctors Marta Franci and Mariolina Frigeri of the Foundation's Scientific Committee, undertaken together with the Tenda Co-operative and the Foligno Subasio Clinic of the USL 2 Healthcare District. In 2022, through home visits by two educators, the project supported 8 families with newborn babies in need of assistance. The educational initiative follows the Touchpoints approach of the US paediatrician Brazelton. The multi-disciplinary team meets every three months and benefits from supervision by the Brazelton Centre in Rome.
Also in the area, together with the ANT Umbria Foundation, two days of free examinations (March 25-26) for melanoma prevention open to all citizens were organized. There were 48 donated visits.
As part of the "Family and Work" project, which the Foundation implements together with the Caritas of Foligno, 3 work grants for fragile people were introduced (2 temporary and 1 permanent contracts). In 2022 the collaboration continued with VIDES MIC MAG TMB and the Parish of Santa Maria Madre del Redentore in Tor Bella Monaca, one of the most complex districts of Rome. Together they have created the project "Casa mia, casa nostra" (lit. "My home, our home"), a centre for children and teens experiencing extreme social hardships. The Foundation has renewed its commitment to support the work of one of the project's educators.
In Kosovo, support was provided for the first year at the university of Dardana and Ariana, two Sisters of the Leskoc House, a unit of Caritas Umbra with which the Foundation has long collaborated. The purpose is to foster the education of young women who can chart their own careers in the future.
Internationally, long-distance adoptions continue in Africa, allowing 57 children to go to school: 33 in Kenya and 24 in Burkina Faso. The majority of adoptions are supported by UmbraGroup employees. Again in 2022, due to the COVID 19 pandemic, the Kenyan government established an extra semester of schooling, to which the Foundation has provided support with an extraordinary grant.
In Kenya, in Mathare, one of the slums in the capital city of Nairobi, a project providing job training, shopping support and psychological support for 15 very young mothers, mostly minors, living in extreme poverty, continued for the second year.
Also in Kenya, work continued with Sister Federica Zoia on the empowerment of the 20 women in the "Mutanu the Pink Garden" project. A chicken coop was added to the greenhouse and goat farm in 2022.
Overseas, in Michigan (U.S.A.), together with the subsidiary Linear Motion, a grant was given to support the women of Emmaus House in Michigan.

A summary table with disbursements by project in 2022 is presented below:

Disbursements for projects 2022				
Projects	Description	Amount	Area	Region
"With families"	Educational support for families requiring assistance in the area with a newborn baby (fourth year)	24,000	Family	Italy
Support for ANT Foundation	Two days of free melanoma prevention screenings open to all citizens	3,200	Family	Italy
VIDES Tor Bella Monaca support	Supporting the work of educators of the project for minors "My home, our home"	6,556	Education	Italy
Job grants together with Caritas Foligno	Implementation of three job placement grants for needy people in the area	12,000	Work	Italy
Scholarships for two girls in Kosovo	College access for two girls from "Casa di leskoc" (first year)	2,600	Education	Europe
Mutanu: pink vegetable	Work continues in the garden and small farm run by 20 women in Kenya (fifth year)	9,100	Work	Africa
Long distance support in Kenya	Access to education for 33 children and youth + extra semester due to COVID	23,140	Education	Africa
Distance support in Burkina Faso	Access to education for 24 children	3,600	Education	Africa
Young mothers of Mathare	Training and support for 15 very young mothers in Kenya	16,104	Work	Africa
Emmaus House support	Supporting job placement of women hosted by Emmaus House in Michigan	1,000	Work	USA
Total for projects		101,300		

Other secondary projects followed by the Foundation are related to the ongoing support to the Sisters of Mathare (Nairobi, Kenya) in order to assist the particularly dramatic situations they have to face in their daily lives and the support to Caritas Foligno for the purchase of toys and basic necessities for the children of needy families in the area at Christmas.
It should be noted the presentation on November 30, 2022, at the Department of Law of the University of Perugia, of the research co-funded in 2021 by the Valter Baldaccini Foundation "The reflections of the COVID-19 health emergency in the area of contract and obligations: regulatory interventions and orientations of the jurisprudence of the Umbrian courts" conducted by Dr. Francesca Scordamaglia and coordinated by Prof. Andrea Orestano.
The year 2022 was the year of the outbreak of the war in Ukraine. Together with UmbraGroup volunteers and collaborators, a collection of basic necessities was promoted, which were then brought to the bombed areas through the local Civil Defense. In addition, contacts were made with Lviv Polytechnic University for the implementation of a project in the region in 2023.
Overall, fifty volunteers - the majority UmbraGroup employees - decided to stand with the Foundation, supporting it in its activities and serving once a month at the Caritas canteen in Foligno. This help was also instrumental in the hosting of two events organised on the occasion of the Foundation's seventh anniversary: the conference "Being a Woman in Afghanistan" (May 7) and the second edition of "A Goal for Valter" (May 20-22).
Over the course of the year, fundraising initiatives to raise funds for the Foundation's projects (bingo, raffle, etc.) have sprung up spontaneously among UmbraGroup employees.
Throughout the year, collaboration with RGU continued on the radio program "Women of Impact. Stories of women changing the world" led by Beatrice Baldaccini and Fabio Luccioli.
The 2022 Financial Statements of the Valter Baldaccini Foundation, with details of the activities and the projects carried out, is available on the website www.fondazionevb.org

Ethics Code

The Ethics Code presents the set of values which the Group recognises, shares and promotes, in its awareness that the principles of correctness, loyalty and transparency are a major driver for economic and social development.
The ethics code was extended to all Italian and overseas subsidiaries and consists of 7 sections whose contents, based on the main national and international laws and regulations on corporate social responsibility, commit the Group's corporate boards, management, employees and collaborators.

Environment, Safety and Health

Health and Safety

In 2022, strategic action was taken that enabled us to achieve important objectives, not only financially, but also in increasing awareness of ESG (Environmental, Social and Governance) issues and monitoring the KPIs related to environmental and social impact, all with a view to constant improvement. Sustainability is part of the Group's DNA, and will increasingly be a competitive advantage in the energy transition.

In order to ensure the continued growth of its business, UmbraGroup focuses closely on workplace health and safety and on environmental impacts, in addition to the commitment to continually improve processes in order to minimise health and safety risks. The Group is aware of its responsibility to its employees. The utmost care is therefore paid to reducing risks and improving the psycho-physical well-being of all staff.

Safety indicators

Organisation	No. of accidents	No. of employees	% accidents on total employees
UmbraGroup S.p.A.	5	748	0.67%
AMCo S.r.l.	-	48	0.00%
Serms S.r.l.	-	4	0.00%
PKE GmbH	1	107	0.93%
Kuhn GmbH	3	36	8.33%
Linear Motion LLC	6	148	4.05%
Umbra Cuscinetti Inc.	2	62	3.23%
Total	17	1153	

**including transits*

Accidents and Occupational illnesses

There were 17 occupational injuries in 2022, one more than the 16 in 2021, and three commuting injuries. Relative to the 5 accidents that occurred at the parent company, there were 61 days of absence from work and 36 days of absence from commuting accidents. The severity and frequency indices (number and severity of injuries) stood at 0.05 and 4.42 respectively.

Certifications

The Parent Company in December received from TÜV Italy an audit for the renewal of ISO 45001 (Occupational health and safety) and ISO 14001 (Environmental management) certification of our integrated management system. Both certifications have been renewed until December 2024, and no non-conformities in the management system were encountered. Also in December, TÜV audited the Parent Company to achieve management system certification under ISO 50001 (energy management). The audit was successful and the certification was issued on January 5, 2023.
During 2022, German subsidiary Präzisionskugeln Eltmann GmbH also passed audits related to UNI EN ISO 14001 (environmental protection) and UNI EN ISO 50001 (energy management) certifications.

Expenses and investments

In the year 2022, UmbraGroup incurred costs related to the Environment, Health and Safety area of Euro 883 thousand, of which investments amounted to Euro 138 thousand (including changes made in galvanics to eliminate cyanide from galvanic processes).
The above amount breaks down as follows:
- Environment Area for Euro 487 thousand, of which investments Euro 53 thousand;
- Workers' Health and Safety Area for Euro 396 thousand, of which investments Euro 85 thousand.

Training

Total expenses for external environmental, health and safety teaching amounted to Euro 80 thousand for a total number of hours of 5,482 (including the hours of temporary workers and interns, amounting to 980 hours).
HSE training was delivered both in-person (3,973 hours) and through e-learning courses (1,509 hours).

Objectives for improvement

Main objectives of HSE improvements achieved in 2022:
- Maintenance of ISO 14001 certification;
- Maintenance of ISO 45001 certification;
- Obtaining ISO 50001 certification;
- Installation Manipulator TTV unit.

Promotion of health with MAP project:

In 2022, there were 219 "personal training" interventions divided into:
- 172 in-person visits;
- 47 lessons and designs with online worksheets.

During 2022, assistance at workstations within the company covered 200 workers who were given the manual for the prevention of musculoskeletal disorders.
In order to increase the data collection activity for pain perception mapping through a "Pain Map", a paper version of the "Pain Map" itself was also made so as to involve even those employees who do not have PCs. Videos were also produced during the year regarding awareness with respect to the topics Movement, Nutrition and Posture.

Environmental indicators

For the Group, protecting the environment and natural resources is a key objective for sustainable growth in the medium/long-term. The Group is constantly committed to protecting natural resources, as we seek to reduce the environmental impact and risks of our operations.

Regarding the environmental indicators, we highlight the improvement of the waste production KPIs, which shows that waste production expressed in kg compared to the value of production generated in 2022 reduced by 4% compared to the previous year
Additional specific KPIs for electricity consumption, natural gas consumption, water consumption and waste generation will be commented on below in detail.

Energy Consumption

The Group has begun a process aimed at reducing energy consumption by way of a range of structural and operational actions, including the gradual replacement of florescent lighting with LED technology at all Group companies. We are also working to increase awareness within the Group surrounding energy saving, renewable energy, the responsible use of natural resources, and lifestyle changes, to promote responsible conduct among all our employees.

Electricity

(kWh)	Consumption 2022	Consumption 2021	Consumption 2020	Consumption 2019
Electricity	18,634	16,910	17,458	21,682
Revenues	120,584	104,960	111,540	152,961
KPI (Kwh/K€)	*15.5%*	*16.1%*	*15.7%*	*14.2%*

The index that monitors electricity consumption improved in 2022 compared to 2021. This is due to the restoration of normal plant management following the impacts of the pandemic between 2020 and 2021.

Water (Drinking and non-drinking)

Mc (cubic meters)	Consumption 2022	Consumption 2021	Consumption 2020	Consumption 2019
Water (Drinking and non-drinking)	21,771	24,291	13,666	26,771
Revenues	120,584	104,960	111,540	152,961
KPI (mc/K€)	*18.1%*	*23.1%*	*12.3%*	*17.5%*

Water consumption in 2022 decreased by 10.4%, while revenue increased by 14.9% compared to 2021. Water consumption as a percentage of revenue shows a sharp reduction due to water management efficiency.

Methane gas

Cubic meters	Consumption 2022	Consumption 2021	Consumption 2020	Consumption 2019
Methane gas	712,518	718,280	745,546	581,790
Degree days	1,889	1,991	1,994	1,904
KPI's	*377*	*361*	*374*	*306*

Whereas for electricity, water and waste the company has KPIs that provide ratios of annual levels to revenue, given that there is a close correlation between these factors, the viewpoint for methane gas is different. UmbraGroup's methane gas consumption is not related to production needs, but depends only on climatic aspects since it is solely used for heating. For this reason, we have compared annual methane consumption with the winter degree days at our Foligno facility.

During 2022, thanks to milder weather, there was a reduction in annual methane consumption. It in fact decreased from 718,280 Smc in 2021 to 712,518 Smc in 2022.

Waste

	2022	2021	2020	2019
Waste to recovery [Kg]	605,518	466,270	419,285	748,848
Waste to landfill [Kg]	308,935	318,022	468,951	450,354
Total waste produced	914,453	784,292	888,236	1,199,202
Revenues [€/000]	120,584	104,960	111,540	152,961
KPI [Kg/€/000]	*7.58*	*7.47*	*7.96*	*7.84*
KPI [% recovered]	*66.0%*	*59.0%*	*47.0%*	*62.0%*

With regard to waste, on the basis of ISO 14001:2015 and in order to raise the environmental sustainability standards of UmbraGroup as much as possible, we are working to reduce the amount of waste produced to the greatest degree possible against the amount of revenues generated. We are at the same time attempting to increase the percentage of recyclable waste in relation to the total waste produced. As can be seen from the table above, from 2019 to now we have been improving both indicators. In the years 2020/2021, the indices were highly variable due to the pandemic.

Management and co-ordination

As per Article 2497-*bis*, paragraph 5, the Group is subject to the management and co-ordination of Poliscom S.r.l., with registered office in Florence, Via Francesco Corteccia, No. 28/1, Perugia Companies Registration Office No. 2778900544, Economic and Administrative Index No. 688933. The financial highlights for Poliscom Srl from the last approved financial statements (2021) follows.

Poliscom Srl	Amount
Revenues	-
Financial management	1,601
Net Result	1,586
Equity	28,258
Total Assets	32,986

Transactions with subsidiary, associated, parent and other related companies (see Article 2427(1), No. 22-bis, of the Civil Code)

UmbraGroup S.p.A. transactions with other Group companies are part of ordinary operations and are regulated at market conditions, i.e. the conditions that would be applied between two independent parties, and are undertaken in the interests of the Company.

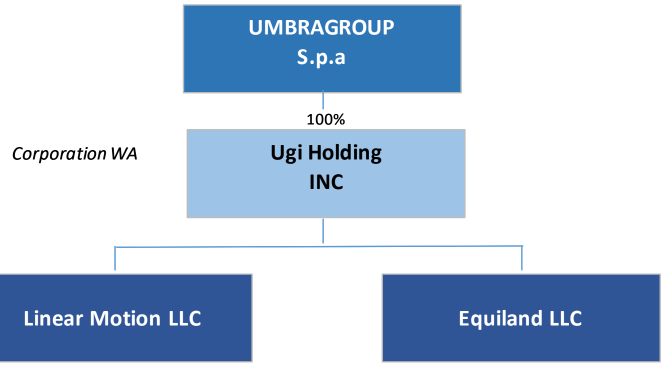
UmbraGroup S.p.A. transactions with subsidiaries and associates are undertaken in the interest of Group synergies in terms of operating integration and the efficient use of existing expertise, operating structures and financial resources.

Financial transactions were executed at market interest rates.

The Parent Company holds investments in the following subsidiaries:

1. Kuhn GmbH – Freiberg – Germany
2. Umbra Cuscinetti Inc. – Everett – USA
3. UGI Holding Inc – Saginaw- USA
4. Prazisionkugeln Eltmann GmbH – Eltmann – Germany
5. AMCO S.r.l – Foligno (PG)- Italy
6. Serms S.r.l. - Terni (TR) - Italy

It should be noted that the subsidiary UGI Holding Inc in turn owns 100% of Linear Motion LLC and Equiland LLC, according to the structure shown below:



The other Group companies approved the respective 2022 financial statements or drafts thereof, with their results and balance sheets reported and outlined in the condensed statement attached to the Explanatory Notes. With regards to Article 2364 of the Civil Code, UmbraGroup S.p.A., as a company required to prepare consolidated financial statements, opted for the extended deadline for approval of the Financial Statements.

Commercial and financial transactions with the other Group companies are summarised below:

Company	Financial receivables	Trade receivables	Trade payables	Revenue and other income	Purchases	Other
Umbra Cuscinetti Inc	6,215	7,939	-	4,161	18	146
Kuhn GmbH	-	419	-	917	36	-
UGI Holding Inc	12,170	-	-	-	-	234
Linear Motion LLC	-	2,454	67	6,337	172	-
Prazisionkugeln Eltmann GmbH	-	130	510	227	2,582	-
AMCO S.r.l	500	103	(8)	117	4,202	5
Serms S.r.l	-	30	2	23	18	
Total	18,884	11,075	571	11,782	7,028	385

Transactions with the Parent Company under the Tax Consolidation are reported below.

Company (Euro thousands)	Receivables	Payables
Poliscom S.r.l.	1,011	-

The Parent Company undertook transactions with the related party EDIL UMBRA S.r.l; these are commercial transactions, are part of ordinary operations and are regulated at market conditions, i.e. the conditions that would be applied between two independent parties, and are undertaken in the interests of the Parent Company.

Commercial transactions are summarised below:

Company (Euro thousands)	Trade receivables	Trade payables	Sales	Components and treatments purchased	Other
EDIL UMBRA S.r.l	-	10	-	-	67

Disputes

The Group has no outstanding disputes at December 31, 2022.

Subsequent events

On ***January 30, 2023,*** the Board of Directors of the Parent Company approved the new Business Plan 2023-2027, which is based on organic growth targets for the Group's traditional business sectors, Industrial and Aerospace.

The three strategic pillars of the plan are as follows:

- *Value creation strategy*, projected to strengthen the strategic value creation of the Group's portfolio of products and activities, increasing their level of complexity, including through a focus on R&D activities, business development and co-engineering;
- *Operational excellence,* defined as the continuous improvement of the efficiency/effectiveness of processes, costs and resource utilisation, with an ongoing focus on the strategic areas, innovation and the digitisation of processes and systems;
- *Integrated and sustainable organisation,* defined as an organisational model designed to ensure alignment with the Group's strategic goals and effective/efficient coordinated execution that is in line with ESG principles and objectives.

On ***February 13, 2023,*** a major leadership change was announced, with Kathy Moodie appointed as the CEO of the Group’s US offices.

Outlook

Within a general landscape still shaped by the uncertainties emerging from the outbreak of the war in Ukraine caused by Russia’s invasion, the impacts that the sanctions will have on the supply chains of raw material and energy are difficult to quantify. However, economic headwinds have already manifested, such as the exponential increase in energy costs over the final months of 2022.

However, excluding the effects of the current international crises, the Aerospace sector expects to see the demand growth emerging in 2022 to continue, alongside Industrial sector growth. Within this macroeconomic landscape, the budget calls for increases in both revenues and profits compared to 2022, as well as for a sufficient generation of cash and consequent further improvement in financial debt.

In 2023, the Group will continue pursuing the strategy of digital transformation within an overall framework of revising, optimising, and standardising production processes aimed at supporting the Commercial and Marketing areas. In this regard, in 2023 a project shall be developed to adopt a new software for the preparation of both the Group Consolidated Financial Statements and of the Budget.

Principal risks and uncertainties

On the basis of the disclosure required by Article 2428 of the Civil Code, paragraph 2 No. 6 bis, the Group operates in a highly dynamic market and consequently is faced with a multitude of business risks. Value creation is therefore not possible without undertaking risks. The management of risks is therefore an integral part of company operations.

Risk management fosters awareness in company decision-making, reduces the volatility of results against objectives and is key to creating a competitive advantage.

The outlook on operations for 2023 could be influenced by risks and uncertainties that depend on a great many factors – first and foremost concerning the conflict in Ukraine, market performance, the imbalance in the supply and demand of certain goods and services, inflation and climate change – most of which are beyond the Group’s sphere of control. In relation to these outside variables, the Group's objectives may be affected by the variability of certain risk factors, including: the instability of the markets and economic recovery trends, the possibility of adequately and promptly procuring raw materials and other resources necessary for production, the ability of customers and suppliers to comply with contractual obligations undertaken and to undertake new ones, the review, by customers, of purchasing strategies, the restrictions arising from any measures to protect the health of individuals, with repercussions on the Group's commercial and industrial action.

In general Group operations are exposed to a range of risks, including: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The UmbraGroup operates in the Industrial and Aerospace sector and is exposed to market risks which consist of the possibility that changes in exchange rates, interest rates or raw material prices (brass, aluminium, steel, stainless steel and cast iron) may impact the value of assets, liabilities or expected cash flows, in addition to economic, social and political conditions of the markets in which it operates, which may affect revenues.

In pursuing its corporate objectives the Group companies have not assumed risks where not linked to core operations.

Product risk

The “Product” category includes all risks related to product defects as a result of “quality levels” which expose the Group to replacement and repair costs and which, if not handled correctly and if repeated over time, may result in reputational damage. Product non-conformity may be attributable to suppliers or internal processes. A rigorous quality control system has been introduced to mitigate this risk. The Group has also taken out insurance contracts to protect the Group from issues caused by product defects.

Raw materials risk

Critical raw materials are of major importance to aerospace and industrial applications, particularly those that entail high levels of technology, such as sensors, the microprocessors used in EMA production, and other similar components. In certain cases, these raw materials are of strategic importance and can impact the equilibrium of supply and demand and effect market prices and/or the availability of goods, particularly under scenarios such as the current geopolitical landscape, including the outbreak of wars that are deteriorating relations between sovereign states.

Supply chain risks:

The Group relies on a range of suppliers both of raw materials and semi-finished products and components in undertaking its operations. Group activities are shaped by the capacity of its suppliers to meet quality standards and the related classifications. In order to contain these risks, the Group undertakes a detailed selection and periodic assessment of its suppliers on the basis of professional and functional criteria, utilising international benchmarks.

Price risk

Raw material prices depend on a broad range of factors which are difficult to predict and largely may not be controlled by the Group companies. Although historically the Group has not encountered particular difficulties in acquiring adequate amounts of and appropriate quality raw materials, it may not be discounted that difficulties may arise in terms of supply, resulting in increased costs with impacts on Group results.

Interest rate risk

The Group is exposed to fluctuating interest rates on funding operations, payables and bank loans and on leasing contracts.

Globally, fixed-rate debt accounted for 55% of the Group’s total debt at December 31, 2022 (all drawn down by the Parent Company).

Exchange rate risk

The Group is exposed to fluctuations in the exchange rates of the currencies in which sales transactions with group companies and third-party clients are executed (principally US Dollars). In 2022, approx. 34% of total revenues were in USD (at the average exchange rate for the year).

This risk is in addition to the possibility that the Euro value of revenues reduces following unfavourable exchange rate movements, impacting the achievement of the desired margin.

In order to contain the currency risk from commercial operations, the Parent Company undertakes derivative contracts to fix in advance the conversion rate, or a preset range of conversion rates, at future dates.

Forward contracts are undertaken on the basis of the budget and such hedges conclude on the expected payment date of the relative sales invoices.

Liquidity risk

The Group manages liquidity risk through close control of the operating working capital components and in particular trade receivables and trade payables.

The Group is committed to strong cash generation to meet supplier payments, without therefore compromising short-term treasury equilibrium and avoiding current liquidity difficulties.

Credit risk

Credit risk represents the exposure of the Group to potential losses due to the non-compliance with obligations by commercial and financial counterparties.

The Group generally favours consolidated ongoing commercial relationships. According to Group policy, customers that request payment extensions are subject to a credit rate check, both using information which may be sourced from specialised agencies and from observation and analysis of existing client data. Moreover, the collection of receivables is constantly monitored during the year in order to ensure timely action and to reduce the risk of losses.

The risk that significant non-performing positions arise for certain clients may not, however, be excluded. Such positions would result in impairments, with consequent impacts on the Group's income statement.

IT security, data management and dissemination risks

The growing importance of the company's technology infrastructure increases the Group's exposure to various types of both internal and external cyber risks. Among them, the most critical are cyberattacks, which are a threat that must be defended against. The Group has developed operational policies and technical security measures to ensure adequate protection of corporate data and information.

Environmental and sustainability risks

The main risks that may arise from climate change and the transition to a low-carbon energy model are related to the improper management of energy and emission sources, risks related to rule/regulatory changes associated with combating climate change, and physical risks. Among the main risk factors to which the Group may be exposed are greater reporting requirements on emissions produced, expectations with respect to the use of low-impact energy sources, and uncertain market signals with potential unforeseen changes on energy prices. Finally, we highlight the risks arising from progressively changing weather conditions and extreme weather events that expose the Group to damage to infrastructure, such as industrial buildings or plant and machinery, or potential disruptions to essential supplies and the potential contraction of production capacity. In order to partially mitigate this risk, Group companies have taken out insurance policies that cover direct damages from weather events such as hurricanes, blizzards, storms, wind, hail, floods, and earthquakes. Transition risks associated with moving to a low-carbon economy also include reputational risks: failing to undertake a gradual process of decarbonization could have negative impacts on the Group's reputation and consequently on its financial performance.

Information in accordance with Article 2428 of the Civil Code

The most significant research and development projects pursued in 2022 are described below.

The Parent Company continued to strengthen research by focusing increasingly on "More electric aircraft", where participation in research programs in the aeronautical sector continued in order to develop cutting-edge technologies that go beyond the technological state-of-the-art.

UmbraGroup's main areas of development focused on electric landing gear, electric motors substituting conventional power, primary surface actuators, innovative components in "additive manufacturing", electromechanical actuation for auxiliary systems, and actuation for "Advanced Air Mobility"

Industrial relations for the research activities in progress have been developed and were further consolidated with sector leaders (such as Airbus) which, thanks to identified innovations, can boost business volumes. With regards to Airbus, in 2022 UmbraGroup carried out work on a European Research project for the design and construction of actuators for the surfaces of a new helicopter under development and presented an innovative project under the European Clean aviation programme led by Airbus.

Digital and ecological transition activities also continued during 2022. In parallel, research projects in the industrial sector on electromechanical actuators for industrial applications were carried out.

Treasury shares

At December 31, 2022, the parent company holds 47,591 treasury shares, comprising 14.28% of the share capital.

Description	Number held	Share capital (%)
Treasury shares	47,591	14.28%

During the year, treasury shares were purchased and shares allocated in relation to completion of the long-term incentive plan for 2018-2020.

We outline below the holding and movement of treasury shares in 2021:

Description	Start of year	Acquired	Year-end
Treasury shares	4,600	42,991	47,591

The Parent Company does not hold treasury shares through trust companies or nominees.

The Parent Company in addition has not held and does not hold, neither directly or indirectly, parent company shares.

Tax consolidation participation

As it has done since 2009, in 2022 the Parent Company exercised the national tax consolidation option with the Holding Company Poliscom Srl.

Legislative Decree 231/01

The Parent Company adopted an Organisational Model in 2014 modelled on its specific needs, setting out a complete system of internal control and organisation in order to ensure legality, correctness and transparency in the conducting of business, in addition to the protection of UmbraGroup S.p.A. from liability under Legislative Decree No. 231/01, and therefore in protection of all Group interest holders.

In 2022, the Supervisory Board of the Parent Company carried out its institutional role and regular meetings allowed for useful discussion of the 231 System adopted by the Parent Company and enabled the Supervisory Board to look more closely at specific processes, particularly those that are involved in the company's organisation as it evolves in line with the Group's vision.

As outlined in its 2022 Annual Report, the Supervisory Board has identified a number of actions to improve the 231 system, such as: the review of the Organisation and Control Model and related documentation concerning risk analysis, required following the major changes to the governance and organisation of the company; the taxation area review; the revision and updating of the operational processes of the business areas subject to the risk of offences, with the introduction of the new business functions; the adaptation of the Integrated Environment and Safety System of UmbraGroup to the UNI-ISO 45001:2018 standard, which replaced the OHSAS Standard 18001.

We thank you for the trust afforded to us and invite you to approve the financial statements as presented.

Chairperson of the Board of Directors

Reno Ortolani

Foligno, May 29, 2023

Financial Statements at December 31, 2022

Consolidated Balance Sheet at December 31, 2022

In Euro thousands	Note	December 31, 2022	December 31, 2021	January 1, 2021
INTANGIBLE ASSETS	6	2,563	2,412	2,546
GOODWILL	7	661	661	167
RIGHT-OF-USE ASSETS	8	5,865	8,513	11,426
PROPERTY, PLANT AND EQUIPMENT	9	63,516	66,113	72,962
NON-CURRENT FINANCIAL ASSETS	10	184	149	131
NON-CURRENT DEFERRED TAX ASSETS	11	235	292	354
OTHER NON-CURRENT ASSETS	12	10	9	59
NON-CURRENT ASSETS		73,034	78,149	87,645
INVENTORIES	13	62,438	48,913	56,141
TRADE RECEIVABLES	14	28,153	22,558	18,553
TAX RECEIVABLES	15	3,814	5,375	973
OTHER CURRENT FINANCIAL ASSETS	10	30,054	10,187	20,799
CURRENT DEFERRED TAX ASSETS	11	7,238	5,954	6,031
OTHER CURRENT ASSETS	12	7,131	7,785	7,827
CASH AND CASH EQUIVALENTS AND DEPOSITS	16	43,691	111,218	83,897
DERIVATIVE INSTRUMENT ASSETS (CURRENT)	17	239	-	381
ASSETS HELD-FOR-SALE	18	-	270	-
CURRENT ASSETS		182,758	212,260	194,602
ASSETS		255,792	290,409	282,247
SHARE CAPITAL	19	12,056	12,056	12,056
LEGAL RESERVE	19	2,411	2,411	2,411
SHARE PREMIUM RESERVE	19	24,194	24,194	24,194
TREASURY SHARES	19	(49,775)	(2,482)	(1,438)
OTHER RESERVES	19	113,612	101,515	102,977
RETAINED EARNINGS/(ACCUMULATED LOSSES)	19	766	726	726
NET PROFIT/(LOSS) FOR THE YEAR	19	9,489	15,823	-
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		112,753	154,243	140,926
NON-CONTROLLING INTEREST EQUITY	19	-	-	352
EQUITY		112,753	154,243	141,278
EMPLOYEE BENEFITS	20	3,857	4,022	4,428
PROVISIONS FOR RISKS AND CHARGES	21	2,453	2,670	1,661
NON-CURRENT LOANS & BORROWINGS	22	62,020	63,302	63,327
NON-CURRENT FINANCIAL PAYABLES	23	3,839	4,840	7,427
NON-CURRENT DEFERRED TAX LIABILITIES	11	1,070	1,148	1,827
OTHER NON-CURRENT LIABILITIES	24	658	1,893	1,934
NON-CURRENT DERIVATIVE INSTRUMENT LIABILITIES	17	2,127	503	2
NON-CURRENT LIABILITIES		76,024	78,378	80,606
TRADE PAYABLES	25	29,605	24,157	24,238
CURRENT LOANS & BORROWINGS	22	21,611	16,185	14,277
FINANCIAL PAYABLES	23	1,826	2,844	3,667
CURRENT DEFERRED TAX LIABILITIES	11	1,555	1,751	1,363
INCOME TAX PAYABLES	26	967	180	2,694
OTHER CURRENT LIABILITIES	24	11,451	11,341	12,028
PROVISIONS FOR RISKS AND CHARGES	21	-	1,330	2,096
CURRENT LIABILITIES		67,015	57,788	60,363
LIABILITIES		143,039	136,166	140,969
EQUITY & LIABILITIES		255,792	290,409	282,247

Consolidated Income Statement 2022

In Euro thousands	Note	2022	2021
REVENUE	27	189,235	171,441
PURCHASES OF RAW MATERIALS, COMPONENTS, GOODS AND CHANGE IN INVENTORIES	28	57,236	54,844
SERVICE COSTS	29	39,069	30,978
DEVELOPMENT COSTS CAPITALISED	30	(234)	(83)
PERSONNEL EXPENSES	31	69,113	64,304
OTHER INCOME/(EXPENSE)	32	1,895	5,052
AMORTISATION, DEPRECIATION & WRITE-DOWNS	33	13,882	15,436
OPERATING RESULT (EBIT)		12,064	11,014
NET FINANCIAL INCOME/(EXPENSES)	34	(3,160)	(2,096)
CURRENCY GAINS/(LOSSES)	34	2,458	2,894
PROFIT BEFORE TAXES		11,362	11,812
INCOME TAXES	35	1,873	(4,011)
NET PROFIT		9,489	15,823
NON-CONTROLLING INTERESTS		-	-
GROUP NET PROFIT		9,489	15,823

Consolidated comprehensive income statement 2022

In Euro thousands	2022	2021
Net Profit/(loss)	9,489	15,823
Profit/(loss) on cash flow hedges	(1,713)	(1)
Tax effect	411	-
Total Gain/(Loss) on cash flow hedges	*(1,302)*	*(1)*
Profit/(Loss) from translation reserve of subsidiaries	1,420	1,690
Tax effect	(396)	(472)
Total Profit/(Loss) from translation reserve of subsidiaries	*1,024*	*1,218*
Total Gains/(Losses) to be subsequently reclassified to Profit/(Loss) for the year	(278)	1,217
Actuarial gains/(losses) on defined benefit plans	270	237
Tax effect	(78)	(56)
Total actuarial gains/(losses) on defined benefit plans	*192*	*181*
Total Gains/(Losses) which will not be subsequently reclassified to Profit/(Loss) for the year	192	181
Total gains/(losses) recognised to equity	(86)	1,398
Total comprehensive income/(expense)	9,403	17,221

Statement of changes in consolidated equity

At December 31, 2022

In Euro thousands	Share capital	Legal reserve	Share premium reserve	Negative reserve for treasury shares in portfolio	Other reserves					Retained earnings/ (accumulated losses)	Net result	Total Group Equity	Total Non-controlling interest Equity	Total Equity
					FTA Reserve	IAS 19 Reserve	CFH reserve	Translation reserve	Other reserves					
January 1, 2021	12,056	2,411	24,194	(1,438)	(171)	(699)	1	632	103,214	726	-	140,926	352	141,278
Allocation of prior year result									-		-	-		-
Comprehensive income/(expense)						181	(1)	1,218			15,823	17,221		17,221
Acquisition of treasury shares				(1,044)								(1,044)		(1,044)
Purchase SERMS									330			330	(352)	(22)
Dividends									(3,028)			(3,028)		(3,028)
Other movements								-	(162)			(162)		(162)
December 31, 2021	12,056	2,411	24,194	(2,482)	(171)	(518)	-	1,850	100,354	726	15,823	154,243	-	154,243
Allocation of prior year result									15,783	40	(15,823)	-		-
Other comprehensive income/(losses)						192	(1,302)	1,024			9,489	9,403		9,403
Acquisition of treasury shares				(47,293)								(47,293)		(47,293)
Dividends									(3,600)			(3,600)		(3,600)
Other movements								-	-			-		-
December 31, 2022	12,056	2,411	24,194	(49,775)	(171)	(326)	(1,302)	2,874	112,537	766	9,489	112,753	-	112,753

Consolidated cash flow statement

At December 31, 2022

In Euro thousands	December 31, 2022	December 31, 2021
A) Cash flows from operating activities		
Net profit/(loss)	9,489	15,823
Income taxes	1,873	(4,011)
Interest expense/(income)	3,160	2,096
(Dividends)	-	-
(Gains)/losses on sale of assets	-	-
Profit/(loss) for the year before taxes, interest, dividends and gains/losses from disposals	**14,522**	**13,908**
Provisions for risks and charges/inventory obsolescence provision/doubtful debt provision	2,364	2,504
Employee benefits provision	1,896	1,828
Amortisation and depreciation	13,743	15,309
Change in fair value of derivative instruments	-	-
Cash flow before net working capital changes	**18,003**	**19,641**
Decrease / (increase) in inventories	(13,525)	7,228
Decrease / (increase) in trade receivables	(5,734)	(4,131)
Increase / (Decrease) in trade payables	5,447	(81)
Other changes in net working capital	(4,029)	(3,617)
Cash flow after net working capital changes	**(17,841)**	**(601)**
Dividends received	-	-
Taxes paid	(292)	(2,405)
(Utilisation of provisions)	(3,774)	(2,132)
(Utilisation of employee benefit liability)	(1,868)	(2,430)
Cash flow after net working capital changes	**(5,934)**	**(6,967)**
Cash flow from operating activities (A)	**8,750**	**25,981**
B) Cash flows from investing activities		
(Investments) / Disposals of intangible assets	(882)	(772)
(Investments) / Disposals of tangible assets	(6,505)	(3,026)
(Investments) / Disposals of Equity investments	-	(830)
(Investments) / Disposals of right-of-use	-	-
(Investments)/Disposals of financial assets	(19,695)	9,730
Cash flow from investing activities (B)	**(27,082)**	**5,102**
C) Cash flow from financing activities		
Third party funds	-	-
New loans	22,000	15,500
Repayment of loans	(17,646)	(15,111)
Repayment leases liabilities	(2,646)	(2,734)
Increase (Decrease) in financial instruments	(328)	882
Own funds		
Share capital increase	-	500
Purchase (Sale) treasury shares	(47,293)	(1,044)
Dividends paid	(3,600)	(3,000)
Other Changes in Equity	-	-
Cash flow from financing activities (C)	**(49,513)**	**(5,007)**
Conversion exchange difference effect on cash and cash equivalents	318	1,245
D) Increase (decrease) in cash and cash equivalents (A+B+C)	**(67,527)**	**27,321**
Opening cash and cash equivalents	**111,218**	**83,897**
of which:		
Cash in hand and similar	111,190	83,881
Bank and postal deposits	28	16
Closing cash and cash equivalents	**43,691**	**111,218**
of which:		
Cash in hand and similar	43,679	111,190
Bank and postal deposits	13	28

Notes to the Consolidated Financial Statements at December 31, 2022

Note 1 - Corporate information

The publication of the consolidated financial statements of UmbraGroup S.p.A. and its subsidiaries (together the Group) for the year ended December 31, 2022 was authorised by the Board of Directors on May 29, 2023. UmbraGroup S.p.A. is a joint-stock company, registered and domiciled in Italy. The registered office is located at Foligno (PG), via V. Baldaccini 1-Z.I. Loc Paciana, 06304.

The information on transactions of the Company with the other related parties are presented in Note 40 “Related party transactions”.
These Consolidated Financial Statements concern the year ended December 31, 2022 (hereafter the "Consolidated Financial Statements”).
As these are the first Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards, Note No. 36, "Transition to IFRS" describes the effects from the first application of IFRS on financial statements prepared according to the previous accounting standards.

Note 2 - Main accounting standards

2.1 Accounting standards

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations (SIC/IFRIC) and endorsed by the European Union, in force at the date of the financial statements, as well as the provisions issued in implementation of Article 9 of Legislative Decree No. 38/2005, which also governs the ability to apply the above standards on an optional basis. The date of first application of IFRS ("FTA") is January 1, 2021.

The Explanatory Notes to the financial statements were supplemented with the additional information required by the Civil Code. IFRS also means the International Accounting Standards ("IAS") currently in force, as well as all interpretative documents issued by the IFRS Interpretation Committee, formerly the International Financial Reporting Interpretation Committee ("IFRIC”), and even earlier the Standing Interpretations Committee ("SIC") and endorsed by the European Commission, in force at the reporting date.

The statements adopted by the company are composed as follows:

- consolidated balance sheet - the balance sheet is presented through the separate disclosure of current and non-current assets and current and non-current liabilities, separating for each item of assets and liabilities the amounts expected to be settled or recovered within or beyond 12 months from the reporting date;
- consolidated income statement - reports items by nature, as considered that which provides the most explanatory information;
- consolidated comprehensive income statement - includes items recognised directly to equity when IFRS permits;
- consolidated cash flow statement - the cash flow statement presents cash flows from operating, investing and financing activities. The cash flow statement is presented in accordance with the indirect method, whereby net income is adjusted for the effects of non-cash transactions, any deferrals or provisions for previous or future operating cash receipts or payments, and items of income or expense associated with cash flows from investing or financing activities;
- statement of changes in consolidated equity: the statement of changes in equity shows the comprehensive income for the year and the effect, for each equity item, of changes in accounting policies and correction of errors as required by International Accounting Standard No. 8. In addition, the statement presents the balance of accumulated gains or losses at the beginning of the year, movements during the year and the balance at the end of the year.

The Consolidated Financial Statements have been prepared under the historical cost convention, except for derivative financial instruments and financial assets represented by equity securities, which are recorded at fair value. The carrying amount of assets and liabilities subject to fair value hedging and which otherwise would be recognised at amortised cost is adjusted to take account of fair value changes attributable to the hedged risks.

The consolidated financial statements are presented in Euro and all the amounts are rounded to the nearest thousandth, unless otherwise specified.

The last financial statements prepared in accordance with Italian GAAP (OIC) refer to the year ended December 31, 2021. The Consolidated Financial Statements provide comparative information referring to the previous year. In fact, the adoption of the new accounting standards also made it necessary to adjust the carrying amounts of the financial statements at December 31, 2021 and January 1, 2021. For their comparison with the results of the year 2022, please refer to *Note No. 36 - Transition to IAS/IFRS*, which outlines the effects from the initial application of IFRS on the financial statements prepared under the previous accounting standards.

2.2 Consolidation scope

UmbraGroup's Consolidated Financial Statements include the financial statements of the Parent Company and those of the Italian and overseas companies in which UmbraGroup S.p.A. directly or indirectly controls the majority of votes exercisable at Shareholders' Meetings.
The Group exercises control when it is exposed to or has the right to variable income streams, based on the relationship with the investee, and, at the same time, has the capacity to affect such income streams through the exercise of power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- the power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- the exposure or rights to variable returns deriving from involvement with the investment entity;
- the capacity to exercise its power on the investment entity to affect its income streams.

The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses this control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements at the date in which the Group obtains control until the date in which the Group no longer exercises control.
The following table summarises, with respect to the Subsidiaries, the information at December 31, 2022 regarding name, registered office, and the portion of share capital held directly and indirectly by the Group:

Company Name	Note	Registered Office	Currency	Share capital	Percentage held			Group Interest
					Direct	Indirect	Total	
Amco S.r.l.		Foligno (ITA)	EUR	100,000	100%	0%	100%	100%
KUHN GmbH		Freiberg (GER)	EUR	782,000	100%	0%	100%	100%
Serms S.r.l.		Terni (ITA)	EUR	15,625	100%	0%	100%	100%
PKE GmbH		Eltmann (GER)	EUR	100,000	100%	0%	100%	100%
Umbra Cuscinetti Inc.		Everett (USA)	USD	5,580,604	100%	0%	100%	100%
UGI Holding Inc.		Everett (USA)	USD	5,208,469	100%	0%	100%	100%
Linear Motion LLC	1	Saginaw (USA)	USD	14,841,026	0%	100%	100%	100%
Equiland LLC	2	Saginaw (USA)	USD	500,000	0%	100%	100%	100%

At the date of preparation of the Consolidated Financial Statements at December 31, 2022, there were no changes to the consolidation scope from that presented in the Consolidated Financial Statements at December 31, 2021.
At the date of preparation of the Consolidated Financial Statements at December 31, 2022, there were no Subsidiaries not included in the consolidation scope.

2.3 Basis of consolidation

The Consolidated Financial Statements include the financial statements of UmbraGroup S.p.A. and its subsidiaries at December 31, 2022, consolidated on a line-by-line basis, prepared in accordance with IFRS. The entities included in the consolidation scope and their percentages of direct or indirect ownership by the Group are presented in the "Consolidation scope" annex.
The Group exercises control when it is exposed to or has the right to variable income streams, based on the relationship with the investee, and, at the same time, has the capacity to affect such income streams through the exercise of power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- the power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- the exposure or rights to variable returns deriving from involvement with the investment entity;
- the capacity to exercise its power on the investment entity to affect its income streams.

Generally, there is presumption that the majority of the voting rights results in control. In support of this presumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group shall consider all the facts and significant circumstances to establish whether control of the investment entity exists, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Voting rights or potential voting rights of the Group.

The Group reconsiders if it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three significant elements for the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses this control.

The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements at the date in which the Group obtains control until the date in which the Group no longer exercises control.

The profit/(loss) and each of the other statement of comprehensive income items are allocated to the shareholders of the parent company and minority shareholders, even if this implies that the minority shareholder investments have a negative balance. Where necessary appropriate adjustments are made to the financial statements of the subsidiaries, in line with the accounting policies of the Group.

All assets and liabilities, shareholders' equity, revenues and costs, and inter-company cash flows relating to transactions between entities of the Group are completely eliminated on consolidation.

Changes in the holdings of subsidiaries which do not result in the loss of control are recognised under equity.

If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other equity items, while any gain or losses are recorded in the income statement. Any holding maintained must be recorded at fair value.

The Consolidated Financial Statements, in the absence of uncertainties or doubts about the ability to continue business in a foreseeable future, have been prepared on the basis of business continuity. Based on the aforementioned principle, the Company was considered able to continue its business and therefore the assets and liabilities were accounted for on the assumption that the company will be able to carry out its activities and meet its liabilities during the normal course of business activity.

Note 3 - Summary of the main accounting policies

3.1 Business combinations and goodwill

Business combinations are recognised using the acquisition method. The purchase cost is calculated as the sum of the consideration transferred, measured at the fair value at the acquisition date, and the value of minority equity holding. For each business combination, the Group decides whether to measure the non-controlling interests at fair value or in proportion to the amount held in the identifiable net assets of the investee. The acquisition costs are expensed in the year and classified under administration expenses.

When the group acquires a business, the financial assets acquired or liabilities assumed under the agreement are classified or designated in accordance with the contractual terms, the economic conditions and the other conditions at the acquisition date. This includes the verification to establish whether an embedded derivative must be separated from the host contract.

Any contingent payment to be recognised is recorded by the acquirer at fair value at the acquisition date. The contingent amount classified as equity is not remeasured and its subsequent payment is accounted under shareholders' equity. The change in the fair value of the contingent amount classified as an asset or liability, as a financial instrument covered by IFRS 9 Financial instruments must be recognised in the income statement in accordance with IFRS 9. The contingent amount that does not fall within the scope of IFRS 9 is measured at fair value at the reporting date and changes in fair value are recognized in the income statement.

3.2 Goodwill

Goodwill is initially recognised at cost represented by the excess of the total amount paid and the amount recognised for non-controlling interests in respect of the net identifiable assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group again verifies if it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedure utilised to determine the amount to be recorded at the acquisition date. If from the new valuation the fair value of the net assets acquired is still above the consideration, the difference (gain) is recorded in the income statement.

After its initial recognition, goodwill is measured at cost net of accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units.
If the goodwill is allocated to a cash generating unit and the entity sells part of the activities of this unit, the goodwill associated with the activity sold is included in the book value of the activity when determining the gain or loss deriving from the sale. The goodwill associated to assets sold is calculated based on the relative values of the asset sold and the part maintained by the cash generating unit.

3.3 Intangible assets

Intangible assets acquired separately are initially recognized at cost, while those acquired through business combinations are recognized at fair value on the acquisition date. After initial recognition, intangible assets are recognised at cost, net of accumulated amortisation and accumulated impairment, if any. Intangible assets internally generated, with the exception of development costs, are not capitalised and are recorded in the income statement of the year in which they were incurred.
The useful life of the intangible assets is measured as finite or indefinite.
Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is evidence of an impairment loss. The amortisation period and the amortisation method of an intangible asset with finite useful life are reviewed at least at each year-end. Changes in the expected useful life or in the manner in which the future economic benefits related to the asset will be realised are recognised through the change in the period or amortisation method, as the case may be, and are considered changes in accounting estimates. The amortisation of intangible assets with finite useful life is recorded in the income statement under the category of costs relating to intangible assets.
Intangible assets with indefinite useful life are not amortised but are subject to an annual impairment test at an individual level or at cash-generating unit level. The valuation of the indefinite useful life is reviewed annually to determine whether this allocation continues to be sustainable, otherwise, the change from indefinite useful life to finite useful life is applied on a prospective basis.
An intangible asset is derecognised upon disposal (i.e. on the date on which the acquirer obtains control of it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal of the asset (calculated as the difference between the net disposal consideration and the carrying amount of the asset) is included in the income statement.

Research and development costs

Research costs are fully expensed to the income statement in the period in which they are incurred. Development costs incurred for a particular project are recorded as intangible assets where the Group can demonstrate:
- the technical feasibility to complete the intangible asset, so as to be available for use or sale;
- the intention to complete the asset and its capacity and intention to utilise or sell the asset;
- the means by which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the capacity to reliably value the cost attributable to the asset during development.

After initial recognition, the development activities are measured at cost, reduced for amortisation or cumulative impairments. Amortisation begins when the development is completed and the asset is available for use. Development activities are amortised over the period of expected benefits and the relative accumulated amortisation is included in the cost of sales. During the development period the asset is subject to an annual impairment test.

Patents and licenses

The patents were granted for use by the relevant body for a minimum period of 10 years, with an option to renew at the end of that period. Licenses for the use of intellectual property were granted for a period of five to ten years, depending on the specific license. Licenses may be renewed at no or minimal cost. As a result, these licenses are considered to have an indefinite useful life.
The policies applied by the Group for intangible assets are summarised below:

	Licenses and Patents	Development costs
Useful life	Defined (5 years)	Defined (5 years)
Amortisation method used	Amortised on a straight-line basis over the life of the patent	Amortised on a straight-line basis over the period of expected future sales from the related project
Internally produced or acquired	Acquired	Generated internally

3.4 Property, plant and equipment

Property, plant and equipment are recorded at historical cost, less accumulated depreciation and accumulated impairment losses. This cost includes costs for the replacement of part of machinery and plant at the time they are incurred, if they meet the recognition criteria. In the case of extraordinary work, the cost is included in the carrying amount of the plant or machinery where the criterion for recognition is met. All other repair and maintenance costs are recognised to the income statement when incurred.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings: 33 years
- Plant and machinery 10 years and 6 years
- Equipment: 4 years and 3 years
- Other assets:
    - EDP: 5 years
    - office furniture and fittings: 8 years
    - automobiles 4 years

The Group reviews the estimated residual values and expected useful lives of property, plant and equipment at least annually. In particular, the Group considers the impact of health, safety and environmental legislation when assessing expected useful lives and estimated residual values.
The carrying amount of property, plant and equipment and any significant component initially recognised is derecognised upon disposal (i.e. on the date the acquirer obtains control) or when no future economic benefit is expected from its use or disposal. The gain/loss arising when the asset is derecognised (calculated as the difference between the net carrying amount of the asset and the consideration received) is recognised in the income statement when the item is derecognised.
The residual values, useful lives, and depreciation methods of property, plant, and equipment are reviewed at each fiscal year-end and, where appropriate, adjusted prospectively.

3.5 Leasing

The Group assesses when entering into a contract whether it is, or contains, a lease. In other terms, whether the contract confers the right to control the use of an identified asset for a period of time in exchange for a fee.
The Group adopts a single recognition and measurement model for all leases, except for short-term leases and low value leases. The Group recognises the lease liabilities and the right-of-use asset representing the right to use the asset underlying the contract.

Right-of-use assets

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

- Plant and machinery 10 years and 6 years
- Equipment: 4 years and 3 years
- Other assets:
    - EDP: 5 years
    - office furniture and fittings: 8 years
    - automobiles 4 years

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

Right-of-use assets are subject to impairment. Reference should be made to the Impairment of non-financial assets section.

Lease liabilities

At the lease commencement date, the Group recognises the lease liabilities measuring them at the present value of the payments due for leasing not yet settled at that date. The payments due include the fixed payments (including the fixed payments in substance), net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual value. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option shall be exercised by the Group and the lease termination penalty payments, where the lease duration takes account of the exercise by the Group of the termination option on the lease.
The variable lease payments not depending on an index or a rate are recognised as costs in the period (unless incurred in the production of inventories) in which the event or the condition generating the payment occurs.
In calculating the present value of the future payments, the Group uses the incremental borrowing rate at the commencement date where the implicit interest rate can not be readily determined. After the commencement date, the amount of the lease liability increases to take account of the interest on the lease liabilities and reduces to consider the payments made. In addition, the carrying amount of the lease liabilities are restated in the case of any changes to the lease or a review of the contractual terms with regards to the change in the payments; it is also restated in the event of changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.

Short-term leases and low value asset leases

The Group applies the exception for the recognition of short-term leases for machinery and equipment (i.e. leasing with a duration of 12 months or less from the commencement date and not containing a purchase option). The Group has also applied the exception for leases concerning assets of a modest value with regards to the leasing contracts on office equipment whose value is considered low. The short-term lease instalments and those for low value assets are recognised as costs on a straight-line basis over the lease duration.

3.6 Impairment of non-financial assets

At the end of each year, the Group verifies the existence of indicators of loss in value of the assets. In this case, or in the cases where an annual verification of the loss in value is required, the Group makes an estimate of the recoverable value. The recoverable value is the higher between the fair value of the asset or cash generating unit, net of selling costs, and its value in use. The recoverable value is determined by individual asset, except when this asset generates cash flows which are not sufficiently independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, this asset has incurred a loss in value and is consequently written down to the recoverable value.
In the determination of the value in use, the estimated future cash flows are discounted by the Group at a pre-tax rate that reflects the market assessment of the present value of money and the risks specific to the asset. In the determination of the fair value net of selling costs, account is taken of recent market transactions. Where it is not possible to identify these transactions, an adequate valuation model is utilised. These calculations are made utilising appropriate valuation multipliers, listed equity prices for publicly traded securities and other fair value indicators available.
The Group bases its impairment test on recent budgets and forecasts, prepared separately for each Group cash generating unit to which the individual assets were allocated. These budgets and forecasts generally cover a period of five years. A long-term growth rate is calculated to project future cash flows beyond the fifth year.
The losses in value of operating assets are recorded in the income statement in the category of costs relating to those assets. An exception are fixed assets previously revalued, where the revaluation was recorded under other items of the statement of comprehensive income. In this case, the loss in value is recorded under other items of the statement of comprehensive income up to the amount of the previous revaluation.
For assets other than goodwill, at each reporting date, the Group evaluates the existence of indicators of a recovery (or reduction) in the loss in value previously recorded and, where these indicators exist, estimates the recoverable value of the asset or of the CGU. The value of an asset previously written down may be restated only if there have been changes in the assumptions used to determine the recoverable value, after the last recording of a loss in value. The recovery of value cannot exceed the carrying amount which would have been calculated, net of amortisation, where no such loss in value was recorded in previous years. This recovery is recorded in the company income statement unless the fixed asset is recorded at a revalued amount, in which case the recovery is treated as a revaluation gain.

Goodwill is tested for impairment at least once a year (at December 31) or more frequently when circumstances suggest that the carrying value may be subject to impairment.
The impairment of goodwill is determined through a valuation of the recoverable value of the cash generating unit to which the goodwill is allocated. Where the recoverable amount of the cash generating unit is less than the carrying amount of the cash generating unit to which the goodwill has been allocated, an impairment loss is recognised. The decrease in the value of goodwill cannot be restated in future years.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value.
The costs incurred in bringing each asset to its present location and condition are recognised as follows:

- Raw materials: purchase cost calculated by the weighted average cost method
- Finished and semi-finished goods: directly incurred industrial cost of materials and labour, plus a share of production overheads, defined on the basis of normal production capacity, excluding financial expenses.

Inventory cost includes the transfer, from other comprehensive income, of gains and losses from any qualified cash flow hedging transactions related to the purchase of raw materials.
Net realisable value is the estimated normal selling price in the normal course of business, less estimated costs of completion and estimated costs to realise the sale.

3.8 Trade Receivables

A receivable is recognised where the consideration is unconditionally due from the customer i.e., it is only necessary for time to elapse for payment of the consideration to be obtained. Please refer to the section concerning Financial assets and liabilities for initial recognition and subsequent measurement.

3.9 Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits include cash on hand and on demand, short-term and highly liquid deposits with a maturity of three months or less, which are readily convertible into a given amount of money and subject to insignificant risk of changes in value.

3.10 Financial assets and liabilities

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

Financial assets

Initial recognition and measurement
Upon initial recognition, financial assets are classified according to the subsequent measurement method, as appropriate, i.e., amortised cost, fair value through OCI comprehensive income, and fair value through profit or loss.
The classification of financial assets on initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the Group uses to manage them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are valued at the transaction price.
In order for a financial asset to be classified and measured at amortised cost or fair value recognised in OCI, it must generate cash flows that depend solely on principal and interest on the amount of principal to be repaid ("solely payments of principal and interest (SPPI)"). This assessment is referred to as the SPPI test and is performed at the instrument level.
Financial assets whose cash flows do not meet the above requirements (e.g., SPPI) are classified and measured at fair value through profit or loss.
Financial assets that are classified and measured at amortised cost are held as part of a business model whose objective is to own financial assets for the collection of contractual cash flows, while financial assets that are classified and measured at fair value through OCI are held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

Subsequent measurement
Subsequently, the financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);

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

(i) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.
The Group's financial assets at amortised cost include trade receivables, a loan to an associate, and a loan to a director included in other non-current financial assets.

(ii) Investments in equity instruments

Upon initial recognition, the Group may irrevocably elect to classify its equity investments as equity instruments recognised at fair value through OCI when they meet the definition of equity instruments under IAS 32 "Financial Instruments: Presentation" and are not held for trading. Classification is determined for each individual instrument.
Gains and losses on these financial assets are never reversed through profit or loss. Dividends are recognised as other income in the income statement when the right to payment has been approved, except when the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case such gains are recognised to OCI. Equity instruments recorded at fair value through OCI are not subject to impairment testing.
The Group has chosen to irrevocably classify its unlisted equity investments in this category.

(iii) Financial assets at fair value through profit or loss

Financial instruments at fair value with changes recognised to the income statement are recorded in the Statement of Financial Position at fair value and net changes in fair value through profit or loss.
This category includes derivative instruments and non qualified equity investments that the Group has not irrevocably elected to classify at fair value through OCI. Dividends on non qualified equity investments are recognised as other income to the income statement when the right to payment has been established.
The embedded derivative contained in a hybrid non-derivative contract, financial liability or master non-financial contract is separated from the host contract and accounted for as a separate derivative if: its economic characteristics and associated risks are not closely related to those of the host contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. The embedded derivatives are measured at fair value through profit or loss. A redetermination occurs only in the case of a change in the terms of the contract which significantly modify the cash flows otherwise expected or a reclassification of a financial asset to a category other than fair value through profit or loss.

Cancellation

A financial asset is cancelled firstly when:

- the rights to receive cash flows from the asset are extinguished, or
- the Group has transferred to a third party the right to receive the cash flows of the asset or has assumed the contractual obligation to pay entirely and without delay and (a) has substantially transferred all of the risks and rewards of ownership of the financial asset, or (b) has not substantially transferred all of the risks and rewards of the asset, but has transferred control.

Where the Group has transferred the rights to receive the cash flows of an asset or has signed an agreement under which to maintain the contractual rights to receive the cash flows of a financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), they shall assess if and to what extent they have maintained the risks and rewards relating to ownership. Where they have neither transferred or maintained substantially all of the risks and rewards or have not lost control, the asset continues to be recorded in the financial statements of the Group up to the amount of its residual holding in the asset. In this case, the Group also recognises an associated liability. The assets transferred and the associated liabilities are measured in order to reflect the rights and obligations maintained by the Group.
When the entity's continuing involvement is a guarantee on the transferred asset, involvement is measured based on the lesser of the amount of the asset or the maximum amount of consideration received that the entity may have to repay.

Impairment losses

The Group recognises a write-down for expected credit losses (ECLs) on all financial assets represented by debt instruments not held at fair value recognized to the Income Statement. ECLs are based on the difference between the contractual cash flows due under the contract and all cash flows that the Groups expects to receive, discounted at an

approximation of the effective original interest rate. Expected cash flows will include the cash flows from the enforcement of collateral held or other credit guarantees that are an integral part of the contractual conditions.
The Group takes a simplified approach to calculating the expected credit losses on trade receivables and assets deriving from contracts. Accordingly, the Group does not monitor changes in credit risk, but recognizes the full expected credit loss at each reporting date. The Group has implemented a matrix system based on historical information, revised to consider prospective elements with regard to specific types of debtors and their economic environment, as a means of determining expected credit losses.
For assets represented by debt instruments measured at fair value through OCI, the Group applies the simplified approach allowed for assets with low credit risk. At each reporting date, the Group assesses whether the debt instrument is considered to have low credit risk using all available information that can be obtained without undue cost or effort. In making this assessment, the Group monitors the creditworthiness of the debt instrument. In addition, the Group assumes that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Financial liabilities

Recognition and initial measurement

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

All financial liabilities are initially recognised at fair value in addition, in the case of loans, borrowings and payables, directly attributable transaction costs.
The financial liabilities of the Group include trade payables and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

Subsequent measurement

For the purposes of subsequent measurement, financial liabilities are classified into two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are liabilities held-for-trading and those initially designated as financial liabilities at fair value through profit or loss.
Liabilities held-for-trading are all those assumed with the intention of settling or transferring them in the short term. This category also includes derivative financial instruments underwritten by the Group which are not designated as hedging instruments as defined by IFRS 9
Gains or losses on liabilities held for trading are recognised in the income statement.
Financial liabilities are designated at fair value through profit or loss from the date of first recognition, only when in compliance with the criteria as per IFRS 9. Upon initial recognition, the Group did not designate financial liabilities at fair value with changes recognised in the income statement.

(ii) Financial liabilities at amortised cost (loans and borrowings)

This is the most relevant category for the Group. After initial recognition, loans are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is settled and through the amortisation process.
The amortised cost is calculated taking into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. The interest is recognised under financial expenses in the consolidated income statement.
This category generally includes interest-bearing receivables and loans.

Cancellation

A financial liability is derecognised when the underlying obligation of the liability is settled, cancelled or fulfilled. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement.

3.11 Fair value measurement

The Group values financial instruments, such as derivatives and non-financial assets at fair value at year-end.

The fair value is the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm's length transaction at the measurement date. A fair value measurement assumes that the sale transaction of the asset or transfer of the liability takes place:

- in the main market of the asset or liability;

or

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

The principal market or the most advantageous market must be accessible for the Group.
The fair value of an asset or liability is measured adopting the assumptions which market operators would utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests.
The fair value measurement of a non-financial asset considers the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or selling to another market operator that would utilise the asset to its maximum or best use.
The Group utilises measurement techniques which are appropriate to the circumstances and for which there is sufficient available data to measure the fair value, maximising the utilisation of relevant observable inputs and minimising the use of non-observable inputs.
All the assets and liabilities for which the fair value is measured or stated in the financial statements are categorised based on the fair value hierarchy, as described below:

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

The fair value measurement is classified entirely in the same fair value hierarchical level in which the lowest hierarchical input level utilised for the measurement is classified.
For assets and liabilities recognised to the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels of the hierarchy by reviewing the categorisation at each reporting date.
At each reporting date, the Group Finance Department analyses the changes in the values of assets and liabilities for which the revaluation or recalculation is required, based on the Group's accounting policies.
For this analysis, the main inputs applied in the most recent assessments are verified by comparing information used in the assessment to contracts and other relevant documents.
For fair value disclosure purposes, the Group classifies assets and liabilities according to type, characteristics and the risks associated with the assets and the liabilities and the fair value hierarchy level, as previously illustrated.

3.12 Revenue from contracts with customers

The Group is engaged in the supply of high-precision ball screws, bearings, actuators and balls, mechanical and mechatronic components for the aerospace, defence and industrial markets.
Revenues from contracts with customers rare recognised when the control of the goods and services is transferred to the customer for an amount which reflects the consideration that the Group expects to receive in exchange for these goods and services. The Group concluded that it acts as a Principal in agreements from which revenues arise.
The Group considers whether there are other promises in the contract that represent obligations in relation to which a portion of the transaction consideration should be allocated. In calculating the sales transaction price, the Group considers the effects from variable fees, significant financial components and monetary and non-monetary fees to be paid to the client (if existing).
Where the fee concluded in the contract includes a variable amount, the Group estimates the amount of the fee to which it will be entitled in exchange for the transfer of the goods to the customer.
Variable consideration is estimated at the time the contract is entered into, and its recognition is not possible until it is highly probable that when the uncertainty associated with the variable consideration is subsequently resolved, a significant downward adjustment to the amount of cumulative revenue that has been recognized should be implemented. Some contracts for sale provide customers with a right to return goods within a specified timeframe. The Group guarantees volume discounts on quantities sold to certain customers when the quantities of goods purchased in the period exceed specific contractually defined thresholds.
The Group then applies the guidance on variable consideration recognition to determine the amount of variable consideration that can be included in the price of the transaction and recognised as revenue.
The Group typically provides warranties for repairs of defects existing at the time of sale, as required by law. Revenues for additional guarantee services are recognised over the period in which the service is provided based on the elapsed time.

3.13 Government grants

Public grants are recognised when there is reasonable certainty that they will be received and that all conditions attached to them are met. Grants related to cost components are recognised as revenue, but are allocated systematically between periods so as to be commensurate with the recognition of the costs they are intended to offset. Grants related to an asset are recognised as revenue on a straight-line basis over the expected useful life of the asset to which they refer.

3.14 Income taxes

a. Current taxes

Tax receivables and payables for the year are measured at the amount expected to be paid to / received from the tax authorities. The tax rates and regulations used to calculate such amounts are those issued or substantially in force at the reporting date of the financial statements, in the countries in which the Group operates and generates its assessable income.

Current taxes relating to items recorded directly in net equity are also recorded directly to equity and not to the separate income statement. Management periodically assesses the positions assumed in the income tax returns where the fiscal regulations are subject to interpretations and, where appropriate, record appropriate provisions.

b. Deferred tax liabilities

Deferred taxes are calculated using the liability method on temporary differences at the reporting date between the fiscal values of the assets and liabilities and the corresponding values in the financial statements.

Deferred tax liabilities are recognised on all taxable temporary differences, and also arise from the recognition of lease taxation.

Deferred tax assets are recognised on all temporary deductible differences, receivables, inventories, derivative financial instruments and unused fiscal losses carried forward, to the extent of the probable existence of adequate future tax profits, that can justify the use of the temporary deductible differences, credits and fiscal loses carried forward. The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is unlikely that sufficient future taxable income will be available, so that some or all of the asset may be used. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent of the probability that the taxable income is sufficient to permit such deferred tax assets to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forward-looking assumptions used in the financial statements, which, among other matters, reflect the potential impact of climate-related developments on the business, such as increased production costs as a result of measures to reduce carbon emissions. Deferred tax assets and liabilities are calculated on the basis of the tax rates expected to be applied in the year in which the assets are realised or the amounts are paid, considering the rates in effect and those already issued or substantially issued as of the closing date of the financial statements. Deferred taxes concerning items recognised outside of the income statement are also recognised outside of the income statement and therefore to equity or to the comprehensive income statement, in line with the item to which they refer.

c. Indirect taxes

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

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

The net amount of the indirect taxes to be recovered or be paid to the Tax Authorities is included in the financial statements under receivables or payables.

3.15 Conversion of accounts in foreign currencies

The consolidated financial statements are presented in Euro, which is the Parent Company’s functional currency. Each Group company decides the functional currency to be used to measure the accounts in the financial statements. The Group utilises the direct consolidation method; the gain or loss reclassified to the income statement on the sale of a foreign subsidiary represents the amount deriving from the use of this method.

	Average exchange rate			Year-end exchange rate		
	2022	2021	2020	31.12.2022	31.12.2021	31.12.2020
	:1 Euro	:1 Euro	:1 Euro	:1Euro	:1Euro	:1 Euro
US Dollar (USD)	1.0530	1.1827	1.1422	1.0666	1.1326	1.2271
Canadian Dollar (CAD)	1.3695	1.4826	1.5300	1.4440	1.4393	1.5633
Australian Dollar (AUD)	1.5167	1.5749	1.6549	1.5693	1.5615	1.5896
UK Sterling (GBP)	0.8528	0.8596	0.8897	0.8869	0.8403	0.8990
Swiss Franc (CHF)	1.0047	1.0811	1.0705	0.9847	1.0331	1.0802

a. Transactions and balances

Foreign currency transactions are initially recorded in the functional currency, applying the exchange rate at the transaction date.
Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.
Exchange rate differences realised or arising on the translation of monetary items are recorded in the income statement, with the exception of monetary items which hedge a net investment in a foreign operation. These differences are recorded in the comprehensive income statement until the sale of the net investment, and only then is the total amount reclassified to the income statement. The income taxes attributable to the exchange differences on the monetary items are also recorded in the comprehensive income statement.
Non-monetary items, measured at historical cost in foreign currency, are translated using the exchange rates on the date the transaction was first recorded. Non-monetary items recorded at fair value in foreign currencies are translated using the exchange rate at the date this value was determined. The gain or loss deriving from the translation of non-monetary items is treated in line with the recognition of the gain or loss recorded on the change in the fair value of these items (i.e. the translation differences on the accounts to which the fair value changes in the statement of comprehensive income or in the income statement are recorded, respectively in the statement of comprehensive income or in the income statement).
In determining the spot exchange rate to be used upon initial recognition of the related asset, expense or revenue (or portion thereof) upon derecognition of a non-monetary asset or non-monetary liability related to the upfront consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability resulting from the upfront consideration. If there are multiple payments or advances, the Group determines the transaction date for each payment or advance.

b. Group companies

At the reporting date, the assets and liabilities of the Group companies are translated into Euro at the exchange rate at that date, while revenues and costs included in the comprehensive income statement or separate income statement are translated at the average exchange rate for the year. The exchange differences from the translation are recorded in the statement of comprehensive income. On the sale of a net investment in a foreign operation, the items in the statement of comprehensive income relating to this foreign operation are recorded in the income statement.
The goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are recorded as assets and liabilities of the foreign operation and therefore are recorded in the functional currency of the foreign operation and translated at the exchange rate at the reporting date.

3.16 Dividends

The Parent Company recognises a liability for the payment of a dividend when the distribution is properly authorised and is no longer at the discretion of the company. Based on company law in Europe, a distribution is authorised when it is approved by the shareholders. The corresponding amount is recorded directly in shareholders' equity.

3.17 Financial expenses

Financial expenses that are directly attributable to the acquisition, construction or production of an asset which requires a lengthy period before availability for use shall be capitalised as part of the cost of that asset. All other financial expenses are recognised as a charge in the period in which they are incurred. Financial expenses consist of interest and other costs that an entity incurs in connection with obtaining financing.

3.18 Derivative financial instruments and hedge accounting

a. Initial recognition and subsequent measurement

The Group uses derivative financial instruments including: currency forward contracts, interest rate swaps, and commodity purchase swaps to hedge its currency exchange risks, interest rate risks, and commodity price risks, respectively. These derivative financial instruments are initially recognized at fair value at the date on which they are underwritten, and this fair value is periodically remeasured. They are recorded as financial assets when the fair value is positive, and as financial liabilities when negative. For hedge accounting purposes, the Group undertakes fair value hedges on interest rates and commodity purchases.

At the beginning of the hedge, the Group establishes and documents formally the hedge relationship, upon which it will apply hedge accounting, its risk management objectives and the strategy undertaken. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. The hedging relationship meets the eligibility criteria for hedge accounting if it meets all of the following hedge effectiveness requirements:

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

The change in fair value of hedging derivatives is recognised to other costs in the income statement. The change in fair value of the hedged item attributable to the hedged risk is recognised as part of the carrying value of the hedged item and is also recognised to other costs in the income statement.
With regard to fair value hedges referring to items accounted for under the amortised cost method, any adjustment to the carrying amount is amortised in the income statement over the remaining period of the hedge using the effective interest rate (EIR) method. Amortisation determined in this way may begin as soon as an adjustment is made, but may not extend beyond the date on which the hedged item ceases to be adjusted due to changes in fair value attributable to the hedged risk.
If the hedged item is derecognised, the unamortised fair value is recognised immediately to the income statement.
When an unrecognised firm commitment is designated as a hedged item, subsequent cumulative changes in its fair value attributable to the hedged risk are recognised as assets or liabilities and the corresponding gains or losses recognised to the income statement.

3.19 Treasury shares

Treasury shares acquired are recorded at cost and as a reduction of shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the purchase price and the payment received, in the case of reissue, is recorded in the share premium reserve.

3.20 Provisions for risks and charges

Provisions for risks and charges are recorded when the Group has a legal or implicit obligation (that derives from a past event) and a payment of resources is probable to satisfy the obligation and the amount of this payment can be reliably estimated.
If the Group has an onerous contract, the current obligation in the contract is recognised and determined as a provision. However, before making a specific provision for an onerous contract, the Group recognises any impairment losses that the assets related to the contract have suffered.

An onerous contract is one under which the non-discretionary costs (i.e. costs that the Group cannot avoid because it has the contract) of fulfilling the obligations assumed by the contract exceed the economic benefits expected to be received from the same contract. The non-discretionary costs of a contract reflect the lowest net cost of exiting the contract, which is the lower of the cost of performance and any compensation or penalties resulting from non-performance. Costs to fulfil a contract include costs that relate directly to the contract.

3.21 Post-employment benefit liabilities

Post-employment benefits are defined on the basis of programs, even if not formalized, which according to their characteristics are divided into "defined benefit" programs and "defined contribution" programs. Italian legislation (Article 2120 of the Civil Code) provides that, on the date on which each employee terminates the employment contract with the company, indemnity referred to as TFR is received. The calculation of this indemnity is based on some items that make up the employee's annual salary for each year of work (appropriately re-evaluated) and on the length of the employment relationship. According to Italian civil law, this indemnity is reflected in the financial statements according to a calculation method based on the indemnity accrued by each employee at the reporting date, in the event that all employees terminate the employment contract on that date. The International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) addressed the subject of the Italian TFR and concluded that, in application of IAS 19, it must be calculated according to a method called Projection Unitary Credit Method (PUCM), according to which the amount of liabilities for the benefits acquired must reflect the date of expected resignation and must be discounted.

The actuarial assumptions and the related effects take into consideration the regulatory changes introduced by the Italian legislator, which provided for the option for the employee to allocate the TFR accrued from July 1, 2007 to
INPS or supplementary pension funds. The net obligation deriving from defined benefit plans is calculated by estimating the amount of the future benefit that employees have accrued in exchange for the activity performed in the current year and in previous years; this benefit is discounted to calculate the current value. The actuarial gains and losses referring to the defined benefit plans accumulated up to the previous year and which reflect the effects deriving from changes in the actuarial assumptions used, are recognized in full in the comprehensive income statement.

The actuarial valuation of the liability was entrusted to an independent actuary. The Group does not have other defined benefit pension plans. The obligation deriving from defined contribution plans is limited to the payment of contributions to the State or to a legally separate asset or entity (fund), and is determined on the basis of the contributions due.

3.22 Share-based payments

Parent Company employees (including executives) receive part of their remuneration in the form of share-based payments, with these employees therefore providing services in exchange for shares ("capital instrument regulated transactions").

The cost of the equity-settled transactions is determined by the fair value at the assignment date utilising an appropriate valuation method.

This cost, together with the corresponding increase in shareholders' equity, is recorded under personnel expense over the period in which the performance and/or service conditions are satisfied. The cumulative costs relating to these operations at each balance sheet date until the maturity date are compared to the maturity date and to the best estimates available of the number of participating instruments which will effectively mature. The cost or revenue recorded in the income statement for the year represents the change of the cumulative cost recorded at the beginning and at the end of the year.

The service or performance conditions are not taken into consideration when the fair value of the plan is defined at the assignment date. Account however is taken of the probability that these conditions will be satisfied in calculating the best estimate of the number of equity instruments which will mature. The market conditions are reflected in the fair value at the assignment date. Any other condition related to the plan, which is not a service obligation, is not considered as a maturation condition. The non-maturation conditions are reflected in the fair value of the plan and result in the immediate recording of the plan cost, unless there are also service or performance conditions.

No cost is recorded for the rights which do not mature as the performance and/or service conditions are not satisfied. When the rights include a market condition or a non-maturation condition, these are treated as if they independently mature from the fact that the market conditions or the other non-maturation conditions to which they are subject are complied with or otherwise, provided that all the other performance and/or service conditions are satisfied.

If the conditions of the plan are modified, the minimum cost to be recorded is the fair value at the allocation date in the absence of changes to the plan, in the presumption that the original conditions of the plan were satisfied. In addition, a cost will be recorded for all changes which result in an increase in the total fair value of the payment plan, or which is in any case favourable for employees; this cost is measured with reference to the date of the change. When a plan is cancelled by the entity or by the counterparty, any remaining element of the fair value of the plan is expensed immediately in the income statement.

Note 4 - Change of accounting standards and disclosure

4.1 New accounting standards, interpretations and amendments adopted by the Group

The Group has applied for the first time a number of standards and amendments entering into force from January 1, 2022. The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect.
The accounting standards, amendments and interpretations not adopted in advance for the year ended December 31, 2022 govern facts and cases that do not have significant effects on the balance sheet, income statement, cash flow statement and the information contained in the consolidated financial statements.
The Group is assessing the impact of the modifications, amendments and interpretations to the approved accounting standards not adopted early or in the process of being approved.

4.2 Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018 and without a significant change in the standard's requirements.
The amendment also added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, where contracted separately. The exemption requires that entities apply the requirements of IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a present obligation exists at the date of acquisition.
The amendment also adds a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the date of acquisition.
In accordance with the transition rules, the Group applies the amendment prospectively, i.e., to business combinations that occur after the beginning of the fiscal year in which the amendment is first applied (date of first application). These amendments had no impact on the Group's consolidated financial statements as no contingent assets, liabilities, and contingent liabilities were recognised in this regard.

4.3 Property, plant and equipment: Proceeds before intended Use - Amendment to IAS 16

The amendments prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products in the period in which the asset is brought to the location or condition necessary to be capable of operating in the manner for which it was designed by management. An entity therefore accounts for the revenues from the sale of those products, and the costs of producing those products in the income statement.
In accordance with the transition rules, the Group applies the amendment retrospectively only for those items of property, plant and equipment that came into operation after or at the beginning of the comparative year to that in which this amendment is first applied (date of first application).
These amendments had no impact on the Group's consolidated financial statements as no sales were made related to these items of property, plant and equipment before they came into operation, before or after the beginning of the previous comparative period.

4.4 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

This amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts recognised by the parent company, considering the date of transition to IFRS by the parent company, if no adjustments had been made to the consolidation procedures and for the effects of the business combination in which the parent company acquired the subsidiary. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.
This amendment had no impact on the Group's consolidated financial statements as the Group is not a first-time adopter.

4.5 IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

This amendment clarifies the fees an entity includes in determining whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of

others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.
In accordance with the transition rules, the Group will apply this amendment to financial liabilities that are modified or exchanged after or at the date of the first year in which the entity first applies this amendment (first application date).
This amendment had no impact on the Group's consolidated financial statements as there were no changes in the Group's financial liabilities during the period.

Note 5 - Discretional valuations and significant accounting estimates

The preparation of the financial statements requires the directors of the Group to undertake discretional valuations, estimates and assumptions which impact upon the amount of revenue, costs, assets and liabilities and related disclosures, as well as potential liabilities. The uncertainty concerning these assumptions and estimates could result in significant changes in the book value of these assets and/or liabilities in the future.

5.1 Period of depreciation of tangible assets and amortization of intangible assets and impairment test

Depreciation and amortisation of assets with definite useful life of tangible assets and intangible assets and the forecast data used for the purposes of impairment tests require a discretionary valuation by the directors. At each reporting date, this valuation is revised in order to verify that the amounts recorded are representative of the best estimate of costs that may be incurred by the Group and, if significant changes are detected, the amounts recognised to the financial statements are reviewed and updated.
With regard to the impairment test, reference should be made to the paragraph “Impairment of assets” below in the present consolidated financial statements at December 31, 2022.

5.2 Provision for expected losses on trade receivables

The Group uses a matrix to calculate ECLs for trade receivables. Provisioning rates are based on days past due for each class of customers grouped into the various segments that present similar historical loss performances.
At each reporting date, they are updated and changes in estimates of forecast elements are analysed.
The amount of ECL’s is sensitive to changes in circumstances and expected economic conditions. The Group’s historical credit loss experience and forecast economic conditions might also fail to be representative of actual defaults by customers in the future.

5.3 Income taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that there will be a taxable profit in the future such that the losses can be utilised. Significant estimating by management is required to determine the amount of tax assets that may be recognised based on the level of future taxable profits, the timing of their realisation, and applicable tax planning strategies.

5.4 Employee benefit plans (Post-employment benefit provisions) and accruals to the supplementary indemnity provision

The evaluation of the severance indemnity is carried out using actuarial valuations. The actuarial valuation requires the development of assumptions about discount rates, future salary increases, turnover and mortality rates. Due to the long-term nature of these plans, these estimates are subject to uncertainty.

5.5 Fair value of financial instruments

When the fair value of a financial asset or financial liability recorded in the balance sheet may no longer be measured based on the prices on an active market, the fair value is determined utilising various valuation techniques, including the discounted cash flow model. The inputs inserted in this model are recorded from observable markets, where possible, but when this is not possible, a certain level of estimation is required to define the fair values. The estimates include considerations on variables such as the liquidity risk, the credit risk and volatility. The changes of the assumptions on these elements may have an impact on the fair value of the financial instrument recorded.

5.6 Development costs

The Group capitalises costs related to new product development projects. The initial capitalisation of costs is based on whether the Directors’ opinion on the technical and economic feasibility of the project is confirmed, usually when the project has reached a definite stage in the development plan.

5.7 Lease - Estimate of the marginal borrowing rate:

The Group may not easily determine the implied interest rate of the lease and therefore uses the marginal borrowing rate to measure the lease liability. The marginal borrowing rate is the interest rate that the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase an asset of a similar value to the underlying right-of-use asset in a similar economic context. The marginal funding rate therefore reflects what the Group would have had to pay, and this requires estimation when there is no observable data. The Group estimates the marginal lending rate using observable data, such as market interest rates, and making specific considerations about the conditions of the investee, such as creditworthiness.

Note 6 - Intangible Assets

The breakdown of intangible assets at December 31, 2022, compared with the same values at December 31, 2021 and December 31, 2020, is as follows:

In Euro thousands	December 31, 2022	December 31, 2021	January 1, 2021
Development costs	77	154	145
Patents and intellectual property rights	1,587	1,953	1,968
Concessions, licenses, trademarks and similar rights	-	4	14
Other intangible assets	214	83	72
Assets in progress and advances	685	218	347
Total intangible assets	**2,563**	**2,412**	**2,546**

The table below presents the changes in the individual items of Intangible Assets for the years ended December 31, 2021 and December 31, 2022:

In Euro thousands	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Work in progress & advances	Total intangible assets
Net carrying amount						
January 1, 2021	**145**	**1,968**	**14**	**72**	**347**	**2,546**
Increases	-	511	-	53	207	771
Other changes	230	106	-	-	(336)	-
Exchange rate differences	-	83	-	4	-	87
Amortisation	(221)	(715)	(10)	(46)	-	(992)
December 31, 2021	**154**	**1,953**	**4**	**83**	**218**	**2,412**
Increases		241		73	568	882
Other changes		28		73	(101)	-
Exchange rate differences		73		50	-	123
Amortisation	(77)	(707)	(4)	(65)	-	(853)
December 31, 2022	**77**	**1,587**	**-**	**214**	**685**	**2,563**

"*Development costs*" includes costs incurred for the development of prototypes by the parent company UmbraGroup S.p.A. The item "*Patent and intellectual property rights*" relates to the use of Computer Software (ERP and Management).The remaining item "*Other intangible assets*" is mostly composed of costs incurred by the parent company UmbraGroup S.p.A. and the subsidiary Linear Motion LLC for software used in production.
"*Assets in progress and advances*" is mainly composed of the D365 management revamping project initiated by UmbraGroup S.p.A.
At the reporting date, there were no indicators of impairment deriving either from internal sources (business strategies) or external sources (regulatory, economic, technological environment in which the Group operates) related to the intangible assets as a whole.

Note 7 - Goodwill

Goodwill amounted to Euro 661 thousand at December 31, 2022, Euro 661 thousand at December 31, 2021, and Euro 167 thousand at January 1, 2021.
The breakdown of the account is presented below:

In Euro thousands	December 31, 2022	December 31, 2021	January 1, 2021
Goodwill	661	661	167

Goodwill	661	661	167

Goodwill consists of the difference between the fair value of the amount transferred and the net value of the amounts at the acquisition date of the identifiable assets acquired and of the liabilities assumed identifiable at fair value. Goodwill was allocated to the following Cash Generating Units (CGUs):

- Serms S.r.l. for an initial amount of Euro 167 thousand increased due to the step up acquisition completed, with the acquisition of 100% in 2021 for an additional Euro 494 thousand;
- Amco S.r.l. in the amount of Euro 96 thousand following its acquisition in 2021.

At December 31, 2022, the recoverable value of the CGUs was subject to impairment testing, taking into account the provisions of IAS 36, in order to verify the existence of any impairment, by comparing the carrying amount of the unit with its value in use, i.e. the present value of the expected future cash flows from its continued use and disposal at the end of its useful life. The results of these tests follow.

Serms S.r.l..: the value in use was determined using the Unlevered Discounted Cash Flow (UDCF) method by discounting the cash flows presented in the 2023-2027 business plan approved by the Board of Directors of UmbraGroup S.p.A.
In order to determine the value in use of the CGU, the prospective cash flows used in the impairment test were considered. The prospective cash flows used in the impairment test are calculated by taking as a reference the expected EBITDA net of notional taxes and deducting the notional contribution of fixed assets and working capital. In light of the above, a growth rate g of 2.00% was considered appropriate for the impairment test. The assumptions and method used are consistent with the company’s historical results and the reference market. The discount rate applied to prospective cash flows (WACC) is 10.6%; a long-term growth rate "g" of 2% is assumed for cash flows for the years subsequent to the explicit projection period. Determining the value in use on the basis of these parameters resulted in no reduction in the value of goodwill. A sensitivity analysis of the results was also performed assuming a change in WACC of +/-1, with a change in the CGU's prospective EBITDA level of +/-1%. The equilibrium WACC at December 31, 2022 is approx. 20%.

AMCO S.r.l..: the value in use was determined using the Unlevered Discounted Cash Flow (UDCF) method by discounting the cash flows contained in the 2023-2027 business plan approved by the Board of Directors of UmbraGroup S.p.A.
In order to determine the value in use of the CGU, the prospective cash flows used in the impairment test were considered. The prospective cash flows used in the impairment test are calculated by taking as a reference the expected EBITDA net of notional taxes and deducting the notional contribution of fixed assets and working capital. In light of the above, a growth rate g of 2.00% was considered appropriate for the impairment test. The assumptions and method used are consistent with the company’s historical results and the reference market. The discount rate applied to prospective cash flows (WACC) is 10.4%; a long-term growth rate "g" of 2% is assumed for cash flows for years after the explicit projection period. Determining the value in use on the basis of these parameters resulted in no reduction in the value of goodwill. A sensitivity analysis of the results was also performed assuming a change in WACC of +/-1, with a change in the CGU's prospective EBITDA level of +/-1%. The equilibrium WACC at December 31, 2022 is greater than 100%.

As a result of the updated analyses, management did not identify an impairment of this company.

Note 8 - Right-of-use assets

Right-of-use assets amounted to Euro 5,865 thousand at December 31, 2022, Euro 8,513 thousand at December 31, 2021, and Euro 11,426 thousand at December 31, 2020.
The breakdown of the account is presented below:
The Group used the internal rate of return implied for contracts previously classified as "financial" and used the marginal interest rate residually for certain contracts previously classified as "operational." The marginal borrowing rate is the rate the lessee would have to pay for a loan
with a similar term and security and required to obtain an asset of similar value to the asset consisting of the right-of-use in a similar economic environment. The Group estimated this rate using observable data.
The following table provides information on the carrying amounts of right-of-use assets and their movements during the year:

In Euro thousands	Property	Plant & machinery	Other assets	Total
At January 1, 2021	3,867	6,154	1,405	11,426
Increases	-	-	127	127
Exchange rate differences	-	-	17	17
Depreciation costs	(439)	(2,146)	(472)	(3,057)
December 31, 2021	3,428	4,008	1,077	8,513
Increases	-	-	-	-
Exchange rate differences	-	-	13	13
Depreciation costs	(439)	(1,744)	(478)	(2,661)
December 31, 2022	2,989	2,264	612	5,865

Property mainly includes the production properties of the subsidiaries AMCO S.r.l. and PKE GmbH.
Plant and Machinery includes plant leased, mainly by UmbraGroup S.p.A..
The item *Other assets* mainly relates to the leased machinery of all Group Companies and from other assets of low value.

Note 9 – Property, plant and equipment

The breakdown of Property, Plant and Equipment at December 31, 2022, compared with December 31, 2021 and December 31, 2020, is presented below:

In Euro thousands	December 31, 2022	December 31, 2021	January 1, 2021
Land & buildings	33,983	32,869	33,770
Plant & machinery	21,815	26,126	32,500
Industrial & commercial equipment	3,818	5,530	4,643
Assets in progress and advances	3,065	742	1,748
Other tangible assets	835	846	301
Total property, plant and equipment	63,516	66,113	72,962

The table below presents the changes in the individual items of Property, Plant and Equipment for the years ended December 31, 2021 and December 31, 2022:

In Euro thousands	Land & buildings	Plant & machinery	Industrial and commercial equipment	Work in progress & advances	Other tangible fixed assets	Total intangible assets
Net carrying amount						
January 1, 2021	33,770	32,500	4,643	1,748	301	72,962
Increases	100	1,481	1,180	357	99	3,217
Disposals	-	(151)	-	(40)	-	(191)
Other changes	-	(279)	1,170	(1,450)	559	-
Exchange rate differences	563	625	68	127	2	1,385
Depreciation	(1,564)	(8,050)	(1,531)	-	(115)	(11,260)
December 31, 2021	32,869	26,126	5,530	742	846	66,113
Increases	569	2,358	1,024	2,522	118	6,591
Disposals	-	(27)	-	(41)	-	(68)
Other changes	2,182	(180)	(1,828)	(193)	-	(19)
Exchange rate differences	155	444	491	35	2	1,127
Depreciation	(1,792)	(6,906)	(1,399)	-	(131)	(10,228)
December 31, 2022	33,983	21,815	3,818	3,065	835	63,516

"*Land and Buildings*" includes all production properties of the Group Companies:

- The property located in Foligno (PG), where the parent company UmbraGroup S.p.A. operates;
- The property located in Freiberg (DE), where the German subsidiary Kuhn GmbH operates;
- The property located in Saginaw (MI), where the US subsidiary Linear Motion LLC operates;
- The property located in Everett (WA), where the US subsidiary Umbra Cuscinetti Inc. operates;

"*Plant and machinery*" is substantially related to investments made by the parent company UmbraGroup S.p.A. and the subsidiary Linear Motion LLC.

"*Industrial and commercial equipment*" refers mainly to UmbraGroup and its subsidiaries AMCO, PKE and UCI, and the main investments for the year mainly concern control instruments and industrial production equipment.

The increases in the category "*Other tangible assets*" are mainly attributable to new motor vehicles, furniture and fixtures, and electronic machines.

"*Assets in progress and advances*" are mainly attributable to the parent company and in particular Advances concerning investments in plant and machinery planned for 2023.

Note 10 - Financial Assets

Financial assets totalled Euro 30,239 thousand at December 31, 2022, Euro 10,336 thousand at December 31, 2021, and Euro 20,930 thousand at January 1, 2021.
The breakdown of the account is presented below:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Non-current financial assets	184	149	131	35	18
Other current financial assets	30,054	10,187	20,799	19,867	(10,612)
Total Other financial assets	**30,239**	**10,336**	**20,930**	**19,903**	**(10,594)**

Non-current financial assets amounted to Euro 184 thousand at December 31, 2022, Euro 149 thousand at December 31, 2021, and Euro 131 thousand at January 1, 2021.
The balance for the three fiscal years refers mainly to shares subscribed by the Parent Company in the "Eureka! Fund I - Technology Transfer" fund. Eureka is a venture capital fund specialised in deep tech with the goal of promoting the transfer of technology in Italy by way of startups and spin-offs connected with Italian universities and research centres that work to commercialise the results of their scientific research, thereby promoting innovative, often cutting-edge technologies that can have a profound impact on individual lives and on society as a whole.
On April 30, 2020, the Board of Directors resolved to proceed with the subscription of the above fund up to the maximum amount of Euro 1 million.
Current financial assets amounted to Euro 30,054 thousand at December 31, 2022, Euro 10,187 thousand at December 31, 2021, and Euro 20,799 thousand at January 1, 2021. The item mainly includes non-current financial assets related to the parent company UmbraGroup S.p.A.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Financial assets not held as fixed assets	29,795	10,000	20,000	19,795	(10,000)
Other financial assets	259	187	799	72	(612)
Other current financial assets	**30,054**	**10,187**	**20,799**	**19,867**	**(10,612)**

The balance at December 31, 2022 of current financial assets refers mainly to:

- 1 Credit Linked subscribed with Mediobanca through Goldman Sachs Finance Corp International LTD, linked to Intesa Sanpaolo S.p.A. (Sub) for a total of Euro 5 million, maturing on June 20, 2024 and accruing a creditable interest rate at maturity. The fair value at the reporting date was Euro 4,795 thousand;
- 2 Time Deposits subscribed with Mediobanca for a total of Euro 10 million, maturing in November 2023 and accruing a creditable interest rate at maturity. The fair value at the reporting date was Euro 10,000 thousand;

- 3 Time Deposits subscribed with BNL for a total of Euro 15 million, maturing in February 2023 and accruing a creditable interest rate at maturity. The fair value at the reporting date was Euro 15,000 thousand.

The balance at December 31, 2021 of current financial assets refers mainly to:
- 2 Savings Bonds subscribed with Intesa Private Banking for a total of Euro 10 million, maturing in January 2022 and accruing a creditable interest rate at maturity. The fair value at the reporting date was Euro 10,000 thousand.

The balance at December 31, 2020 of current financial assets refers mainly to:
- 1 Time Deposit subscribed with Mediobanca for a total of Euro 10 million, maturing in November 2021 and accruing a creditable interest rate at maturity. The fair value at the reporting date was Euro 10,000 thousand;
- 2 Savings Bonds subscribed with Intesa Private Banking for a total of Euro 10 million, maturing in January 2022 and accruing a creditable interest rate at maturity. The fair value at the reporting date was Euro 10,000 thousand.

Note 11 - Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities at December 31, 2022, December 31, 2021, and December 31, 2020 is presented below:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Deferred tax assets					
of which non-current	235	292	354	(57)	(62)
of which current	7,238	5,954	6,031	1,284	(77)
Total deferred tax assets	**7,473**	**6,246**	**6,385**	**1,227**	**(139)**
Deferred tax liabilities				-	-
of which non-current	(1,070)	(1,148)	(1,827)	78	679
of which current	(1,555)	(1,751)	(1,363)	196	(388)
Total deferred tax liabilities	**(2,625)**	**(2,899)**	**(3,190)**	**274**	**291**
Net balance	**4,848**	**3,347**	**3,195**	**1,501**	**152**

The Group's net deferred tax assets and liabilities at December 31, 2022 amounted to Euro 4,825 thousand, with a net value for the previous year of Euro 3,347 thousand. The item mainly concerns the parent company and the US subsidiaries.

Regarding deferred tax assets, the item is mainly composed as follows:
- Temporary difference related to the Inventory obsolescence provision;
- Temporary difference related to the accrual to the Employee bonuses provision;
- Tax effect of recognising the commodity hedging derivative;
- Deferred tax assets related to UCI's tax losses;
- Deferred tax assets related to the depreciation of the property owned by UGI Holding.

Regarding deferred tax liabilities, the item is mainly composed of temporary differences related to unrealised exchange gains.

Note 12 - Other assets

Other assets totalled Euro 7,141 thousand at December 31, 2022, Euro 7,785 thousand at December 31, 2021, and Euro 7,886 thousand at January 1, 2021.
The breakdown of the account is presented below:

In Euro thousands	December 31	Change

	2022	2021	2020	2022 vs 2021	2021 vs 2020
Other non-current assets	10	9	59	1	(50)
Other current assets	7,131	7,785	7,827	(654)	(42)
Total other assets	7,141	7,794	7,886	(653)	(92)

Other non-current assets amounted to Euro 10 thousand at December 31, 2022, Euro 9 thousand at December 31, 2021, and Euro 56 thousand at January 1, 2021, and were entirely attributable to security deposits.
Other current assets amounted to Euro 7,131 thousand at December 31, 2022, Euro 7,785 thousand at December 31, 2021, and Euro 7,827 thousand at January 1, 2021.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Other receivables	2,326	4,196	4,273	(1,870)	(77)
VAT receivables	1,736	1,076	1,519	660	(443)
Other tax receivables	1,334	1,355	1,048	(21)	307
Prepayments and accrued income	959	512	584	447	(72)
Advances to suppliers	756	609	290	147	319
Employee receivables	12	12	14	-	(2)
Other employee receivables	1	4	8	(3)	(4)
Social security receivables	7	21	91	(14)	(70)
Total other current assets	7,131	7,785	7,827	(654)	(42)

Receivables for Grants mainly concerns the parent company. The following table provides further details:

In Euro thousands	December 31, 2022
ASTIB Grant	133
AG2 Grant	22
Valema Grant	25
IMARE Grant	54
PON MIUR (Lub for Life) Grant	317
PON MIUR SIAD Grant	277
Diprovel Grant	224
Costar Grant	161
POR FESR 2014-2020 Grant	407
Simest Grant	200
ACE Grant	18
Receivables for Grants	1,838

The grant and amount received during the year is presented below:

- The amount of Euro 133 thousand relates to the receivable from the European Union, through the Clean Sky 2 programme, for the European research project called ASTIB (Total grant Euro 2,388 thousand - Amount received Euro 2,255 thousand);
- The amount of Euro 22 thousand relates to the receivable from the European Union for the European research project called AG2 co-ordinated by the Italian Aerospace Research Centre (Total grant Euro 183 thousand - Amount received Euro 161 thousand);

- The amount of Euro 25 thousand relates to the receivable from the European Union for a European research project called Valema and coordinated by GMV SAU (Total grant Euro 179 thousand - Amount received Euro 154 thousand);
- The amount of Euro 54 thousand relates to the receivable from the Ministry for Economic Development for the European research project called Imare co-ordinated by Costruzioni Motori Diesel S.p.A. (Total grant Euro 227 thousand - Amount received Euro 174 thousand);
- The amount of Euro 317 thousand relates to the receivable from the Ministry for Education, the Universities and Research called Pon Miur Lub for Life (Total grant Euro 999 thousand - Amount received Euro 682 thousand);
- The amount of Euro 277 thousand relates to the receivable from the Ministry for Education, the Universities and Research called Pon Miur Siad (Total grant Euro 277 thousand - No amount received);
- Euro 224 thousand relates to the receivable from the Ministry for Economic Development for the European research project called Diprovel (Total grant Euro 356 thousand - Amount received Euro 132 thousand);
- Euro 161 thousand relates to the receivable from the European Union for a European research project called Costar (Total grant Euro 1,280 thousand - Amount received Euro 1,119 thousand);
- The amount of Euro 407 thousand refers to the receivable from the Umbria Region regarding the resources referred to in the POR FESR 2014-2020, Axis I, Action 1.1.1. (Total grant Euro 407 thousand - No amount received).
- Euro 200 thousand refers to the receivable from Simest (CDP Group Company). The grant is related to the National Recovery and Resilience Plan project - "Digital and Ecological Transition of SMEs with an international focus" (Total grant Euro 400 thousand - Amount received Euro 200 thousand).

The *VAT receivable* balance refers mainly to the parent company and relates to the annual credit resulting from the December settlement carried forward.

The balance of *other tax receivables* mainly refers to the parent company. The main tax receivables accrued as of December 31, 2022 are listed below:

- the tax credit of Euro 36,474 thousand in the form of bonuses on investments in capital goods as per Article 1, para. 184 – 197, of Law No. 160 of December 27, 2019, Euro 24,316 thousand of which beyond one year;
- the tax credit of Euro 215,146 thousand related to research and development for 2020 as per Law No. 77 of July 17, 2020;
- the tax credit of Euro 426,237 thousand related to research and development as per Law No. 178 of December 30, 2020, Euro 213,118 thousand of which beyond one year;
- the tax credit of Euro 16,250 related to the Art Bonus of the year 2022, as per Law No. 106 of July 29, 2014, Euro 10,833 of which beyond one year;
- the tax credit of Euro 303,071 thousand related to research and development as per Law No. 234 of December 30, 2021, Euro 202,048 thousand of which beyond one year;
- the tax credit of Euro 159,046 for energy-intensive enterprises in the year 2022, as per Law No. 18 of November 18, 2022;
- the tax credit of Euro 79,834 as bonus investment in capital goods as per Article 1, para. 1055 of Law No.178 of December 30, 2020, Euro 53,223 of which beyond one year;

The tax credit relating to R&D expenses and technological innovation can be used exclusively by means of offsetting, in three equal annual instalments, starting from the tax period following that in which it accrues, subject to fulfilment of the certification obligations.

Note 13 - Inventories

Inventories amounted to Euro 62,438 thousand at December 31, 2022, Euro 48,913 thousand at December 31, 2021, and Euro 56,141 thousand at December 31, 2020.
The changes in the account were as follows:

In Euro thousands	December 31	Change

	2022	2021	2020	2022 vs 2021	2021 vs 2020
Raw materials, ancillaries and consumables	21,429	15,415	19,558	6,014	(4,143)
Semi-finished products	31,202	23,528	26,437	7,674	(2,909)
Finished products	8,031	9,114	9,910	(1,083)	(796)
Goods in transit	1,776	856	236	920	620
Total inventory at the lower of cost and net realisable value	**62,438**	**48,913**	**56,141**	**13,525**	**(7,228)**

In the year ended December 31, 2022, the item increased by Euro 13,525 thousand, due to the combined effect of several factors: (i) increase in raw material prices (ii) greater procurement due to the supply problems experienced since 2021.
In the year ended December 31, 2021, the item decreased Euro 7,228 thousand, due to the Group's wish to reduce the level of inventories of mainly Raw, ancillary and consumable materials, work-in-progress and semi-finished products.
The inventory obsolescence provision at December 31, 2022 is Euro 6,898 thousand and represents 12.4% of the value of gross inventories. The provision was set aside to account for obsolescence and slow turnaround.

The provision is broken down below:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Obsoles. prov. Raw materials, ancillaries and consumables	2,756	2,484	2,535	272	(51)
Obsoles. prov. Semi-finished products	2,504	2,480	4,277	24	(1,797)
Obsoles. prov. Finished products	1,637	1,778	1,736	(141)	42
Total inventory obsolescence provision	**6,897**	**6,742**	**8,548**	**155**	**(1,806)**

The changes in the account were as follows:

In Euro thousands	2022	2021
Present value of the provision at the beginning of the year	6,742	8,548
Utilisation of the inventory obsolescence provision in the year	(1,655)	(3,863)
Accrual to the obsolescence provision in the year	1,743	1,971
Other changes	67	86
Balance Inventory obsolescence provision	**6,897**	**6,742**

The utilisation in 2022 is attributable to the parent company in the amount of Euro 786 thousand, and to subsidiaries in the amount of Euro 869 thousand.
The provision for the year 2022 is attributable to the parent company in the amount of Euro 1,180 thousand and to subsidiaries in the amount of Euro 563 thousand.
The utilisation in 2021 is attributable to the parent company in the amount of Euro 890 thousand, and to subsidiaries in the amount of Euro 2.973 thousand.
Other changes include that related to the exchange rate effect.
The provision for the year 2021 is attributable to the parent company in the amount of Euro 1,425 thousand and to subsidiaries in the amount of Euro 546 thousand.
The movements in the Inventory obsolescence provision result from the application of the new inventory obsolescence policy, which sets out separate guidelines according to the segment and business line.

Note 14 Trade receivables

Trade receivables amount to Euro 28,153 thousand at December 31, 2022 (Euro 22,558 thousand at December 31, 2021 and Euro 18,518 thousand at December 31, 2020).
The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Trade receivables from third-party customers	29,344	23,604	19,741	5,740	3,863
Other trade receivables	3	-	-	3	-
Doubtful debt provision	(1,194)	(1,047)	(1,188)	(147)	141
Total trade receivables	**28,153**	**22,558**	**18,553**	**5,595**	**4,039**

The doubtful debt provision represents the best possible estimate made by management, based on information available as of the date the financial statements were prepared. Estimates and assumptions are made by the Directors with the support of the corporate function, consistent with the regulations of IFRS 9.
Impairment on trade receivables is carried out through the simplified approach allowed by the standard. This approach involves estimating the expected loss over the life of the loan at initial recognition and in subsequent evaluations. For each customer segment, the estimate is principally made through the calculation of the average expected non-recoverability of receivables, based on historical-statistical indicators, which are eventually adjusted using prospective elements. For certain categories of receivables characterised by specific elements of risk, specific valuations are instead made on the individual credit positions.
The changes in the account were as follows:

In Euro thousands	2022	2021
Present value of the provision at the beginning of the year	1,047	1,188
Utilisation/release of doubtful debt provision in the year	(15)	(377)
Accrual to doubtful debt provision in the year	162	244
Other changes	-	(8)
Balance doubtful debt provision	**1,194**	**1,047**

Note 15 - Tax receivables

Tax receivables amounted to Euro 3,814 thousand at December 31, 2022, Euro 5,634 thousand at December 31, 2021, and Euro 973 thousand at December 31, 2020.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Tax receivables	3,814	5,375	973	(1,561)	4,402
Total tax receivables	**3,814**	**5,375**	**973**	**(1,561)**	**4,402**

At December 31, 2022, the item mainly consists of state and federal taxes related to subsidiaries operating in other states, amounting to Euro 2,009 thousand; taxes for the tax consolidation, amounting to Euro 1,618 thousand; and advance payments for IRES/IRAP and other taxes, amounting to Euro 187 thousand.
At December 31, 2021, the item consists mainly of federal taxes, amounting to Euro 2,145 thousand; taxes for the tax consolidation, amounting to Euro 2,910 thousand; and advance payments for IRES/IRAP and other taxes amounting to Euro 320 thousand.
At December 31, 2020, the item consists mainly of federal taxes, amounting to Euro 863 thousand, and advance payments for IRES/IRAP and other taxes amounting to Euro 110 thousand.

Note 16 - Cash and cash equivalents

Cash and cash equivalents amounted to Euro 43,691 thousand at December 31, 2022, Euro 111,218 thousand at December 31, 2021, and Euro 83,897 thousand at December 31, 2020.
The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Cash in hand and similar	43,679	111,190	83,881	(67,511)	27,309
Bank and postal deposits	13	28	16	(15)	12
Total cash and cash equivalents	43,691	111,218	83,897	(67,527)	27,321

Cash deposited with banks accrues interest based on daily variable deposit rates. The amounts shown can be readily converted into cash and do not have a significant risk of change in value.
The Group believes that the credit risk associated with cash and cash equivalents is limited because they primarily consist of deposits held with various national Italian banking institutions.

Note 17 - Derivative instruments assets and liabilities

Derivative instruments assets, exclusively related to the parent company, amounted to Euro 239 thousand at December 31, 2022, Euro zero thousand at December 31, 2021, and Euro 381 thousand at December 31, 2020.
The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Current derivative instrument assets	239	-	381	239	(381)
Total current derivative instrument assets	239	-	381	239	(381)

Non-current derivative instruments, exclusively related to the parent company, amounted to Euro 2,127 thousand at December 31, 2022, Euro 503 thousand at December 31, 2021, and Euro 2 thousand at December 31, 2020.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Non-current derivative instruments liabilities	2,127	503	2	1,624	501
Total Non-current derivative instruments liabilities	2,127	503	2	1,624	501

Financial instruments are used by the parent company with the intention of hedging risks arising from interest rate assessments of bank debt, hedging exchange rate fluctuations, and hedging energy price fluctuations. These derivative financial instruments are initially recorded at fair value at the date on which they are agreed; subsequently this fair value is periodically recalculated.

Interest rate derivatives are over-the-counter (OTC) instruments, meaning that they are entered into bilaterally with market counterparties and their current value is determined on the basis of valuation techniques based on inputs (such as interest rate curves) observable on the market (level 2 of the fair value hierarchy established in IFRS 7.

In relation to the financial instruments existing at December 31, 2022, it is reported that:

- all derivative financial instruments measured at fair value fall within level 2;
- no transfers occurred from Level 1 to Level 2 or vice-versa in 2022 and in 2021;
- during 2022 and 2021, there were no transfers from Level 3 to other levels and vice versa.

Derivative instruments liabilities for Euro 2,127 thousand includes the fair value at December 31, 2022 related to Euro USD exchange rate hedging derivatives and energy price hedging derivatives for Euro 414 thousand and Euro 1,713 thousand, respectively.

The fair value and information (concerning the present year and the previous year) on the extent and nature of each category of derivative financial instruments issued by the company are detailed below. These are sub-divided by category taking in account the characteristics of the instruments and their purpose. There are no contractual terms or conditions in derivative contracts that can influence the amount, maturities and certainties of future cash flows which are also guaranteed by the reliability of counterparties represented by leading banking institutions.

Derivative financial instruments designated for accounting purposes as hedging instruments

The derivative financial instruments summarised in the table below concern hedges of risks related to changes in electricity prices.

In Euro thousands				2022		2021	
Counterparty	Type	Maturity date	Notional capital	Current portion	Non-current portion	Current portion	Non-current portion
Unicredit	Commodity Swaps	31/12/2027	(6,508)	(52)	(1,661)	-	-

Derivative financial instruments not designated for accounting purposes as hedging instruments

The derivative financial instruments in the following table hedge cash flows in foreign currencies and in particular the US Dollar.

In Euro thousands	Positive fair value		Negative fair value	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
US Dollar	239	-	414	503

Note 18 - Assets held-for-sale

Assets held-for-sale amounted to Euro zero at December 31, 2022, Euro 270 thousand at December 31, 2021, and Euro zero at December 31, 2020.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Other investments	-	270	-	(270)	270
Total assets held-for-sale	-	270	-	(270)	270

The balance at December 31, 2021 amounted to Euro 270 thousand, relating to the investment in K-Digitale S.r.l., a start-up company that provides consulting and builds platforms for the digital transformation of Enterprises and the Public Administration, 21.18% of which was acquired in May 2021 and sold during 2022 following the Board of Directors' decision of March 10, 2022.

Note 19 - Equity

The fully paid-up share capital is Euro 12,056 thousand, comprising 333,333 shares. UmbraGroup S.p.A. holds 47,591 treasury shares, with a par value of 50,060 each, acquired at a price of 1.050 and equal to 14.28% of the share capital. The purchase price of these treasury shares was recognised in a negative equity reserve "Negative reserve for treasury shares in portfolio" in accordance with the provisions of Article 2357-*ter* of the Civil Code.

Equity was Euro 112,753 thousand, Euro 154,243 thousand and Euro 141,278 thousand at December 31, 2022, December 31, 2021 and January 1, 2021, respectively.

Please refer to the Statement of Changes in Equity at December 31, 2022, December 31, 2021, and January 1, 2021, for details of changes in Equity at December 31, 2022, December 31, 2021, and January 1, 2021.

The share premium reserve amounted to Euro 24,471 thousand at December 31, 2022, December 31, 2021, and January 1, 2021, and was unchanged.

The IFRS First-time Adoption Reserve, which was negative in the amount of Euro 171 thousand at December 31, 2022, December 31, 2021, and January 1, 2021, represents the effects on equity of the Group's transition to IAS/IFRS and is attributable to the following factors:

In Euro thousands	Effect on Equity
IFRS 9 Effect - ECL - Expected Credit Loss	152
Effect IFRS 16 - Leasing	4
IAS effect - Elimination of capitalised plant expansion costs	15
Total First Time Adoption Reserve	**171**

Non-controlling interests equity at January 1, 2021, amounting to Euro 352 thousand, is representative of the non-controlling interests in the subsidiary Serm S.r.l.

Note 20 - Employee benefits

Employee benefits amounted to Euro 3,857 thousand at December 31, 2022, Euro 4,022 thousand at December 31, 2021, and Euro 4,428 thousand at January 1, 2021.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Employee benefits	12,217	11,428	11,482	789	(54)
Treasury Fund	(8,364)	(7,372)	(7,011)	(992)	(361)
Accrued post-employment benefits	4	(34)	(43)	38	9
Total employee benefits	**3,857**	**4,022**	**4,428**	**(165)**	**(406)**

The movements in the item are reported below:

In Euro thousands	2022	2021
Present value of the obligation at the beginning of the fiscal year	4,022	4,428
Service Cost	50	69
Interest cost	-	-
Provisions/ Advances and Settlements	(23)	(266)
Actuarial losses/(gains)	(192)	(209)
Total employee benefits	**3,857**	**4,022**

The item includes the total value of post-employment benefits accrued by the employees in service at December 31, 2022 and December 31, 2021 of the parent company UmbraGroup S.p.A. and the Italian subsidiaries Serms S.r.l. and AMCO S.r.l., in application of current laws and labour contracts, net of advances granted, determined in accordance with Article 2120 of the Civil Code, and the transfer to other entities as supplementary pension benefits.

In accordance with paragraphs 67 to 69 of IAS 19, the obligation was calculated using the Projected Unit Credit Method (PUCM); this is an actuarial approach based on average valuations of future charges. More specifically, the assessment was done through a generalisation of the previous PUCM method and is called "financial proration", as it financially takes into account events that cause the employee's actual seniority to change, such as advances and similar to supplementary pension funds.

The technical bases used for the valuation of post-employment benefits under IAS 19 involves two categories of assumptions, demographic and financial.

For demographic technical bases, the probability of the active employee's transition to different states, such as retirement due to old age, seniority, disability, and especially resignation, are estimated, as this eventuality results in the company's settlement of the employee's accrued post-employment benefits. In addition, the knowledge of the rules for granting post-employment benefit advances, the availability of historical data on the frequency of their use by workers and their average size is crucial information in order to correctly quantify the amounts.

Financial assumptions, on the other hand, concern:

- future annual inflation rates, set equal to the average inflation rates in Italy over recent years, based on data provided by ISTAT;
- future annual revaluation rates of the existing provision and subsequent payments, set, as established by current rules, at 75% of the inflation rate + 1.50%, net of statutory taxes;
- future annual discount rates, in compliance with the express indication by IAS 19 of the use of interest rates related to the presumed maturity dates of the various payments. As of the valuation date, the rates are set to vary based on timing, adopting the rate curve constructed from the effective rates of return on Euro-denominated bonds of leading companies rated AA or higher;
- future rates of real wage increases needed to obtain, separately for different categories of employees, future annual rates of nominal wage increases. From the information provided and taking into account the available information, real rates not differentiated by gender and constant over time were considered. Real annual rates of 2.60%, 1.70% and 1.40% were used for the Executive, White-collar and Blue-collar categories, respectively.

The application of the calculation model considered, based on the assumptions described in the previous paragraphs, allows the following valuation results to be obtained:

- Past Service Liability (PSL), corresponding to the average present value of benefits payable in the future, in exchange for past service activity, obtainable from the accounting post-employment benefit provision (Current Concern Provision or CCP) adjusted by the valuation differential (DW).
- Current Service Liability (CSL), corresponding to the average present value of benefits payable in the future in exchange for services provided, net of contributions to the Provision, as of the current period.
- Defined Benefit Obligation (DBO), corresponding to the average present value of the benefits payable in the future in exchange for the labour services rendered until the end date and thus equal to the algebraic sum of the two previous quantities: PSL and CSL. According to the reform of post-employment benefits as per Law 296/2006, for companies with at least 50 employees, the projection of the future portion of post-employment benefits should no longer be provided. From the perspective of the valuation model examined, the Past Service Liability (PSL) component will therefore coincide with the Defined Benefit Obligation (DBO), representing the amount to be considered as a liability.
- Service Cost (SC): present value of the portion of the obligation accrued in the present year, i.e., the carrying amount of the post-employment benefits provision for the period, duly revalued and discounted. As a result of the aforementioned reform for companies with at least 50 employees, the Service Cost as of 2007 is nil, as from that year the provisions are paid to the INPS.
- Net Interest Expense (NIE): an increase in the liability during the period due to the approaching time of settlement of the obligation, i.e., the revaluation of the liability related to the previous year based on the discount rate evident at the beginning of the period.

Note 21 - Provision for risks and charges

Provision for risks and charges totalled Euro 2,453 thousand at December 31, 2022, Euro 4,000 thousand at December 31, 2021, and Euro 3,757 thousand at January 1, 2021.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Provisions for risks and charges (non-current)	2,453	2,670	1,661	(217)	1,009
Provision for risks and charges (current)	-	1,330	2,096	(1,330)	(766)
Total provision for risks and charges	**2,453**	**4,000**	**3,757**	**(1,547)**	**243**

The changes in the account in the year were as follows:

In Euro thousands	2022	2021
Balance at beginning of the year	4,000	3,757
Provisions	2,226	2,376
Releases/Utilisations	(3,402)	(2,588)
Other changes	(371)	455
Total provision for risks and charges	**2,453**	**4,000**

The provision for risks and charges at December 31, 2022 is comprised as follows:

- Euro 2,226 thousand, of which Euro 150 thousand relating to the valuation of the Long Term Incentive approved for top management, with an observation period of 2021 - 2022 and payment in 2023, and Euro 2,070 thousand relating to the valuation of the 2022 bonuses due to all employees on the basis of an agreement signed between the company and the trade union representatives;
- Euro 226 thousand for product warranty coverage provisions and other minor provisions related to other Group Companies.

The provision for risks and charges at December 31, 2021 is comprised as follows:

- Euro 1,130 thousand to the provision for future losses of Linear Motion LLC; the risks provision concerns a contingent liability, whose accrual was based on the realisation of future losses; currently, a series of reliable reasons exist indicating that Linear Motion LLC., acquired by the Group in March 2018, shall continue to return losses also in the coming years; the loss was calculated on the basis of the existing supply contracts due to conclude in 2022. The above provision was established by taking the value of Shareholders' Equity on the basis of the valuations carried out on the Purchase Price Allocation;
- Euro 2,117 thousand, of which Euro 289 thousand relating to the valuation of the Long Term Incentive approved for top management, with an observation period of 2021 - 2022 and payment in 2023, and Euro 1,828 thousand relating to the valuation of the 2021 bonuses due to all employees on the basis of an agreement signed between the company and the trade union representatives;
- Euro 102 thousand for reorganization costs related to the subsidiary Kuhn GmbH;
- Euro 134 thousand for costs relating to penalties charged by Boeing to Umbra Cuscinetti Inc. as per contractual clauses.
- Euro 512 thousand for provisions to cover product warranties and other minor provisions.

The provision for risks and charges at January 1, 2020 is comprised as follows:

- Euro 2,096 thousand to the provision for future losses of Linear Motion LLC; the risks provision concerns a contingent liability, whose accrual was based on the realisation of future losses; currently, a series of reliable reasons exist indicating that Linear Motion LLC., acquired by the Group in March 2018, shall continue to return losses also in the coming years; the loss was calculated on the basis of the existing supply contracts due to conclude in 2022. The above provision was established by taking the value of Shareholders' Equity on the basis of the valuations carried out on the Purchase Price Allocation;
- Euro 1,500 thousand, to the provision for a dispute of a commercial nature pertaining to the parent company, whose events are summarised below: in June 2020, the company received a challenge from EPI regarding the supply of actuators for the 400M aircraft in the period from 2007 to 2019, with the threat of opening an arbitration; subsequently in October 2020, EPI again disputed the matter previously raised, demanding a penalty equal to about 2.5 times the amount of the supplies made over the years and setting a deadline of December

15, 2020 for the payment requested, with the threat, where such is not fulfilled, to open arbitration under jurisdiction in London; Umbragroup S.p.A., through its London lawyers, started negotiations with the counterparty; faced with the uncertainty of an arbitration and its related costs, it preferred to settle for the amount of Euro 1.5 million. This amount has been recognised in its entirety.

- Euro 162 thousand for product warranty coverage provisions and other minor provisions.

Note 22 - Bank loans and borrowings

Financial payables totalled Euro 89,298 thousand at December 31, 2022, Euro 87,171 thousand at December 31, 2021, and Euro 88,697 thousand at January 1, 2021.

The breakdown of the account is presented below:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Non-current loans and borrowings	62,020	63,302	63,327	(1,282)	(25)
Current loans and borrowings	21,611	16,185	14,277	5,426	1,908
Total loans and borrowings	83,631	79,487	77,604	4,144	1,883

Bank loans and borrowings include bank loans and advances; the following table summarises by Company amounts due to lending institutions, with the initial nominal amount, the outstanding debt and the portion due within and beyond one year, as well as beyond 5 years:

Group companies	Credit institution	Assessable	Maturity	December 31, 2022	December 31, 2021	December 31, 2020
UmbraGroup S.p.A.	Monte dei Paschi	5,000	31/12/2027	3,610	4,309	5,000
UmbraGroup S.p.A.	Intesa San Paolo	7,000	24/05/2022	-	705	2,111
UmbraGroup S.p.A.	Intesa San Paolo	10,000	28/03/2025	3,640	5,074	6,497
UmbraGroup S.p.A.	Intesa San Paolo	10,000	25/02/2027	6,429	7,857	9,286
UmbraGroup S.p.A.	Mediocredito (Intesa San Paolo)	10,000	29/09/2025	4,380	5,808	7,221
UmbraGroup S.p.A.	Banca Pop. Ancona (UBI)	5,000	17/11/2024	1,459	2,179	2,716
UmbraGroup S.p.A.	Unicredit	5,000	28/02/2023	250	1,250	2,000
UmbraGroup S.p.A.	Unicredit	10,000	30/11/2027	7,143	8,571	9,643
UmbraGroup S.p.A.	Unicredit	15,000	30/09/2029	14,464	15,000	-
UmbraGroup S.p.A.	Banco Popolare	5,000	31/12/2024	1,459	2,180	2,894
UmbraGroup S.p.A.	Cariparma (Credit Agricole)	5,000	31/03/2025	1,607	2,321	2,857
UmbraGroup S.p.A.	BNL	7,000	31/03/2024	2,296	3,302	4,300
UmbraGroup S.p.A.	Banco Popolare di Spoleto	4,000	10/12/2023	812	1,618	2,219
UmbraGroup S.p.A.	UBI (Tiltro)	3,000	21/01/2024	1,259	2,257	3,000
UmbraGroup S.p.A.	UBI (Cassa Debiti e Prestiti)	7,000	21/01/2027	7,000	7,000	7,000
UmbraGroup S.p.A.	Banco Bpm 1	12,000	29/12/2028	12,500	500	-
UmbraGroup S.p.A.	Banco BCC	10,000	08/09/2025	7,857	-	-
AMCO S.r.l.	Intesa San Paolo	1,500	10/08/2022	-	203	-
AMCO S.r.l.	Intesa San Paolo	500	26/10/2025	207	279	831
PKE GmbH	Kreissparkasse	1,400	30/06/2022	-	100	100
Umbra Cuscinetti Inc.	Bank of America	2,150	05/05/2022	-	246	447
Umbra Cuscinetti Inc.	BNL	3,523	22/06/2026	2,188	2,649	2,852
Umbra Cuscinetti Inc.	Bank of America	1,410	14/04/2026	101	119	-
UGI Holding Inc.	BNP Paribas	7,927	22/06/2026	4,922	5,960	5,501
Total loans		144,850		83,583	79,487	76,475
AMCO S.r.l.	BNL			48	-	14
PKE GmbH	Kreissparkasse			-	-	1,115
Total bank advances				48	0	1129
Total loans and borrowings				83,631	79,487	77,604
			of which current portion	21,612	16,185	14,277
			of which within 5 years	56,123	52,358	52,532

of which beyond 5 years	5,896	10,944	10,795

A number of the loans listed above, in relation to the parent company, require compliance with financial covenants.

They are reported below in detail:

- Banca Popolare di Ancona Loan: on November 17, 2016, the company drew down a loan for Euro 5,000,000; the loan is repayable in quarterly instalments in arrears concluding on November 17, 2024 at a fixed interest rate; the residual payable at December 31, 2022 is Euro 1,459,020.
  The covenants on the loan and the relative value at December 31, 2022, with non-compliance of at least one of the above-indicated parameters resulting in an increase in the spread, were as follows:

	Covenants	31.12.2022
EBITDA / Financial charges	> =4.0	23.69
Net Financial Position / Equity	< = 1.5	0.25
Net Financial Position / EBITDA	< = 2.5	1.06

These covenants concern the statutory financial statements.

- Credit Agricole - Cariparma Loan: on January 16, 2017, the company drew down a loan of Euro 5,000,000; the loan is repayable in quarterly instalments in arrears concluding on March 31, 2025 at a fixed interest rate; the residual payable at December 31, 2022 is Euro 1,607,142.
  The covenants on the loan and the relative value at December 31, 2022, with non-compliance of just one of the above-indicated parameters resulting in an increase in the spread, were as follows:

	Covenants	31.12.2022
Net Financial Position / Equity	< = 1.5	0.14
Net Financial Position / EBITDA	< = 3.5	0.60

These covenants concern the consolidated financial statements.

- BNP Paribas Loan: on March 31, 2017, the company drew down a loan of Euro 7,000,000; the loan is repayable in 28 quarterly instalments in arrears concluding on March 31, 2025 at a fixed interest rate; the residual payable at December 31, 2022 is Euro 2,295,531.
  The covenants on the loan and the relative value at December 31, 2022, whose non-compliance triggers the acceleration clause, were as follows:

	Covenants	31.12.2022
Net Financial Position / EBITDA	< = 3.0	0.60

These covenants concern the consolidated financial statements.

- Mediocredito Loan: on September 29, 2017, the company drew down a loan of Euro 10,000,000; the loan is repayable in half-yearly instalments in arrears concluding on September 29, 2025 at a fixed interest rate; the residual payable at December 31, 2022 is Euro 4,379,911.
  The covenants on the loan and the relative value at December 31, 2022, with non-compliance of at least one of the above-indicated parameters resulting in an increase in the spread, were as follows:

	Covenants	31.12.2022

EBITDA / Gross Financial Charges	> 4.5	16.54
Net Financial Position / Equity	< 1.2	0.14
Net Financial Position / EBITDA	< 3	0.58

These covenants concern the consolidated financial statements.

- Unicredit Loan: on September 8, 2021 the company drew down a loan for Euro 15,000,000; the loan, subject to a grace period until September 30, 2022, is repayable in quarterly instalments concluding on September 30, 2029 with a variable interest rate. The residual payable at December, 31 2022 is Euro 14,464,285. Euro 3,750,000 of the payable is due beyond 5 years.

	Covenants	31.12.2022
Net Financial Position / EBITDA	< = 3.5	0.69

These covenants concern the consolidated financial statements.

- Banco BPM loan: on November 15, 2021, the Company drew down a loan for a first tranche of Euro 500,000; on March 10, 2022, the second tranche of Euro 12,000,000 was disbursed. The total loan amounts to Euro 12,500,000. The loan has a grace period until December 31, 2022 and is repayable in quarterly instalments concluding on December 29, 2028 with interest at a fixed rate. The residual payable at December, 31 2022 is Euro 12,500,000. Euro 2,146,234 of the payable is due beyond 5 years.

	Covenants	31.12.2022
Net Financial Position / Equity	< 2	0.15
Net Financial Position / EBITDA	< 3.5	0.65

These covenants concern the consolidated financial statements.

- BNP Paribas Loan: the loan, drawn down by the US subsidiary Linear Motion LLC on January 22, 2019 for an amount of USD 9,000 thousand, with a grace period until June 22, 2019, is repayable in 24 quarterly instalments maturing on June 22, 2026 with interest based on the Libor at three months plus a spread; the residual payable at December 31, 2022 is USD 7,583 thousand.

	Covenants	31.12.2022
Net Financial Position / Equity	< 1.0	0.15
Net Financial Position / EBITDA	< 3.0	0.65

These covenants concern the consolidated financial statements.

Note 23 – Financial payables

Financial payables totalled Euro 5,665 thousand at December 31, 2022, Euro 7,684 thousand at December 31, 2021, and Euro 11,094 thousand at January 1, 2021.

The breakdown of the account is presented below:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Non-current financial liabilities	3,839	4,840	7,427	(1,001)	(2,587)
Current financial payables	1,826	2,844	3,667	(1,018)	(823)
Total financial payables	**5,665**	**7,684**	**11,094**	**(2,019)**	**(3,410)**

Non-current financial payables amounted to Euro 3,839 thousand at December 31, 2022, Euro 4,840 thousand at December 31, 2021, and Euro 7,427 thousand at January 1, 2021.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Current payables to leasing companies	3,210	4,541	7,075	(1,331)	(2,534)
Payables to other lenders	629	299	352	330	(53)
Total non-current financial payables	**3,839**	**4,840**	**7,427**	**(1,001)**	**(2,587)**

Current financial payables amounted to Euro 1,827 thousand at December 31, 2022, Euro 2,844 thousand at December 31, 2021, and Euro 3,667 thousand at January 1, 2021.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Current payables to leasing companies	1,330	2,645	2,717	(1,315)	(72)
Payables to other lenders	363	53	775	310	(722)
Other payables	133	146	175	(13)	(29)
Total current financial payables	**1,826**	**2,844**	**3,667**	**(1,018)**	**(823)**

Payables to leasing companies refer to the recognition of the residual financial payables recorded in accordance with IFRS 16, specifically see Note No. 8 - Right-of-use assets.

Note 24 – Other liabilities

Other liabilities totalled Euro 12,107 thousand at December 31, 2022, Euro 13,254 thousand at December 31, 2021, and Euro 13,691 thousand at January 1, 2021.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Other non-current liabilities	658	1,893	1,934	(1,235)	(41)
Other current liabilities	11,449	11,361	12,027	88	(666)
Total other liabilities	**12,107**	**13,254**	**13,961**	**(1,147)**	**(707)**

Other non-current liabilities amounted to Euro 658 thousand at December 31, 2022, Euro 1,893 thousand at December 31, 2021, and Euro 1,934 thousand at January 1, 2021.

The item includes the payable to the Ministry of Productive Activities (former Ministry of Industry) and refers entirely to the Parent Company and in particular the research and development projects related to an electromechanical actuator for the Agusta - Westland helicopter and the VRS A380. It concerns an interest-free loan disbursed in several tranches.

Other current liabilities amounted to Euro 11,449 thousand at December 31, 2022, Euro 11,361 thousand at December 31, 2021, and Euro 12,027 thousand at January 1, 2021.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Payables to staff	2,908	4,435	4,794	(1,527)	(359)

Payables to social security institutions	2,237	2,254	2,143	(17)	111
Other payables	2,332	500	353	1,832	147
Payables to other lenders	1,016	-	-	1,016	-
Other payables	1,706	1,840	3,094	(134)	(1,254)
Payables for withholding taxes	827	1,738	1,034	(911)	704
VAT tax liabilities	149	184	90	(35)	94
Other tax payables	276	410	518	(134)	(108)
Total Other current liabilities	**11,449**	**11,361**	**12,027**	**88**	**(666)**

Note 25 – Trade payables

Trade payables amounted to Euro 29,605 thousand at December 31, 2022, Euro 24,157 thousand at December 31, 2021, and Euro 24,238 thousand at January 1, 2021. They are recognised net of trade discounts. In addition, the nominal value is adjusted on returns or rebates (billing adjustments) to the extent corresponding to the amount agreed with the counterparty.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Trade payables	26,240	21,455	21,024	4,785	431
Customer advances	3,365	2,702	2,014	663	688
Other trade payables	-	-	1,200	-	(1,200)
Total trade payables	**29,605**	**24,157**	**24,238**	**5,448**	**(81)**

Note 26 - Current tax liabilities

Current tax liabilities amounted to Euro 967 thousand at December 31, 2022, Euro 180 thousand at December 31, 2021, and Euro 2,694 thousand at January 1, 2021.

The changes in the account were as follows:

In Euro thousands	December 31			Change	
	2022	2021	2020	2022 vs 2021	2021 vs 2020
Tax payables	967	108	1,409	859	(1,301)
IRES payable for tax consolidation	-	-	1,173	-	(1,173)
Other taxes	-	72	112	(72)	(40)
Total Tax payables	**967**	**180**	**2,694**	**787**	**(2,514)**

The item at December 31, 2022 consists mainly of:

- income taxes of the parent company and the two Italian and German subsidiaries in the amount of Euro 338 thousand, an increase from December 31, 2021 of Euro 271 thousand;
- federal taxes of the U.S. subsidiaries in the amount of Euro 628 thousand, increasing Euro 436 thousand from December 31, 2021.

The item at December 31, 2021 consists mainly of:

- income taxes of the two German subsidiaries in the amount of Euro 108 thousand, a decrease from January 1, 2021 due to the pandemic and the Patent Box;
- other taxes related to German subsidiaries in the amount of Euro 72 thousand.

Note 27 - Revenues

Revenues amounted to Euro 189,235 thousand in 2022, up Euro 17,794 thousand on 2021 (Euro 171,441 thousand).

The breakdown of the account is presented below:

In Euro thousands	2022	2021	Change	Change %
Aerospace Products	105,996	94,472	11,524	12%
Industrial Products	81,371	75,220	6,151	8%
Others	1,868	1,749	119	7%
Total Revenues	**189,235**	**171,441**	**17,795**	**10%**

The following table presents total revenues by region and the movement from the previous year:

In Euro thousands	2022	2021	Change	Change %
Italy	13,217	14,442	(1,225)	-8%
EMEA (excluding Italy)	86,574	81,388	5,186	6%
USA	79,188	65,065	14,123	22%
Others	10,256	10,546	(290)	-3%
Total Revenues	**189,235**	**171,441**	**17,794**	**10%**

The increase in the item in 2022 is mainly due to the market recovery, particularly in the Aerospace segment, having come out of the crisis brought about by the COVID-19 pandemic, which had caused a significant reduction in demand.

Note 28 - Raw Material costs

The cost of raw materials, supplies, consumables and goods amounted to Euro 57,236 thousand in 2022, increasing by a total of Euro 2,392 thousand compared to 2021 (Euro 54,844 thousand).
The changes in the account were as follows:

In Euro thousands	2022	2021	Change	Change %
Purchase of materials	67,500	43,455	24,045	55%
Accessory purchase costs	2,106	2,464	(358)	-15%
Change in inventories	(12,370)	8,925	(21,295)	-239%
Total raw materials costs	**57,236**	**54,844**	**2,392**	**4%**

The increase in the item for 2022 is partly attributable to the increase in raw material prices and partly to greater procurement, due to the supply problems the Group has been experiencing since 2021.

Note 29 – Service costs

Service costs amounted to Euro 39,079 thousand in 2022, an increase of Euro 8,091 thousand compared to 2021 (Euro 30,978 thousand).

The changes in the account were as follows:

In Euro thousands	2022	2021	Change	Change %
Outsourcing	12,586	9,591	2,995	31%
Maintenance	4,841	4,030	812	20%
Utilities	10,156	4,228	5,927	140%
Transport	720	708	12	2%
Commercial services	832	996	(165)	-17%
Travel & transfer	825	354	471	133%

Consultancy	3,785	4,036	(251)	-6%
Insurance	1,251	1,092	159	15%
Other services	4,074	5,944	(1,870)	-31%
Total service costs	**39,069**	**30,978**	**8,091**	**26%**

The increase in service costs in 2022 is mainly attributable to the increase in utility costs as there was a significant increase in the cost of energy during the year.

Note 30 - Capitalised development costs

Capitalised development costs include only increases in fixed assets for internal work. The item amounted to Euro 235 thousand in 2022, an increase of Euro 152 thousand compared to 2021.

Note 31 – Personnel expenses

Personnel expenses amounted to Euro 69,113 thousand in 2022, an increase of Euro 4,809 thousand compared to 2021 (Euro 64,304 thousand).

The changes in the account were as follows:

In Euro thousands	2022	2021	Change	Change %
Salaries and wages	50,642	46,395	4,247	9%
Social security charges	10,380	9,366	1,014	11%
Post-employment benefits	1,896	1,828	68	4%
Other personnel expenses	6,195	6,715	(520)	-8%
Total personnel expenses	**69,113**	**64,304**	**4,809**	**8%**

The increase in personnel expenses is mainly attributable to the increase in wages and salaries, amounting to Euro 4,247 thousand, and related social security charges, amounting to Euro 1,014 thousand, as a result of the increase in the number of personnel at the parent company.

Note 32 - Other income and expenses

Other income and expenses amounted to Euro 1,895 thousand in 2022, a decrease of Euro 3,157 thousand on 2021 (Euro 5,052 thousand).

The changes in the account were as follows:

In Euro thousands	2022	2021	Change	Change %
Other revenues and income	3,373	6,264	(2,891)	-46%
Other charges	(1,478)	(1,212)	(266)	22%
Total Other income and expenses	**1,895**	**5,052**	**(3,157)**	**-62%**

The decrease in this item is mainly attributable to the decrease in other revenues and income, which decreased by a total of Euro 2,891 thousand in 2022 due to lower grants received compared to 2021.

Note 33 – Amortisation, depreciation and write-downs

Amortisation and depreciation amounted to Euro 13,882 thousand in 2022, a decrease of Euro 1,554 thousand compared to 2021 (Euro 15,436 thousand).

The changes in the account were as follows:

In Euro thousands	2022	2021	Change	Change %
Amortisation	853	992	(139)	-14%
Depreciation	10,229	11,260	(1,031)	-9%
Depreciation Right-of-use	2,661	3,057	(396)	-13%
Doubtful debt provision	139	127	12	9%
Total amortisation, depreciation and write-downs	**13,882**	**15,436**	**(1,554)**	**-10%**

Amortisation and depreciation has been calculated based on the duration of the useful life of the asset and on its use in production.

Note 34 - Financial income and expenses and Currency gains and losses

Financial income and expenses amounted to Euro (3,160) thousand in 2022, an increase of Euro (1,064) thousand on 2021. This increase was due to an increase in interest expense of Euro 460 thousand and write-downs for value adjustments of Euro 647 thousand.

The changes in the account were as follows:

In Euro thousands	2022	2021	Change	Change %
Financial income	116	73	43	59%
Financial expenses	(1,752)	(1,292)	(460)	36%
Write-downs for value adjustments	(1,524)	(877)	(647)	74%
Total financial income and expenses	**(3,160)**	**(2,096)**	**(1,064)**	**51%**

The item write-downs for value adjustments concerns the adjustment of the fair value of derivative financial instruments both at the time of their natural maturity and at the end of the financial year. These financial statement items in particular recognise the positive and negative changes in fair value referring to derivative financial instruments for which hedge accounting has not been applied.

Currency gains and losses amounted to Euro 2,458 thousand in 2022, a slight decrease of Euro 436 thousand from 2021. This decrease is due to the higher currency losses in the present year.

The changes in the account were as follows:

In Euro thousands	2022	2021	Change	Change %
Currency gains	3,309	2,933	376	13%
Currency fin. instrument revaluation	255	-	255	>100%
Currency losses	(1,106)	(39)	(1,067)	>100%
Total currency gains and losses	**2,458**	**2,894**	**(436)**	**-15%**

Note 35 - Income taxes

Group income taxes amounted to Euro 1,873 thousand in 2022, an increase of Euro 5,884 thousand on 2021.

The changes in the account were as follows:

In Euro thousands	2022	2021	Change	Change %
IRES for the year	529	668	(139)	-21%
IRAP for the year	1,822	330	1,492	452%
Income taxes for the year	205	(178)	383	-215%
Deferred tax charges	121	254	(133)	-52%
Deferred tax income	(331)	(52)	(279)	537%

Prior year taxes	(473)	(5,033)	4,560	-91%
Total income taxes	**1,873**	**(4,011)**	**5,884**	**-147%**

The item includes income taxes for the year. As for IRES, the tax liability is recognised under Current Income Taxes, net of advance payments made, withholding taxes incurred and, in general, tax credits. In fact, the Group joined the tax consolidation promoted by Poliscom S.r.l. as the consolidating company.

Note 36 - Transition to international accounting standards IAS/IFRS

Introduction

This section presents the restated financial data and the effects that the transition to International Financial Reporting Standards ("IFRS") had as of the December 31, 2022 reporting date. The date of transition to IFRSs has been identified as January 1, 2021. The closing date of the last fiscal year, whose financial statements were prepared in accordance with the previously adopted Accounting Standards issued by the Italian Accounting Board ("OIC"), has been identified as December 31, 2021.

The transition to international accounting standards was made by the company in compliance with the retrospective principle indicated by IFRS 1 - First Time Adoption of International Reporting Standards. In accordance with this standard, the company has restated its balance sheet as of the date of transition to IFRS to recognize all expected reclassification and adjustment effects that impacted the appropriate equity reserve. These effects are summarised as follows:

- recognise all assets and liabilities whose recognition is required by IFRS;
- not recognise as assets or liabilities items whose recognition is not required by IFRS;
- reclassify items recognised as one type of asset, liability, or component of equity in accordance with Italian GAAP that are a different type of asset, liability, or component of equity in accordance with IFRS;
- apply IFRS in the valuation of all recognised assets and liabilities, with the exception of optional exemptions and mandatory exceptions.

The present attachment discloses the information required by IFRS 1 and, in particular, the description of the impacts from the transition to IFRS on the balance sheet and income statement of the company. For this purpose, the following were drawn up:

- the description of the accounting policies regarding the application rules of IAS/IFRS and the accounting treatments chosen under the accounting options permitted by those standards;
- the reconciliation between the balance sheets of the Company (i) at January 1, 2021 (Transition Date) and (ii) at December 31, 2021, drawn up in accordance with Italian GAAP and with IFRS;
- the reconciliation of the income statement and the comprehensive income statement for the year ended December 31, 2021 prepared in accordance with Italian GAAP and with IFRS;
- the reconciliation statement of adjustments made to the cash flow statement for the year ended December 31, 2021;
- the reconciliation between the equity and net result at January 1, 2021 and December 31, 2021 prepared in accordance with Italian GAAP and with IFRS;

- the explanatory notes relating to the adjustments and reclassifications included in the above-mentioned reconciliation statements, which describe the significant effects of the transition, with regard to the classification of the various accounts in the financial statements and in relation to their measurement and, therefore, to the consequent effects on the balance sheet, financial position and income statement.

Basis of presentation of reconciliation statements

The reconciliation statements show the IFRS adjustments and reclassifications made to reflect changes in the presentation, recognition and measurement criteria required by IFRS compared to the Group's historical data prepared in accordance with Italian GAAP.

It should also be noted that the reconciliation statements have been prepared in accordance with IFRSs in effect at the date of their preparation, including: the IFRSs recently adopted by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), and interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The effects of the transition to IFRS derive from changes in accounting policies and, consequently, as required by IFRS 1 are reflected in the opening equity at the transition date (January 1, 2021) in a specific “FTA Reserve”.

The transition to IFRS has required maintaining the estimates previously made as per ITA GAAP, unless the adoption of IFRS has required the drafting of estimates using different methods.

No exceptions to the application of IFRS were applied in the preparation of these reconciliation statements.

Application rules and accounting options on adoption of IFRS and selected policies

The balance sheet as of January 1, 2021 reflects the following differences in treatment compared to the balance sheet values measured in accordance with Italian GAAP on the same date:

- all and only assets and liabilities recognisable under IFRS were recognised; including those not provided for in application of the OICs;
- assets and liabilities whose recognition is required by the OICs but not permitted by IAS/IFRS have been eliminated;
- the accounts previously indicated in a manner differing from that established under IFRS were reclassified;
- assets and liabilities were recognised at the values that would have been determined had the new standards always been applied except for the exemptions/options allowed under IFRS 1;
- all adjustments resulting from the first-time application of IFRS were recognised with a balancing entry in shareholders' equity net of the tax effect from time to time recognised to deferred tax assets or deferred tax liabilities; the latter were recognised to the extent that it was considered probable that future taxable income would be available against which they could be recovered.

IFRS 1 provides a retrospective approach to the application of IFRS, however permitting some "exemptions": optional and mandatory, the latter are called "exceptions." The Group has applied the provisions of IFRS 1. The main choices made, including exemptions under IFRS 1, are shown below, indicating those used in the preparation of the opening balance sheet as of January 1, 2021 and the financial statements as of December 31, 2021:

- *presentation of the financial statements*: the "current/non-current" presentation and classification has been adopted for the balance sheet. For the Income Statement, the format of classifying costs according to their nature was adopted. For the Income Statement, the Group has, in addition, decided to present two separate statements: the income statement and the other items of the comprehensive income statement;
- *choosing to use the following exemptions provided by IFRS 1, paragraph 13, when first applying IFRS (January 1, 2021):*
  - *cost substitute:* IFRS 1 grants the option to estimate the fair value at the transition date of a component of property, plant and equipment and use that fair value as the "estimated cost" of that class of asset. This "estimated cost" on opening then constitutes the cost of the component, and from then on it will be depreciated according to the rules established by the international standards. The revalued amount that comes from accounting under previous standards for a cost revaluation that would not be allowed or is not provided for under international standards has been used as the estimated cost of the component;
  - *Valuation estimates*: IFRS 1 establishes that the estimates utilised in the restatement at the transition date shall be consistent with estimates made for the financial statements under the previous GAAP (after adjustments to reflect any difference in accounting policies);
  - *employee benefits:* all cumulative actuarial gains and losses existing as of January 1, 2021 were fully recognised in Equity as of the IFRS transition date. Actuarial gains and losses are recognised in a specific reserve (the IAS 19 Reserve);
- *accounting treatments chosen under the accounting options provided by IFRSs endorsed by the European Union:*
  - *valuation of property, plant and equipment and intangible assets:* subsequent to the initial recognition at cost, IAS 16 and IAS 38 provide that property, plant and equipment and intangible assets, which have an active market value, may be measured at cost net of accumulated amortisation and depreciation

and impairments, or periodically by determining the market value and adjusting the carrying amount to this value ("Revaluation Model"). The Company chose to maintain the cost as the measurement criterion of property, plant and equipment and intangible assets.

Financial Statements

Regarding the choice of financial statement formats, in accordance with IAS 1, the company decided to adopt:

- a separate Balance Sheet with separate classification of current and non-current assets and current and non-current liabilities. The table also presents the separate classification of non-current assets held-for-sale and related liabilities;
- two separate statements, an income statement for the year and a comprehensive income statement, and not a single statement combining the two. The structure of the income statement reflects the nature of the items represented (in line with the structure under previous accounting standards), with the comprehensive income statement including, while separating, items that will later be reclassified to the income statement and those that will not;
- a statement of changes in Equity;
- a cash flow statement using the "indirect" method by classifying changes in cash and cash equivalents into cash flows from operating activities, investing activities, and financing activities.

In accordance with the requirements of IAS 1, the first IFRS-compliant financial statements contain three separate balance sheets, two income statements, two comprehensive income statements, two statements of changes in shareholders' equity, and two cash flow statements.

Reconciliation tables of the consolidated balanced sheet and consolidated income statement prepared in accordance with Italian GAAP and IFRS

The following are presented:

- the reconciliation statement of current and non-current assets and shareholders' equity at January 1, 2021;
- the reconciliation statement of current and non-current assets and shareholders' equity at December 31, 2021.

Reconciliation statement of current and non-current assets/liabilities and equity at January 1, 2021

In Euro thousands	January 1, 2021 ITA GAAP	IAS/IFRS Reclassifications and Adjustments	January 1, 2021 IAS/IFRS
INTANGIBLE ASSETS	2,567	(21)	2,546
GOODWILL	167	-	167
RIGHT-OF-USE ASSETS	-	11,426	11,426
PROPERTY, PLANT AND EQUIPMENT	72,962	-	72,962
NON-CURRENT FINANCIAL ASSETS	131	-	131
NON-CURRENT DEFERRED TAX ASSETS	15	339	354
OTHER NON-CURRENT ASSETS	59	-	59
TOTAL NON-CURRENT ASSETS	**75,901**	**11,744**	**87,645**

INVENTORIES	56,141	-	56,141
TRADE RECEIVABLES	18,756	(203)	18,553
TAX RECEIVABLES	973	-	973
OTHER CURRENT FINANCIAL ASSETS	20,799	-	20,799
CURRENT DEFERRED TAX ASSETS	6,031	-	6,031
OTHER CURRENT ASSETS	8,314	(487)	7,827
CASH AND CASH EQUIVALENTS AND DEPOSITS	83,897	-	83,897
DERIVATIVE INSTRUMENT ASSETS (CURRENT)	381	-	381
TOTAL CURRENT ASSETS	195,292	(690)	194,602
TOTAL ASSETS	271,193	11,054	282,247
SHARE CAPITAL	12,056	-	12,056
LEGAL RESERVE	2,411	-	2,411
SHARE PREMIUM RESERVE	24,194	-	24,194
TREASURY SHARES	(1,438)	-	(1,438)
OTHER RESERVES	103,453	(476)	102,977
RETAINED EARNINGS AND ACCUMULATED LOSSES	-	726	726
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT	140,676	250	140,926
NON-CONTROLLING INTEREST EQUITY	357	(5)	352
TOTAL EQUITY	141,033	245	141,278
EMPLOYEE BENEFITS	3,504	924	4,428
PROVISIONS FOR RISKS AND CHARGES	1,661	-	1,661
NON-CURRENT LOANS & BORROWINGS	63,327	-	63,327
NON-CURRENT FINANCIAL PAYABLES	352	7,075	7,427
NON-CURRENT DEFERRED TAX LIABILITIES	1,366	461	1,827
OTHER NON-CURRENT LIABILITIES	1,934	-	1,934
NON-CURRENT DERIVATIVE INSTRUMENT LIABILITIES	2	-	2
TOTAL NON-CURRENT LIABILITIES	72,146	8,460	80,606
TRADE PAYABLES	24,238	-	24,238
CURRENT LOANS & BORROWINGS	14,277	-	14,277
FINANCIAL PAYABLES	1,093	2,574	3,667
CURRENT DEFERRED TAX LIABILITIES	1,363	-	1,363
INCOME TAX PAYABLES	2,694	-	2,694
OTHER CURRENT LIABILITIES	12,253	(225)	12,028
PROVISIONS FOR RISKS AND CHARGES	2,096	-	2,096
TOTAL CURRENT LIABILITIES	58,014	2,349	60,363
TOTAL LIABILITIES	130,160	10,809	140,969
TOTAL EQUITY AND LIABILITIES	271,193	11,054	282,247

Reconciliation statement of current and non-current assets/liabilities and equity at December 31, 2021

In Euro thousands	December 31, 2021 ITA GAAP	IAS/IFRS Reclassifications and Adjustments	December 31, 2021 IAS/IFRS
INTANGIBLE ASSETS	2,426	(14)	2,412
GOODWILL	443	218	661
RIGHT-OF-USE ASSETS	-	8,513	8,513
PROPERTY, PLANT AND EQUIPMENT	66,118	(5)	66,113
NON-CURRENT FINANCIAL ASSETS	149	-	149
NON-CURRENT DEFERRED TAX ASSETS	17	275	292

OTHER NON-CURRENT ASSETS	9	-	9
TOTAL NON-CURRENT ASSETS	**69,162**	**8,987**	**78,149**
INVENTORIES	48,913	-	48,913
TRADE RECEIVABLES	22,744	(186)	22,558
TAX RECEIVABLES	5,375	-	5,375
OTHER CURRENT FINANCIAL ASSETS	10,187	-	10,187
CURRENT DEFERRED TAX ASSETS	5,954	-	5,954
OTHER CURRENT ASSETS	8,587	(802)	7,785
CASH AND CASH EQUIVALENTS AND DEPOSITS	111,218	-	111,218
ASSETS HELD-FOR-SALE	270	-	270
TOTAL CURRENT ASSETS	**213,248**	**(988)**	**212,260**
TOTAL ASSETS	**282,410**	**7,999**	**290,409**
SHARE CAPITAL	12,056	-	12,056
LEGAL RESERVE	2,411	-	2,411
SHARE PREMIUM RESERVE	24,194	-	24,194
TREASURY SHARES	(2,482)	-	(2,482)
OTHER RESERVES	101,819	(304)	101,515
RETAINED EARNINGS/(ACCUMULATED LOSSES)	-	726	726
NET PROFIT/(LOSS) FOR THE YEAR	15,759	64	15,823
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT	**153,757**	**486**	**154,243**
NON-CONTROLLING INTEREST EQUITY	-	-	-
TOTAL EQUITY	**153,757**	**486**	**154,243**
EMPLOYEE BENEFITS	3,436	586	4,022
PROVISIONS FOR RISKS AND CHARGES	2,670	-	2,670
NON-CURRENT LOANS & BORROWINGS	63,302	-	63,302
NON-CURRENT FINANCIAL PAYABLES	299	4,541	4,840
NON-CURRENT DEFERRED TAX LIABILITIES	756	392	1,148
OTHER NON-CURRENT LIABILITIES	1,893	-	1,893
NON-CURRENT DERIVATIVE INSTRUMENT LIABILITIES	503	-	503
TOTAL NON-CURRENT LIABILITIES	**72,859**	**5,519**	**78,378**
TRADE PAYABLES	24,157	-	24,157
CURRENT LOANS & BORROWINGS	16,185	-	16,185
FINANCIAL PAYABLES	760	2,084	2,844
CURRENT DEFERRED TAX LIABILITIES	1,751	-	1,751
INCOME TAX PAYABLES	180	-	180
OTHER CURRENT LIABILITIES	11,431	(90)	11,341
PROVISIONS FOR RISKS AND CHARGES	1,330	-	1,330
TOTAL CURRENT LIABILITIES	**55,794**	**1,994**	**57,788**
TOTAL LIABILITIES	**128,653**	**7,513**	**136,166**
TOTAL EQUITY AND LIABILITIES	**282,410**	**7,999**	**290,409**

In Euro thousands	December 31, 2021 ITA GAAP	IAS/IFRS Reclassifications and Adjustments	2021 IAS/IFRS
REVENUES FROM SALES AND SERVICES	171,441	-	171,441
PURCHASES OF RAW MATERIALS, COMPONENTS, GOODS AND CHANGE IN INVENTORIES	54,844	-	54,844
SERVICE COSTS	33,806	(2,828)	30,978
DEVELOPMENT COSTS CAPITALISED	(83)	-	(83)
PERSONNEL EXPENSES	64,433	(129)	64,304
OTHER INCOME/(EXPENSE)	5,052	-	5,052
AMORTISATION, DEPRECIATION & WRITE-DOWNS	12,443	2,993	15,436
EBIT	11,050	(36)	11,014
NET FINANCIAL INCOME/(EXPENSES)	(2,236)	140	(2,096)
CURRENCY GAINS/(LOSSES)	2,894	-	2,894
PROFIT BEFORE TAXES	11,708	104	11,812
INCOME TAXES	(4,051)	40	(4,011)
NET PROFIT/(LOSS)	15,759	64	15,823
NON-CONTROLLING INTERESTS	-	-	-
GROUP NET PROFIT/(LOSS)	15,759	64	15,823

Reconciliation statement of equity at January 1, 2021 and December 31, 2021 restated in accordance with IFRS

The following is a tabular breakdown of the IFRS effects on equity at January 1, 2021:

In Euro thousands	Share capital	Legal reserve	Share premium reserve	Negative reserve for treasury shares in portfolio	Other reserves	Net result	Total Group Equity	Total Non-controlling interest Equity	Total Equity
Balance at January 1, 2020 - ITA GAAP	12,056	2,411	24,194	(1,438)	103,453	-	140,676	357	141,033
IFRS 16 - Leasing					1,067		1,067	-	1,067
IFRS 9 - expected credit losses					(152)		(152)	(2)	(154)
IAS 19 - Employee benefits					(702)		(702)	(3)	(705)
IAS 38 - reversal of start-up and expansion costs					(15)		(15)	-	(15)
Other minor					52		52	-	52
Total adjustments	-	-	-	-	250	-	250	(5)	245
Balance at January 1, 2020 - IFRS	12,056	2,411	24,194	(1,438)	103,703	-	140,926	352	141,278

The following is a tabular breakdown of the IFRS effects on equity at December 31, 2021:

In Euro thousands	Share capital	Legal reserve	Share premium reserve	Negative reserve for treasury shares in portfolio	Other reserves	Net result	Total Group Equity	Total Non-controlling interest Equity	Total Equity
Balance at December 31, 2021 - ITA GAAP	12,056	2,411	24,194	(2,482)	101,819	15,759	153,757	-	153,757
IFRS 16 - Leasing	-	-	-	-	1,067	(260)	807		807
IFRS 9 - expected credit losses	-	-	-	-	(154)	19	(135)		(135)
IAS 19 - Employee benefits	-	-	-	-	(518)	98	(420)		(420)
IAS 38 - reversal of start-up and expansion costs	-	-	-	-	(15)	197	182		182
Other minor	-	-	-	-	42	10	52		52
Total adjustments	-	-	-	-	422	64	486	-	486
Balance at January 1, 2020 - IFRS	12,056	2,411	24,194	(2,482)	102,241	15,823	154,243	-	154,243

The following notes describe the reclassifications and adjustments reported in the previous statements:

Balance sheet at January 1, 2021 and December 31, 2021

a) Intangible assets

This item mainly includes the write-down of start-up and expansion costs.

b) Rights-of-use

This item includes the recognition of right-of-use assets, recognised in accordance with IFRS 16 using the modified retrospective method.

c) Property, plant and equipment

The item was recognised on FTA at an amount equal to the market value used as a substitute for the cost estimated in 2020, with the support of the expert opinion of an independent technician at the time of revaluation as per Decree Law No. 104/2020.

d) Deferred tax assets and liabilities

The item includes the recognition of deferred taxes in relation to the IAS/IFRS entries.

e) Trade receivables

Trade receivables decreased due to the recognition of an increased doubtful debts provision than in the financial statements prepared in accordance with Italian GAAP, to account for the effect of expected losses, introduced with IFRS 9.

f) Other current assets/liabilities

The item is adjusted as the main consequence of the elimination of prepayments and accrued liabilities on lease payments following the recognition of the right-of-use in accordance with IFRS16.

e) Equity

The main changes are outlined below:

- FTA Reserve

The "FTA reserve" at January 1, 2021 and December 31, 2021 reports a negative balance, as a result of IFRS adjustments, including positive and negative tax effects, made to the items recorded under Italian GAAP.

This value is the result of the following adjustments:

- IFRS 16 - the adjustment refers to the different method of accounting for leases. Under Italian GAAP, only periodic fees are recognised, while under IFRS the asset under the contract is recognised as a right-of-use and depreciated to the extent of the right-of-use, with a balancing entry of a liability.
- IFRS 9 - the adjustment refers to the accounting for expected credit losses.
- IAS 38 - the adjustment refers to the reversal of start-up and expansion costs.

- Employee benefit reserve

The employee benefit reserve at January 1, 2021 and December 31, 2021 presents a negative balance as a result of IFRS adjustments, including positive and negative tax effects, made to the post-employment benefit liabilities (as governed by Article 2120 of the Civil Code).

Italian GAAP requires the recording of the liability for post-employment benefits on the basis of the nominal payable matured in accordance with statutory provisions at the reporting date.

According to IFRS, these liabilities are categorised as defined benefit plans subject to actuarial valuations (mortality, foreseeable salary changes, etc.) to express the present value of the benefit, payable upon termination of employment, that employees and directors have accrued as of the reporting date. For IFRS purposes, all actuarial gains and losses were recorded at the transition date to IFRS.

- Net result for the year

The net result for the period increases, mainly due to the effects related to the application of IFRS 16 and IFRS 9.

g) Financial payables
This item includes the recognition of financial payables related to lease contracts, which are recognised in accordance with IFRS 16 using the modified retrospective method

Income statement for the year ended December 31, 2021

a) Service costs
The increase is attributable to adjustments related to the application of IFRS16, as described in NOTE *a) Property, plant and equipment.*

b) Personnel expenses
The item includes the effects on the cost of employee benefits in line with IAS 19.

c) Other operating charges
Other operating charges decreased significantly as a result of the reversal of lease fees following recognition in line with IFRS 16.

d) Amortisation and Depreciation
Amortisation and Depreciation increased due to the depreciation of the right-of-use.

e) Write-downs
Write-downs increases due to the recognition of expected losses in line with IFRS 9.

f) Financial expenses
Financial expenses increased due to the recognition of interest on the lease recognised in line with IFRS 16.

Note 37 - Significant non-recurring, atypical and/or unusual transactions

In the years ended December 31, 2022 and 2021, there were no non-recurring revenue and expense items.
There were no atypical and/or unusual transactions during the years ended December 31, 2022 and 2021.

Note 38 - Remuneration of the Directors, Statutory Auditors and of the Independent Audit Firm

Remuneration accrued for any reason and in any form to Group Directors totalled Euro 510 thousand.
The remuneration accrued by the Board of Statutory Auditors of the parent company in 2022 amounted to Euro 50 thousand.
The fees accrued by the independent audit firm KPMG S.p.A. for fiscal year 2022 amounted to Euro 63.7 thousand.

Note 39 - Subsequent events

No significant events occurred subsequent to year-end except for the Russia-Ukraine conflict.

Note 40 - Related party transactions

The parent company undertook the following related party transactions:

- EDIL UMBRA S.r.l.

These transactions are of a commercial nature and concern the management of the former production site of UMBRAGROUP at Via Piave, Foligno. These transactions are part of ordinary operations and are regulated at market conditions, i.e. the conditions that would be applied between two independent parties, and are undertaken in the interests of the company.
The commercial transactions are summarised below (in Euro):

Company	Trade Receivables	Trade Payables	Sales	Components and treatments purchased	Other
Edil Umbra Srl	-	9,658	-	-	67,608

Note 41 - Information pursuant to Article 1, paragraph 125 of Law No. 124 of August 4, 2017

With regards to the obligations for transparency and the publication of public grants, governed by Article 1, paragraphs 125-129 of Law No. 124/2017 and subsequently supplemented by the "security" Legislative Decree (No. 113/2018) and the "simplification" Legislative Decree (No. 135/2018), which introduce a series of publication and transparency obligations to be fulfilled by parties undertaking transactions with the Public Administration and in view of the interpretation of Assonime through Circular No. 5 of February 22, 2019, the parent company decided to present in this paragraph the amounts collected in 2022 in the form of subsidies granted by:

Project	Entity	Collection date	Collection/comp UMBRAGROUP	Collection/comp received	Receipt
Digital and Ecological Transition	SIMEST	03/11/2022	200,000	200,000	-
R&D tax credit	Tax Agency	17/01/2022	80,152	80,152	-
Tax credit for advertising investment	Department of Sports of the Presidency of the Council of Ministers	16/02/2022	25,000	25,000	-
FCS Major Projects "sustainable industry"	Ministry of Enterprise and Made in Italy	29/12/2022	132,410	132,410	-
IMARE	Ministry of Enterprise and Made in Italy	09/08/2022	42,353	42,353	-
Total			479,916	479,916	-

Note 42 - Management of financial and operational risks

This section contains a description of the financial risks to which the Group and its subsidiaries are exposed, together with the policies and strategies employed by the Company and its subsidiaries to manage the risks concerned during the year to December 31, 2022.

It should be noted that are no plans for changes in the risk management policies set out below.
UmbraGroup S.p.A. and its subsidiaries are exposed to financial risks in their activities, and in particular risks of the following types:

- Credit risk arising from commercial transactions or financing activity;
- Liquidity risk, related to the availability of financial resources and access to the credit market;
- Market risk, and more specifically:
  - Operational risk relating to the conduct of the business;
  - Foreign exchange risk relating to transactions in currency areas other than their functional currency;
  - Interest rate risk relating to the Company's exposure to interest-bearing financial instruments;
  - Price risk, due to changes in listed commodities prices;
- IT security, data management and dissemination risks;
- Environmental and sustainability risks.

The management and monitoring system for the main risks involves the Group's director and management, the directors and boards of directors of the consolidated companies and company personnel.
The primary goal of risk management is to protect the company's stakeholders (shareholders, employees, customers and suppliers) and financial integrity, as well as to safeguard the environment.
The risk management policy applied by the Group regards the setting of guidelines at the central level on which to base the operational management of market, liquidity risk, cash flow risks and for the monitoring of results achieved.

Market risk

The UmbraGroup operates in the Industrial and Aerospace sector and is exposed to market risks which consist of the possibility that changes in exchange rates, interest rates or raw material prices (brass, aluminium, steel, stainless steel and cast iron) may impact the value of assets, liabilities or expected cash flows, in addition to economic, social and political conditions of the markets in which it operates, which may affect revenues.

In pursuing its corporate objectives the Group companies have not assumed risks where not linked to core operations.

Product risk

The "Product" category includes all risks related to product defects as a result of "quality levels" which expose the Group to replacement and repair costs and which, if not handled correctly and if repeated over time, may result in reputational damage. Product non-conformity may be attributable to suppliers or internal processes. A rigorous quality control system has been introduced to mitigate this risk. The Group has also taken out insurance contracts to protect the Group from issues caused by product defects.

Raw materials risk

Critical raw materials are of major importance to aerospace and industrial applications, particularly those that entail high levels of technology, such as sensors, the microprocessors used in EMA production, and other similar components. In certain cases, these raw materials are of strategic importance and can impact the equilibrium of supply and demand and effect market prices and/or the availability of goods, particularly under scenarios such as the current geopolitical landscape, including the outbreak of wars that are deteriorating relations between sovereign states.

Supply chain risks:

The Group relies on a range of suppliers both of raw materials and semi-finished products and components in undertaking its operations. Group activities are shaped by the capacity of its suppliers to meet quality standards and the related classifications. In order to contain these risks, the Group undertakes a detailed selection and periodic assessment of its suppliers on the basis of professional and functional criteria, utilising international benchmarks.

Price risk

Raw material prices depend on a broad range of factors which are difficult to predict and largely may not be controlled by the Group companies. Although historically the Group has not encountered particular difficulties in acquiring adequate amounts of and appropriate quality raw materials, it may not be discounted that difficulties may arise in terms of supply, resulting in increased costs with impacts on Group results.

Interest rate risk

The Group is exposed to fluctuating interest rates on funding operations, payables and bank loans and on leasing contracts.

Globally, fixed-rate debt accounted for 55% of the Group's total debt at December 31, 2022 (all drawn down by the Parent Company).

Exchange rate risk

The Group is exposed to fluctuations in the exchange rates of the currencies in which sales transactions with group companies and third-party clients are executed (principally US Dollars). In 2022, approx. 34% of total revenues were in USD (at the average exchange rate for the year).

This risk is in addition to the possibility that the Euro value of revenues reduces following unfavourable exchange rate movements, impacting the achievement of the desired margin.

In order to contain the currency risk from commercial operations, the Parent Company undertakes derivative contracts to fix in advance the conversion rate, or a preset range of conversion rates, at future dates.

Forward contracts are undertaken on the basis of the budget and such hedges conclude on the expected payment date of the relative sales invoices.

Liquidity risk

The Group manages liquidity risk through close control of the operating working capital components and in particular trade receivables and trade payables.

The Group is committed to strong cash generation to meet supplier payments, without therefore compromising short-term treasury equilibrium and avoiding current liquidity difficulties.

Credit risk

Credit risk represents the exposure of the Group to potential losses due to the non-compliance with obligations by commercial and financial counterparties.

The Group generally favours consolidated ongoing commercial relationships. According to Group policy, customers that request payment extensions are subject to a credit rate check, both using information which may be sourced from specialised agencies and from observation and analysis of existing client data. Moreover, the collection of receivables is constantly monitored during the year in order to ensure timely action and to reduce the risk of losses.

The risk that significant non-performing positions arise for certain clients may not, however, be excluded. Such positions would result in impairments, with consequent impacts on the Group's income statement.

IT security, data management and dissemination risks

The growing importance of the company's technology infrastructure increases the Group's exposure to various types of both internal and external cyber risks. Among them, the most critical are cyberattacks, which are a threat that must be defended against. The Group has developed operational policies and technical security measures to ensure adequate protection of corporate data and information.

Environmental and sustainability risks

The main risks that may arise from climate change and the transition to a low-carbon energy model are related to the improper management of energy and emission sources, risks related to rule/regulatory changes associated with combating climate change, and physical risks. Among the main risk factors to which the Group may be exposed are greater reporting requirements on emissions produced, expectations with respect to the use of low-impact energy sources, and uncertain market signals with potential unforeseen changes on energy prices. Finally, we highlight the risks arising from progressively changing weather conditions and extreme weather events that expose the Group to damage to infrastructure, such as industrial buildings or plant and machinery, or potential disruptions to essential supplies and the potential contraction of production capacity. In order to partially mitigate this risk, Group companies have taken out insurance policies that cover direct damages from weather events such as hurricanes, blizzards, storms, wind, hail, floods, and earthquakes. Transition risks associated with moving to a low-carbon economy also include reputational risks: failing to undertake a gradual process of decarbonization could have negative impacts on the Group's reputation and consequently on its financial performance.

Conclusions

These consolidated financial statements, consisting of the balance sheet, the income statement, the cash flow statement and the Explanatory Notes, present a true and fair view of the equity and financial position and results for the year. They correspond with the parent company accounting records and the information transmitted by the companies included in the consolidation.

Chairperson of the Board of Directors

Reno Ortolani,
May 29, 2023

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
UmbraGroup S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the UmbraGroup Group (the "group"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the UmbraGroup Group as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of UmbraGroup S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Comparative figures

The consolidated financial statements present the corresponding prior year figures for comparative purposes prepared in accordance with the International Financial Reporting Standards endorsed by the European Union. These figures have been derived from the consolidated financial statements at 31 December 2021 prepared in conformity with the Italian regulations governing their preparation. These consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 13 May 2022.

Note 36 presents the effects of the transition to the IFRS endorsed by the European Union and the reconciliation schedules required by IFRS 1.

Management and coordination

As required by the law, the parent disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own consolidated financial statements. Our opinion on the consolidated financial statements of the UmbraGroup Group does not extend to such data.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

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 auditors' 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 Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of 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 omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2022 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2022 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2022 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.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.

Perugia, 14 June 2023

KPMG S.p.A.

(signed on the original)

Maurizio Cicioni
Director of Audit