

# 2021

## ANNUAL FINANCIAL REPORT



## CONSOLIDATED FINANCIAL STATEMENTS

[www.umbragroup.com](http://www.umbragroup.com)

Dear Shareholders,

Although 2021 continued to be mired in uncertainty due to the fall-out from the pandemic, we successfully laid the foundations for the next phase of the Group's growth, in the hope of ensuring that our future development is guided by the principles of solidity, professionalism and passion we all share.



The 2021-2025 Business Plan approved by the Board of Directors on January 29, 2021 demonstrates that the ongoing uncertainty endured by the commercial aerospace sector did not considerably affect the Group's results for the year, and that Umbragroup proved its resilience despite the criticalities mentioned above.

In reality, our robust Company structure allowed us to achieve revenues of Euro 171,441 thousand, with only a slight contraction of 5.2% on 2020. The industrial division achieved revenues of Euro 75,220 thousand, while the aerospace division saw a 9% decrease in revenues.

Despite the drop in volumes, the EBITDA margin grew to 13.8% (compared to 13.4% in 2021).

From a financial point of view, the free cash generated by the Group in 2021 amounted to Euro 28,021. This is significantly higher than the target we set ourselves, resulting in a cash position of Euro 41,337 thousand (+Euro 16,213 thousand on 2020).

Despite the criticalities faced by the aerospace sector, Umbragroup's solid performance in 2021 is testament to our ability to provide the electromechanical actuation sector with efficient solutions, also amid uncertainty, 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.

During the year, the Group paid special attention to topics related to the non-financial criteria used to measure environmental impact, a respect for social values, and the characteristics of good management. Also known as ESG (Environmental, Social, Governance) criteria, these aspects are 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 mentioned above.

In addition, we achieved strong revenues in the first few months of 2022, despite the rapid development of the Russia-Ukraine crisis, which the Group continues to monitor very closely.

The Group has not yet been significantly affected by the conflict, whose impact has so far been largely limited. That being said, we are keeping a close eye on raw material supplies and production costs, as the conflict has significantly impacted energy prices.

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.

This year, we are celebrating the fiftieth anniversary of Umbragroup. We have come such a long way. One need only think of our old headquarters in Via Piave, where it all began thanks to the vision of Valter Baldaccini and Reno Ortolani.

We would like to celebrate this important occasion with all of our offices and colleagues around the world, and we express our gratitude to each and every one of you for your contribution towards making this success story possible.

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.

It is thanks to you all that we are now undisputed leaders in certain strategic niches of the aerospace market.

Our overall commitment to achieving excellence is what allows us to keep our standards high.

On this anniversary, we celebrate a community that is built on firm values, a sense of belonging and a corporate culture that is defined by the word "US".

We would also like to thank our customers and suppliers, who have enabled us to pursue our goals thanks to their trust and cooperation.



We strongly believe that we will be celebrating many more anniversaries together, thanks to everyone's commitment and cooperation.

As we come to the end of our term of office, we would like to take this opportunity to thank all of the directors for their excellent work, the members of the Board of Statutory Auditors, who have contributed to the running of our business, Umbragroup Management for their cooperation, and everyone who has worked with the Board in their various capacities for their invaluable contribution. But most of all, we would like to thank all of you for the trust you have placed in us over the years.

Happy fiftieth anniversary, Umbragroup.

Foligno, March 25, 2022

The Chairperson

Antonello Marcucci



*I. Inventories*

1) Raw materials, ancillaries and consumables		13,338	15,775
2) Work in progress and semi-finished goods		26,427	30,441
4) Finished products and goods		9,147	9,924
		<u>48,912</u>	<u>56,140</u>

*II. Receivables*

1) Customers			
- due within one year	22,752		18,923
- due beyond one year			
		<u>22,752</u>	<u>18,923</u>
4) Parent companies			
- due within one year	2,882		282
- due beyond one year			
		<u>2,882</u>	<u>282</u>
5-bis) Tax receivables			
- due within one year	4,028		2,758
- due beyond one year	747		479
		<u>4,775</u>	<u>3,237</u>
5-ter) Deferred tax assets			
- due within one year	5,947		6,031
- due beyond one year	37		
		<u>5,984</u>	<u>6,031</u>
5-quater) Others			
- due within one year	4,884		4,982
- due beyond one year			
		<u>4,884</u>	<u>4,982</u>
		<u>41,277</u>	<u>33,455</u>

*III. Current financial assets*

4) Other investments		270	
5) Derivative financial instruments - assets			381
6) Other securities		10,000	20,000
		<u>10,270</u>	<u>20,381</u>

*IV. Cash and cash equivalents*

1) Bank and postal deposits		111,192	83,881
3) Cash in hand and similar		26	17
		<u>111,218</u>	<u>83,898</u>

<b>Total current assets</b>		<b>211,677</b>	<b>193,874</b>
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<b>D) Prepayments and accrued income</b>		<b>1,401</b>	<b>1,462</b>
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<b>Total assets</b>		<b>282,230</b>	<b>271,193</b>
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<b>Balance Sheet - Liabilities</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
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**A) Shareholders' Equity**

<i>I. Share capital</i>	12,056	12,056
<i>II. Share premium reserve</i>	24,194	24,194

III. Revaluation reserve		18,516	18,611
IV. Legal reserve		2,411	2,411
VI. Other reserves, separately indicated			
Extraordinary reserve	55,283		52,751
Merger reserve	596		596
Capital grants reserve (article 55 of Tax Code)	171		171
Non distributable reserve as per article 2426	374		327
Euro conversion reserve	1,857		632
9) Reserve for gains from sale of treasury shares	285		278
Unavailable reserve for exchange gains			342
Consolidation reserve	8,843		8,843
		67,409	63,940
VII. Cash flow hedge reserve			(1)
VIII. Retained earnings (accumulated losses)		16,179	14,225
IX. Net profit for the year		15,759	6,956
X. Negative reserve for treasury shares in portfolio		(2,767)	(1,716)
<b>Total Group shareholders' equity</b>		<b>153,757</b>	<b>140,676</b>
-) Capital and reserves attributable to minority interests			302
-) Minority interest profit/(loss)			55
Total minority interest shareholders' equity			357
<b>Total consolidated shareholders' equity</b>		<b>153,757</b>	<b>141,033</b>

#### B) Provisions for risks and charges

1) Pension and similar obligations		56	51
2) Taxes, including deferred tax liabilities		2,507	2,730
3) Derivative financial instruments - liabilities		503	2
4) Others		3,622	3,705
5) Provisions for risks and charges			

**Total provisions for risks and charges** **6,688** **6,488**

**C) Post-employment benefits** **3,435** **3,503**

#### D) Payables

4) Bank payables			
- due within one year	16,187		14,278
- due beyond one year	63,302		63,328
		79,489	77,606
5) Other lenders			
- due within one year	729		775
- due beyond one year	1,515		2,285
		2,244	3,060
6) Advances			
- due within one year	2,702		1,999
- due beyond one year			
		2,702	1,999
7) Trade payables			
- due within one year	21,467		22,299
- due beyond one year			
		21,467	22,299

11) Payables to parent companies			
- due within one year			1,174
- due beyond one year			
			<u>1,174</u>
12) Tax payables			
- due within one year	2,178		2,973
- due beyond one year	<u>152</u>		<u>284</u>
		2,330	3,257
13) Social security institutions			
- due within one year	2,000		1,677
- due beyond one year			
		<u>2,000</u>	<u>1,677</u>
14) Other payables			
- due within one year	<u>5,585</u>		<u>5,501</u>
		5,585	5,501
<b>Total payables</b>		<b>115,817</b>	<b>116,573</b>

**E) Accrued liabilities and deferred income** **2,533** **3,596**

**Total liabilities** **282,230** **271,193**

**Income Statement** **31/12/2021** **31/12/2020**

**A) Value of production**

1) Revenues from sales and services		171,441	180,918
2) Changes in inventory of work-in-progress, semi finished & finished products		(6,202)	(527)
4) Increase in internal work capitalised		68	425
5) Other revenue and income showing separately capital grants:			
- miscellaneous	3,096		5,645
- operating grants	<u>4,348</u>		<u>2,056</u>
		7,444	7,701
<b>Total value of production</b>		<b>172,751</b>	<b>188,517</b>

**B) Costs of production**

6) Raw materials, ancillaries, consumables and goods		44,989	54,825
7) Services		32,616	35,048
8) Rent, leasing and similar costs		3,245	4,478
9) Personnel costs			
a) Salaries and wages	48,765		57,946
b) Social security charges	7,210		7,462
c) Post-employment benefits	1,957		1,917
d) Pension and similar obligations			
e) Other costs	<u>6,364</u>		<u>1,361</u>

		64,296	68,686
10) <i>Amortisation, depreciation and write-downs</i>			
a) Amortisation of intangible assets	1,848		1,558
b) Depreciation of property, plant and equipment	10,630		9,018
d) Write-down of current receivables and cash and cash equivalents	223		78
		12,701	10,654
11) <i>Change in inventories of raw materials, ancillaries, consumables and goods</i>		2,722	(47)
12) <i>Provisions for risks</i>		102	1,216
14) <i>Other operating charges</i>		1,218	1,350
<b>Total costs of production</b>		<b>161,889</b>	<b>176,210</b>
<b>Difference between value and costs of production (A-B)</b>		<b>10,862</b>	<b>12,307</b>
<b>C) Financial income and charges</b>			
16) <i>Other financial income:</i>			
15) other income with separate indication of income from subsidiaries and associates and income from parent companies and companies under the control of these latter:			
- other	167		163
		167	163
		167	163
15) <i>Interest and other financial charges with separate indication of income from subsidiaries and associates and income from parent companies and companies under the control of these latter:</i>			
- other	1,252		1,288
		1,252	1,288
17-bis) <i>Exchange gains and losses</i>		2,875	(3,699)
<b>Total financial income and charges</b>		<b>1,790</b>	<b>(4,824)</b>
<b>D) Adjustment to financial assets</b>			
18) <i>Revaluations:</i>			
d) of derivative financial instruments			680
			680
19) <i>Write-downs:</i>			
d) of derivative financial instruments	877		303
		877	303
<b>Total adjustment of financial assets</b>		<b>(877)</b>	<b>377</b>
<b>Result for the year before taxes (A-B±C±D±E)</b>		<b>11,775</b>	<b>7,860</b>
20) <i>Income tax, including deferred tax income/charge</i>			

Current taxes	1,440	3,759
Prior year taxes	(5,033)	(66)
Deferred tax income & charges	(150)	(2,562)
Income (charges) from the tax consolidation /tax transparency regime	(241)	(282)
		(3,984) 849

**21) Net profit for the year** **15,759** **7,011**

-) Group net profit 15,759 6,956

-) Minority interest profit/(loss) 55

Chairperson of the Board of Directors  
Antonello Marcucci

**UMBRAGROUP S.P.A.**Registered office in VIA VALTER BALDACCINI, 1 - PACIANA LOCALITY - 06034 FOLIGNO (PG) - Share capital Euro  
**12,055,987.94** fully paid-in**Consolidated cash flow statement  
indirect method at 31/12/2021**

Description	year 31/12/2021	year 31/12/2020
<b>A) Cash flow from operating activities (indirect method)</b>		
Net profit/(loss)	15,759	7,011
Income taxes	(3,984)	849
Interest expenses/(income)	1,085	1,125
(Dividends)		
(Gains)/losses on sale of assets	(41)	(21)
<b>1) Profit/(loss) for the year before taxes, interest, dividends and gains/losses from disposals</b>	<b>12,819</b>	<b>8,964</b>
<b>Non-cash adjustments not impacting working capital</b>		
Provisions	1,962	1,922
Amortisation & depreciation	12,478	10,576
Impairments		
Adjustments to non-cash financial instrument assets and liabilities	882	(648)
Other non-cash increases/(decreases)	(2,232)	1,332
Total non-cash adjustments not impacting working capital	13,088	13,182
<b>2) Cash flow before working capital changes</b>	<b>25,907</b>	<b>22,143</b>
<b>Change in net working capital</b>		
Decrease/(Increase) in inventories	7,228	2,615
Decrease/(Increase) in trade receivables	(3,929)	7,719
Increase/(Decrease) in trade payables	(832)	(10,778)
Decrease/(Increase) in prepayments and accrued income	61	303
Increase/(Decrease) in accrued liabilities and deferred income	(1,062)	331
Other Decreases/(Other Increases) in working capital	392	2,495
Total changes in working capital	1,858	2,685
<b>3) Cash flow after net working capital changes</b>	<b>27,765</b>	<b>24,831</b>
<b>Other adjustments</b>		
Interest received/(paid)	(1,085)	(1,125)
(Income taxes paid)	(2,405)	(2,715)
Dividends received	-	-
(Utilisation of provisions)	(2,025)	(2,301)
Other receipts/(payments)		
Total other adjustments	(5,515)	(6,141)
<b>Cash flow from operating activities (A)</b>	<b>22,250</b>	<b>18,690</b>
<b>B) Cash flow from investing activities</b>		
<b>Property, plant &amp; equipment</b>		
(Investments)	(4,598)	(6,011)
Divestments	1,620	1,494
<b>Intangible assets</b>		
(Investments)	(1,321)	(1,890)
Divestments	335	273

<b>Financial assets</b>		
(Investments)	-	(83)
Divestments	5	-
<b>Current financial assets</b>		
(Investments)	(270)	(20,000)
Divestments	10,000	0
(Acquisition of subsidiaries net of cash and cash equivalents)		
(Disposal of subsidiaries net of cash and cash equivalents)		
<b>Cash flow from investing activities (B)</b>	5,771	(26,217)
<b>C) Cash flow from financing activities</b>		
<b>Third party funds</b>		
Increase/(Decrease) in short-term bank payables		
New loans	15,620	20,000
(Repayment of loans)	(13,737)	(3,072)
<b>Own funds</b>		
Paid-in share capital increase	(1,467)	(1,037)
(Repayment of share capital)	-	-
Disposal/(Acquisition) of treasury shares	(1,051)	(2,133)
(Dividends and advances on dividends paid)	(3,000)	-
<b>Cash flow from financing activities (C)</b>	(701)	13,758
Increase (decrease) in cash and cash equivalents (A ± B ± C)	27,320	6,231
Currency effect on cash and cash equivalents		
<b>Opening cash and cash equivalents</b>		
Bank and postal deposits	83,881	77,647
Cheques		
Cash in hand and similar	17	20
Total opening cash and cash equivalents	83,898	77,667
Of which not freely utilisable		
<b>Closing cash and cash equivalents</b>		
Bank and postal deposits	111,192	83,881
Cheques		
Cash in hand and similar	26	17
Total closing cash and cash equivalents	111,218	83,898
Of which not freely utilisable		
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	27,320	6,231

Chairperson of the Board of Directors  
Antonello Marcucci

Companies Office Registration No.: 02016930543

Economic and Administrative Register No.: 174039

**UMBAGROUP S.P.A.**

A company under the management and direction of POLISCOM SRL

Registered office in VIA VALTER BALDACCINI,1 - PACIANA INDUSTRIAL ZONE - 6034 FOLIGNO (PG)

Share capital Euro 12,055,987.94 fully paid-in

**Directors' Report at 31/12/2021 on the Consolidated Financial Statements**

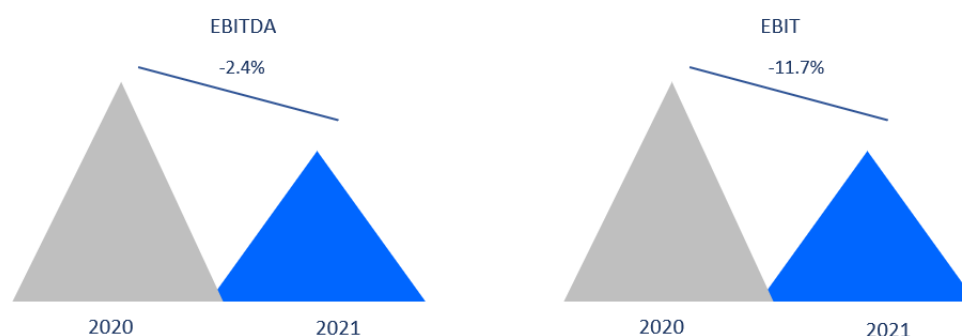
(Amounts in Euro/000)

Dear Shareholders,

The COVID-19 pandemic continued to have a significant impact on development of the Company's business in 2021, particularly on the Aerospace Division. Despite the particularly volatile marketplace and macroeconomic landscape, the Group has once again shown great resilience and adaptability. Measures to increase the efficiency of production processes and a focus on controlling costs have enabled us to maintain double-digit EBITDA margins again in 2021, despite the decrease in revenues. Incisive efforts to rationalise working capital – and to reduce inventories first and foremost – and to obtain the Patent Box benefits also enabled us to further significantly improve our level of net debt. Work aimed at focusing on strategic objectives, protecting the environment, and pursuing innovation and digitalisation also continued in 2021.

Net profit in 2021 totalled Euro 15,759 thousand, up 124.8% from the previous year (Euro 7,011 thousand in 2020), after amortisation and depreciation of Euro 12,478 thousand, total income tax expense for the year of Euro 1,049 thousand, and the Patent Box tax benefit of Euro 5,033 thousand. The Adjusted Net Profit was Euro 13,646 thousand, increasing Euro 2,012 thousand on the previous year (+17.3%).

Description (Euro thousand)	2021	2020
EBITDA	23,594	24,163
EBITDA Margin	13.8%	13.4%
Adj. EBITDA	28,473	28,786
Adj. EBITDA Margin	16.6%	15.9%
Amortisation	1,848	1,558
Depreciation	10,630	9,018
Provisions risks and charges	102	1,216
EBIT	10,862	12,307
Net profit	15,759	7,011
Adj. Net Profit	13,646	11,634
Shareholders' Equity	153,757	140,676
Net debt	(41,377)	(25,165)
Adj net debt	(36,236)	(18,150)



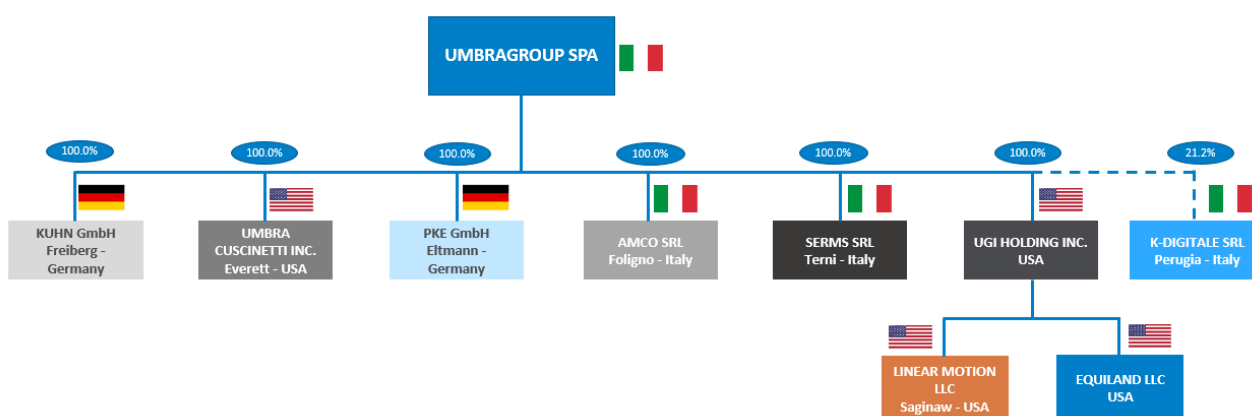
## Operating conditions and developments

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.

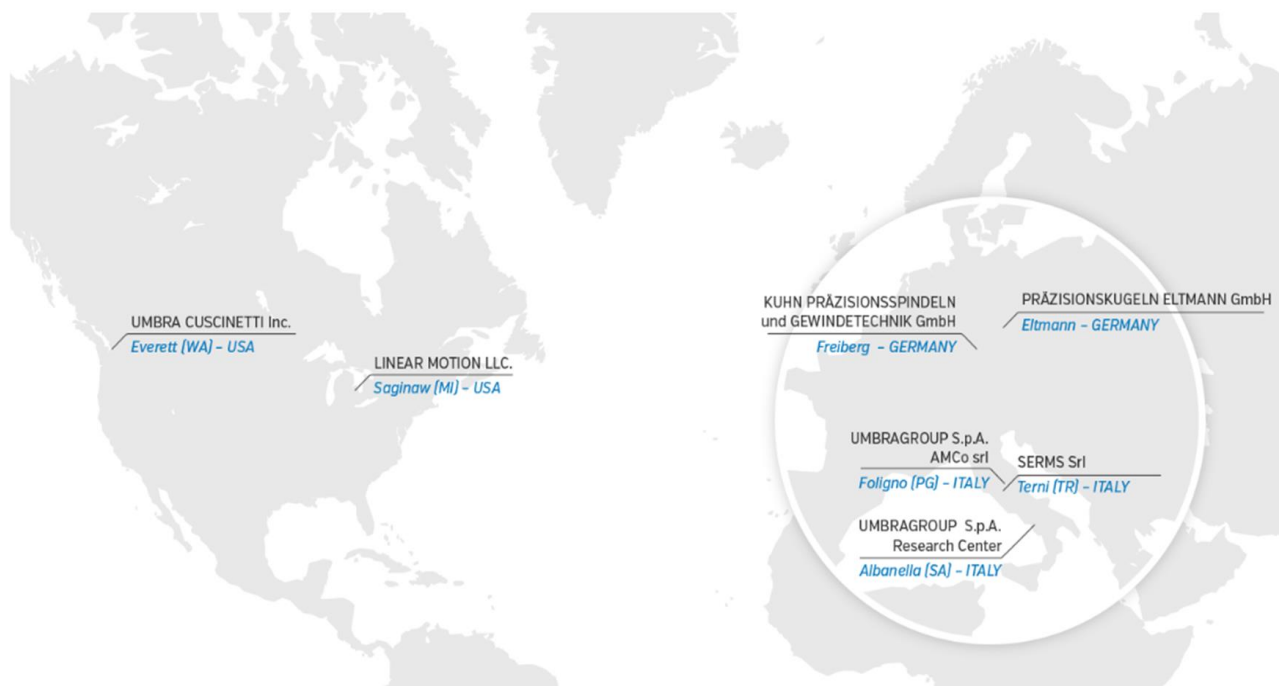
UmbraGroup S.p.A. directly controls the other companies of the Group, involved in complementary and support activities to the Group's core business.

## 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, 2021.



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



**Company Umbra Cuscinetti Inc.**

Holding 100%

Direct control

Activities - Production and Sale of aerospace components and maintenance services



**Company Kuhn GmbH**

Holding 100%

Direct control

Activities - Production and Sale of ball screws for industrial applications



**Präzisionskugeln Eltmann GmbH**

Holding 100%

Direct control

Activities - Production and Sale of ball bearings



**Company UGI Holding Inc.**

Holding 100%

Direct control

Activities carried out - Financial Holding company



**Company Linear Motion LLC**

Holding 100%

Direct control through UGI Holding Inc.

Activities carried out - Production and Sale of aerospace components



**Company Equiland LLC**

Holding 100%

Direct control through UGI Holding Inc.

Activities carried out - Real estate company



**Company AMCO S.r.l.**

Holding 100%

Direct control

Activities carried out - Production and Sale of industrial products



**Company Serms S.r.l**

Holding 100%

Direct control

Activities – materials testing



In 2021, the interest held in Serms Srl rose from 57.4% to 100%.

In 2021, a 21.18% interest was acquired in the company K-Digitale, a startup based in Perugia (Italy) that provides consulting and builds digital transformation platforms for government and enterprises.

On March 10, 2022, the Board of Directors of the Parent Company approved the sale of this investment.

## 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 Umbragroup plays a key role in achieving our strategic objectives by helping to create sustainable value over the medium and long term.

At December 31, 2021, the Group comprised six direct subsidiaries and the Parent Company Umbragroup S.p.A., and two indirect subsidiaries through UGI Holding Inc, in addition to one associated company.

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 EY SpA.

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 nine members, of whom one-third female and three independent, with an appropriate mix of professional skills and expertise, is granted broad strategic decision-making powers over the company and 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.

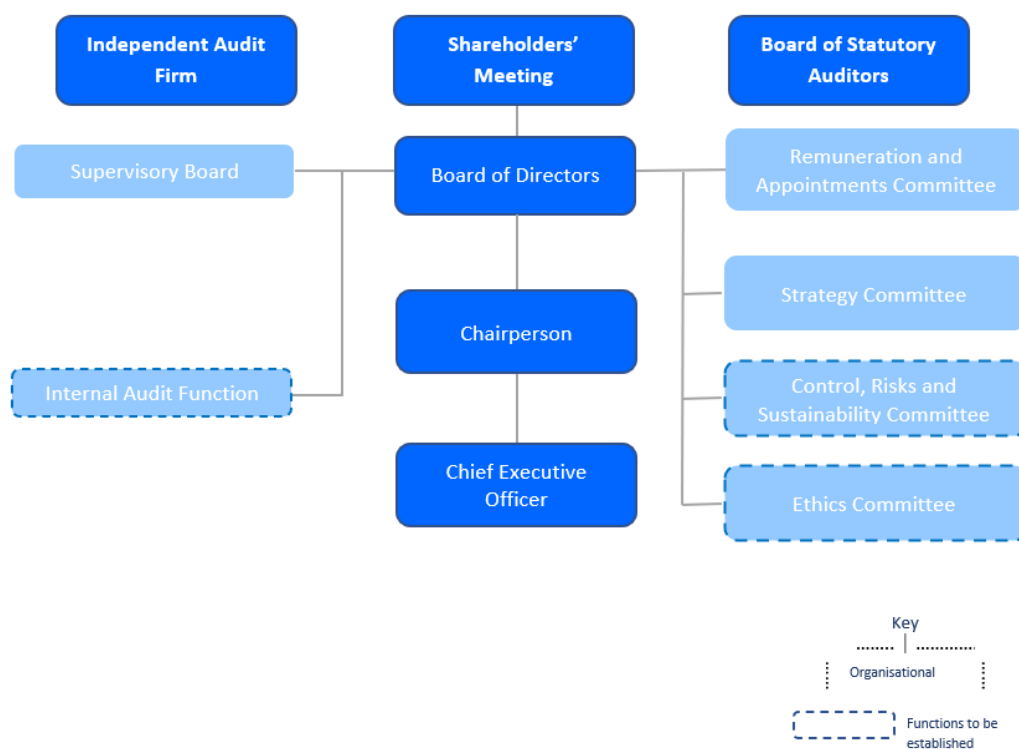
The Board of Directors has internally set up the Remuneration and Appointments Committee and a Strategy Committee, while the company has also adopted an Organisational Model in accordance with Legislative Decree 231/2001, which includes the appointment of a Supervisory Board.

The Remuneration and Appointments Committee, comprising three directors, of which two independent and one executive, expresses opinions and draws up proposals for the Board of Directors with regard in particular to the remuneration policies and the incentive plans of the Executive Directors and senior managers.

The Strategy Committee, comprising five members (the Chairperson, the Chief Executive Officer, two Independent Directors and a Non-Executive Director), performs an exploratory role, drawing up proposals, recommendations and opinions to facilitate more informed Board decision-making.

The Board of Statutory Auditors, comprising 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 by the company 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 UmbraGroup S.p.A.. 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 composition of the Parent Company's Board of Directors and its two Committees is shown below.

**Board of Directors**

	2021
Number of Directors	9
Number of Directors elected by minority interests	2
Number of Independent Directors	3
Number of female Directors	3
Meetings held in 2021	10
Attendance rate (%)	97%

**Internal Board Committees**

**2**

**Strategy Committee**

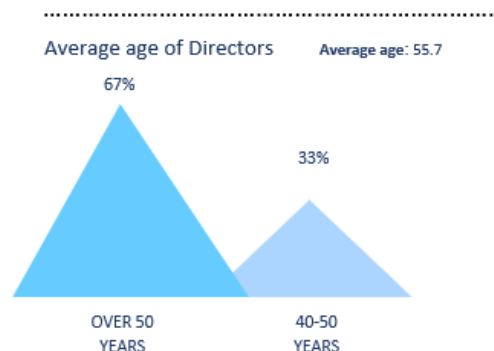
	2021
Directors	5
% Independent	40%
2021 meetings	2
Attendance rate (%)	100%

**Remuneration and Appointments Committee**

	2021
Directors	3
% Independent	67%
2021 meetings	5
Attendance	83%

Board of Directors at 31.12.2021

OFFICE	MEMBERS
Chairperson	Marcucci Antonello
Chief Executive Officer	Baldaccini Antonio**
Executive Director (Environment and safety)	Ortolani Reno
Director	Baldaccini Beatrice
Director	Belletti Marco
Director	Maestrini Giancarlo
Director*	Busso Donatella
Director*	Sasso Andrea
Director*	Bonfiglioli Sonia

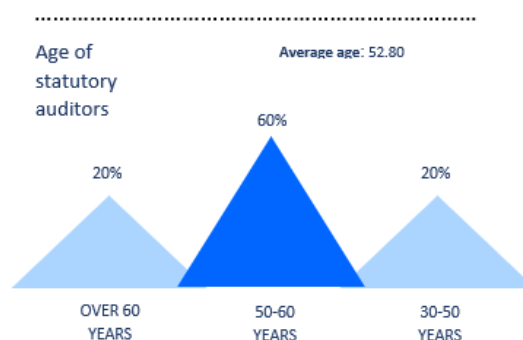


\*Independent Directors

\*\*Resigned on January 31, 2022, and replaced by Matteo Notarangelo on January 10, 2022

Board of Statutory Auditors at 31.12.2021

OFFICE	MEMBERS
Chairperson	Spigarelli Mariano
Statutory Auditor	Mariotti Simone
Statutory Auditor	Vannucci Luca
Alternate Auditor	Besio Paolo
Alternate Auditor	Bini Laura
Independent Audit Firm	Ernst & Young SpA



Supervisory Board at 31/12/2021

OFFICE	MEMBERS
Chairperson	Buchetti Cristiana
Standing member (external)	Fabio Maccarelli
Standing member (internal)	Tiziana Lolli

Committees

REMUNERATION COMMITTEE

Beatrice Baldaccini
Andrea Sasso
Donatella Busso

STRATEGY COMMITTEE

Antonello Marcucci
Antonio Baldaccini**
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The Board of Directors, the Board of Statutory Auditors, and the independent auditors appointed by the Shareholders AGM will remain in office until approval of the 2021 Annual Accounts.

\*\* Until December 31, 2021

## Operational overview

### Economic overview

#### Economic overview and effects of the COVID-19 pandemic

In 2021, the COVID-19 pandemic continued to have a significant impact on the world's social and macroeconomic landscape.

In the first quarter, the appearance and rapid spread of numerous variants of the virus in many areas around the world led to increases in infections and in losses of human lives, putting major pressures on the health-care systems of nearly all nations and requiring a return to broad-based restrictive measures in a great many regions. Vaccine roll-outs have been taking place at speeds and in ways that vary widely from country to country as a result of initial logistical challenges related to the mass production of the number of doses needed and to their thorough distribution.

In the second quarter and, to an even greater extent, in the third and fourth quarters, vaccine roll-outs showed a marked acceleration, although, again, to varying degrees around the world, with roll-outs progressing more quickly in the western hemisphere and in China, while emerging nations lagged behind. According to the online publication *Our World in Data*, while vaccine coverage had reached 70% to 80% in most industrialised nations by the end of 2021, just over half of the world's population (an average of 58% to be precise) had received one dose of the vaccine, and only 49% had been fully vaccinated. Differences between the continents were evident. Whereas the European Union had fully vaccinated 69% of its population, the global average is just 49% because of severe delays in vaccine roll-outs in places like India (43%) and other regions, particularly Africa (9%).

As a result of these rates of vaccination, and due to the spread of other variants of the virus, the status of the health emergency varied greatly from region to region at the end of 2021. In many European countries and in the United States, infection rates rose sharply in the second half of the year, and particularly in December with the spread of the Omicron variant and the arrival of cold weather, which facilitates circulation of the virus. Nonetheless, the gradual acceleration of administration of third doses of the vaccine, together with increasing vaccination rates among the populations, made it possible to keep hospitalisations and, most importantly, deaths well below the levels of previous waves of the pandemic despite the rapidly rising case numbers. This has left room for optimism that, after this wave, the pandemic could evolve towards more endemic proportions and to a gradual end to the health emergency.

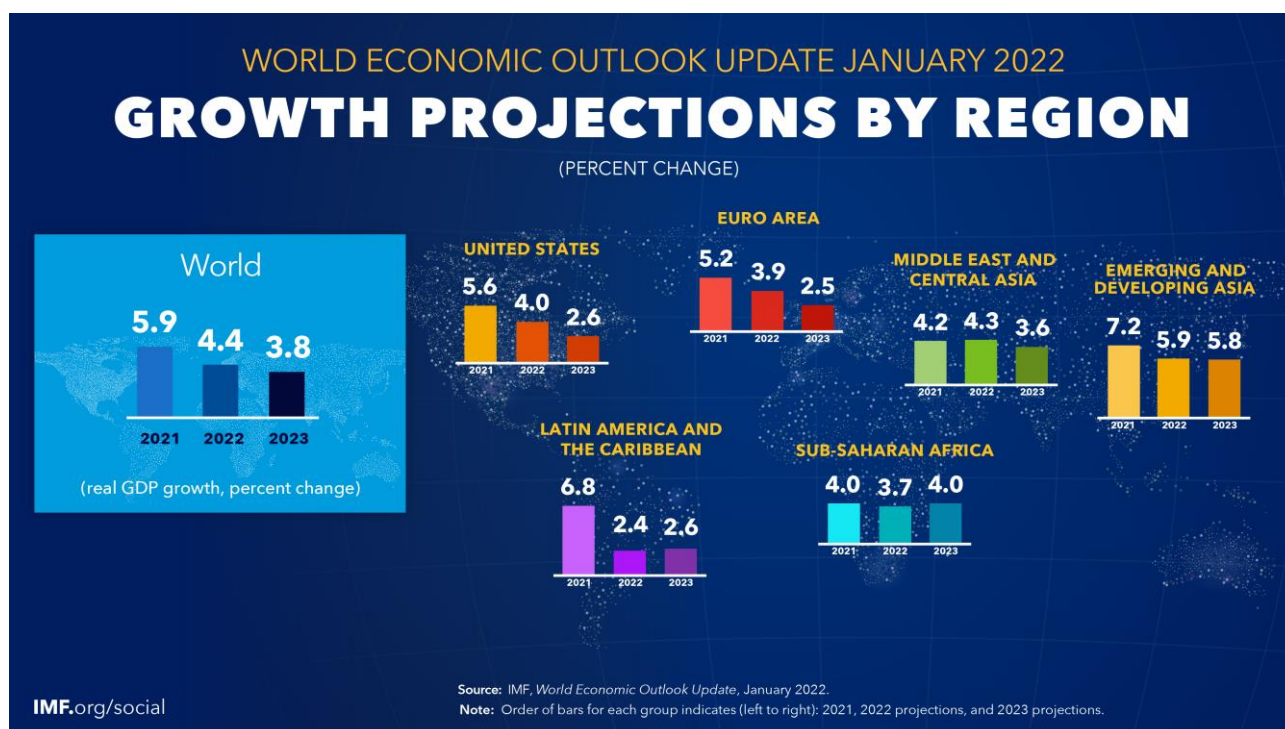
The varying trends in the pandemic have, of course, had an impact on the global economy. According to OECD estimates, global GDP at the end of 2021 surpassed pre-pandemic levels in absolute terms, but significant gaps remain in many countries in terms of production and employment rates, particularly in emerging markets and in developing economies where vaccination rates remain low.

The latest World Economic Outlook of the International Monetary Fund, published in January 2022, estimates global GDP growth of 5.9% in 2021 (see figure on the previous page), showing an essential convergence with the OECD figures found in the interim report of September 2021 (+5.7%). By region, emerging nations lead the way with expected growth in 2021 GDP of 7.2%. However, the recovery in the U.S. and the eurozone is expected to be slower, although GDP in these regions has posted solid growth (of 5.6% and 5.2%, respectively).

One factor that has significantly impacted macroeconomic trends in 2021 is increasing inflation in all advanced economies, driven by energy prices. The sharp upturn in demand for energy and raw materials, brought about by the forceful turnaround in industrial production, has resulted in tensions in the supply chain, particularly in the second half of the year, and in a generalised increase in provisioning and transport costs.

At the start of 2021, forecasts pointed to a moderate increase in inflation (of +1.7% in the eurozone), whereas December figures were more than double that, having increased further from November in a sign that the peak had yet to be reached. Consumer prices in the eurozone increased 5.0% annually, the sharpest rise since 1996, while the CPI in the U.S. reached +7.0%. In Italy, inflation remains the lowest (+3.9%), but still at its highest level since 2008. Whereas energy prices were the main contributor to inflation in Europe, aided by a moderate push from the food and beverage segment, in the United States it was durable consumer goods that drove the price increases, given the stronger recovery in demand (particularly for automobiles) and the rising cost of home rentals (to +3.7% annually).

As a result, the central banks have adopted different forms of monetary policy. The FED announced a reduction in securities purchases and is preparing three interest rate increases in 2022. The ECB Governing Council, on the other hand, announced a plan for future purchases of public and private-sector securities, while reiterating that monetary policy will remain expansionary and open to various options based on developments in the macroeconomic landscape.



By country, GDP in the U.S. is expected to grow 5.6% in 2021, accelerating in the fourth quarter. After a widespread slowdown in the third quarter, as a result of a deceleration in consumption due to the spread of the Delta variant in the summer months, signs of a more sustained recovery have begun to emerge. A gradual lessening of the supply-chain bottlenecks in the United States is expected, which will facilitate a restoration of inventories and growth in consumption over the short term. Inflation has risen sharply to reach its highest levels since the 1980s, driven by rising energy prices and more expensive used cars and rents. Nonetheless, expectations for long-term inflation as seen on the financial markets remain at levels that are compatible with the Federal Reserve's target.

In Europe, GDP is expected to grow by 5.2% in 2021. Economic activity posted a strong turnaround in the first half of 2021, driven by household consumption, which contributed to a recovery in the service sector, after that of manufacturing. However, in the second half of the year, this recovery was held back by the supply-chain bottlenecks, particularly in the construction and transport industries. These effects, combined with the rising energy prices, have led to rapidly rising inflation. Although trends in inflation vary within the eurozone, we are expected to see a return to levels below the ECB target by the end of 2022.

At the end of October 2021, as proposed by the European Commission, the Council of the European Union approved the national plans of Estonia, Finland, and Romania defined within the scope of the Recovery and Resilience Facility (the primary mechanism of the Next Generation EU programme), which join the 19 other national plans that had already been approved. On December 27, Spain received Euro 10 billion in aid following the assessment of the Commission and the favourable opinion of the Economic and Financial Committee regarding achievement of the targets and milestones set for payment of the first tranche of funds. In late November and December, France, Greece and Italy submitted requests to the Commission for disbursement of the first tranche of funds under their respective plans (of Euro 7.4, 3.6 and 21 billion, respectively).

In Germany, GDP is expected to grow by 2.9% in 2021. The pandemic continues to weigh heavily on economic activity with a sharp rise in case numbers in mid-October and a slower vaccine roll-out than in many other European countries. The recovery is being held back by a lack of key factors of production, although the great level of unfulfilled order backlog points to a potentially strong rebound when these difficulties are resolved. Private consumption is expected to accelerate in 2022 as consumer confidence improves. Inflation should decrease in 2022 but remain above the levels of previous years.

The economy is recovering in the United Kingdom and should return to pre-pandemic levels in early 2022. Consumption is expected to be the leading driver of growth in the coming years. Corporate investment is expected to improve but continue to be held back by uncertainty. The increase in import and export duties after leaving the EU is weighing on both of these segments of the economy. Inflation will continue to rise due to the increasing prices of energy and raw materials, as well as to ongoing supply-chain issues.

In Italy, after a first quarter that saw GDP grow slightly to +0.2% and second quarter of strong recovery, with GDP increasing by 2.7%, growth continued at a rapid pace in the third quarter, driven mainly by the further marked expansion of household consumption. Spending on commercial, transportation and rental services in particular were more vibrant in the spring (facilitated by a loosening of the restrictions that had been put in place during the most acute periods of the pandemic), which led to an acceleration in the entire service sector. In the fourth quarter of 2021, GDP slowed significantly (+0.6% on the previous quarter), impacted mainly by consumption as a result of increasing infections and tensions in the global supply chain. Value added decelerated both in manufacturing and the service sector. In the latter part of 2021, inflation also reached high levels, driven by the exceptionally rapid rise in energy prices.

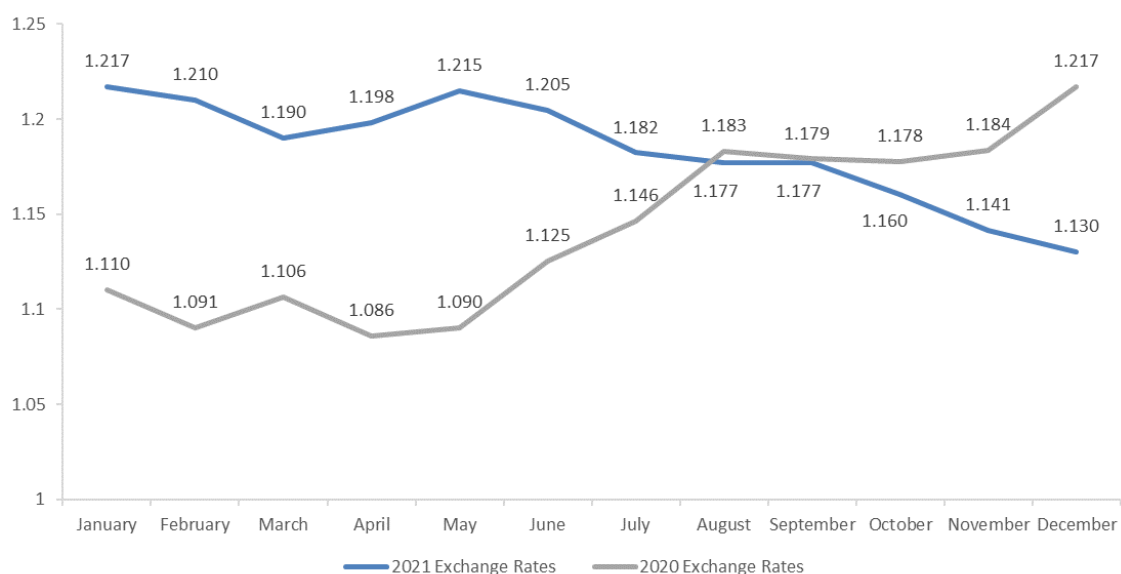
According to the latest figure published by Confindustria, manufacturing began to suffer in December, and unsustainable gas (up 723% in December compared to pre-pandemic levels) and electricity prices in Italy, along with increases in other segments, is causing temporary shutdowns of enterprises in energy-intensive industries. Business confidence in the conditions for investment also collapsed in the fourth quarter, held back by both low margins and the context of great uncertainty, despite the support of the national recovery and resilience plans and other incentives (especially in construction). In early 2022, the already-significant doubts emerging at the end of 2021 surrounding GDP growth in Italy intensified even further. Given current energy prices, eroding margins, and the scarcity of commodities, there is the risk that GDP growth could stagnate in the first quarter, with high energy prices expected to impact GDP by at least -0.8% in 2022.

### Currency markets

In 2021, the average Euro/Dollar exchange rate was 1.1827, up +3.5% on 2020. Exchange rates continued to fluctuate throughout the year. The first quarter saw a strengthening of the dollar, going from levels near 1.23 in early January to a low of 1.172 on March 30. In early April, we then saw an inversion of this trend, with the dollar reaching 1.225 on May 25 before falling again to 1.184 on June 30. Finally, in the third and fourth quarters, the Euro continued weakening against the dollar, reflecting expectations of less expansionary monetary policy in the United States than in the eurozone. These trends resulted in the following low, average and high exchange rates in 2021:

- Average Value: 1.1827
- Average Minimum Value: 1.1206 on November 24, 2021
- Average Maximum Value: 1.2338 on January 6, 2021

The figure below shows the trend in monthly average EUR/USD exchange rates in 2021. The table below presents the average 2021 rates and the December 31, 2021 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 2020.



	Average exchange rate			Year-end exchange rate		
	2021	2020	Change on 2020	31/12/2021	31/12/2020	Change on 2020
	:1 Euro	:1Euro	%	:1Euro	:1Euro	%
US Dollar (USD)	1.1827	1.1422	3.5%	1.1326	1.2271	-7.7%
Canadian Dollar (CAD)	1.4826	1.53	-3.1%	1.4393	1.5633	-7.9%
Australian Dollar (AUD)	1.5749	1.6549	-4.8%	1.5615	1.5896	-1.8%
UK Sterling (GBP)	0.8596	0.8897	-3.4%	0.84028	0.89903	-6.5%
Swiss Franc (CHF)	1.0811	1.0705	1.0%	1.0331	1.0802	-4.4%

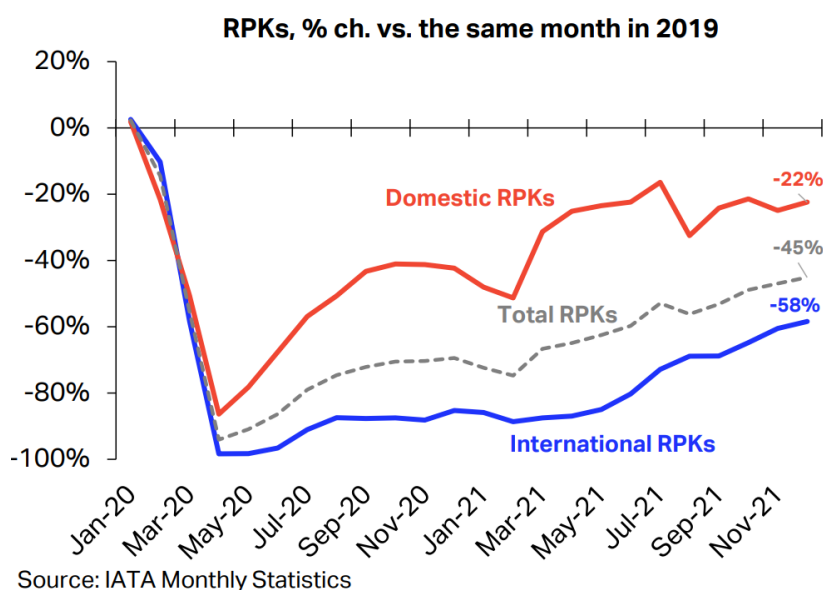
## Operating performance by sector

### Aerospace Sector

The aerospace sector, like the economy as a whole, continued to be heavily impacted by developments in the pandemic. From the second quarter, after a 2020 in which the sector suffered the worst collapse in its history and first quarter of 2021 in which the continuing of the pandemic and the consequent major travel restrictions imposed by nearly all nations around the world continued to have a great impact on passenger traffic, we began to see a recover in demand, driven initially by domestic traffic (particularly in China and the United States) followed, in the third quarter, by short and medium-haul international traffic, particularly towards summer tourism destinations. However, the recovery in air traffic remains far from pre-pandemic (2019) levels. According to the latest figures from the International Air Transport Association (IATA), global revenue passenger kilometres (RPK) for December 2021 was 45.1% lower than in the same month of 2019, despite increasing by 79.5% annually compared to the previous year, which were statistically impacted by periods in which air traffic was practically inexistent.

Global traffic in December 2021 improved on November, a month that was 47% lower than 2019 levels, thanks to demand for the month that improved in response, in part, to holiday travel despite worries surrounding the Omicron variant of the virus.

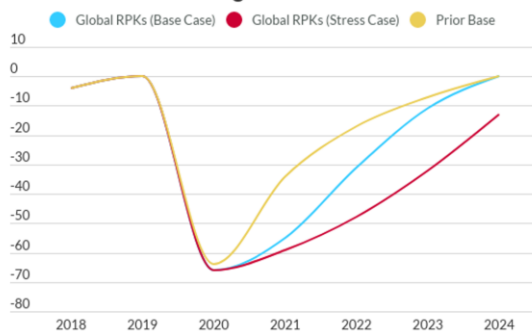
Extremely low demand for intercontinental and international flights compared to December 2019 levels (-58.4%) continued to have an impact on passenger traffic, which had only partially recovered from the collapse in 2020 due to ongoing travel restrictions. The contraction in domestic flights was more limited, despite remaining in double digits (-22.4% in December 2021 compared to 2019). Russia is the only country to have seen an increase in RPK in 2021 (+23.2%). In the U.S., domestic travel recovered quickly in the first half of the year. However, the spread of the Delta variant in late summer and of the Omicron variant more recently led to a lack of personnel that, together with poor weather conditions, kept RPK to below pre-pandemic levels in the second half of the year (-13.1%).



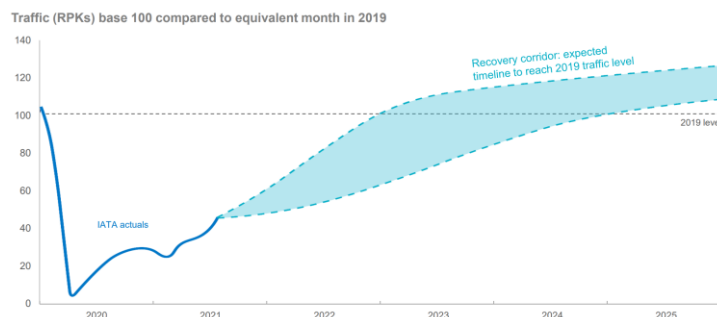
According to estimates by Fitch Ratings in November 2021, we are expected to see an acceleration in the recovery of global air traffic in 2022, although a return to pre-COVID levels is not expected before 2024 (see first figure at lower left). After the 55% drop in 2021, global air traffic (in RPK terms) is expected to be 30% below pre-pandemic levels in 2022 and 10% below in 2023.

Estimates by IATA and Airbus (see lower right figure) also point to air traffic (RPK) returning to pre-COVID levels within a time frame ranging from 2023 (best case) to 2025 (worst case).

### Global Revenue Passenger Kilometers

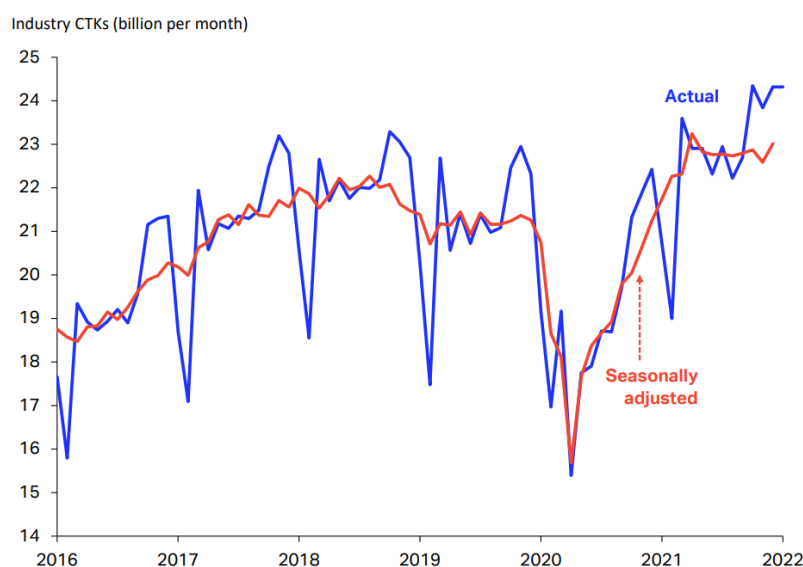


RPK - Revenue passenger kilometers.  
Source: Fitch Ratings



Source: OAG, FRGA, SABRE, IATA, IHS Markit, OVID, September 21 projection from Airbus GMF

The cargo segment, on the other hand, performed well in 2021, reporting an annual increase of 8.4% in cargo tonne kilometres (CTK), and months ago returned to pre-pandemic levels, with December volumes surpassing the same month of 2019 by 8.9%. Throughout 2021, volumes increased 18.7% from 2020 for the best year-on-year performance since 1990. This reflects the increase in demand, driven by the recovery in industrial activity following the shock of the pandemic, as well as the greater demand for air cargo services over other modes of transport as typically occurs during a period of recovery from recession. The figure below shows the trend in cargo volumes (CTK) from 2016 to December 2021.



Sources: IATA Economics, IATA Monthly Statistics

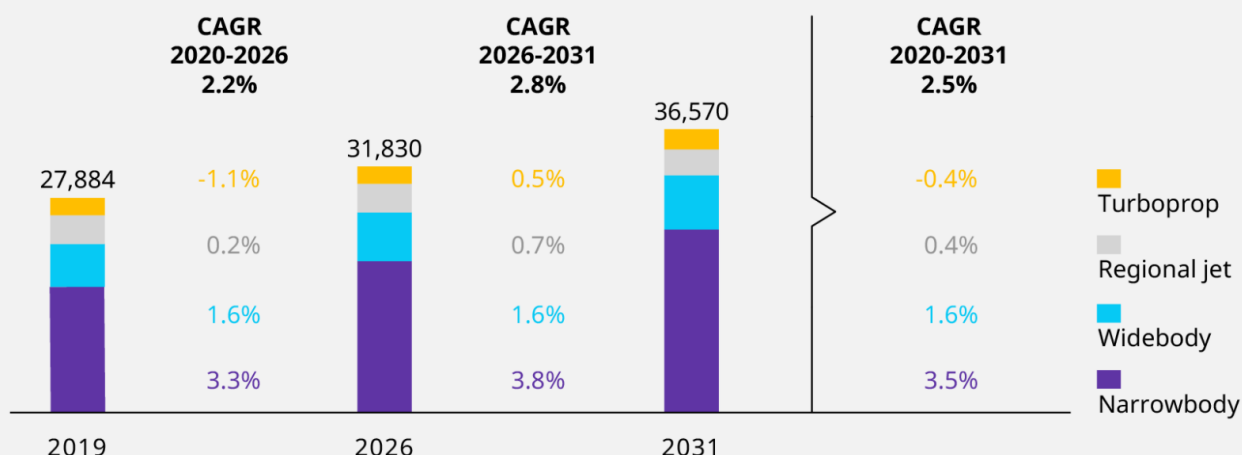
Given all of the above, all of the leading carriers are suffering significant financial pressures and have, in the face of contracting demand, implemented a range of restructuring efforts, including a drastic reduction in commercial fleets and the grounding, at times definitive, particularly of long-haul and high-consumption aircraft, such as the four-engine Boeing 747 and Airbus A380.

According to forecasts by Oliver Wyman, the global in-service fleet decreased to some 23,700 aircraft in 2021, 15% below 2019 levels. As shown in the figure below, the in-service fleet is expected to number 36,570 aircraft by 2031. Although still an increase, this figure is far from pre-COVID projections (for a 2021 global fleet of 28,800 aircraft and 2030 fleet in excess of 39,000).

## Global fleet forecast by aircraft class, 2020-2031

Note: Fleet sizes as of the beginning of the year; CAGR stands for compound annual growth rate

### Number of aircraft



Source: Oliver Wyman analysis

The downsizing of the commercial fleet has naturally impacted the demand for new aircraft, as seen in the commercial market outlooks for the 20-year period 2021-2040 released in October 2021 by both Boeing and Airbus. Boeing is expecting to deliver 19,330 new aircraft globally (valued at USD 3.2 trillion) for the period 2021-2030 and 43,610 for the period 2020-2040 (valued at USD 7.2 trillion). For both periods, we will continue to see a clear improvement in deliveries of narrow-body aircraft (75% of the total), pointing to a structural change in demand (accelerated by the pandemic) as demand for short and medium-haul domestic flights increases faster than the recovery in intercontinental and other long-haul flights. A key trend that is emerging in this post-pandemic period is also the use of narrow-body aircraft even for long-haul flights with the primary objective of reducing fuel consumption.

Despite delivering 43,610 new aircraft, the global fleet is only expected to grow by 3.1%, a sign of the rapid acceleration of the replacement of less fuel-efficient aircraft and the increasing focus on sustainability among the airlines.

Airbus’s 2021-2040 commercial market outlook is aligned with Boeing’s in certain key trends, such as the prevalence of narrow-body aircraft among the new deliveries, the acceleration of the replacement of less fuel-efficient aircraft, and Asia and the Middle East being regions in which most of the demand for new aircraft will be concentrated.

However, their forecasts of new deliveries for the period are more conservative than Boeing’s: at 39,020 for Airbus as compared to the 43,610 estimated by Boeing. The figures on the following page provide the highlights from the Boeing and Airbus outlooks.

### Boeing’s Outlook

#### 20-Year Market Demand



43,610  
Global Deliveries

3.1%  
Fleet Growth

2.7%  
GDP Growth

4.0%  
Traffic Growth

49,405  
2040 Fleet

2.1M  
New Personnel

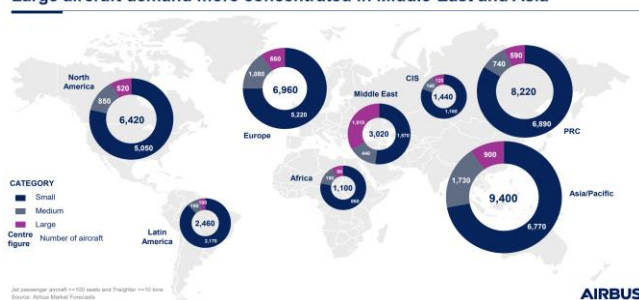
\$9,540B  
Services Market Value



## Airbus's Outlook



Large aircraft demand more concentrated in Middle-East and Asia



In 2021, a total of 951 aircraft were delivered by Airbus and Boeing (897 for passenger transport and 54 for cargo), an increase of 32% from 2020 but still below (-41%) the high from 2018 (1,606).

Airbus delivered 611 commercial craft (vs. 566 in 2020) to 88 customers, evidence of resilience and of recovery, with the most deliveries for 2021 coming in December (93 aircraft), confirming for the third year in a row the company's position of dominance as the world's largest provider of commercial aircraft.

Boeing posted a clear improvement delivering 340 aircraft (286 passenger and 54 cargo) in 2021, compared to 157 in 2020, a year held back both by the pandemic and the hold on deliveries of the 737 MAX, which was grounded by regulators in March 2019 following two fatal crashes in Indonesia and Ethiopia.

Two encouraging signs, on the other hand, have come from the defence and space sectors. Indeed, both industries, and defence in particular, should be less vulnerable to the effects of the pandemic due to the high correlation with government defence budgets, to the lower sensitivity to lockdowns, and to the high levels of research and development and of long-term programmes.

### 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.

According to the Stockholm International Peace Research Institute (SIPRI) report, global military spending in 2020 totalled USD 1.981 trillion and was concentrated in the following countries: U.S., China, India, Russia, and Great Britain. In 2020, the United States again topped the list, accounting for 39% of global spending.

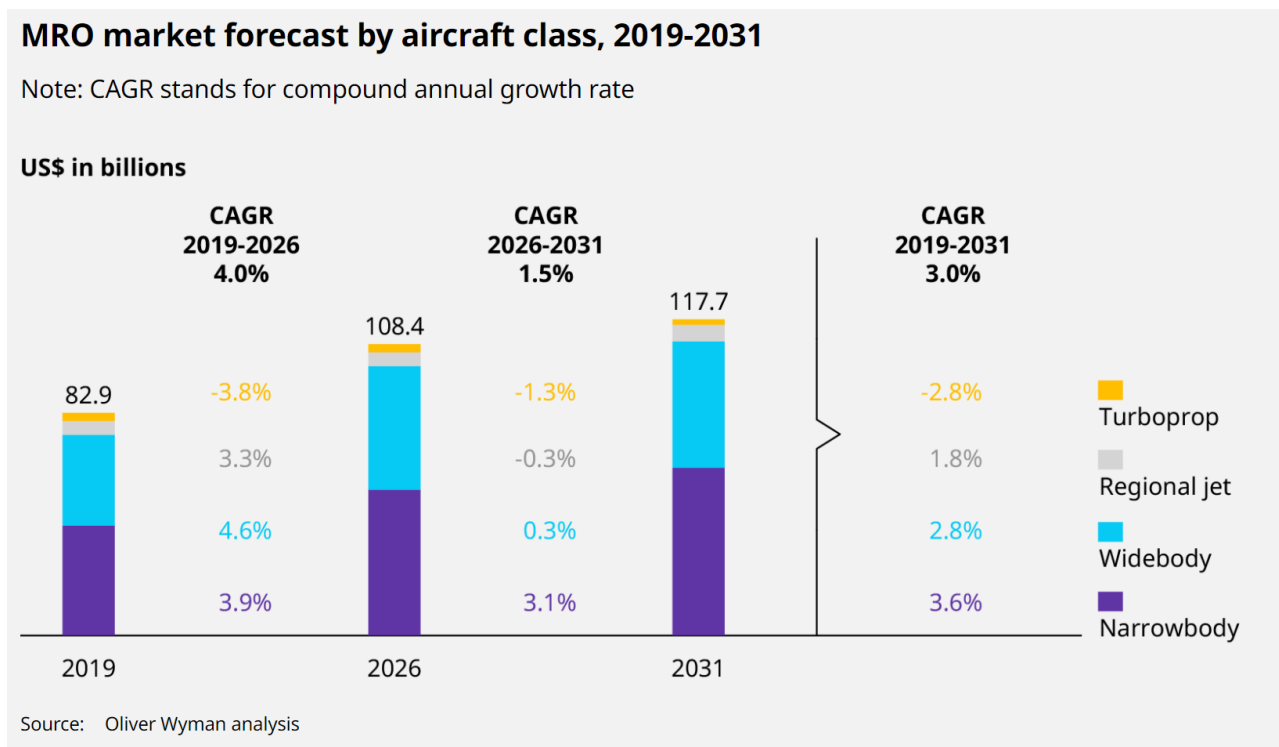
Military spending in 2021 totalled USD 1.92 trillion, with the U.S. accounting for roughly 40% of global spending at USD 754 billion. In Europe, military spending increased by 4.8% due, in part, to increasing concerns about the crisis in Ukraine. Most leading nations with defence budgets remained committed to strengthening their military presence despite the economic impact of the pandemic on their fiscal deficits. However, there are a number of countries that are redirecting defence spending towards other social programmes in order to boost their economies and mitigate the effects of the pandemic.

### 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. Losses on the order of tens of billions of dollars are expected again in 2021 despite estimates that the industry will take less than half the hit it suffered in 2020. For these reasons, the airlines' keen focus on cash management and on the declining demand for air travel have led them to side-lining thousands of aircraft, decommissioning more than double the normal number, converting some craft to cargo, using the spare parts of decommissioned aircraft rather than acquiring new parts on the market, and cancelling or postponing deliveries of new aircraft. As a result, all of these actions have continued to have negative repercussions on the MRO segment again in 2021.

As shown in the figure below, average annual growth for the MRO market from 2019 to 2031 is estimated to be 3%. 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.

COVID has created an unprecedented array of challenges in today’s commercial aviation, and it will take years for fleets to adapt to the new context and new needs that have arisen since the pandemic.



### Industrial Line

According to forecasts published in early October 2021 by CECIMO, the European Association of the Machine Tool Industries and Related Manufacturing Technologies, after an extremely difficult 2020, which saw a significant decline in production from Euro 75.3 billion to Euro 60.1 billion (-20%), the global machine tool market in 2021 posted a recovery, with global production estimated at a value of Euro 68.6 billion (+14.1% from the previous year).

After a sharp drop (-26%) in 2020, when total volumes fell to Euro 20.2 billion, Europe’s machine tool production is estimated to have reached Euro 22 billion in value in 2021, for annual growth of about 9.4%. It is expected to increase again, by 14.6%, in 2022 and by 6.1% in 2023 to return to pre-pandemic levels by that year.

In Italy, the machine tool market performed significantly better than the European average for 2021. Based on preliminary figures published in January 2022 by the UCIMU Centre for Research & Corporate Culture, production of machine tools, robots and automation systems in Italy in 2021 was valued at Euro 6,325 million, up 22.1% from the previous year. This trend was the result of excellent performance in both domestic deliveries, which grew 27.8% to Euro 2,965 million, and exports, which reached a total volume of Euro 3,360 million, up 17.4% from the previous year. Exports of machine tools alone increased in nearly all markets, with the leading countries of destination being Germany (+38.4%), the United States (+9.7%), China (-5.3%), Poland (+29%), and France (+1.2%).

Despite the vibrant demand and improving marketplace, in 2021 the industry in Italy was unable to fully recover the losses recorded in 2020 due to difficulties in obtaining raw materials and other components, particularly in the second half of the year.

According to forecasts by the UCIMU Centre for Research, production 2022 is expected to grow to Euro 7,015 million (+10.9% from 2021), driven by a recovery in exports and an increase in domestic deliveries. Confirmation that the growth seen in 2021 will continue into 2022, as pointed to by forecasts, also comes from an analysis of the order backlog of Italian manufacturers for the third quarter of 2021 (most recent figures available), which showed 7.6 months of guaranteed production, the highest this figure has been in the last 30 years.

## Significant events in 2021

On **January 15**, the shareholders of Umbragroup S.p.A. approved the distribution of a dividend totalling Euro 3 million in consideration of the performance of 2020, which was better than expected at the start of the pandemic.

On **January 29**, the Board of Directors approved the 2021-2025 Business Plan, which is based on organic growth targets for both the Industrial and Aerospace sectors and built on solid financial foundations, thanks to the generation of cash to be allocated to M&A transactions. The plan's main guidelines are:

- Innovation and digitalisation in processes and structures;
- Process streamlining;
- Supply Chain - Building a strong and reliable supply chain;
- M&A and extraordinary finance operations to grow and create value;
- Rethinking business models;

The Plan takes account also of the downturn in economic conditions as a result of the COVID-19 pandemic and focuses not only on volume growth but particularly on improved EBITDA through the streamlining of the production system, thanks to the UPS – Umbra Production System.

Also on **January 29**, the Board of Directors approved the terms and conditions for the renewal of the provisioning agreement of the subsidiary Linear Motion LLC with Parker for 2021-2025. This renewal enables Linear Motion to provide components for flap and horizontal stabiliser applications, participating in important programmes related to various aircraft, including the Airbus A220, the Lockheed Martin RQ-170, and the Embraer MSJ, MLJ and 145, thereby helping to diversify the Group's portfolio of programmes in the Commercial Aerospace segment.

On **February 5**, the transaction with NIKKISO ex ACD was concluded. This transferred all patents for the electro-mechanical drive system for a piston fluid pump owned by Umbra Cuscinetti Inc, for consideration of USD 1,339,721. A dispute which was previously ongoing with NIKKISO was settled through this agreement.

On **March 8**, the new version of the Microsoft D365 ERP system at PKE became operational, and this system then also went online at AMCO on **April 1**.

On **March 29**, a commercial dispute with the customer EPI was closed for a total payment of Euro 1.5 million, against which a provision for risks and charges had been allocated in 2020 for the same amount.

In June 2020, the company had received a claim related to a supply of actuators for the A400-M aircraft that took place during the period 2007-2019. In October of that year, the customer had assessed a penalty of about 2.5 times the amount of the goods provided over the years and threatened arbitration in London if the penalty was not paid. Given the uncertainty surrounding arbitration and its related costs, UmbraGroup S.p.a. preferred to settle for the amount of Euro 1.5 million.

On **March 30**, the Board of Directors approved the Group's Governance and Guidelines, providing corporate governance rules, particularly with regards to the parent company Umbragroup S.p.A. and for its relations with the subsidiaries, while ensuring full compliance with the common Ethics Code and the applicable laws and regulations as part of a single Group strategy.

On **April 30**, the Board of Directors approved the terms and conditions of the Moog supply contract renewal. This renewal - covering both the parent company Umbragroup S.p.A. and the US subsidiaries Linear Motion LLC and Umbra Cuscinetti Inc., with variable durations until 2028 and 2031 depending on the programmes - shall consolidate the Group's status as a key supplier for certain components (ball screws and pinions) for the Boeing 787 Dreamliner and Boeing Business Jet (BBJ) programmes, with significant price and minimum guaranteed volume benefits.

On **May 21**, the Shareholders' Meeting approved the 2020 Annual Accounts. Simultaneously, the Shareholders' Meeting approved the proposal to adopt a long-term incentive system for Group top management, approved by the Board of Directors on March 30. The company considers the Long Term Incentive Plan as an effective incentivisation and loyalty tool for key managers, in order to ensure continued high performance and support the growth and success of the company and of the Group.

On **May 21**, the Board of Directors approved the launch of the Sustainability Project, so as to put in place a business model that creates comprehensive value for stakeholders, adding social sustainability and environmental objectives to those regarding operating performance. The above has inspired Umbragroup to prepare a Sustainability Report, through which it intends to make its stakeholders aware of its commitment to defining and achieving economic, social and environmental sustainability objectives.

On **May 31**, Umbragroup S.p.A. acquired a 21.18% stake in an innovative start-up, K-Digitale, in order to ensure continued competitiveness and support the growth of enterprises in Umbria, where the parent company is headquartered. The start-up, with registered office in Perugia, provides consultancy and builds platforms for the digital transformation and enterprises in the Public Sector.

On **June 1**, a reorganisation begun of the German subsidiaries - particularly regarding Kuhn GmbH - with the review of the commercial policies and organisational structure so as to better integrate with the activities of the Industrial Division of the parent company Umbragroup S.p.A. As part of this reorganisation, new Directors were appointed and in October a new General Manager & CFO joined, with responsibility for both subsidiaries.

On **July 19**, Umbragroup S.p.A. received the "Impresa Top 21" award from ItalyPost and "L'Economia del Corriere della Sera" as one of Italy's top 30 SME engineering enterprises. The award was received by the Chairperson of the Board of Directors Antonello Marcucci, who spoke before an audience of entrepreneurs and professional operators interested in understanding the development dynamics of Top enterprises.

On **July 23**, the Board of Directors of Umbragroup S.p.A. approved the terms and conditions of the supply contract renewal negotiated by the subsidiary Umbra Cuscinetti Inc. with Boeing. This renewal, in addition to guaranteeing for 2023-2027 significant volumes for all the major Boeing programmes – including primarily the B737-MAX and the B777X – retrospectively obtains from 1/1/2021 and until the end of 2022 significant price list adjustments which, together with other measures, contributed to bringing the subsidiary's EBITDA back into positive territory.

On **August 31**, Umbragroup S.p.A. signed a preliminary agreement with the Tax Agency to access the "Patent Box" tax break. This agreement defines methods and criteria for calculating the economic contribution to the production of business income of the corporate know-how eligible for the purposes of the aforementioned legislation (pursuant to Article 1, paragraphs 37-44, of Law No. 190 of December 23, 2014) and with reference to the tax years 2017 to 2021. We recall that the Patent Box, introduced by the Italian Government through the 2015 Stability Law, is a tax support for businesses generating income through the direct and indirect use of intellectual property, patents, trademarks, designs, models and other intangible assets.

The agreement has permitted a tax break that provides a major benefit in these years in which the aerospace sector, one of the company's two key sectors, has been heavily impacted by the COVID-19 pandemic.

The agreement has resulted in the recognition to the 2021 accounts of a tax benefit for the years 2017-2020 of Euro 5,033,372, calculated according to the methods and criteria set out in the agreement.

On **September 9**, Umbragroup obtained - for the third consecutive year - the rating of national Welfare Champion as part of the SME Welfare Index research. The awards ceremony was held in the "Teatro Eliseo" in Rome and was attended by the Honourable Mr. Giancarlo Giorgetti, the Minister for Economic Development and the Honourable Mr. Andrea Orlando, the Minister for Labour and Social Policies. This award recognises UMBRAGROUP's focus on social innovation, its economic and organisational commitment and the involvement of the business community.

On **September 21**, the e-commerce bearings website of Umbragroup S.p.A. was launched. Customers can choose and personalise a product which best suits their needs and purchase without any lot constraints, following the checking of availability.

On **October 19, 20 and 21**, Umbragroup participated at the MRO Europe Aviation Week, one of the main Aftermarket sector events, to discuss the key sector developments and the actions taken by the Group to continue to best support customers, creating value in its services offer.

On **November 25**, Umbragroup received the “Industria Felix – L’Italia” Award for 2021 as one of the 160 top performing and most financially reliable Italian enterprises. The award was received at an event organised at the “LUISS Guido Carli” University of Rome, with many political, economic and business entities.

On **November 29, 2021** full ownership of Serms S.r.l. was obtained following the acquisition of an additional stake of 42.6%, further to the 57.4% already held.

#### COVID-19 pandemic from January to December

During the pandemic emergency, the company continued to operate, although amid significant difficulties, with a key objective of protecting the health of its employees and collaborators. Umbragroup managed the COVID-19 emergency by continuing the activities of a special internal committee, promptly created in 2020 at the beginning of the pandemic, which coordinated the appropriate measures to safeguard the health and safety of workers at all its locations worldwide. The use of “smart working” continued to a significant extent, where feasible. While these measures made it possible to ensure worker health and the proper functioning of administrative duties when working remotely, it is also undeniable that the effects of COVID-19 have continued to affect the company’s ordinary operations, including:

- social-distancing obligations;
- regular production activities and on-time deliveries;
- bottlenecks in procurement with impacts on the efficiency of the entire supply chain;
- payments by customers;
- reduced production efficiency;
- less socialising.

In order to combat the effects on financial performance and profitability, steps have been taken to reduce fixed costs, including the optimisation of the cost of labour by way of social safety nets, and reducing certain discretionary spending.

It should be noted that Legislative Decree No. 221 of December 24 extended until March 31, 2022 the state of national emergency against COVID-19 declared by resolution of the Council of Ministers on January 31, 2020.

#### Operating Results

FY 2021 saw revenues reduced 5.2% on the previous year.

The net result, improving on the previous year, benefited from the recognition by the parent company of the “Patent Box” tax benefit.

The Net debt at December 31, 2021 was positive (a cash position) for Euro 41,377 thousand, improving on the previous year by Euro 16,212 thousand (+64.4%).

The Group KPI’s for the year and the main movements on the previous year are reported below.

(in Euro thousands)	2021	2020	Change	% Change
Revenues	171,441	180,918	(9,477)	-5.2%
Value of production	172,751	188,517	(15,766)	-8.4%
Value added	87,961	92,863	(4,902)	-5.3%
<b>EBITDA</b>	<b>23,594</b>	<b>24,163</b>	<b>(569)</b>	<b>-2.4%</b>
Adj EBITDA	28,473	28,786	(313)	-1.1%
<b>EBITDA Margin (EBITDA/Revenues)</b>	<b>13.8%</b>	<b>13.4%</b>	<b>0.4%</b>	
<b>Adj EBITDA Margin (Adj EBITDA/Revenues)</b>	<b>16.6%</b>	<b>15.9%</b>	<b>0.7%</b>	
EBIT	10,862	12,307	(1,445)	-11.7%
<b>EBIT/Revenues</b>	<b>6.3%</b>	<b>6.8%</b>	<b>-0.5%</b>	
Net profit	15,759	7,011	8,748	124.8%
Capital Employed	282,230	271,193	11,037	4.1%
Total investments	5,919	7,901	(1,982)	-25.1%
Net working capital	53,351	50,001	3,350	6.7%

Net capital employed	112,380	115,868	(3,488)	-3.0%
Free cash flow	28,021	(7,627)	35,648	-467%
<b>Net Debt</b>	<b>(41,377)</b>	<b>(25,165)</b>	<b>(16,212)</b>	<b>64.4%</b>
<b>Adj. Net debt</b>	<b>(36,236)</b>	<b>(18,150)</b>	<b>(18,087)</b>	<b>&gt;100%</b>

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 company 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 UmbraGroup S.p.A. may differ from those of other companies and is therefore not comparable. This indicator is commonly used by financial analysts in order to assess a company's performance.

**Adjusted EBITDA:** This concerns EBITDA adjusted for extraordinary and/or non-recurring charges and income and leasing charges as per IFRS 16.

**EBIT:** the difference between EBITDA and amortisation, depreciation and write-downs. It represents the margin before financial management and income taxes.

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

**Adjusted Net Profit:** Book net profit net of extraordinary income and charges.

**Net Working Capital:** this measure is the sum of inventories, trade receivables, current tax assets and other receivables, minus trade payables, current tax liabilities and other payables.

**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.

**Net debt:** the difference between cash and cash equivalents and current and non-current financial payables.

**Adjusted Net debt:** the Net debt adjusted for leasing payables as per IFRS 16.

**Sources of funding:** the net debt, net equity and current liabilities.

**Free cash flow:** a cash flow measure indicating the company's self-funding, calculated from cash flow generated from operations, adjusted for net interest paid and cash flow absorbed from investments, net of income from fixed asset disposals.



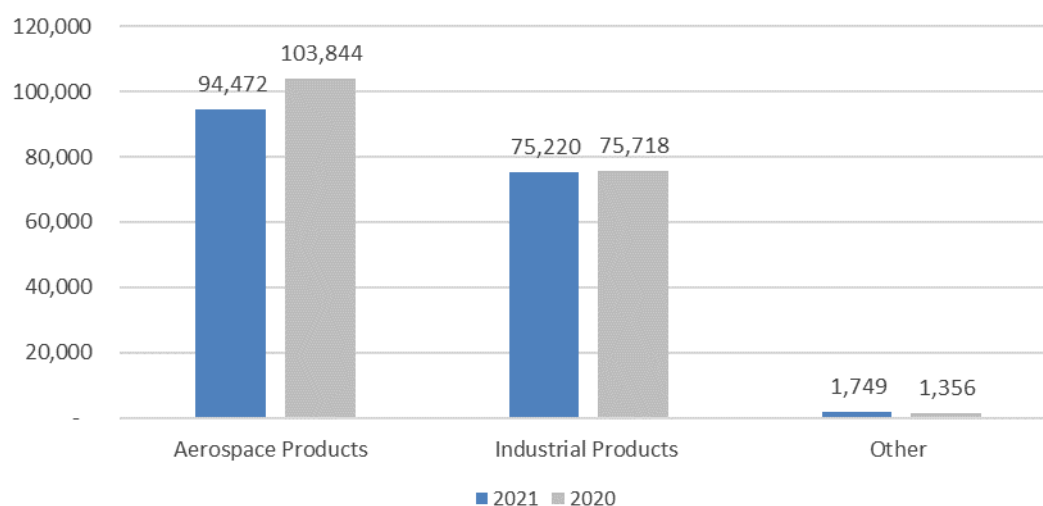
## Revenues

Revenues from sales and services in 2021 amounted to Euro 171,441 thousand, compared to Euro 180,918 thousand in 2020 (-5.2%). The value of production is Euro 172,751 thousand, compared to Euro 188,517 thousand in 2020 (-8.4%). The decrease in revenues is attributable to the effects of the COVID-19 pandemic, which resulted in a strong reduction in demand in the Aerospace sector.

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

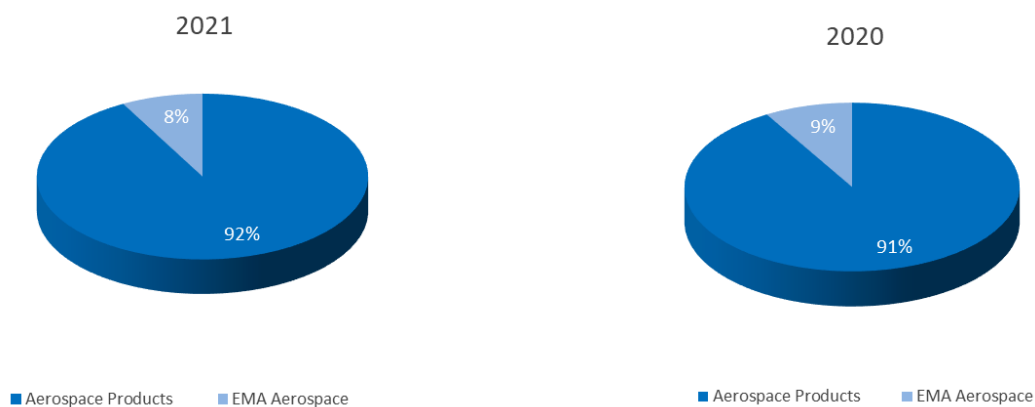
(in Euro thousands)	2021	2020	Change	Change %
Aerospace Products	94,472	103,844	(9,372)	-9.0%
Industrial Products	75,220	75,718	(498)	-0.7%
Others	1,749	1,356	393	29.0%
<b>TOTAL</b>	<b>171,441</b>	<b>180,918</b>	<b>(9,477)</b>	<b>-5.2%</b>

Revenue by business line



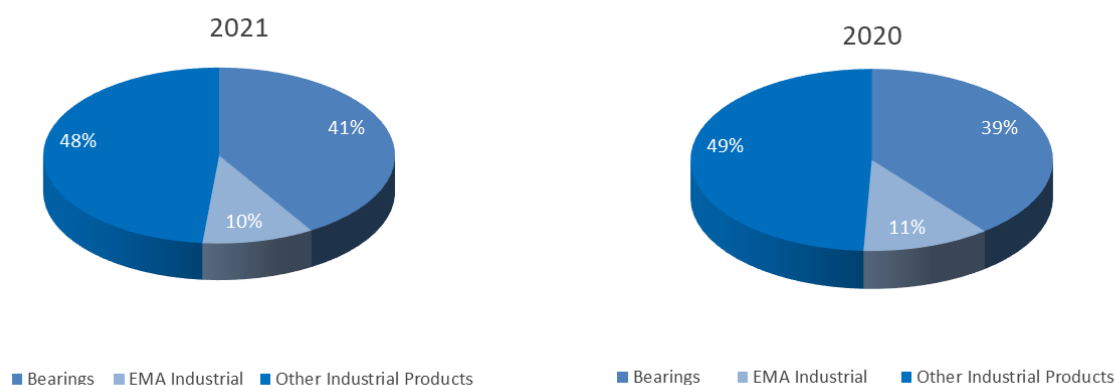
**Aerospace Line breakdown:**

(in Euro thousands)	2021	2020	Change	Change %
Aerospace Products	86,956	95,009	(8,053)	-8.5%
EMA Aerospace	7,516	8,835	(1,319)	-14.9%
<b>Total</b>	<b>94,472</b>	<b>103,844</b>	<b>(9,372)</b>	<b>-9.0%</b>



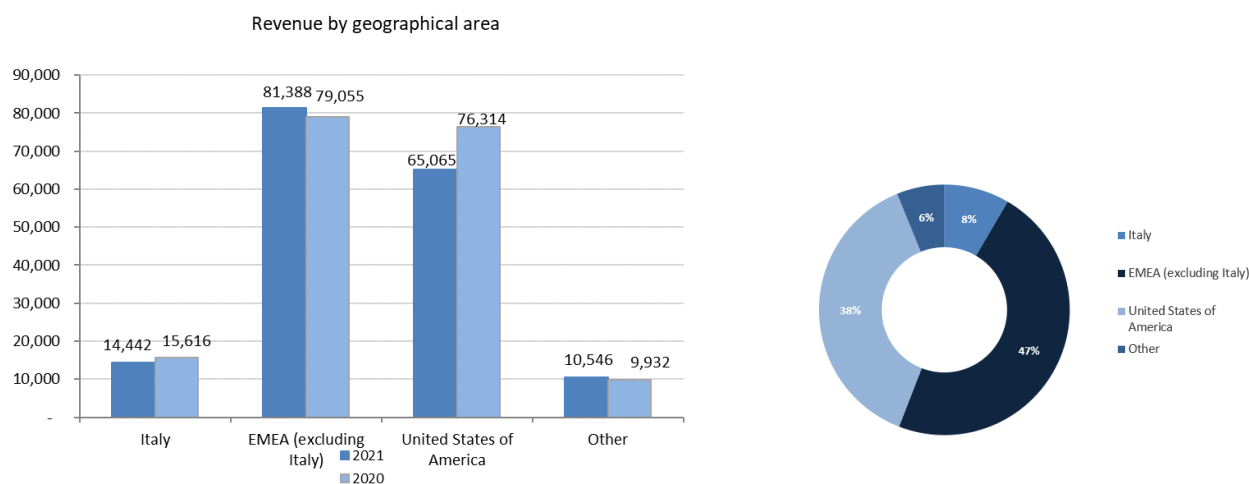
**Industrial Line breakdown:**

(in Euro thousands)	2021	2020	Change	Change %
Bearings	31,003	29,751	1,252	4.2%
EMA Industrial	7,749	8,661	(912)	-10.5%
Other Industrial Products	36,468	37,306	(838)	-2.2%
<b>Total</b>	<b>75,220</b>	<b>75,718</b>	<b>(498)</b>	<b>-0.7%</b>



### Sales by region

The table below outlines changes in sales by each area.



The EMEA (Europe, Middle East and Africa) region is the largest sales market, accounting for 47% of the total.

The area that saw the greatest contraction in revenues in 2021 was the United States, which fell 15% compared to 2020.

Italy - considered separately from the rest of Europe - also saw a contraction on the previous year (-8%).

For the breakdown of revenues from subsidiary 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)	2021	% Revenues	2020	% Revenues	Change	% Change
Raw Materials and Service costs	44,989	26.2%	54,825	30.3%	(9,836)	-17.9%
Rent, lease and similar costs	3,245	1.9%	4,478	2.5%	(1,233)	-27.5%
Personnel expenses	64,296	37.5%	68,686	38.0%	(4,390)	-6.4%
<b>Total operating costs</b>	<b>145,146</b>	<b>84.7%</b>	<b>163,037</b>	<b>90.1%</b>	<b>(17,891)</b>	<b>-11.0%</b>
Depreciation	12,478	7.3%	10,576	5.8%	1,902	18.0%
Provisions & write-downs	325	0.2%	1,294	0.7%	(969)	-74.9%

Against a 5.2% reduction in volumes, total **operating costs** decreased Euro 17,891 thousand on the previous year (-11.0%). Raw materials, ancillary and consumables decreased 17.9%, while services reduced 6.9%.

**Rent, lease and similar costs** decreased Euro 1,233 thousand (-27.5%).

**Personnel costs** totalled Euro 64,296 thousand (-6.4% on Euro 68,686 thousand in 2020). The revenue margin was 37.5%, slightly decreasing on 2020 (38.0%).

Personnel costs 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<sup>th</sup> month, a production bonus and, for senior positions, an MBO. All these remuneration items resulted in costs of Euro 3,745 thousand in 2021, accounting for 10.5% of total parent company personnel costs.

Personnel costs include also extraordinary costs, also concerning the parent company and regarding contract resolution agreements for Euro 2,254 thousand.

The parent company in 2021 utilised the COVID lay-off scheme for a total of 170,944 hours, compared to 204,003 hours in 2020.

**Amortisation and depreciation** totalled Euro 12,478 thousand, compared to Euro 10,576 thousand in the previous year (7.3% of Revenues - 5.8% in 2020). The increase in depreciation largely relates to the revaluation of property and equipment on the preparation of the 2020 financial statements of the parent company and of the subsidiary AMCO Srl, in accordance with Law No. 104/2020, with an impact of Euro 1,735 thousand.

The financial performance follows:

(in Euro thousands)	2021	% Revenues	2020	% Revenues	Change	Change %
Interest and other financial expenses	(1,252)	0.7%	(1,288)	0.7%	36	-2.8%
Other financial income/(charges)	167	-0.1%	163	-0.1%	4	2.5%
<b>Net financial charges</b>	<b>(1,085)</b>	<b>1.2%</b>	<b>(1,125)</b>	<b>1.2%</b>	<b>40</b>	<b>-3.6%</b>
<b>Exchange (Losses/Gains)</b>	<b>2,875</b>	<b>-3.3%</b>	<b>(3,699)</b>	<b>4.0%</b>	<b>6,574</b>	<b>-177.7%</b>
Adjust. to financial assets/liabilities	(877)	1.0%	377	-0.4%	(1,254)	-332.6%

**Net financial charges** in 2021 were Euro 1,085 thousand, of which financial charges of Euro 1,252 thousand and financial income of Euro 167 thousand.

**Net currency gains** totalled Euro 2,875 thousand and was mainly affected by adjustments to amounts in a foreign currency of the Parent Company at 31.12.2021 in the amount of Euro 1,872 thousand.

**Adjustments to financial assets** were negative for Euro 877 thousand and represented changes in the fair value of derivatives at 31.12.2021.

### Income taxes and net profit

The 2021 **net profit was Euro 15,759 thousand** (Euro 6,956 thousand in 2020, +126.6% on the previous year), after ordinary amortisation and depreciation of Euro 12,478 thousand (Euro 10,576 thousand in 2020) and **income taxes** (current and deferred) of Euro 3,984 thousand (Euro 849 thousand in 2020).

**EBIT** was Euro 10,862 thousand, contracting Euro 1,445 thousand (-11.7% on 2020).

Operating cash flow (Net Result, Amortisation and Depreciation and Provisions) were Euro 28,491 thousand, increasing on the previous year 51.5%.

The reclassified income statement follows:

(in Euro thousands)	2021	2020	Change	Cge %
Value of production	172,680	188,503	(15,823)	-8.4%
Consumables & external costs	84,790	95,654	(10,864)	-11.4%
Personnel costs	64,296	68,686	(4,390)	-6.4%
<b>% on value of production</b>	<b>37.2%</b>	<b>36.4%</b>	<b>0.8%</b>	
<b>EBITDA</b>	<b>23,594</b>	<b>24,163</b>	<b>(569)</b>	<b>-2.4%</b>
<b>% on value of production</b>	<b>13.7%</b>	<b>12.8%</b>	<b>0.8%</b>	
Write-downs & Provisions	254	1,280	(1,026)	-80.2%
Depreciation	12,478	10,576	1,902	18.0%
<b>Operating profit - EBIT</b>	<b>10,862</b>	<b>12,307</b>	<b>(1,445)</b>	<b>-11.7%</b>
<b>% on value of production</b>	<b>6.3%</b>	<b>6.5%</b>	<b>-0.2%</b>	
Financial income	167	163	4	2.5%
Financial charges	(1,252)	(1,288)	36	-2.8%
Exchange gains and losses	2,875	(3,699)	6,574	-177.7%
<b>Net financial charges</b>	<b>1,790</b>	<b>(4,824)</b>	<b>6,614</b>	<b>-137.1%</b>
<b>% on value of production</b>	<b>1.0%</b>	<b>-2.6%</b>	<b>3.6%</b>	
Adjustments to fin. asset/liability values	(877)	377	(1,254)	-332.6%
<b>% on value of production</b>	<b>-0.5%</b>	<b>0.2%</b>	<b>-0.7%</b>	
<b>Profit/(loss) before taxes</b>	<b>11,775</b>	<b>7,860</b>	<b>3,915</b>	<b>50%</b>
<b>% on value of production</b>	<b>6.8%</b>	<b>4.2%</b>	<b>2.6%</b>	
Income taxes	3,984	(849)	4,833	-569.3%
<b>Net profit for the year</b>	<b>15,759</b>	<b>7,011</b>	<b>8,748</b>	<b>124.8%</b>
<b>Minority interest result</b>	<b>-</b>	<b>(55)</b>	<b>55</b>	<b>-100.0%</b>
<b>Group Net Profit</b>	<b>15,759</b>	<b>6,956</b>	<b>8,803</b>	<b>126.6%</b>

The **Tax rate** reduced from 10.8% in 2020 to -33.8% in 2021. This stems from the Patent Box tax benefit obtained by the parent company. Net of this effect, the tax rate reduces however from 10.8% in 2020 to 8.9% in 2021.

	2021	2020	Change	Change %
Current income taxes	(1,440)	(3,759)	2,319	-62%
Taxes from previous year	5,033	66	4,967	7526%
Deferred tax liabilities	150	2,562	(2,412)	-94%
Income from tax consolidation	241	282	(41)	-15%
Total taxes	3,984	(849)	4,833	-569%
Result before taxes	11,775	7,860	3,915	50%
Tax rate	-33.8%	10.8%	-44.6%	

	2021	2020	Change	Cge. %
Total income taxes, excluding the Patent Box effect	1,049	849	200	23.5%
Tax Rate ADJ	8.9%	10.8%		

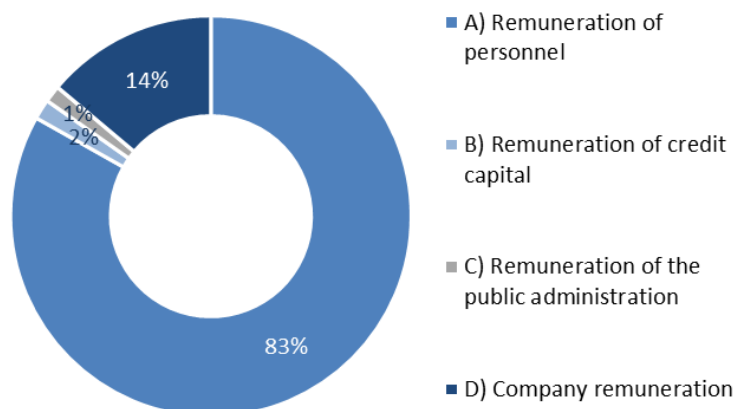
A further reclassification of the added value income statement for 2021 compared with the previous year is reported below, with a breakdown of the net global added value.

(in Euro thousands)	2021	2020	Change	Change %
Value of production	172,751	188,517	(15,766)	-8.4%
Costs	84,790	95,654	(10,864)	-11.4%
<b>Gross added value</b>	<b>87,961</b>	<b>92,863</b>	<b>(4,902)</b>	<b>-5.3%</b>
<b>Net added value</b>	<b>77,323</b>	<b>77,834</b>	<b>(511)</b>	<b>-0.7%</b>

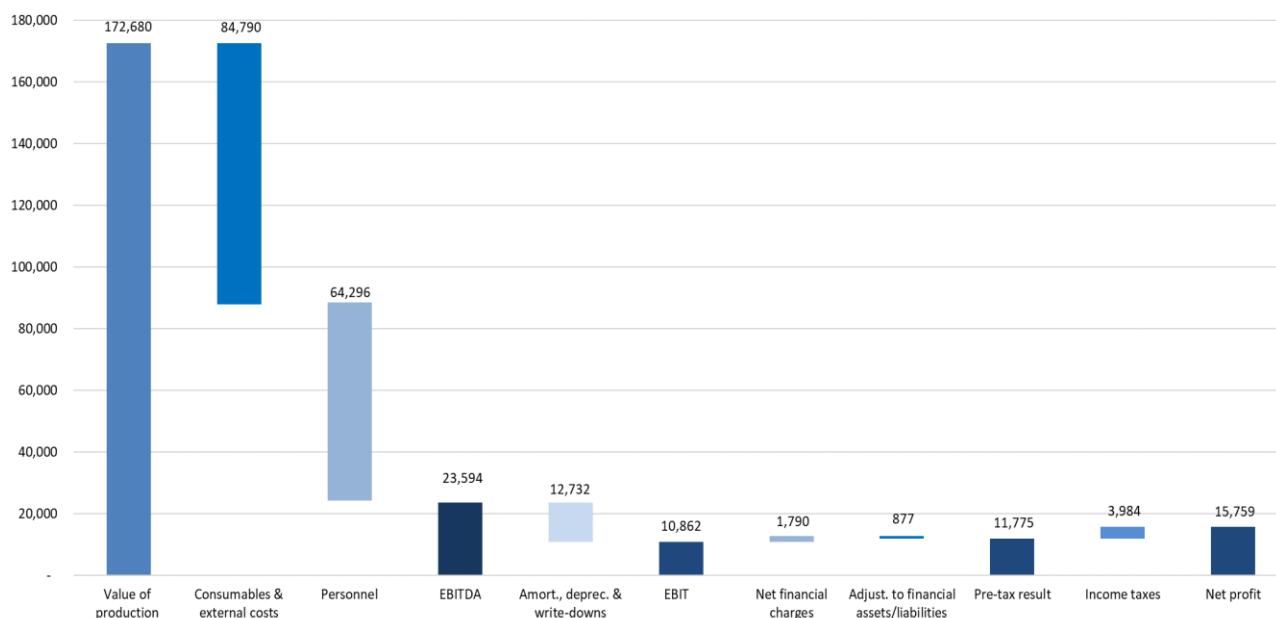
	2021	2020	Change	%
<b>Net added value</b>	<b>77,323</b>	<b>77,834</b>	<b>(511)</b>	<b>-0.7%</b>
A) Remuneration of personnel (Employee)	64,296	68,686	(4,390)	-6.4%
B) Remuneration of credit capital (financial charges)	1,252	1,288	(36)	-2.8%
C) Remuneration of the public administration (direct taxes)	1,049	849	200	23.6%
<b>E) Company remuneration</b>	<b>10,726</b>	<b>7,011</b>	<b>3,715</b>	<b>53.0%</b>
Patent Box benefit	5,033	-	5,033	N.C
<b>F) Company remuneration (including Patent Box Effect)</b>	<b>15,759</b>	<b>7,011</b>	<b>8,748</b>	<b>124.8%</b>

The wealth generated by the Group (excluding the effect of the Patent Box) is distributed among the following parties:

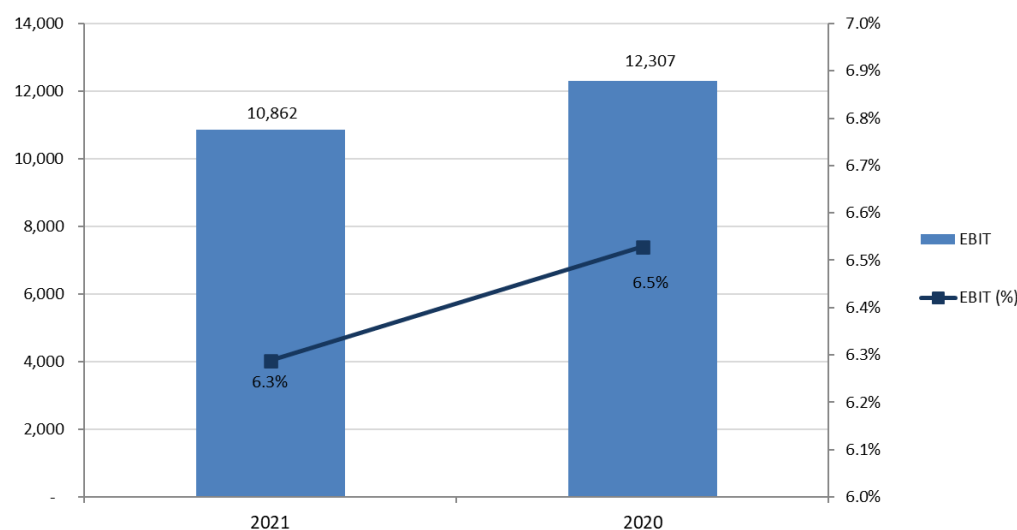
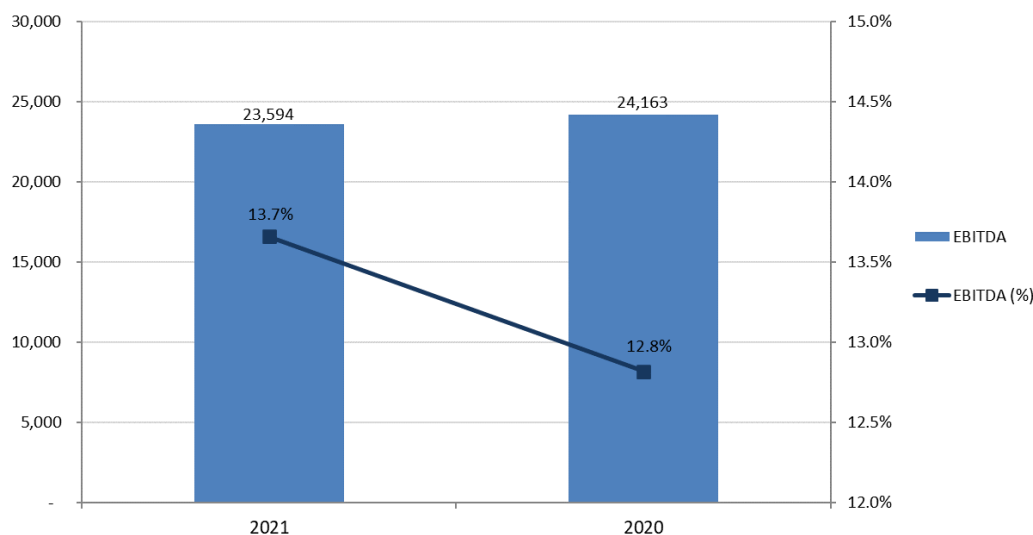
### Net global added value at December 31, 2021



The 2021 results are presented in the following graph (in Euro thousands):



Graph outlining the EBITDA and EBIT performance for 2020 and 2021, and as a percentage of the Value of Production.

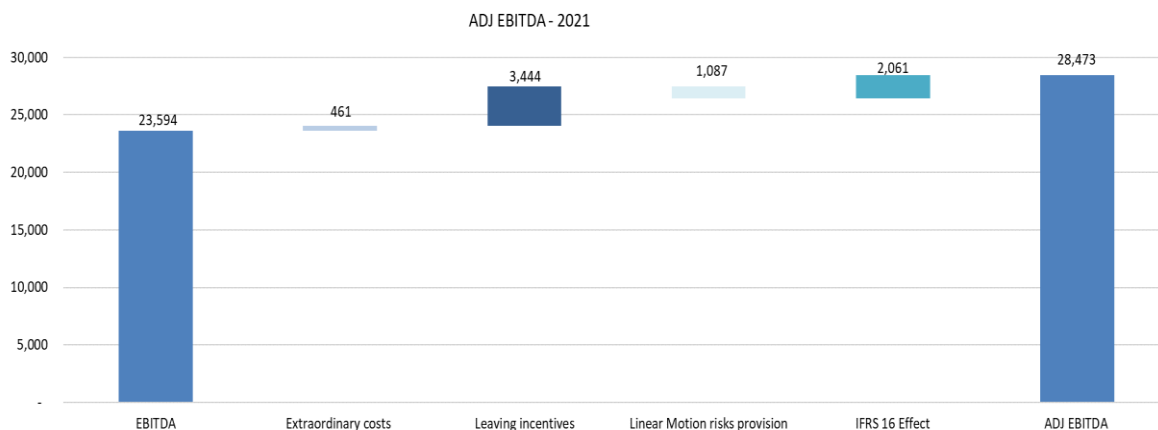


EBITDA in 2021 totalled Euro 23,594, decreasing Euro 569 on the previous year (-2.4%). Both 2020 and 2021 were heavily impacted by the pandemic and particularly the Aerospace sector. The decrease in revenues resulted in a lower absorption of fixed costs. EBIT was Euro 10,862, decreasing 11.7% on 2020.

### Adjusted EBITDA

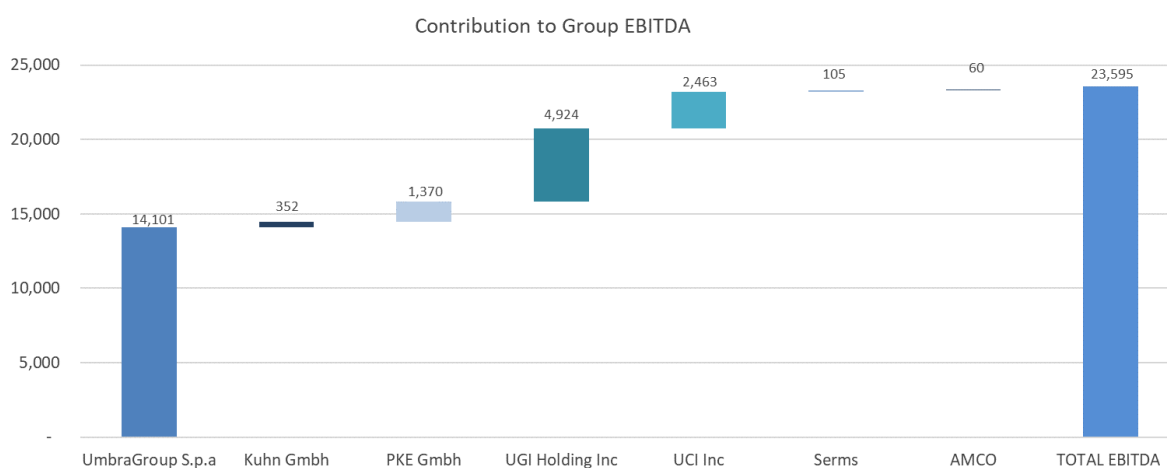
Adjusted EBITDA for 2021 is presented below, compared with the previous year and excluding other extraordinary or non-recurring charges and income i.e. significant or exceptional events outside of core business operations.

	2021	2020	Delta	Change %
<b>EBITDA</b>	<b>23,594</b>	<b>24,163</b>	<b>-569</b>	<b>-2.35%</b>
<i>% EBITDA on Total Revenues</i>	<i>13.76%</i>	<i>13.36%</i>	<i>0.4%</i>	
Extraordinary costs	461	1,313	(852)	-65%
Leaving incentives	3,444	2,532	912	36%
Release Linear Motion risks provision	(1,087)	(1,337)	250	-19%
IFRS 16 Effect	2,061	2,115	(54)	-3%
<b>ADJ EBITDA</b>	<b>28,473</b>	<b>28,786</b>	<b>-313</b>	<b>-1.1%</b>
<i>% Adj EBITDA on Total Revenues</i>	<i>16.61%</i>	<i>15.91%</i>	<i>0.7%</i>	



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			
	2021	%	2020	%	2021	%	2020	%
UMBRAGROUP S.p.A.	14,101	<b>60.3%</b>	16,467	<b>99.6%</b>	6,742	<b>62.6%</b>	8,565	<b>119.4%</b>
Umbra Cuscinetti Inc.	2,463	<b>10.5%</b>	(2,793)	<b>-19.8%</b>	980	<b>9.1%</b>	(4,515)	<b>-36.1%</b>
UGI Holding Inc.	4,924	<b>21.1%</b>	8,079	<b>5.3%</b>	2,625	<b>24.4%</b>	6,208	<b>0.6%</b>
Kuhn GmbH	352	<b>1.5%</b>	734	<b>4.5%</b>	(59)	<b>-0.5%</b>	293	<b>5.3%</b>
PKE GmbH	1,370	<b>5.9%</b>	2,023	<b>6.1%</b>	856	<b>7.9%</b>	1,594	<b>7.1%</b>
AMCO S.r.l	60	<b>0.3%</b>	(143)	<b>3.5%</b>	(337)	<b>-3.1%</b>	(494)	<b>2.5%</b>
Serms S.r.l	105	<b>0.4%</b>	202	<b>0.9%</b>	(31)	<b>-0.3%</b>	162	<b>1.2%</b>
<b>Total</b>	<b>23,375</b>	<b>100%</b>	<b>24,569</b>	<b>100%</b>	<b>10,776</b>	<b>100%</b>	<b>11,813</b>	<b>100%</b>
Eliminations	(220)		406		87		494	
<b>Consolidated result</b>	<b>23,595</b>		<b>24,163</b>		<b>10,863</b>		<b>12,307</b>	



The performance is summarised by the following indicators:

	2021	2020
ROE	10.2%	5.0%
ROS	6.3%	6.8%
ROI	3.8%	4.5%
ROACE	9.5%	11.1%
<b>EBITDA Margin (EBITDA/Revenues)</b>	<b>13.8%</b>	<b>13.4%</b>
<b>Adj EBITDA Margin (Adj EBITDA/Revenues)</b>	<b>16.6%</b>	<b>15.9%</b>

The ROE (Return on Equity) is the ratio between the net result (NR) and the closing net equity (NE).

The ROS (Return on sales) is the ratio between the 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 and leasing costs.

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

The Adjusted Group Net Profit increased by Euro 2,966 thousand - from Euro 10,680 thousand to Euro 13,646 thousand.

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

(in Euro thousands)	2021	2020
Net Profit	15,759	6,956
Patent Box benefit	(5,033)	-
Provision for risks and charges	102	1,216
Leaving incentives	3,444	2,532
Extraordinary costs	461	1,313
Linear Motion Fund	(1,087)	(1,337)
<b>Adj. Net Profit</b>	<b>13,646</b>	<b>10,680</b>

### Equity and Net debt

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

Assets (in Euro thousands)	2021	2020
Liquid assets	213,078	195,336
- Current liquidity	121,218	104,279
- Trade receivables	22,752	18,923
- Other Equity Investments	270	-
- Other Receivables	19,926	15,994
- Final inventories	48,912	56,140
Fixed assets	69,152	75,857
- Intangible assets	3,963	4,438
- Property, plant & equipment	65,042	71,267
- Financial assets	147	152

<b>Capital Employed</b>	<b>282,230</b>	<b>271,193</b>
<b>Liabilities (in Euro thousands)</b>	<b>2021</b>	<b>2020</b>
Short-term trade payables	21,467	22,299
Other payables	17,042	17,963
Payables to holding companies	-	1,174
Short-term financial payables	16,240	15,053
Medium/Long-term financial payables	63,601	63,680
Post-Employment Benefit Provision and Provisions for Risks and Charges	10,123	9,991
Own funds	153,757	140,676
Minority interest capital and reserves	-	357
<b>Sources of Capital Employed</b>	<b>282,230</b>	<b>271,193</b>

Compared to December 31, 2020, **Capital employed** increased Euro 10,767 thousand (+4%). The accounts reporting the greatest changes were:

- **Fixed assets:** the account decreased by Euro 6,705 thousand due to amortisation and depreciation exceeding investments.
- **Inventories:** the item stood at Euro 48,912 thousand, decreasing Euro 7,228 thousand (-12.9%) on 2020. Inventories account for 28.5% of revenues, decreasing on 31.3% in 2020.
- **Trade receivables:** amounted to Euro 22,752 thousand, accounting for 13.3% of revenues in 2021 - increasing on 10.5% in 2020.
- **Other receivables:** the account increased by Euro 3,932 thousand, mainly due to the recognition of the receivable of the parent company from the holding company under the tax consolidation with Poliscom S.r.l. This balance reflects the signing of the Patent Box agreement with the Tax Agency.
- **Post-Employment Benefit Provision and Provisions for Risks and Charges:** the account increased by Euro 132 thousand. With regards to the parent company, the Provision for Risks and Charges increased by Euro 1,287 thousand, mainly as a result of the following: (i) an accrual of Euro 2,117 thousand for the estimate of the Long-Term Incentives matured by top managers, and personnel bonuses matured in the year; (ii) the payment of Euro 1,500 thousand for the settlement of a commercial dispute with the customer EPI; and (iii) the recognition of the fair value of the derivative financial instrument liabilities for Euro 503 thousand. With regards to the subsidiaries, again in 2021 a portion of the Future Losses Provision of Linear Motion LLC was released for Euro 1,087 thousand.
- **Short-term trade payables:** the account decreased Euro 832 thousand on the previous year, mainly due to lower volumes of activity.
- **Financial payables:** the account increased in terms of the short-term payables. In 2021, the parent company drew down new loans for Euro 15.5 million.
- **Shareholders' Equity:** the account increased by Euro 13,081 thousand, mainly reflecting the net profit for the year, the payment of dividends for Euro 3,000 thousand and the purchase of treasury shares for Euro 1,357 thousand.

The rotation indexes are shown below:

	2021	2020
Trade receivables days outstanding ( <i>trade receivables / net revenues *365</i> )	55	39
Trade payables days outstanding ( <i>trade payables / purchase of goods and services * 365</i> )	95	85
Inventory rotation days ( <i>final inventories / total consumables * 365</i> )	293	295

The **Net debt** in 2021 of Euro 41,377 thousand improved on Euro 16,213 thousand (+64.4%) at the end of 2020.

Description	31/12/2021	31/12/2020
Cash and cash equivalents	(121,218)	(103,898)
Current loans and borrowings	16,187	14,278
Payables to other lenders	53	775
<b>Current net debt</b>	<b>(104,978)</b>	<b>(88,845)</b>
Non-current loans and borrowings	63,302	63,328
Payables to other lenders	299	353
<b>Medium/long-term net debt</b>	<b>63,601</b>	<b>63,681</b>
<b>Total</b>	<b>(41,377)</b>	<b>(25,165)</b>
Lease Payable	5,141	7,015
<b>Adjusted net debt</b>	<b>(36,236)</b>	<b>(18,150)</b>

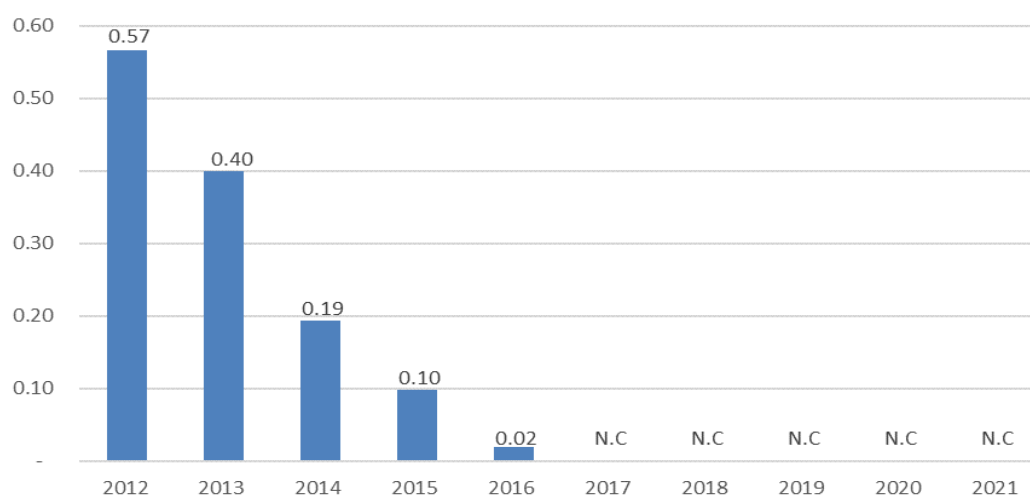
Cash and cash equivalents increased by Euro 17,320 thousand, and it should be noted that the balance of Euro 121,218 thousand includes Euro 10,000 thousand in savings bonds maturing on January 31, 2022 underwritten by the Parent Company.

Bank payables (current and non-current) at December 31, 2021 amounted to Euro 79,489 thousand (Euro 77,606 thousand in 2020), increasing Euro 1,883 thousand on the previous year; this followed, in addition to the repayment of outstanding loans, the issue of new loans totalling Euro 15,500 thousand in 2021.

Other lenders includes the loans at subsidised rates related to R&D projects.

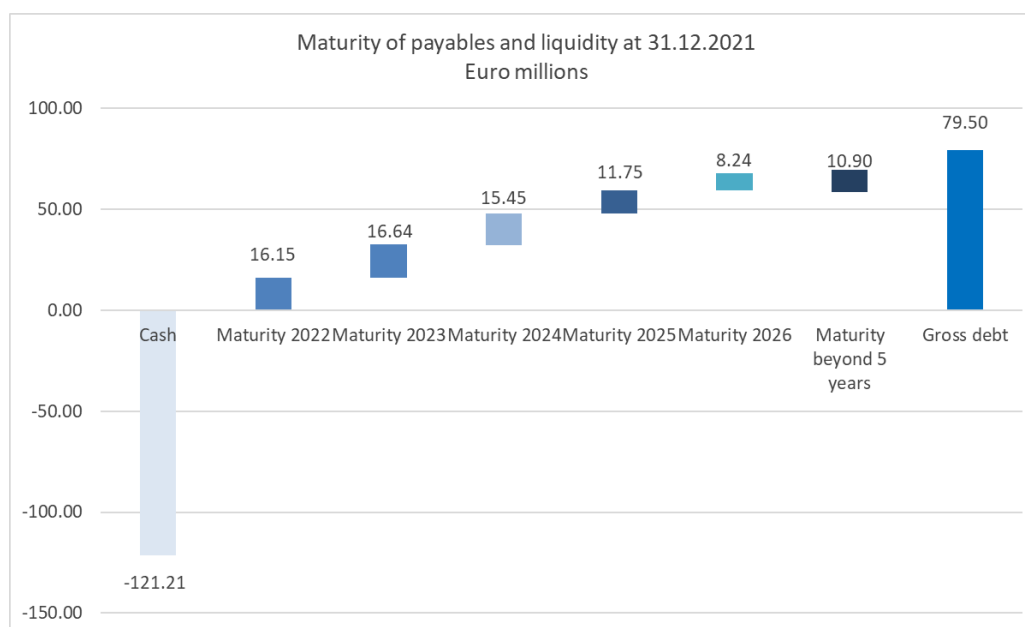
The movement in the Net debt and of Equity over the last ten years is presented below:

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net debt	25,631	19,220	10,649	5,768	1,306	(5,127)	(25,165)	(16,989)	(25,165)	(41,377)
Equity	45,205	48,045	55,038	58,791	68,852	79,767	101,786	122,021	140,676	153,757
	0.57	0.40	0.19	0.10	0.02	N.C	N.C	N.C	N.C	N.C

**Net debt/Equity**


The Net debt/Equity indicator (Net debt on Shareholders' Equity) was not calculable in 2021 given the positive Net debt.

Cash and cash equivalents and financial payables by maturity are respectively presented at December 31, 2021:



The equity and financial profile of the Group with the relative changes is reported below:

Statement of Net Debt	2021	2020	Changes
Net trade receivables	22,752	18,923	3,829
Other receivables	19,926	15,994	3,932
Inventories	48,912	56,140	(7,228)
Current financial assets	270	381	(111)
Current non-financial liabilities	(38,509)	(41,437)	2,928
<b>A) Net Working Capital</b>	<b>53,351</b>	<b>50,001</b>	<b>3,350</b>
Receivables beyond 12 months	9	54	(45)
Investments	138	99	39
Financial Instruments - Assets	-	-	-
Intangible assets	3,963	4,438	(475)

Property, plant and equipment	65,042	71,267	(6,225)
Long-term non-financial liabilities	-	-	-
B) Net Fixed Assets	69,152	75,858	(6,706)
C) Post-employment benefit provision	(3,435)	(3,503)	68
D) Provisions for risks and charges	(6,688)	(6,488)	(200)
<b>E) Capital employed net of current liabilities (A+B+C+D)</b>	<b>112,380</b>	<b>115,868</b>	<b>(3,488)</b>
Financed by:			
Financial payables - short-term	16,240	15,053	1,187
Financial payables – Medium-term	63,601	63,680	(79)
Cash and cash equivalents	(121,218)	(103,898)	(17,320)
F) Net debt	(41,377)	(25,165)	(16,212)
H) Shareholders' Equity	153,757	141,033	12,724
I) Total (F+H) as in E	112,380	115,868	(3,488)

The movement concerns:			
(Funding)/Liquidity generated by:			
Change in net working capital			(3,350)
Change in Net Fixed Assets			6,706
Change in M/LT non-financial liabilities, Tax provision			132
Sub-total			3,488
Change in shareholders' equity			12,724
Total			16,212

**Net Working Capital** at December 31, 2021 increased Euro 3,350 thousand (+6.7% on 2020).

**Net Fixed Assets** decreased Euro 6,706 thousand in view of that outlined above.

**Net Working Capital** at December 31, 2021 totalled Euro 112,380 thousand, decreasing Euro 3,488 thousand (-3.0% on 2020), mainly due to the reduction in net fixed assets (Euro 6,706 thousand), only partially offset by the increase in net working capital (Euro 3,350 thousand).

**Shareholders Equity** reflects the earnings for the year and the revaluation described above.

For further details, reference should be made to the Explanatory Notes.

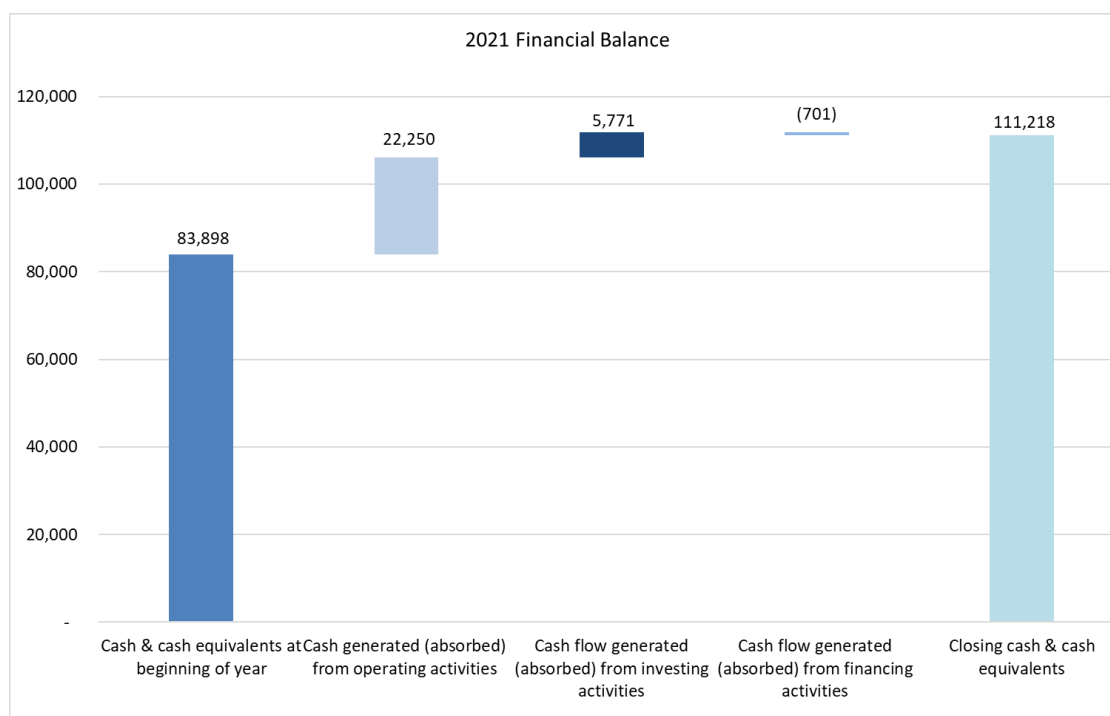
The main Cash Flow statement items follow.

	2021	2020
<i>Cash &amp; cash equivalents at beginning of year</i>	83,898	77,667
A) Cash generated (absorbed) from operating activities	22,250	18,690
B) Cash flow generated (absorbed) from investing activities	5,771	(26,217)
C) Cash flow generated (absorbed) from financing activities	(701)	13,758
<i>Change in cash and cash equivalents</i>	27,320	6,231
<b>Cash &amp; cash equivalents at end of year</b>	<b>111,218</b>	<b>83,898</b>

**Operating activities** - Operating cash flows of Euro 22,250 thousand were generated in 2021 (Euro 18,690 thousand in 2020) and represent the cash generated by operating activities net of adjustment for non-monetary items and changes in net working capital.

**Investing activities** - Cash of Euro 5,771 thousand was generated by investing activities (Euro 26,217 thousand absorbed in the previous year). The account considers the investments in Capex in the year and the release of the time deposit investment for Euro 10,000 thousand, related to the use of cash and cash equivalents.

**Financing activities** - Cash of Euro 701 thousand was absorbed by financing activities in 2021, compared to a generation of cash totalling Euro 13,758 thousand in 2020. Financing activities represent both the change in long-term financial liabilities and the changes in equity, including the change related to the treasury share reserve and the translation reserve.



The balance sheet is summarised by the following financial and equity indicators:

(in Euro thousands)	2021	2020
Total Payables	115,817	116,573
Current Assets	211,677	193,874
Current ratio	3.11	2.60
Liquidity ratio	4.04	3.66
<b>Net debt</b>	<b>(41,377)</b>	<b>(25,165)</b>
Equity	153,757	141,033
Shareholders' Equity / Total Assets	0.54	0.52
Net Debt / NE	N.C	N.C
Debt ratio	0.80	0.89
Net debt / EBITDA	N.C	N.C
<b>EBITDA/Net interest</b>	<b>18.85</b>	<b>18.76</b>

**The current ratio**, calculated as the ratio between current assets excluding inventory and current liabilities, is 3.11 (up on 2020). The acid-test ratio, calculated as the ratio between current assets and current liabilities, is 4.04 (up on 2020).

The **debt ratio** is the ratio between Net Capital Employed (gross of provisions) and Net Equity and shows the amount of investment made against the capital conferred (Net Equity). The debt ratio reduced on the previous year.

**The NFP/Shareholders' Equity ratio**, calculated as the ratio between the net debt at year-end and total Shareholders' Equity, was not calculable due to the positive NFP. Similarly, the **Net debt/EBITDA** ratio, calculated as the ratio between the Net debt and EBITDA, is influenced by the positive Net debt and is therefore not calculable.

## Investments

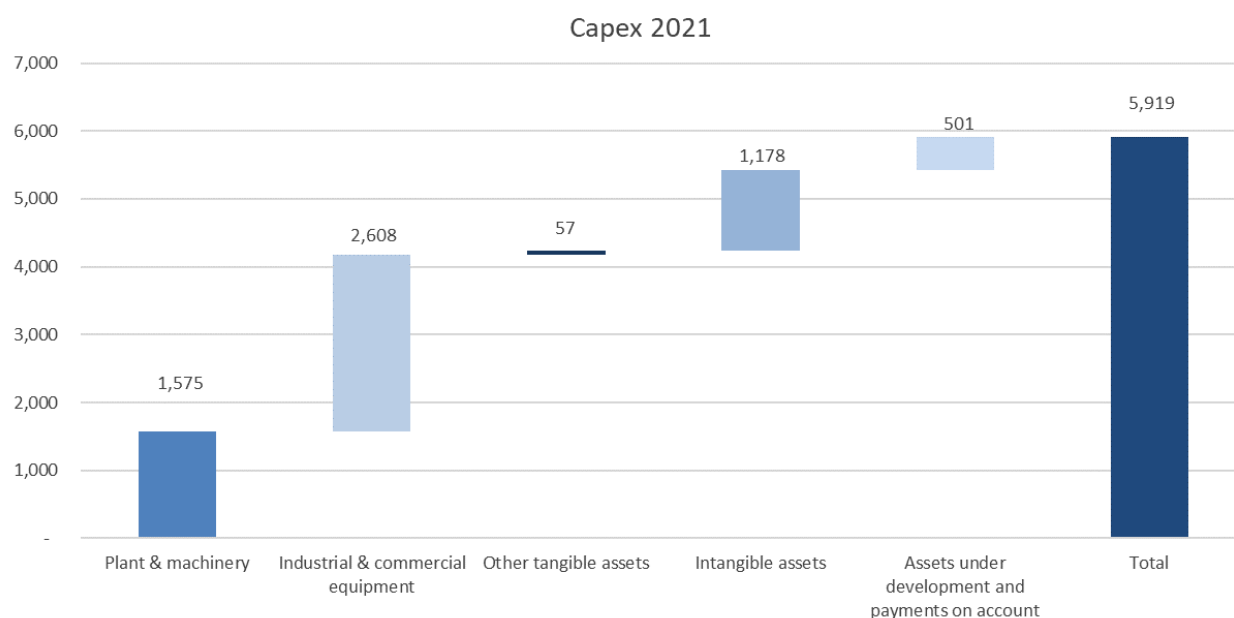
Investments totalling Euro 5,919 thousand (-25.1% on 2020) were made in the year.

The areas of investment were as follows:

(Euro thousands)

Intangible assets	2021	2020
Development costs	258	-
Software licenses	-	1,454
Industrial patents & intellectual property rights	360	-
Goodwill	494	-
Work in progress & advance payments	143	336
Other fixed assets	66	100
	<b>1,321</b>	<b>1,890</b>

Property, plant and equipment	2021	2020
Land & buildings	57	1,277
Plant & machinery	1,575	3,017
Industrial & commercial equipment	2,608	1,378
Other assets	-	38
Assets under development and payments on account	358	301
	<b>4,598</b>	<b>6,011</b>



The Group continues its investment strategy, although in a selective manner and prudently in view of the impacts of the pandemic on business development, in order to ensure that its production structure is fully efficient and technologically cutting-edge. Investments in information systems and in digitalisation are of increasing importance as they are essential to the innovation process.

The movements in Intangible and Tangible Assets are reported upon in the Explanatory Notes.

## Human Resources and Organisation

In 2021, UMBRA GROUP put in place, in all facilities throughout the Group, adequate human resource management mechanisms to ensure an effective, efficient response to the continuation of the pandemic, which led to a decline in production volumes.

More specifically, 2021 featured:

- Maintaining flexibility through the "Smart Work" tool;
- A reduction in the workforce, which concerned all companies of the Group;
- A reduction in the use of temporary workers in production;
- The use of specific social safety nets made available by the governments of various nations in relation to direct and indirect production personnel and staff positions;
- Consistent use of vacation days, including the utilisation of unused holidays from the previous year;
- The Group-wide agreement to provide a Seniority Premium;
- The transition to the new attendance and payroll system at Kuhn GmbH.

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	2020	2021
Italy	822	721
of whom temporary	72	2
Rest of Europe	148	144
of whom temporary	2	-
North America	222	201
of whom temporary	10	-
Asia	-	-
South America	-	-
Oceania	-	-
<b>Total</b>	<b>1,192</b>	<b>1,066</b>

**Employees by company** (including temporary workers)

	2020			2021		
	Male	Female	Total	Male	Female	Total
UmbraGroup Spa	705	42	747	632	42	674
Amco Srl	67	4	71	42	1	43
Serms Srl	3	1	4	3	1	4
Pke GmbH	101	6	107	99	8	107
Kuhn GmbH	33	8	41	30	7	37
Linear Motion LLC	128	21	149	123	21	144
Umbra Cuscinetti Inc	57	16	73	48	9	57
<b>UMBRAGROUP</b>	<b>1,094</b>	<b>98</b>	<b>1,192</b>	<b>977</b>	<b>89</b>	<b>1,066</b>

**Employees by company and category** (including temporary workers)

GROUP	2020			2021		
	Male	Female	Total	Male	Female	Total
Executives	22	2	24	25	1	26
Managers	41	9	50	40	8	48
White-collar	249	58	307	255	57	312
Blue-collar	782	29	811	657	23	680
<b>TOTAL</b>	<b>1,094</b>	<b>98</b>	<b>1,192</b>	<b>977</b>	<b>89</b>	<b>1,066</b>

UMBRAGROUP S.p.A.	2020			2021		
	Male	Female	Total	Male	Female	Total
Executives	9	2	11	9	1	10
Managers	12	2	14	12	2	14

White-collar	196	30	226	188	32	220
Blue-collar	488	8	496	423	7	430
<b>TOTAL</b>	<b>705</b>	<b>42</b>	<b>747</b>	<b>632</b>	<b>42</b>	<b>674</b>

AMCO S.r.l.	2020			2021		
	Male	Female	Total	Male	Female	Total
Executives	-	-	-	-	-	-
Managers	-	-	-	-	-	-
White-collar	8	1	9	6	-	6
Blue-collar	59	3	62	36	1	37
<b>TOTAL</b>	<b>67</b>	<b>4</b>	<b>71</b>	<b>42</b>	<b>1</b>	<b>43</b>

SERMS S.r.l.	2020			2021		
	Male	Female	Total	Male	Female	Total
Executives	-	-	-	-	-	-
Managers	1	-	1	1	-	1
White-collar	2	1	3	2	1	3
Blue-collar	-	-	-	-	-	-
<b>TOTAL</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>4</b>

PKE GmbH	2020			2021		
	Male	Female	Total	Male	Female	Total
Executives	3	0	3	3	0	3
Managers	9	1	10	10	1	11
White-collar	4	2	6	4	3	7
Blue-collar	85	3	88	82	4	86
<b>TOTAL</b>	<b>101</b>	<b>6</b>	<b>107</b>	<b>99</b>	<b>8</b>	<b>107</b>

KUHN GmbH	2020			2021		
	Male	Female	Total	Male	Female	Total
Executives	1	0	1	1	0	1
Managers	0	0	0	4	1	5
White-collar	6	4	10	3	3	6
Blue-collar	26	4	30	22	3	25
<b>TOTAL</b>	<b>33</b>	<b>8</b>	<b>41</b>	<b>30</b>	<b>7</b>	<b>37</b>

Linear Motion LLC	2020			2021		
	Male	Female	Total	Male	Female	Total
Executives	7	0	7	8	0	8
Managers	13	4	17	8	3	11
White-collar	23	10	33	35	12	47
Blue-collar	85	7	92	72	6	78
<b>TOTAL</b>	<b>128</b>	<b>21</b>	<b>149</b>	<b>123</b>	<b>21</b>	<b>144</b>

Umbra Cuscinetti Inc.	2020			2021		
	Male	Female	Total	Male	Female	Total
Executives	2	0	2	4	0	4
Managers	6	2	8	5	1	6
White-collar	10	10	20	17	6	23

Blue-collar	39	4	43	22	2	24
<b>TOTAL</b>	<b>57</b>	<b>16</b>	<b>73</b>	<b>48</b>	<b>9</b>	<b>57</b>

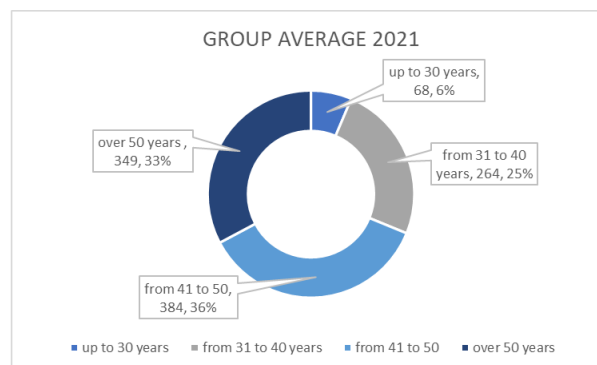
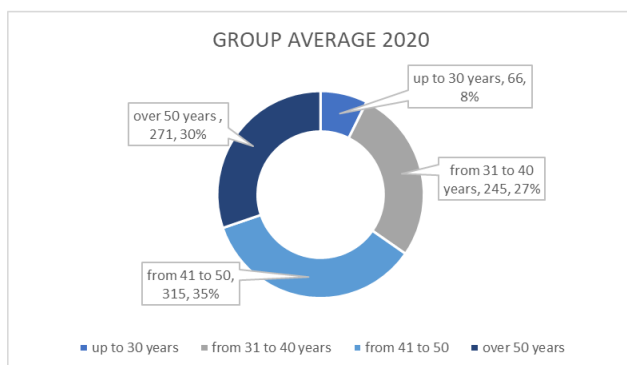
**Female**

	2020	2021
% female board members	33%	33%
% female Executives	0.18%	0.38%
% female employees	8.2%	8.4%

**Age of employees - 2021 figure** (Data below does not include temporary workers)

	UGS S.p.A.	AMCO S.r.l.	SERMS S.r.l.	PKE GmbH	KUHN GmbH	Linear Motion LLC	Umbra Cuscinetti Inc.	Total
≤ 30 years	20	8	2	23	8	5	2	68
from 31 to 40 years	172	20	-	24	10	20	18	264
from 41 to 50 years	272	12	2	18	7	51	22	384
over 50 years	208	3	-	42	12	68	15	348
<b>Total</b>	<b>672</b>	<b>43</b>	<b>4</b>	<b>107</b>	<b>37</b>	<b>144</b>	<b>57</b>	<b>1,064</b>

**Employees age - Group average**



**Contract type, internal mobility and turnover - 2021 Figures**

	UGS SpA	Amco Srl	Serms Srl	PKE GmbH	Kuhn GmbH	Linear Motion LLC	Umbra Cuscinetti Inc.
Permanent employees	670	43	4	98	35	143	56
Temporary employees	2	-	-	9	2	1	1
Employees Full time	658	42	4	104	35	142	56
Employees Part time	14	1	-	3	2	2	1
Number of hires	9	-	-	7	4	26	13
Number of departures	36	4	-	6	8	30	19
Employees with career	2	-	3	1	-	-	5

advancement							
Turnover rate (%)	7%	9%	0%	13%	32%	21%	30%
Temporary	2	-	-	-	-	-	-

### 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.

GROUP	2020			2021		
	Male	Female	Total	Male	Female	Total
University or post-graduate	97	30	128	88	31	119
Secondary-school diploma	454	18	472	424	16	440
Middle-school diploma	284	8	292	288	10	298
Elementary school diploma	4	1	5	4	2	6

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

### Training

The continuation of the health emergency in 2021 resulted in a decrease in the number of training hours that can be delivered. The Group carried out the mandatory training activities, in addition to all those necessary to ensure full operational continuity such as maintaining and acquiring technical certification to ensure business continuity.

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.

	2020	2021
Average hours of training per capita	7	13
Average hours of training per capita female	11	10
Training costs (Euro million)	0.268	0.30

### Company welfare

For 2021, UMBRAGROUP 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.

### Remote Working Project

In 2020, with the outbreak of the COVID-19 pandemic, UMBRAGROUP was quick to implement procedures for remote work throughout the Group in accordance with local legislation.

Remote working continued throughout 2021. The excellent results in terms of productivity and efficiency, as well as of the overall well-being of the employees concerned, has led UMBRAGROUP to consider remote working as a structural approach to work even after the pandemic in order to balance remote and in-person work.

The company maximised remote working for all compatible positions.

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

1. 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. This is the synthesis of optimal work-life balance.
2. 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.
3. 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.

It should be noted that, in 2021, the Group also, where applicable, took advantage of all mechanisms provided by local governments to mitigate the impact of the worsening global economic landscape brought about by the pandemic. These measures mainly included:

- the U.S. Paycheck Protection Program (PPP), largely in the form of a grant and with a small portion of low-interest financing received by the U.S. affiliate Umbra Cuscinetti Inc. for a total of USD 1,504 thousand (USD 1,369 thousand as a grant) against the guarantee of maintaining employment levels despite contracting business volumes;
- the Employee Retention Credit (ERC) in the amount of USD 861 thousand, also received by Umbra Cuscinetti Inc. as a partial reimbursement of employment taxes and withholdings;

national and regional stimulus for a total of EUR 220 thousand received by Kuhn GmbH as a small business operating in one of the industries that the German government classified as being the hardest hit by the effects of the pandemic.

## Social responsibility

### Sponsorships

The COVID-19 pandemic continued to affect the markets and business performance in 2021, which impacted existing sponsorship agreements. Nonetheless, in accordance with in-house guidelines, UmbraGroup wanted to continue supporting projects that best embody the Company’s core values of respect, ethics, and the social and cultural growth of our communities.

First and foremost, this means sports at all levels. Alongside a proper diet, sports promote physical and emotional wellbeing and even help to improve performance at work. We promote sports as a means of improving the quality of life and, in the case of outdoor sports, also of appreciating the natural beauty of our communities. Therefore, we have continued to support the athletic organisations in our communities, which have continued to be severely impacted by COVID-19, both in terms of practicing their sports and complying with applicable safety laws and regulations.

Our partnership has been renewed with ASD Cannara, with the organisation’s football school and the important role it plays within the local community promoting the value of sport among young people, together with opportunities for fun and a bit of healthy competition. Another lesser football-related sponsorship has been granted to ASD Spello.

After the postponement of the Summer Olympics, we extended our contract with the Italian fencing champion Andrea Santarelli, looking forward to the Tokyo Olympics, one of the greatest milestones of an athlete’s career. With a view to strengthening our brand, we confirmed our sponsorship of Sir Safety Volleyball out of Perugia, an excellent team locally, nationally and internationally.

Of note among the lesser initiatives is the sponsorship of Avanti Tutta (lit. "Full Steam Ahead") for Avanti Tutta Days, an event to promote good health, healthy competition, and friendship through sports and a healthy lifestyle at every age.

Another local initiative includes our renewed sponsorship of Atletica Winner in recognition of the role the organisation plays in promoting sport at all levels (whether amateur or professional), with a particular emphasis on running.

In short, 2021 has been all about our corporate slogan "Sport is life", an expression of how sports are fertile ground for core values such as friendship, mutual respect, and teamwork. Our sponsorships for the year totalled Euro 95,000.

### Charitable donations

In line with the FIRST business values, UmbraGroup continues to clearly indicate to the wider community that it wishes to operate as an "us" enterprise, which is capable of generating wealth for its distribution even to the neediest. Again in 2021, our most important donation, aimed at promoting social development under the common denominator of mutual respect, was our contribution to the Valter Baldaccini Foundation to support the local and international projects.

The foundation continues to promote the values, actions, and worldview of our founder, Valter Baldaccini, which emphasise the contribution of the individual and promote social, intellectual and cultural growth and improvement of the social fabric locally, nationally and internationally.

An important gesture for the local community was our contribution to Skyfitness for a new installation in 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. The park is a place that can be enjoyed by all, from young children to grown adults, and by athletes and fitness buffs of all skill levels, as it helps promote sport within our broader community, free of charge and with cutting-edge equipment. That the park is used every day and year round testifies to how this gesture is being so well received by the community. At UmbraGroup, we are proud that the park is now one of Italy's largest outdoor fitness facilities.

Other donations included our support of Telethon for their research projects.

Donations given totalled Euro 101,000, of which Euro 31,000 for the various initiatives described above and Euro 70,000 to the Valter Baldaccini Foundation.

### Valter Baldaccini Foundation

Project	Cost in Euro
Valter Baldaccini Foundation	70,000
<b>TOTAL</b>	<b>70,000</b>

Again in 2021, the UMBRAGROUP was committed to supporting the local and international communities through important donations to support the projects of the Valter Baldaccini Foundation.

UMBRA GROUP is a founding member of the foundation and is its largest donor. Our support has, again this year, enabled the foundation to pursue a range of projects in the three key areas of its mission: *family, education, and career*. In 2021, the Valter Baldaccini Foundation overall undertook twelve projects, five in Italy and seven internationally, of which one in America, two in Europe and four in Africa.

The Con le Famiglie (With the Family) project continued locally for the third year, together with Doctors Marta Franci and Maria Frigeri of the Foundation's Scientific Committee, undertaken together with the Tenda Co-operative and the USL 2 Healthcare District. Through home visits by two teachers, the project supports 15 families with new-born babies in need of assistance. The educational initiative follows a precise method: the Touchpoints approach of the US paediatrician Brazelton. The multidisciplinary team benefits from the supervision of the Brazelton Centre in Rome approx. every two months.

Alongside the ANT Foundation, we have also renewed our contribution to the community for house calls to support 34 cancer patients and their families. We have also continued our support for the psychological support service "Oltre il dolore della perdita" (lit. "Overcoming the pain of loss"), providing free sessions to process grief with the help of psychologist Giacomo Ercolani. The service was provided to 20 people for a total of 115 sessions.

In 2021, we began an important collaboration 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 is particularly committed to supporting the work of two educators and restoring the playground for small children.

The project with Casa di Leskoc, in Kosovo, which we were forced to postpone in 2020 due to the pandemic, finally came to life this year, and a group of women were able to attend training and begin working in the centre’s dairy and bakery. With the foundation’s support, two deserving young women in Leskoc were also able to begin their first-year studies in Sports Sciences & History at the university in Pristina, Kosovo’s capital.

Internationally, long-distance adoptions continue in Africa, allowing 60 children to go to school: 36 in Kenya and 24 in Burkina Faso. The majority of adoptions are supported by UmbraGroup employees. In 2021, due to the pandemic, the Kenyan government established an extra semester of schooling, to which the foundation has provided support.

Also in Kenya, the "Mutanu: the pink garden" project continues to thrive in its fourth year. In 2021, alongside produce and goat farming, we focused on training the 20 women involved in the project with a course on microcredit and another on farming techniques.

Remaining in Kenya, in the Mathare slums, a project has begun for 15 young mothers, some not yet adults, who have been forced into prostitution by the pandemic. For one year, they were given the opportunity to learn a skill and receive psychological care and a small contribution for expenses.

Overseas, in Michigan (U.S.A.) the project with Emmaus House continued into its third year. The House welcomes women with a difficult past, who have suffered abuse, addiction, violence and imprisonment and helps them to rebuild their lives. The women live together with a manager, who supports them on the road to independence, helping them to manage the house and the money they earn. Also in 2021, the foundation supported the work of the house managers.

A summary of donations in 2021 is presented below:

Disbursements for projects 2021					
Projects	Description	Amount	Area	Region	
“With families”	Educational support for families requiring assistance in the area with a newborn baby (third year)	16,000	Family	Italy	
Support for ANT Foundation	Desk for free psychological support, home visits and help for family members of cancer patients	9,000	Family	Italy	
VIDES Tor Bella Monaca support	Supporting the work of educators of the project for minors “My home, our home” and “The Sprout” playground	35,734	Education	Italy	
Training and employment for women in Kosovo	Training and access to employment in the “Casa di leskoc” bakery and pastry shop	20,000	Work	Europe	
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 run by 20 women in Kenya (fourth year)	7,940	Work	Africa	
Long distance support in Kenya	Access to education for 36 children and youth + extra semester due to COVID	24,400	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	10,276	Family	Africa	
Emmaus House support	Supporting job placement of women hosted by Emmaus House in Michigan	15,000	Family	USA	
<b>Total for projects</b>		<b>144,550</b>			

Euro 29,600.00 was also allocated to supplement existing projects and for secondary projects. Included among these are:

- the Euro 4,000 donation recommended by UmbraGroup to support the families of victims of a workplace incident that occurred at a company in Gubbio on May 12, 2021;
- the project “CNOS-FAP Casa del Ragazzo di Foligno”, which began with fundraising after the 2016 earthquake and concluded in 2021 with the last scheduled donation (Euro 5,000);
- “La città in tasca” (lit. “The city in your pocket”, Euro 10,000), involving two weekends of workshops and games for families and their children in Villa Fidelia, Spello;
- the Euro 5,000 donation for the study by Dr. Francesca Scordamaglia, “*I riflessi dell'emergenza sanitaria legata al covid-19 nella materia del contratto e delle obbligazioni: interventi normativi ed orientamenti della giurisprudenza delle corti umbre*” (The effects of the COVID-19 health emergency on contracts and obligations: legislation and case law in the Umbrian courts), coordinated by Prof. Andrea Orestano with the University of Perugia’s Faculty of Law. The study, which began on October 1, 2021, is to last 12 months and is being co-funded by the Valter Baldaccini Foundation, the University of Perugia, and the Cassa di Risparmio di Perugia Foundation.

The Euro 12,000 donation for the continuation of the project “Family and Work”, which includes work grants and is a collaboration with Caritas Diocesana Foligno and the Arca del Mediterraneo Foundation, was postponed until 2022.

Overall, thirty 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. Support that was of fundamental importance for the realisation of events organised together with UmbraGroup and ASD Cannara in September 2021 were the under-15 football tournament "Un goal per Valter" (A goal for Valter) and the event "Tra sport e spiritualità" with Father Francesco Pio Russi from Assisi's Eremiti delle Carceri and Andrea Santarelli, an Olympic fencer from Foligno.

The 2021 Financial Statements summary of the Valter Baldaccini Foundation, with details of the activities and the projects carried out, is available on the website [www.fondazionevb.org](http://www.fondazionevb.org)

### **Ethics Code**

The Ethics Code presents the set of values which the Company 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 company's corporate boards, management, employees and collaborators.

## **Environment, Safety and Health**

### **Health and Safety**

Again in 2021, with the continuation of the COVID-19 pandemic, we were faced with challenges and uncertainties, and yet, despite it all, we were able to resolve these issues quickly and implement solutions aimed at ensuring the health of our employees.

Backed by the experience of last year, we took strategic action that enabled us to achieve important objectives, not only financially, but also in increasing awareness of ESG issues and monitoring the KPIs related to environmental and social impact, all with a view to constant improvement.

Sustainability is a part of our genetic makeup and will increasingly be a source of competitive advantage in the transition to clean energy.

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 the responsibility it has to its employees and therefore has closely focussed on reducing risks in a year such as 2021 still marked by the COVID-19 pandemic.

The health emergency has again underscored the importance of understanding and valuing all who work here.

The table outlining accidents and COVID-19 infections is presented below.

### *Safety indicators*

Organisation	No. of accidents	No. of employees	% accidents on total employees	COVID-19 infections	% COVID-19
UmbraGroup S.p.A.	4	674	0.6%	41	6.1%
Umbra Cuscinetti Inc.	-	57	-	3	5.3%
Linear Motion LLC	6	144	4.2%	21	14.6%
Kuhn GmbH	-	37	-	3	8.1%
PKE GmbH	5	107	4.7%	17	15.9%
Serms S.r.l.	-	4	-	-	-
AMCo S.r.l.	1	43	2.3%	5	11.6%

*\*including transits*

### **COVID-19**

With regards to the COVID-19 emergency, in 2021 there were 41 cases at the Parent Company. This figure is in line with the infection rate in the Umbria region. There were no outbreaks in any of the company locations.

The COVID-19 emergency has been managed by a specific committee that has been operational since 2020. This COVID-19 Committee, in concert with the trade unions, has a goal of maintaining business continuity and safeguarding worker health. The following measures have been implemented over the last two years to combat the coronavirus:

- Workers' Representative Body (RSU), Employees' Health and Safety Representatives (RLS), the Employer and Protection and Prevention Manager (RSPP) weekly meeting;
- Brochures and signs at the entrance to inform workers and visitors;
- Incoming temperature measurement;
- Verifying the vaccination pass of all employees;
- Emergency response team training for symptomatic case management;
- Supplier entry only with written authorisation from the Employer;
- Rules for shippers with external chemical toilets;
- Installing protective screens in offices and the canteen;
- Reduction in the presence of external maintenance firms;
- Weekly sanitisation of the premises, twice-daily bathroom cleaning, with sodium hypochlorite-based products;
- Personal hygiene: Disinfectant available at common workstations, disposable gloves in canteen areas; signage for hand washing in bathrooms; deactivation of air dryers;
- Increased airflow with UTA and window opening;
- Prohibition of classroom meetings and trainings;
- Mandatory use of surgical or FFP2 masks for all workers;
- Remodelling of canteen and locker room access;
- Smart working introduced for approximately 190 workers;
- Suspension of not expressly authorised travel and trips;

These protocols, to the extent applicable, have also been introduced at the subsidiaries.

Activities related to pandemic management have obviously also impacted the management of the Health, Safety & Environment (HSE) Service. Specifically:

- Introduction of mixed (e-learning/in-person) training courses in accordance with the provisions of the Presidential Decree so as to comply with social distancing;
- extraordinary expenses for the purchase of PPE and the carrying out of sanitisation activities, Euro 115,128 and Euro 170,000 respectively.

#### ***Accidents and Occupational illnesses***

In 2021, with regards to the parent company, 4 accidents were reported, compared to 5 in 2020, with none on commute, for a total of 35 days lost, with frequency and severity ratios (number in severity of accidents) of 4.3 and 0.04, significantly lower than last year.

The subsidiaries reported 12 accidents, compared to 7 in the previous year.

#### ***Certifications***

In December, TÜV Italy conducted 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.

#### ***Präzisionskugeln Eltmann GmbH***

ISO 14001 (Environmental management) and ISO 50001 (Energy management) certifications were also confirmed at PKE.

#### ***Linear Motion LLC***

The new HSE manager completed CSP certification, and 81 health and safety improvement actions were implemented in 2021.

#### ***Umbra Cuscinetti Inc., Kuhn GmbH, SERMS S.r.l. and AMCo S.r.l.***

No significant events are reported.

**Expenses and investments**

In 2021, the Parent Company incurred health, safety and environmental (HSE) costs of Euro 1,174,879, including investments of Euro 95,168 (in part for adaptations to eliminate cyanide from galvanic processes).

The above amount breaks down as follows:

- Euro 437,800 for the environment, including Euro 72,333 in investments;
- Euro 737,079 for occupational health and safety, including Euro 22,832 in investments.

In 2021, the subsidiaries incurred COVID-19 pandemic related costs of Euro 261,000 thousand.

**Training**

Total expenditure for external teaching related to the environment, health and safety amounts to Euro 64,340 for a total man hours of 6,446. Despite COVID-19, this figure nearly returned to the roughly 7,500 hours of previous years, with only in-person training in the first quarter of 2021 recording a decrease.

**Objectives**

Main objectives of HSE improvements achieved in 2021:

- Renewal ISO 14001 certification
- Renewal ISO 45001 certification
- Improvement of water cycle monitoring
- Reconstruction of ammonia distribution line
- Training of new HSPPOs
- Elimination of silver plating with cyanide
- Purchase of new electric pallet trucks
- Completion of waste area extensions

**Promotion of health with MAP project:**

In 2021, 186 “personal training” actions were carried out, which were broken down, due to COVID, into in-person events (131) and online lessons and planning (55).

Also due to COVID-19, in 2021 work station assistance activities were not carried out at the company to ensure safety. Given the continuation of remote work, coaching in 2021 was aimed at supporting work from home, including tutorials providing tips on how to work from home effectively.

**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.

It should be noted that these environmental indicators refer solely to the Parent Company. Of note is the significant drop (-12%) in the production of waste compared to the previous year. The KPIs related specifically to electricity, gas and water consumption and to waste production are described in greater detail below.

**Energy consumption**

The Parent Company 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, including at our subsidiaries. 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 2021	Consumption 2020	Consumption 2019	Consumption 2018
Electricity	16,909,704	17,457,870	21,682,108	21,005,277
Revenue	105,099,000	111,539,777	152,960,822	139,576,412
KPI (Kwh/K€)	16%	16%	14%	15%

The electricity consumption index remained constant in 2021 in relation to 2020. This is due to the weighting of fixed consumption (such as air-conditioning, lighting, compressed air, heat treatment shutdown tanks) compared to those

related to production (machine tool absorption). The significant focus placed on streamlining has meant that despite the significant reduction in volumes (due to COVID-19), the company has still managed to keep fixed production plant consumption under control.

### Water (Drinking and non-drinking)

Mc (cubic meters)	Consumption 2021	Consumption 2020	Consumption 2019	Consumption 2018
Water (Drinking and non-drinking)	24,291	13,666	26,771	29,061
Revenue	105,099,000	111,539,777	152,960,822	139,576,412
<i>KPI (mc/K€)</i>	<i>0.231</i>	<i>0.122</i>	<i>0.175</i>	<i>0.2081</i>

Water consumption in 2021 returned to levels prior to 2020. A contributing factor is that both the changing rooms and canteen were again operational in 2021. The ratio of water consumption to revenue increased due to fixed consumption that is not strictly tied to business volumes.

### Methane gas

Cubic meters	Consumption 2021	Consumption 2020	Consumption 2019	Consumption 2018
Methane gas	718,280	745,546	581,790	565,333
Degree days	1,991	1,994	1,904	1,846
<i>KPI's</i>	<i>360</i>	<i>373</i>	<i>305</i>	<i>306</i>

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.

Winter degree days are defined as the annual sum of the differences between a comfortable temperature (18 °C) and the average outdoor temperature (only where the latter is lower than a comfortable temperature). Therefore, degree days indicate how cold the winter was, with a higher number of degree days in a given year indicated that the winter was colder. Dividing methane consumption by degree days at different locations therefore results in a heating management index.

This value trended downwards from 2018 to 2019, reflecting investments and work carried out to improve both efficiency and business sustainability. As for 2020-2021, the increase in the index is due to the change in management of air handling units tied to anti-COVID-19 regulations that mandated air exchange close to 100% where possible.

### Waste

Via Baldaccini				
Year	2021	2020	2019	
Special waste Sent for recovery (kg)	403,810	351,220	574,490	
weight in %	52%	40%	49%	
Special waste Sent for landfill (kg)	0	62,167	83,570	
weight in %	0%	7%	7%	
Special hazardous waste Sent for recovery (kg)	367,611	62,265	157,920	
weight in %	48%	7%	13%	
Special hazardous waste Sent for landfill (kg)	0	405,220	366,784	
weight in %	0%	46%	31%	
<b>Total waste produced (kg)</b>	<b>771,421</b>	<b>880,872</b>	<b>1,182,764</b>	

Via Bartolomei			
Year	2021	2020	2019
Special waste Sent for recovery (kg)	12,150	6,780	12,720
weight in %	92%	81%	79%
Special waste Sent for landfill (kg)	0	0	0
weight in %	0%	0%	0%
Special hazardous waste Sent for recovery (kg)	1,061	1,000	3,350
weight in %	8%	12%	21%
Special hazardous waste Sent for landfill (kg)	0	563	0
weight in %	0%	7%	0%
<b>Total waste produced (kg)</b>	<b>13,211</b>	<b>8,343</b>	<b>16,070</b>

In line with ISO 14001:2015 and thanks to the work done by our suppliers to increase UmbraGroup's environmental sustainability standards as much as possible, 2021 was the first year in which we were able not to send any waste directly to landfills. Therefore, all waste produced by UmbraGroup underwent a process of recovery. This goal was reached at both the Via Valter Baldaccini and the Via Ezio Bartolomei facilities. In terms of weight, we saw a significant decrease in the amount of waste produced at the Via Valter Baldaccini plant. In any event, the increase at the Via Bartolomei site concerned non-hazardous waste.

### Management and co-ordination

As per Article 2497 bis, paragraph 5, the Group is subject to the management and co-ordination of Poliscom Srl, with registered office in Perugia, Via G.B. Pontani, 10, Perugia Companies Registration Office No. 2778900544, Economic and Administrative Index No. 240425. The financial highlights for Poliscom Srl from the last approved financial statements (2020) follows.

Poliscom Srl (Euro)	Amount
Revenue	-
Financial management	47,668
Net Result	(14,661)
Equity	26,671,855
Total Assets	30,984,676

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

UMBAGROUP 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.

UMBAGROUP 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.

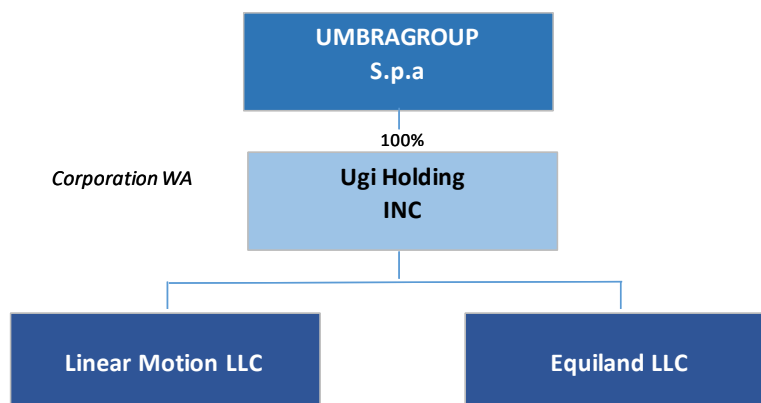
Relations with the Baldaccini and Ortolani families: personnel costs include the remuneration due to family members of the two families working at the Company.

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 Srl – Foligno (PG) - 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 subsidiaries approved the respective 2021 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 direct and indirect subsidiaries are summarised below:

Company <small>(Euro thousands)</small>	Financial receivables	Trade receivables	Trade payables	Revenue and other income	Purchases	Other
Umbra Cuscinetti Inc.	10,646	8,298	1	1,674	214	136
Kuhn GmbH	-	504	72	869	73	-
UGI Holding Inc.	11,602	-	-	-	-	212
Linear Motion LLC.	-	2,480	48	5,851	169	-
PKE GmbH	-	230	575	232	2,386	-
AMCO S.r.l	500	102	3	100	3,114	4
Serms S.r.l	-	26	8	24	13	-
<b>Total</b>	<b>22,748</b>	<b>11,640</b>	<b>701</b>	<b>8,750</b>	<b>5,969</b>	<b>352</b>

Transactions with the parent company under the Tax Consolidation are reported below.

Company <small>(Euro thousands)</small>	Receivables	Payables
Poliscom Srl	2,386	-

The parent company undertook the following related party transactions:

- 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 company. Commercial transactions are summarised below:

(Euro thousands)

Company	Trade receivables	Trade payables	Revenues	Components and treatments purchased	Other
EDIL UMBRA S.r.l	-	-	-	-	88

## Disputes

Umbragroup's disputes involve proceedings related to the normal course of business.

On March 29, 2021, a commercial dispute with the customer EPI was closed for a total payment of Euro 1.5 million, against which a provision for risks and charges had been allocated in 2020 for the same amount. In June 2020, the company had received a claim related to a supply of actuators for the A400-M aircraft that took place during the period 2007-2019. In October of that year, the customer had assessed a penalty of about 2.5 times the amount of the goods provided over the years and threatened arbitration in London if the penalty was not paid. Given the uncertainty surrounding arbitration and its related costs, UmbraGroup S.p.a. preferred to settle for the amount of Euro 1.5 million.

## Subsequent events

On January 11, 2022, in accordance with Article 2386 of the Civil Code, the Board of Directors co-opted a new member, Matteo Notarangelo, to replace the outgoing Antonio Baldaccini and appointed him to the role of executive director in charge of business strategy, the commercial area, procurements, and operations. At the same time, the Board of Directors expanded the powers of the Chairman, Antonello Marcucci, to include HR and Marketing & Communication.

Matteo Notarangelo, the company's new CEO, has more than 25 years of international experience in the aerospace industry and has developed keen strategic vision and excellent leadership skills in a multinational context.

## Outlook

Within a landscape that remains influenced by the ongoing impact of the COVID-19 pandemic, which continues to affect the commercial aerospace industry in particular, a further element of uncertainty has now been added with the outbreak, in late February, of the war in Ukraine as a result of Russia's invasion. The full impact of these crises and, above all, the repercussions on western economies of the sanctions assessed on Russia by a large part of the international community, are difficult to quantify, given the current uncertainty surrounding the potential duration of the conflict and the impact that sanctions will have on the supply chain for energy and raw materials. It goes without saying, in any event, that the adverse effects of this landscape on the economy – as seen, in particular, in the exponential increase in energy prices – were already clearly evident in the first quarter of 2022, which will make it even more challenging to achieve the already ambitious targets of the 2022 budget, which the Board of Directors approved in December 2021.

That said, excluding the effects of the current international crisis, the outlook for 2022 and the assumptions of the budget both call for a gradual, limited recovery in demand in the aerospace industry and for stronger growth in the Industrial sector, which, in 2021, had already recovered more quickly than anticipated. Within this macroeconomic landscape, the budget calls for increases in both revenues and profits compared to 2021, as well as for a sufficient generation of cash and consequent further improvement in financial position.

In 2022, the company 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. To this end, 2022 will see the development of a project aimed at adopting a more advanced, higher performance version of our current ERP system.

With regard to the National Recovery and Resilience Plan (NRRP), about half of which comprises subsidies from the European Union in response to the pandemic, the company is assessing the various technical issues based, in part, on the market demand expressed in recent months.

In aerospace, the issue of sustainable, full-electric, urban air mobility is currently being assessed. The industrial area intends to focus on renewable energy and hydrogen.

## 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 2022 could be influenced by risks and uncertainties that depend on a great many factors – first and foremost concerning the conflict in Ukraine, the COVID-19 pandemic, market performance, the imbalance in the supply and demand of certain goods and services, and inflation – 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.

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

Umbragroup operates in the Industrial and Aerospace sector, which have been significantly impacted by the COVID-19 Pandemic. The Group's capacity to develop the business therefore depends also on the conclusion of the emergency situation.

In addition to this, the Group 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 has 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 outside the Group's control. 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 64% of the Parent Company's total debt at December 31, 2021,

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 2021, approx. 27% of the Parent Company's 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 Group undertakes derivative contracts to fix in advance the conversion rate, or a pre-set 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.

Cyber attack 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. Umbragroup is taking steps to monitor and minimise the effects that any such attacks could have.

For the treatment of derivative financial instruments, reference should be made to the Explanatory Notes.

**Information in accordance with Article 2428 of the Civil Code**

The most significant research and development projects pursued in 2021 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 in 2021 focused on electric landing gear, electric motors substituting conventional power, primary surface actuators, lubrication for the life of electromechanical actuators, and electromechanical actuation for auxiliary systems.

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 2021 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.

In 2021 innovation continued in the areas of technology 4.0 and ecological transition, designed to facilitate the automation, restructuring and optimisation of production lines.

At the same time, research in the industrial sector also concerned electromechanical actuators for electric motors and other industrial applications, and energy projects were completed that added to our knowledge of materials, high-performance electric windings, and integrated systems architecture.

### Treasury shares

At December 31, 2021, Umbragroup S.p.A. held 4,600 treasury shares, equal to 1.38% of share capital.

Description	Number held	Share capital (%)
Treasury shares	4,600	1.38%

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 FY	Acquired	Sold	LTI Allocation	Year-end
Treasury shares	2,996	2,122	(75)	(443)	4,600

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

The 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 2020 the Group exercised the national tax consolidation option for the Parent Company Poliscom Srl.

### Legislative Decree 231/01

The 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 company interest holders.

In 2021, the Supervisory Board performed its duties in full compliance with the preventive measures adopted by the company and which remain in effect given the continuation of the health emergency.

Regular hearings allowed for useful discussion of the organisational system adopted by the 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.

During the year, in line with the indications of the Supervisory Board, the Board of Directors approved a number of important amendments and integrations to the organisation model related, among other things, to the inclusion, for each area and function, of specific tax crimes (Article 25-*quinquiesdecis*) and offences that could be committed within the scope of cross-border fraud or for the purposes of evading more than Euro 10 million in value-added tax.

As discussed in the interim report for the second half of 2021, the Supervisory Board has identified a series of improvements to the organisational system, such as adapting the UGI Integrated Safety and Environment System to the ISO 45001:2018 standard, which has replaced OHSAS 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  
Antonello Marcucci

Foligno, March 25, 2022

**UMBAGROUP S.P.A.**

A company under the management and direction of Poliscom Srl  
Registered office in Via Valter Baldaccini, 1 – Paciana Locality – 06034 Foligno PG  
Share capital Euro 12,055,987.94 fully paid-in

**Notes to the consolidated financial statements at December 31, 2021**

In Euro thousands

**Explanatory Notes - first part**

Dear Shareholders,

These financial statements, presented for your examination and approval, report a net profit of Euro 15,759 thousand, + 126.6% on Euro 6,956 thousand in the previous year.

Adjusted net profit rose by 27.8%, from Euro 10,680 thousand to Euro 13,646 thousand; the reconciliation between adjusted net profit and net profit is shown in the following table:

(in Euro thousands)	2021	2020
Net Profit	15,759	6,956
Patent Box benefit	(5,033)	-
Provision for risks and charges	102	1,216
Leaving incentives	3,444	2,532
Extraordinary costs	461	1,313
Linear Motion provision	(1,087)	(1,337)
<b>Adj. Net Profit</b>	<b>13,646</b>	<b>10,680</b>

**General information**

The UMBAGROUP Group is headed by the parent company UmbraGroup Spa, with registered office in Foligno, Via Valter Baldaccini 1, Foligno. At December 31, 2021, UmbraGroup S.p.A. was held 51.42% by Poliscom S.r.l.

**Group activities and significant events**

The Group operates in the mechanical sector and particularly is engaged in the manufacturing of aerospace market products and for the industrial bearings and industrial operating machinery component sectors.

**Significant events in the year**

On **January 15**, the shareholders of Umbragroup S.p.A. approved the distribution of a dividend totalling Euro 3 million in consideration of the performance of 2020, which was better than expected at the start of the pandemic.

On **January 29**, the Board of Directors approved the 2021-2025 Business Plan, which is based on organic growth targets for both the Industrial and Aerospace sectors and built on solid financial foundations, thanks to the generation of cash to be allocated to M&A transactions. The plan's main guidelines are:

- Innovation and digitalisation in processes and structures;
- Process streamlining;
- Supply Chain - Building a strong and reliable supply chain;
- M&A and extraordinary finance operations to grow and create value;
- Rethinking business models;

The Plan takes account also of the downturn in economic conditions as a result of the COVID-19 pandemic and focuses not only on volume growth but particularly on improved EBITDA through the streamlining of the production system, thanks to the UPS – Umbra Production System.

Also on **January 29**, the Board of Directors approved the terms and conditions for the renewal of the provisioning agreement of the subsidiary Linear Motion LLC with Parker for 2021-2025. This renewal enables Linear Motion to provide components for flap and horizontal stabiliser applications, participating in important programmes related to various aircraft, including the Airbus A220, the Lockheed Martin RQ-170, and the Embraer MSJ, MLJ and 145, thereby helping to diversify the Group's portfolio of programmes in the Commercial Aerospace segment.

On **February 5**, the transaction with NIKKISO ex ACD was concluded. This transferred all patents for the electro-mechanical drive system for a piston fluid pump owned by Umbra Cuscinetti Inc, for consideration of USD 1,339,721. A dispute which was previously ongoing with NIKKISO was settled through this agreement.

On **March 8**, the new version of the Microsoft D365 ERP system at PKE became operational, and this system then also went online at AMCO on **April 1**.

On **March 29**, a commercial dispute with the customer EPI was closed for a total payment of Euro 1.5 million, against which a provision for risks and charges had been allocated in 2020 for the same amount.

In June 2020, the company had received a claim related to a supply of actuators for the A400-M aircraft that took place during the period 2007-2019. In October of that year, the customer had assessed a penalty of about 2.5 times the amount of the goods provided over the years and threatened arbitration in London if the penalty was not paid. Given the uncertainty surrounding arbitration and its related costs, UmbraGroup S.p.a. preferred to settle for the amount of Euro 1.5 million.

On **March 30**, the Board of Directors approved the Group's Governance and Guidelines, providing corporate governance rules, particularly with regards to the parent company Umbragroup S.p.A. and for its relations with the subsidiaries, while ensuring full compliance with the common Ethics Code and the applicable laws and regulations as part of a single Group strategy.

On **April 30**, the Board of Directors approved the terms and conditions of the Moog supply contract renewal. This renewal - covering both the parent company Umbragroup S.p.A. and the US subsidiaries Linear Motion LLC and Umbra Cuscinetti Inc., with variable durations until 2028 and 2031 depending on the programmes - shall consolidate the Group's status as a key supplier for certain components (ball screws and pinions) for the Boeing 787 Dreamliner and Boeing Business Jet (BBJ) programmes, with significant price and minimum guaranteed volume benefits.

On **May 21**, the Shareholders' Meeting approved the 2020 Annual Accounts. Simultaneously, the Shareholders' Meeting approved the proposal to adopt a long-term incentive system for Group top management, approved by the Board of Directors on March 30. The company considers the Long Term Incentive Plan as an effective incentivisation and loyalty tool for key managers, in order to ensure continued high performance and support the growth and success of the company and of the Group.

On **May 21**, the Board of Directors approved the launch of the Sustainability Project, so as to put in place a business model that creates comprehensive value for stakeholders, adding social sustainability and environmental objectives to those regarding operating performance. The above has inspired Umbragroup to prepare a Sustainability Report, through which it intends to make its stakeholders aware of its commitment to defining and achieving economic, social and environmental sustainability objectives.

On **May 31**, Umbragroup S.p.A. acquired a 21.18% stake in an innovative start-up, K-Digitale, in order to ensure continued competitiveness and support the growth of enterprises in Umbria, where the parent company is headquartered. The start-up, with registered office in Perugia, provides consultancy and builds platforms for the digital transformation and enterprises in the Public Sector.

On **June 1**, a reorganisation began of the German subsidiaries - particularly regarding Kuhn GmbH - with the review of the commercial policies and organisational structure so as to better integrate with the activities of the Industrial Division of the parent company Umbragroup S.p.A. As part of this reorganisation, new Directors were appointed and in October a new General Manager & CFO joined, with responsibility for both subsidiaries.

On **July 19**, Umbragroup S.p.A. received the “Impresa Top 21” award from ItalyPost and “L’Economia del Corriere della Sera” as one of Italy’s top 30 SME engineering enterprises. The award was received by the Chairperson of the Board of Directors Antonello Marcucci, who spoke before an audience of entrepreneurs and professional operators interested in understanding the development dynamics of Top enterprises.

On **July 23**, the Board of Directors of Umbragroup S.p.A. approved the terms and conditions of the supply contract renewal negotiated by the subsidiary Umbra Cuscinetti Inc. with Boeing. This renewal, in addition to guaranteeing for 2023-2027 significant volumes for all the major Boeing programmes – including primarily the B737-MAX and the B777X – retrospectively obtains from 1/1/2021 and until the end of 2022 significant price list adjustments which, together with other measures, contributed to bringing the subsidiary’s EBITDA back into positive territory.

On **August 31**, Umbragroup S.p.A. signed a preliminary agreement with the Tax Agency to access the “Patent Box” tax break. This agreement defines methods and criteria for calculating the economic contribution to the production of business income of the corporate know-how eligible for the purposes of the aforementioned legislation (pursuant to Article 1, paragraphs 37-44, of Law No. 190 of December 23, 2014) and with reference to the tax years 2017 to 2021. We recall that the Patent Box, introduced by the Italian Government through the 2015 Stability Law, is a tax support for businesses generating income through the direct and indirect use of intellectual property, patents, trademarks, designs, models and other intangible assets.

The agreement has permitted a tax break that provides a major benefit in these years in which the aerospace sector, one of the company’s two key sectors, has been heavily impacted by the COVID-19 pandemic.

The agreement has resulted in the recognition to the 2021 accounts of a tax benefit for the years 2017-2020 of Euro 5,033,372, calculated according to the methods and criteria set out in the agreement.

On **September 9**, Umbragroup obtained - for the third consecutive year - the rating of national Welfare Champion as part of the SME Welfare Index research. The awards ceremony was held in the “Teatro Eliseo” in Rome and was attended by the Honourable Mr. Giancarlo Giorgetti, the Minister for Economic Development and the Honourable Mr. Andrea Orlando, the Minister for Labour and Social Policies. This award recognises UMBAGROUP’s focus on social innovation, its economic and organisational commitment and the involvement of the business community.

On **September 21**, the e-commerce bearings website of Umbragroup S.p.A. was launched. Customers can choose and personalise a product which best suits their needs and purchase without any lot constraints, following the checking of availability.

On **October 19, 20 and 21**, Umbragroup participated at the MRO Europe Aviation Week, one of the main Aftermarket sector events, to discuss the key sector developments and the actions taken by the Group to continue to best support customers, creating value in its services offer.

On **November 25**, Umbragroup received the “Industria Felix – L’Italia” Award for 2021 as one of the 160 top performing and most financially reliable Italian enterprises. The award was received at an event organised at the “LUISS Guido Carli” University of Rome, with many political, economic and business entities.

On **November 29, 2021** full ownership of Serms S.r.l. was obtained following the acquisition of an additional stake of 42.6%, further to the 57.4% already held.

#### *COVID-19 pandemic from January to December*

During the pandemic emergency, the company continued to operate, although amid significant difficulties, with a key objective of protecting the health of its employees and collaborators. Umbragroup managed the COVID-19 emergency by continuing the activities of a special internal committee, promptly created in 2020 at the beginning of the pandemic, which coordinated the appropriate measures to safeguard the health and safety of workers at all its locations worldwide. The use of “smart working” continued to a significant extent, where feasible. While these measures made it possible to ensure worker health and the proper functioning of administrative duties when working remotely, it is also undeniable that the effects of COVID-19 have continued to affect the company’s ordinary operations, including:

- social-distancing obligations;
- regular production activities and on-time deliveries;
- bottlenecks in procurement with impacts on the efficiency of the entire supply chain;
- payments by customers;
- reduced production efficiency;
- less socialising.

In order to combat the effects on financial performance and profitability, steps have been taken to reduce fixed costs, including the optimisation of the cost of labour by way of social safety nets, and reducing certain discretionary spending.

It should be noted that Legislative Decree No. 221 of December 24 extended until March 31, 2022 the state of national emergency against COVID-19 declared by resolution of the Council of Ministers on January 31, 2020.

#### *Smart Working*

The company maximised remote working for all compatible positions.

The “three B’s” that make work “smart” embody the core values of UMBRA GROUP:

1. 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. This is the synthesis of optimal work-life balance.
2. 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.

It should be noted that, in 2021, the Group also, where applicable, took advantage of all mechanisms provided by local governments to mitigate the impact of the worsening global economic landscape brought about by the pandemic. These measures mainly included:

- the U.S. Paycheck Protection Program (PPP), largely in the form of a grant and with a small portion of low-interest financing received by the U.S. affiliate Umbra Cuscinetti Inc. for a total of USD 1,504 thousand (USD 1,369 thousand as a grant) against the guarantee of maintaining employment levels despite contracting business volumes;
- the Employee Retention Credit (ERC) in the amount of USD 861 thousand, also received by Umbra Cuscinetti Inc. as a partial reimbursement of employment taxes and withholdings;
- national and regional stimulus for a total of EUR 220 thousand received by Kuhn GmbH as a small business operating in one of the industries that the German government classified as being the hardest hit by the effects of the pandemic.

#### **Basis of preparation**

The consolidated financial statements comprising the balance sheet, the income statement, the cash flow statement and the explanatory notes were prepared in accordance with Article 29 of Legislative Decree 127/91, as reported in these Explanatory Notes, prepared in accordance with Article 38 of the same Decree. Where necessary, Italian GAAP have been applied and, in their absence, the accounting standards recommended by the IASB and approved by Consob. In addition to the various appendices as required by law, reconciliation schedules are also included of the net result and equity of the parent company and of the consolidated financial statements.

The consolidated financial statements present the previous year figures for comparative purposes.

The present notes to the financial statements disclose the data and information required by Article 38 of the decree.

The basis of preparation and the accounting policies of the financial statements at December 31, 2021 take account of the new developments introduced into domestic law by Legislative Decree 139/2015, transposing Directive 2013/34/EC. Italian GAAP were amended by Legislative Decree 139/2015.

### Consolidation scope and methods

The consolidated financial statements are based on the financial statements of UMBRA GROUP S.P.A. (parent company) and the companies in which the parent company directly or indirectly holds a controlling interest.

The financial statements of companies included in the consolidated financial statements are incorporated on a line-by-line basis.

The list of these companies is provided in a specific section of the Explanatory Notes.

No exclusions were made based on dissimilarity.

No companies were consolidated proportionally.

For the consolidation, the statutory financial statements of the individual companies were used, already approved by the respective Shareholders' Meetings and reclassified and adjusted in line with the accounting standards and policies adopted by the Group.

### Basis of Consolidation

The carrying value of investments in consolidated companies is eliminated against the corresponding fraction of net equity. The differences arising from the elimination are allocated to the individual balance sheet items which justify them and the balance, if positive, will be entered in an asset account called "goodwill", unless it must be fully or partially charged to the income statement in item B14. The amount recorded under assets is amortised over the period provided for in the first paragraph, no. 6 of Article 2426. If negative, the difference is allocated, where possible, to the deduction of assets recorded at values higher than their recoverable value and liabilities recorded at a value lower than their repayment value. The residual negative difference is recorded in the net equity account "Consolidation reserve" or in a specific "Consolidated risk and future charges provision" in accordance with the criteria of Article 33, paragraph 3 of Legislative Decree No. 127/91.

The provision is used in subsequent years to reflect the assumptions made at the time of its estimate on purchase.

The minority interests' share in equity is shown separately in the consolidated balance sheet. Their portion of the results for the year is likewise shown separately in the consolidated profit and loss account.

Transactions and balances between consolidated companies are fully eliminated.

Gains and losses from transactions between consolidated companies not arising through transactions with third parties are eliminated.

The separate financial statements of each company belonging to the Group are prepared in the currency of the country in which they operate (functional currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are expressed in Euro, which is the operational currency of the Group and the presentation currency of the consolidated financial statements.

The conversion of overseas subsidiary company and associate company financial statements was undertaken by using:

- The reporting balance sheet date exchange rate for assets and liabilities;
- The average exchange rate for income statement items.

The net effect of the translation of the investee financial statements to the financial statements currency is recorded in the "Euro conversion reserve".

For the translation of financial statements in foreign currencies, the following rates were applied:

Currency	Exchange rate	
	at 31/12/2021	year average
US Dollar	1.1326	1.1827

## Accounting policies

The accounting policies for the consolidated financial statements at December 31, 2021 are those utilised for the statutory financial statements of the parent company which prepares the consolidated financial statements and do not differ from those used in the prior year consolidation, in particular with regards to the measurement and continuity of these policies.

The financial statement accounts have been measured according to the prudence and accruals concepts and on a going concern basis.

In applying the materiality principle, the obligations in terms of recognition, measurement, presentation and disclosure were not observed where not assisting the presentation of a true and fair view.

In particular, the accounting policies adopted in the preparation of the financial statements are as follows:

### Fixed Assets

#### *Intangible assets*

They are stated at historical cost, net of accumulated amortisation charged directly to the individual items.

Formation, start-up and similar costs and research, development and advertising costs with long-term use are recorded as assets, with the prior approval of the Board of Statutory Auditors, and are amortised over a period of three years.

Industrial patent and intellectual property rights are amortised at an annual rate of 20%.

Leasehold improvements, not separable from assets and therefore without independent functionality, are recognised at purchase cost and amortised over the lower of the period of future utility of the expenses incurred and the residual period of the lease, taking into account any renewal period, if dependent on the company.

Fixed assets are written-down when there is a permanent impairment to their value. Where in subsequent years the reasons for the write-down no longer exist, the original value is restored, adjusted only for amortisation.

The presence of intangible asset impairments was assessed. This assessment did not indicate the existence of potential intangible asset impairments.

The account also includes the consolidation difference corresponding to the excess of the acquisition cost with respect to the part of the shareholders' equity of consolidated companies. The consolidation difference is amortised over a period of 5 years from the date of acquisition, on the basis of the residual possible use.

#### *Property, plant and equipment*

They are recorded at purchase cost and adjusted by the accumulated depreciation provision.

The amount stated in the financial statements includes incidental costs and costs incurred for the use of the asset, reducing the cost for significant commercial and cash discounts.

Depreciation recorded in the income statement has been calculated in consideration of the use, intended purpose and economic-technical duration, on the basis of the residual possible useful life.

The rates used by the parent company, which have not been amended on the previous year and reduced by half in the year of entry into service of the asset, are as follows:

- land and buildings: 3%
- plant and machinery: 10% – 17.5%
- equipment: 25% - 30%
- EDP: 20%
- office furniture and fittings: 12%
- motor vehicles 25%

Tangible assets are written-down when there is a permanent impairment in their value. Where in subsequent years the reasons for the write-down no longer exist, the original value is restored, adjusted only for depreciation.

Ordinary maintenance costs are fully charged to the income statement. Incremental maintenance costs are attributed to the asset concerned and depreciated over the residual useful life of the asset.

Parent company property, plant and equipment were revalued on the basis of: Law 342 of December 21, 2000 (Plant and Machinery) and Law 185 of November 29, 2008 (Land and Buildings).

In 2020, the parent company and the subsidiary AMCO Srl took advantage of the revaluation option introduced by way of Legislative Decree No. 104 of August 14, 2020.

The revaluation was calculated on assets on the balance sheet for the year ended December 31, 2019.

More specifically, the revaluation concerned buildings owned by the Parent Company for its headquarters and at the Via Valter Baldaccini production site as well as other specific assets identified.

In the same way, AMCO Srl applied the revaluation to building owned and used for its headquarters in Via Ezio Bartolomei as well as to other specific assets identified.

The revaluation was done for both financial reporting and fiscal purposes and resulted in the recognition of a substitute tax equal to 3% of the increased value.

The new value of the assets was determined by independent, certified experts.

No assets were discretionarily or voluntarily revalued and the asset values were determined objectively on the basis of their use.

The presence of tangible asset impairments was assessed.

This assessment did not indicate the existence of potential tangible asset impairment.

#### **Finance leases**

Finance leases are recorded in the financial statements in accordance with the equity method, recording the lease instalment payments as per the accruals concept. The Notes to the financial statements provide the additional information required by legislation relating to finance lease contracts in accordance with the finance method.

For finance leases deriving from a lease back operation, the gains arising are recorded in the income statement in accordance with the accruals concept, recording deferred income in the balance sheet and a gradual allocation of the income to the income statement, based on the duration of the lease finance contract.

#### **Receivables**

With regards to receivables recognised before the financial year beginning January 1, 2016, these are indicated at realisable value as, in accordance with OIC 15, it was decided not to apply the amortised cost criterion as the effects would be irrelevant.

For this reason, no discounting of receivables with maturity of less than 12 months was undertaken.

There are no receivables arising in the present year with maturity of greater than 12 months.

The nominal value is adjusted by means of a doubtful debt provision which takes account of the impairment indicators.

Receivables are cancelled from the financial statements when the contractual rights upon cash flows deriving from the receivable lapse or where all of the risks relating to the receivable subject to collection are transferred.

#### **Payables**

With regards to payables recognised before the financial year beginning January 1, 2016, these are recorded at nominal value as, in accordance with OIC 19, it was decided not to apply the amortised cost criterion and discounting.

The amortised cost criterion was not applied as the effects are irrelevant for the presentation of a true and fair view. Therefore, payables are stated at their nominal value.

Payables with maturity of less than 12 months were not discounted as the effects were considered irrelevant.

#### **Accruals and deferrals**

These are recorded according to the accruals concept.

The conditions which determined the original recording of long-term accruals and deferrals are verified, adopting appropriate changes where necessary.

**Inventories**

Inventories were measured as per paragraph 9) of Article 2426 of the Civil Code, restated in OIC 13, and are recognised at the lower between purchase cost according to the weighted average cost method and realisable value. Finished products and products being processed are valued at the effectively incurred industrial production cost.

Obsolete and slow-moving inventories are indirectly written down through the creation of an appropriate obsolescence provision established on the basis of their possibility for utilisation or disposal.

**Treasury shares**

Treasury shares are recognised as a deduction from equity.

The recognition of treasury shares and the effects from any future sales shall be recorded as shareholders' equity movements.

**Derivative financial instruments**

Financial instruments are utilised by the Group to hedge risks from bank debt interest rate movements and to hedge exchange rate fluctuations.

Derivative financial instruments, even if incorporated into other financial instruments, were initially recognised when the company acquired the associated rights and obligations; their valuation was made at fair value both at the initial recognition date and at each closing date of the financial statements. Changes in fair value compared to the previous year relating to hedging derivatives were recognised in the financial statements in a special equity reserve. This reserve is recorded through the income statement for the amount and over the same time period corresponding to the occurrence or changes in the cash flows of the instrument hedged or on the occurrence of the operation hedged.

The hedged items were measured in line with the derivative hedging instrument.

Derivative financial instruments with a positive fair value were recorded in the balance sheet assets. Their classification in fixed or current assets depends on the nature of the instrument itself:

- A derivative financial instrument designated as a hedge for cash flows or the fair value of an asset follows the classification of the hedged asset under current or fixed assets;
- A derivative financial instrument designated as a hedge for cash flows and the fair value of a liability within the financial year, a firm commitment or a highly probable forecast transaction, is classified under current assets;
- A derivative financial instrument designated as a hedge for cash flows and the fair value of a liability beyond the financial year, is classified under fixed assets;
- A non-hedging derivative financial instrument is classified under current assets in the next financial year.

Derivative financial instruments with negative fair value were recorded in the balance sheet under provisions for risks and charges.

Derivative financial instruments, except as discussed below, were valued as hedges when a close and documented correlation between the characteristics of the instrument or the hedged transaction was detected from the outset.

For the valuation of simple hedging transactions, the simplified method was adopted for derivative financial instruments that have very similar characteristics to those of the hedged item, with reference to the maturity, nominal value, settlement dates and underlying variables. These were applied in line with market conditions.

As per OIC 29, the effects of accounting standard changes were calculated retrospectively, recognising the cumulative effect from the change to the measurement criteria to opening shareholders' equity at January 1, 2016, retained earnings or a differing item of shareholders' equity where more appropriate, net of deferred taxes.

For comparative purposes, the company, with regard only to derivative contracts considered as hedges, adjusted the opening shareholders' equity of the previous year as if the new accounting standard had been applied. With regard however to derivative contracts not considered as hedges, as per OIC 29 - Section 19, as calculating the effects relating to the previous year was excessively onerous, the company limited itself to applying the new accounting standard to the carrying amount of assets and liabilities at the beginning of 2016 and adjusting the corresponding opening shareholders' equity for 2016.

In particular, the company subscribed a number of derivative financial instruments to hedge interest rate movements

on its debt and the exchange rate on sales made in US Dollars.

The company has undertaken derivative financial contracts exclusively for hedging purposes, as the company's financial management policy does not permit the undertaking of financial instruments for speculative purposes.

For derivatives relating to interest rate risk on projected cash flows, although undertaken for hedging purposes, the company decided not to apply hedge accounting.

Derivative financial instruments which satisfy the requirements of OIC 32 were recognised as per hedge accounting. With reference to non-hedging derivative financial instruments, variations in the financial instruments' fair value are recognised in the income statement in the year of reference.

The derivatives utilised are Over the Counter (OTC) instruments traded bilaterally with market counterparties.

#### **Provisions for risks and charges**

Provisions for risks and charges are recorded in respect of certain or probable losses or payables, the amount or due date of which could not be determined at the reporting date.

These provisions have been measured in accordance with the prudence and accruals concepts and no provision has been made for matters without any economic justification.

The contingent liabilities reflected in these provisions are probable and may be estimated with reasonable accuracy.

#### **Post-employment benefit provision**

This provision represents the actual liability towards employees under applicable law and labour agreements.

It corresponds to the total indemnities accrued in favour of employees at December 31, 2006, net of advances paid, and is equal to the amount payable to staff in the event of the termination of the employment contract as at this date.

The provision does not include indemnities matured from January 1, 2007, allocated to supplementary pensions as per Legislative Decree No. 252 of December 5, 2005 (or transferred to the INPS treasury fund).

#### **Income taxes**

Income taxes are recorded in accordance with the accruals principle; therefore, they include:

- the provisions for taxes paid or to be paid for the year, in accordance with the income tax rates and regulations in force;
- the amount of deferred tax income and charges in relation to timing differences arising and reversed in the year.

Since 2009, the company and the parent company POLISCOM SRL have chosen the national tax consolidation option (Article 117 and subsequent Pres. Decree No. 917/76), permitting IRES to be calculated on a tax base representing the aggregate of the taxable income and tax losses of the individual companies.

From 2020, AMCO S.r.l. became a subsidiary involved in the National Tax Consolidation already in effect for Poliscom S.r.l. (parent) and Umbragroup S.p.A. (subsidiary), which permits, in accordance with Articles 117 to 129 of the Income Tax Law, the calculation of IRES utilising an assessable base comprising the positive and negative assessable amounts of the individual companies within the fiscal unit.

Transactions, plus reciprocal responsibilities and obligations between the consolidating and subsidiary companies, are defined in the consolidation agreement.

The Parent Company is responsible for recognising to the account "Tax payables" the current IRES charge as determined on an estimate of the taxable income and tax losses of the subsidiaries taking part in the National Consolidated Tax regime, net of payments on account, withholding taxes and tax credits of these subsidiaries.

It is the responsibility of the subsidiaries to recognise the receivables/payables to the fiscal unit that result from their participation in the national consolidated tax regime.

Deferred tax assets and liabilities on IRES corporation tax arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.

Current and deferred IRAP regional tax is determined exclusively with reference to the company.

#### **Deferred tax assets & liabilities**

Deferred tax assets and liabilities have been calculated on the basis of tax rates expected for the periods in which the timing differences will reverse. They are calculated on the basis of temporary differences between the tax value of assets and liabilities and their relative book value.

Deferred tax liabilities are recognised under provisions for risks and charges, while deferred tax assets are recognised and indicated separately to the account 4ter - Deferred tax assets.

Deferred tax assets are recognised only where a reasonable probability of recovery exists and on the basis of expected future tax rate movements.

Deferred tax assets and liabilities have been calculated on the basis of tax rates expected for the periods in which the timing differences will reverse.

Deferred tax assets and liabilities on IRES corporation tax arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.

Current and deferred IRAP regional tax is determined exclusively with reference to the company.

### **Revenue recognition**

Revenues from the sale of products are recognised on the transfer of the related risks and benefits, which normally takes place when the goods are shipped or delivered.

Revenues of a financial nature and revenues from services are recognised on an accruals basis.

The revenues and income, costs and charges related to transactions in foreign currencies are recorded at the exchange rate when the transaction took place.

### **Capital grants and operating grants**

Capital grants are recognised on the formal approval of the proposed Entity and are gradually recognised to the income statement on the basis of the useful life of the asset subject to the grant. Grants, recognised to account A.5, are accrued to subsequent years through the recognition of deferred income. Depreciation is calculated on the gross cost of the assets and other revenues and income are recognised to the income statement on an accruals basis.

Operating grants are recognised on the formal approval of the proposed Entity and are recognised to the income statement on an accruals basis in accordance with Article 2426 of the Civil Code.

### **Translation of foreign currency balances**

Receivables and payables originally in foreign currencies, recorded using the exchange rates in force on the date on which they arose, are aligned to the exchange rates at the balance sheet date on the basis of the Bank of Italy figures.

In particular, assets and liabilities which comprise monetary items in foreign currencies are recognised at the exchange rate at the reporting date and the relative exchange gains and losses are respectively credited and debited to the Income Statement at account 17 *bis* Exchange gains and losses.

Any net gain deriving from the adjustment of foreign currency amounts at year-end are included in the result for the year and, on the approval of the financial statements and consequent allocation of the result to the legal reserve, are recorded, for the part not absorbed by any losses for the year, in a non-distributable reserve until their subsequent realisation.

However, non-monetary assets and liabilities in foreign currencies are recorded at the exchange rate at the moment of their purchase or at a lower rate at the year-end only if the negative changes have resulted in a permanent impairment in the value of the fixed assets.

### **Guarantees, commitments and contingent liabilities**

Commitments, not recorded in the balance sheet, represent obligations assumed by the company with third parties deriving from legal obligations with certain obligations but not yet carried out by either party. Commitments include those whose execution and relative amount are certain (e.g. forward sales and purchase contracts) and those whose execution is certain but the relative amount is not certain (e.g. contracts with price revision clauses). Commitments are reported at the nominal value deriving from the relative documentation.

### **Exceptions**

There were no exceptional cases requiring exemptions as per Article 2423, paragraph 5 of the Civil Code.

**Intangible assets**

	31/12/2021	31/12/2020	Changes
	3,963	4,438	(475)

A breakdown follows:

Description	31.12.2020	Increases	Amortisation	Decreases	Other changes	31.12.2021
Set up and expansion costs	21		(7)			14
Development	144	258	(307)		230	325
Industrial patents & intellectual property rights	2,032	360	(665)		100	1,827
Concessions, licenses and trademarks					4	4
Goodwill	164	494	(218)		5	445
Assets in progress and advances	347	143		(335)	63	218
Other	1,730	66	(651)		(15)	1,130
<b>Total</b>	<b>4,438</b>	<b>1,321</b>	<b>(1,848)</b>	<b>(335)</b>	<b>387</b>	<b>3,963</b>

Intangible assets amount to Euro 4,438 thousand, reporting a net decrease of Euro 475 thousand compared to the previous year. Amortisation in the year amounted to Euro 1,848 thousand.

Development costs include costs related to prototypes preceding production or utilisation, as per OIC 24. For the capitalised costs, the technical feasibility and the generation of future economic benefits were verified. They are amortised on a straight-line basis over three years.

Increases for investments principally refer to Software for Euro 360 thousand.

The Goodwill account refers to what was recognised following the acquisition of the Serms Srl and AMCO Srl shareholdings; this account is amortised over a period of 5 years.

The value of goodwill recognized in 2016 for Serms Srl amounted to Euro 358 thousand; during 2021, following the purchase of the additional holding, goodwill was recorded for Euro 494 thousand.

In 2018, following the acquisition of AMCO Srl, goodwill was recognised for Euro 239 thousand.

**Movements from one account to another**

It was not considered appropriate to carry out a reclassification of intangible assets in the financial statements at December 31, 2021 with respect to the previous financial statements, in order to provide a more transparent and correct accounting representation.

**Write-downs and reversals carried out during the year**

With reference to intangible assets, it was not necessary to carry out write-downs or reversals of impairment losses.

**Property, plant & equipment**

	Balance at 31/12/2021	Balance at 31/12/2020	Changes
	65,042	71.267	(6,225)

A breakdown follows:

Description	31/12/2020	Increases	Deprec.	Decreases	Other changes	31/12/2021
Land & buildings	33,773	57	(1,499)	-	173	32,504
Plant & machinery	31,053	1,575	(7,529)	(151)	655	25,603
Industrial & commercial equipment	4,582	2,608	(1,573)	-	491	6,108
Other assets	101	-	(29)	-	2	74
Assets in progress and advances	1,758	358	-	(1,428)	65	753
<b>Total</b>	<b>71.267</b>	<b>4,598</b>	<b>(10,630)</b>	<b>(1,579)</b>	<b>1,386</b>	<b>65,042</b>

In 2020, the parent company and the subsidiary AMCO Srl took advantage of the revaluation option introduced by way of Legislative Decree 104 of August 14, 2020. The revaluation was calculated on assets on the balance sheet for the year ended December 31, 2019.

More specifically, the revaluation concerned buildings owned by the Parent Company for its headquarters in Via Valter Baldaccini as well as other specific assets identified. In the same way, AMCO Srl applied the revaluation to building owned and used for its headquarters in Via Ezio Bartolomei, as well as to other specific assets identified.

The table summarises the effects for each category of asset.

The revaluation was done for both financial reporting and fiscal purposes and resulted in the recognition of a substitute tax equal to 3% of the increased value.

Certified appraisers were used to determine the increased values of buildings, whereas, for plant and machinery, values were requested of the providers of the assets as well as of professional appraisers.

The increased value will go into effect with fiscal year 2021 for the purposes of depreciation or of calculating the value of the assets for the purpose of determining the deductibility limit of ordinary maintenance costs.

The approach followed to revalue the assets was determined individually for each asset.

Any extension to the useful life of an asset was assessed and verified.

Property, plant and equipment amount to Euro 65,042 thousand, reporting a net decrease of Euro 6,225 thousand. Depreciation in the year totalled Euro 6,225 thousand.

The most significant increases were in industrial and commercial equipment for Euro 2,608 thousand.

The Land and Buildings category includes land for Euro 3,048 thousand.

As per OIC 16, we report that the majority of the land at company offices was acquired separately from the buildings and have not been subject to depreciation since purchase as considered to having maintained their value. Only part of the land, amounting to Euro 100 thousand and relating to the specific cost of the area on purchase, has been separated. No depreciation has been applied since 2007 to these latter.

Plant and machinery amounted to Euro 25,603 thousand, reporting a net decrease of Euro 5,450 thousand. Depreciation in the year totalled Euro 7,529 thousand. The most significant increases concerned test benches and automatic production cycle plant.

Industrial and commercial equipment amounted to Euro 6,108 thousand, reporting a net increase of Euro 1,526 thousand. Depreciation in the year totalled Euro 1,573 thousand. The main increases concerned control instruments and industrial production equipment.

The account Assets in progress and advances principally include advances to suppliers for the purchase of automatic plant for Euro 166 thousand concerning the Parent Company and Euro 587 thousand concerning the subsidiaries.

Other changes include Euro 1,324 thousand concerning the currency adjustment effect regarding the property, plant and equipment of Umbra Cuscinetti Inc. and UGI Holding Inc.

**Write-downs and reversals of impairment losses in the year**

With reference to tangible assets, it was not necessary to carry out write-downs or reversals of impairment losses.

**Total revaluations of fixed assets at year-end**

In accordance with Article 10, Law No. 72/1983, the following tangible fixed assets upon which monetary revaluations were made and exceptions to statutory accounting policies were recognised to the company's financial statements at 31/12/2020.

As highlighted in the introduction to these Explanatory Notes, property, plant and equipment were revalued on the basis of special laws (special, general or sector) and no discretionary or voluntary revaluations were made, with the revaluations, within the maximum limit of the value in use of the asset, objectively determined.

Description	Legal revaluations
Land & buildings	12,437
Plant & machinery	10,365
Industrial and commercial equipment	287
<b>Total</b>	<b>23,125</b>

The table above includes amounts related to the asset revaluation in accordance with Legislative Decree No. 104 of August 14, 2020.

These amounts are summarised below, of which Euro 14,220 thousand concerns the Parent Company and Euro 1,077 thousand concerns AMCO Srl.

Description	Revaluation 104/2020
Land & buildings	8,614
Plant & machinery	6,396
Industrial and commercial equipment	287
<b>Total</b>	<b>15,297</b>

As required by the OIC 16 accounting standard, the net effect of the revaluation was posted in the equity reserve under the account A.III "Revaluation reserve"

### Finance leases

The Group has 23 finance lease contracts in place, of which 17 concerning the Parent Company and 6 concerning the subsidiaries. In compliance with the indications provided by OIC 12, the table below outlines the effects that would have occurred on net equity and profit through recording the leases under the finance method compared to the method of charging the periodic instalments directly to the income statement.

#### A) ASSETS - contracts in progress

a) Value of assets under leases at the end of the previous year	18,018
b) Accumulated depreciation of assets under leases at the end of the previous year	8,951
	-
c) assets acquired in the year	-
d) assets redeemed in the year	-
e) depreciation in the year	2,231
f) adjustments and asset write-backs	-
g) Value of assets under leases at the end of the year	18,018
h) virtual accumulated depreciation	11,182
Total A)	6,836

#### B) CHANGES

Higher value of the assets redeemed, in accordance with the Finance method, compared to the net book value at the end of the year	-
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#### C) LIABILITIES

Implicit payables at the end of the previous year	7,015
of which due within one year	1,815
of which due between 1 & 5 years	4,274
of which due beyond 5 years	927
	-
+ Implicit payables arising in the year	-
- Reductions for repayment of capital	1,916
- Reductions for redemptions during the year	-
C) implicit payables at the end of the year	5,099
of which due within one year	1,549
of which due between 1 & 5 years	2,822
of which due beyond 5 years	727

C-bis) Recognition of prepaid expenses	718
C-tris) Recognition of accrued expenses	(536)
D) gross effect at end of year (A+B-C-(C-bis+C-tris))	1,555
E) net tax effect	(462)
F) effect on closing shareholders' equity	1,094

**INCOME STATEMENT**

Reversal of finance lease charges	2,072
(of which financial charges)	121
Depreciation on contracts in course	2,231
Depreciation on assets redeemed	-
Recording of finance charges on leasing operations	121
Adjustments / write-backs on leased assets	-
Effect on pre-tax result	(281)
Recording of the tax effect	80
Effects on net result	(201)

**Financial assets**

**Investments**

**List of companies consolidated line-by-line as per Article 26 of Legislative Decree No. 127/91 at 31/12/2021**

Company	City (if in Italy) or Overseas state	Fiscal/tax code (only for Italian Companies)	Share capital in Euro	Last year profit/(loss) in Euro	Shareholders' equity in Euro	Holding in Euro	Holding	Carrying amount or corresponding receivable
Umbra Cuscinetti Inc.	USA		588	1,126	155	155	100%	-
Präzisionskugeln Eltmann GmbH	Germany		100	687	10,367	10,367	100%	100
Kuhn GmbH	Germany		782	(109)	8,455	8,455	100%	459
Serms Srl	Foligno PG	01310710551	15	(16)	773	773	100%	1,225
UGI Holding Inc	USA		3,644	2,166	15,785	15,785	100%	3,645
AMCO S.r.l	Foligno PG	94123460548	100	(127)	3,476	3,476	100%	2,700
Total								8,129

	% held	Value at 01/01/2021	Increases	Value at 31/12/2021
UGI Holding LLC	100	3,645	-	3,645
Amco Srl	100	2,700	-	2,700

KUHN GMBH	100	459	-	459
Serms Srl	100	395	830	1,225
PKE GmbH	100	100	-	100
<b>Total</b>		<b>7,299</b>	<b>30</b>	<b>8,129</b>

In 2021, the Group's equity investments changed with the increase in the stake held in Serms Srl, which increased from 57.4% to 100%.

#### Non-current investments in other companies

Description	Book value
Eureka Fund I - Technology Transfer	138
<b>Total</b>	<b>138</b>

Other equity investments, in the amount of Euro 138 thousand, refer to units held in "Eureka! Fund 1 – Technology Transfer".

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 approved investments in the fund of up to Euro 1 million. The amount recognised at December 31, 2020, represents the units actually subscribed at that date.

#### Receivables

A breakdown follows:

Description	31/12/2020	Increases	Decreases	31/12/2021
Others	53	-	44	9
<b>Total</b>	<b>53</b>	<b>-</b>	<b>44</b>	<b>9</b>

Non-current receivables of Euro 9 thousand were recognised to the financial statements concerning amounts paid as deposits.

#### Current assets

##### Inventories

Balance at 31/12/2021	Balance at 31/12/2020	Changes
48,912	56,140	(7,228)

The accounting policies adopted are unchanged from the previous year and are described in the first part of the present Notes.

Description	31/12/2020	Change	Consolidation adjustments	31/12/2021
Raw materials, ancillaries and consumables	15,775	(2,184)	(253)	13,338
Work-in-progress and semi-finished products	30,441	(3,970)	(44)	26,427

Finished products and goods	9,924	(495)	(282)	9,147
<b>Total</b>	<b>56,140</b>	<b>(6,649)</b>	<b>(579)</b>	<b>48,912</b>

	31/12/2021	31/12/2020	Change
Raw materials, ancillaries and consumables	15,452	17,565	(2,113)
Work-in-progress and semi-finished products	29,278	35,464	(6,186)
Finished products and goods	10,925	11,580	(655)
Inventory obsolescence provision	(6,743)	(8,468)	1,725
	<b>48,912</b>	<b>56,140</b>	<b>(7,228)</b>

The inventory obsolescence provision at December 31, 2021 of Euro 6,743 thousand reports the following movements in the year:

Description	Amount
Inventory obsolescence provision at 31/12/2020	8,468
Utilisation of the inventory obsolescence provision in the year	(3,527)
Accrual to the inventory obsolescence provision in the year	1,801
<b>Balance of inventory obsolescence provision at 31/12/2021</b>	<b>(6,743)</b>

Utilisations of Euro 3,527 thousand concern the parent company for Euro 890 thousand and for Euro 2,637 thousand the subsidiaries.

The accrual for Euro 1,535 thousand relates mainly to the Parent Company for Euro 1,425 thousand and for Euro 376 thousand to the subsidiaries.

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.

The changes include the exchange rate effect, which affected the initial balance of the obsolescence provision for Euro 270 thousand.

### Current receivables

A maturity analysis of consolidated accounts receivable, after the elimination of inter-company items, is presented below.

Description	Within one year	Beyond one year	Beyond 5 years	Total	Of which sale back commitments
Trade receivables	22,752	-	-	22,752	-
Parent companies	2,882	-	-	2,882	-
Tax receivables	4,028	747	-	4,775	-
Deferred tax assets	6,031	-	-	5,984	-
Others	4,982	-	-	4,884	-
	<b>33,455</b>	<b>747</b>	-	<b>41,277</b>	-

The company has chosen the option to not utilise the amortised cost criterion and to not discount receivables as the accounting policies adopted do not provide for the discounting of receivables with maturity of less than 12 months; to not discount receivables in the case in which the effective interest rate does not significantly differ from market interest rates; to not apply the amortised cost criterion for receivables with maturity of less than 12 months and finally to not apply the amortised cost criterion in the case in which settlement costs, commissions and any other difference between the initial value and the value at maturity is minimal.

On the basis of these policies, the receivables were valued at their estimated realisable value.

The breakdown of the main receivable items is presented below.

The net value of **trade receivables** was Euro 22,752 thousand, increasing Euro 3,829 thousand on December 31, 2020; the account includes bank drafts presented by the parent company to be deposited at Credit Institutions for Euro 247 thousand. The adjustment of foreign currency items at the year-end exchange rates by the Parent Company resulted in exchange gains of Euro 57 thousand.

Trade receivables concern ordinary sales operations and are from Italian and overseas clients.

**Receivables from parent companies** refers to the receivable from Poliscom Srl:

- for Euro 2,387 thousand includes the tax position deriving from the tax consolidation with Poliscom Srl. This balance includes the approval of the Patent Box application by the Tax Agency, which was signed on August 31, 2021;
- for Euro 493 thousand corresponding to the tax benefit deriving to Amco srl from the participation in the tax consolidation, with the parent company Poliscom s.r.l..

**Tax receivables** principally include:

- the VAT receivable for Euro 949 thousand, concerning the annual receivable from the December settlement carried forward by the Parent Company;
- the Parent Company's IRAP tax credit of Euro 240 thousand;
- the tax credit of Euro 49 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 37 thousand of which beyond the following year, attributable to the Parent Company;
- the tax credit of Euro 345 thousand related to research and development as per Law No. 77 of July 17, 2020, Euro 172 thousand of which beyond the following year, attributable to the Parent Company;
- the tax credit of Euro 86 thousand related to Technological Innovation as per Law No. 77 of July 17, 2020, Euro 43 thousand of which beyond the following year, attributable to the Parent Company;
- the tax credit of Euro 13 thousand for sanitization of the Parent Company as per Article 32 of Law Decree No. 73 of May 25, 2021;
- the tax credit of Euro 25 thousand for sponsorship activities of the Parent Company as per Article 81 of Law Decree No. 104 of August 14, 2020;
- the tax credit of Euro 641 thousand related to R&D as per Law No. 178 of December 30, 2020, Euro 428 thousand of which beyond the following year, attributable to the Parent Company;
- the tax credit of Euro 42 thousand related to Technological Innovation as per Law No. 178 of December 30, 2020, Euro 28 thousand of which beyond the following year, attributable to the Parent Company.
- the tax credit of USD 949 thousand attributable to the U.S. subsidiary Umbra Cuscinetti Inc. and related to carryback filing related to fiscal years 2014, 2015 and 2016, to which fiscal losses from 2017, 2018 and 2019 may be applied in order to receive a refund of the taxes paid;
- the receivable for Euro 170 thousand relating to the German subsidiary Kuhn GmbH;
- the tax credit of USD 1,015 thousand relating to the American subsidiary UGI Holding Inc;
- the VAT receivable for Euro 94 thousand, concerning the annual receivable from the December settlement carried forward by the subsidiary AMCO Srl.

It should be noted that the tax credit relating to R&D expenses and Technological Innovation, illustrated above, 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.

**Deferred tax assets** of Euro 5,984 thousand relate to temporarily deductible differences of the Group, of which Euro 2,225 thousand relating to the parent company and Euro 3,459 thousand concerning the subsidiaries.

**Other receivables** at December 31, 2021, amounting to Euro 4,884 thousand, are as follows:

Description	2021	2020
Advances to suppliers	609	37
Social security institutions	-	83

ASTIB Grant	144	152
Reprise – Clean Sky Grant	27	82
TVB Grant	-	163
AG2 Grant	22	22
EMA 4Flight Grant	92	92
Fase Lag Grant	60	60
Valema Grant	17	17
Genera Grant	27	144
IMARE Grant	200	200
IMAGINE grant	219	219
PON MIUR (Lub for Life) grant	575	1,258
PON MIUR SIAD Grant	277	277
Diprovel Grant	356	356
Costar Contribution	931	1,047
POR FESR 2014-2020 Grant	414	-
598 Grant	96	-
Other receivables	713	172
Without recourse factored receivables	105	601
	<b>4,884</b>	<b>4,982</b>

The main receivables relating to the Parent Company are shown below:

The amount of Euro 144 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 2,355 thousand - Amount received Euro 2,211 thousand).

The amount of Euro 27 thousand relates to the receivable from the European Union for a European research project called Reprise – Clean Sky 2 (Total grant Euro 545 thousand - Amount received Euro 518 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 92 thousand relates to the receivable from the European Union for a European research project called Ema 4Flight coordinated by the Fundacion Tecnalia Research & Innovation (Total grant Euro 450 thousand - Amount received Euro 358 thousand).

The amount of Euro 60 thousand relates to the receivable from the European Union for a European research project called Fase Lag (Total grant Euro 401 thousand - Amount received Euro 341 thousand).

The amount of Euro 17 thousand relates to the receivable from the European Union for a European research project called Valema and coordinated by GMV SAU (Total grant Euro 170 thousand - Amount received Euro 154 thousand).

The amount of Euro 26 thousand relates to the receivable from the Ministry for Economic Development for the European research project called Genera (Total grant Euro 729 thousand - Amount received Euro 702 thousand).

The amount of Euro 200 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 331 thousand - Amount received Euro 131 thousand).

The amount of Euro 219 thousand relates to the receivable from the European Union for a European research project called IMAGINE (Total grant Euro 1,462 thousand - Amount received Euro 1,097 thousand).

The amount of Euro 575 thousand relates to the receivable from the Ministry for Education, the Universities and Research called Pon Miur Lub for Life (Total grant Euro 1,258 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).

The amount of Euro 356 thousand relates to the receivable from the Ministry for Economic Development for the European research project called Diprovel (Total grant Euro 356 thousand - No amount received).

The amount of Euro 931 thousand relates to the receivable from the European Union for a European research project called IMAGINE (Total grant Euro 1,247 thousand - Amount received Euro 316 thousand).

The amount of Euro 414 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 414 thousand - No amount collected).

Trade receivables are adjusted to reflect their estimated realisable value through a doubtful debt provision and whose movements were as follows:

Description	Total
Balance at 31/12/2020	1,020
Utilisation in the year	(315)
Provision for the year	223
Exchange adjustments	(67)
<b>Balance at 31/12/2021</b>	<b>861</b>

Utilisations in the year relate to certain losses.

#### Current financial assets

##### Change in current financial assets

Balance at 31/12/2021	Balance at 31/12/2020	Changes
10,270	20,381	(10,111)

	Opening balance	Changes in the year	Closing balance
Other investments	-	270	270
Current derivative financial instruments - Assets	381	(381)	-
Other non-listed securities	20,000	(10,000)	10,000
<b>Total current financial assets</b>	<b>20,381</b>	<b>(10,111)</b>	<b>10,270</b>

Other financial assets not held as fixed assets include:

- 1 savings bond with Intesa Private Banking totalling Euro 10,000,000 thousand with an expiration of January 31, 2022, and which accrues interest income to be applied upon maturity;
- The 21.18% stake in K-Digitale Srl, acquired in May 2021, for Euro 270,000.

#### Cash and cash equivalents

Balance at 31/12/2021	Balance at 31/12/2020	Changes
111.218	83,898	27,320

Description	31/12/2020	Increases	Decreases	31/12/2021
Bank and postal deposits	83,881	27,311	-	111,192
Cash in hand and similar	17	9	-	26
<b>Total</b>	<b>83,898</b>	<b>27,320</b>	<b>-</b>	<b>111.218</b>

The account reflects the balance of cash and cash equivalents on hand at year-end.

#### Prepayments and accrued income

Balance at 31/12/2021	Balance at 31/12/2020	Changes
1,401	1,462	(61)

They relate to income and charges accounted for on an accruals basis, irrespective of the date of payment or receipt. At December 31, 2021, there were no prepayments and accrued income with a duration exceeding five years, except for those relating to the Parent Company's leasehold contract for which the amount with a duration of over five years amounts to Euro 17 thousand.

The breakdown of the account is as follows.

Description	Amount
Interest income	34
Insurance premiums	89
Leasing Fees	808
Misc. Costs	470
<b>Total</b>	<b>1,401</b>

### Explanatory Notes - Liabilities and Shareholders' Equity

#### Shareholders' Equity

#### Reconciliation between net result and net equity as reported in the parent company and consolidated financial statements

A reconciliation follows of consolidated net equity and the result for the year ended December 31, 2021 with the amounts reported in the parent company financial statements:

	Net Equity	Result
<b>Net equity and net result for the year as reported in the parent company financial statements</b>	<b>122,226</b>	<b>12,089</b>
Adjustments in compliance with accounting standards	22	24
Elimination of book values of consolidated holdings:		
a) difference between book value and pro-quota net equity	22,263	-
b) pro-quota results of investees	3,728	3,728
c) gains/losses attributed at the acquisition date of the investees	442	(217)
d) reversal of write down in investments	4,922	-
e) eliminations of inter-company dividends	(29)	(29)
f) elimination of provision to cover losses	942	-
Elimination of the effects of transactions between consolidated companies	(759)	164
Net equity and net result pertaining to Group	153,757	15,759
Net equity and net result pertaining to minority interests	-	-
<b>Consolidated net equity and net result</b>	<b>153,757</b>	<b>15,759</b>

**Statement of changes in consolidated net equity**

UMBRAGROUP SPA  
 STATEMENT OF CHANGES IN NET EQUITY  
 FOR YEARS ENDED 31.12.2020 & 31.12.2021  
 In Euro thousands

DESCRIPTION	SHARE CAPITAL	SHARE PREMIUM RESERVE	REVALUATION RESERVE	LEGAL RESERVE	CAPITAL GRANTS	OTHER RESERVES	HEDGING RESERVE	CONVERSION RESERVE	CONSOLIDATION RESERVE	RETAINED EARNINGS (AC. LOSSES)	NET PROFIT (LOSS)	NEGATIVE TREASURY SHARES RESERVE	TOTAL
December 31, 2019	12,056	24,194	3,741	2,260	171	41,295	(5)	1,681	8,843	14,742	13,695	(652)	122,021
Allocation 2019 Profit													
- To Reserves				151		14,062				(517)	(13,695)	-	-
- Dividends													-
Translation Reserve Change								(1,049)					(1,049)
Revaluation Tangible Assets			14,870										14,870
Movements Treasury shares						(1,068)						(1,064)	(2,132)
Other changes						5	4						9
2020 Net Profit											6,956		6,956
December 31, 2020	12,056	24,194	18,611	2,411	171	54,294	(1)	632	8,843	14,225	6,956	(1,716)	140,676
Allocation 2020 Profit													
- To Reserves						5,002				1,954	(6,956)		-
- Dividends						(3,000)							(3,000)
Translation Reserve Change								1,225					1,225
Revaluation Tangible Assets													-
Movements Treasury shares						(258)						(1,051)	(1,309)
Other changes			(95)			500	1						406
2021 Net profit											15,759		15,759
December 31, 2021	12,056	24,194	18,516	2,411	171	56,538	-	1,857	8,843	16,179	15,759	(2,767)	153,757
NET EQUITY AND NET RESULT PERTAINING TO MINORITY INTERESTS													-
GROUP & MIN. INTEREST CONSOLIDATED NET EQUITY													153,757

The main accounts from the statement of changes in Shareholders' Equity are shown below:

- Euro 1,309 thousand concerning the acquisition and sale of treasury shares as commented upon below;
- Euro 1,225 thousand concerning changes in the translation reserve;
- Euro 15,759 thousand related to 2021 earnings.

**Changes in cash flow hedge reserve**

The movements in the cash flow hedge reserve were as follows:

	Cash flow hedge reserve
Opening balance	(1)
<b>Changes in the year</b>	
Decreases due to fair value changes	1
Closing balance	-

In order to partially limit the risk linked to the variability of interest rates, the Parent Company has proceeded to ensure IRS for medium and long-term loan transactions. This is better described at the end of these Explanatory Notes in the section where information relating to the fair value of derivative financial instruments is provided, as required by Art. 2427-bis, first paragraph, no. 1 of the Civil Code.

The company subscribed to derivative financial instruments to perform interest rate risk hedging transactions on its bank debt for loans with medium and long-term repayment.

The company has undertaken derivative financial contracts exclusively for hedging purposes, as the company's financial management policy does not permit the undertaking of financial instruments for speculative purposes.

The derivatives utilised are Over the Counter (OTC) instruments traded bilaterally with market counterparties.

The account *Cash Flow Hedge reserve*, negative for Euro 1 thousand, reflects the recognition of the fair value of interest rate hedges for which hedge accounting has been applied.

For derivative Euro/USD interest rate hedge contracts, although undertaken for hedging purposes, the company decided not to apply hedge accounting.

### Other net equity accounts

The shareholders' equity contains the following reserves:

Reserves or other provisions, which in the event of distribution, form assessable income of the company, independent of the period of formation.

Reserves	Value
Revaluation reserve Legs. Decree No. 104/2020	14,775
Revaluation reserve Law 185/2008	3,741
	<b>18,516</b>

Reserves or other provisions, which in the event of distribution, do not form assessable income for shareholders, independent of the period of formation.

Reserves	Value
Share premium reserve	24,194
	<b>24,194</b>

### Reserves incorporated in the share capital

The share capital does not include reserves which in the case of distribution would contribute to the assessable income of the company or of shareholders.

### Negative reserve for acquisition of treasury shares

The movement of treasury shares is as follows:

Description	31/12/2020	Increases	Decreases	31/12/2021
UMBAGROUP S.P.A.	1,716	1,051	-	2,767

In 2021, 2,122 shares were acquired at an average value of Euro 639 for consideration of Euro 1,356,951; under the Long Term Incentive plan approved by the Shareholders' Meeting of May 29, 2017, 443 shares were assigned at an average value of Euro 593 for consideration of Euro 262,654. The treasury shares in portfolio are to be allocated in part to the Long Term Incentive plan approved by the Shareholders' Meeting of May 21, 2021.

At December 31, 2021, the company holds 4,600 treasury shares, equal to 1.38% of the share capital.

The company has not held and does not hold, neither directly or indirectly, parent company shares. The company does not hold treasury shares through trust companies or nominees.

We outline in detail below the direct holding of treasury shares.

Description	Number held	Share capital (%)
Treasury shares	4,600	1.38%

In accordance with the provisions of law this shareholding is within the limit set by Articles 2357 and 2357 bis of the Civil Code.

**Provisions for risks and charges**

The breakdown of the account is as follows.

Description	31/12/2020	Increases	Decreases	Exchange adjustments	31/12/2021
Pensions and similar obligations	51	5	-		56
Taxation, including deferred taxes	2,730	556	(929)	150	2,507
Derivative financial instruments – Liabilities	2	503	(2)	-	503
Others	3,705	2,371	(2,588)	134	3,622
<b>Total</b>	<b>6,488</b>	<b>3,435</b>	<b>(3,519)</b>	<b>284</b>	<b>6,688</b>

The account **Post-employment benefit provisions and similar obligations** refers to the subsidiary Serms Srl and relates to the severance indemnity granted to the Chairman of this company's Board of Directors.

**Tax provisions** include Deferred tax liabilities of Euro 2,507 thousand concerning temporary assessable differences. For a description of these amounts, reference should be made to the final paragraph of the present notes.

**Derivative Financial Instruments** - liabilities for Euro 503 thousand include the fair value at December 31, 2021 of interest rate derivatives on medium/long-term loans.

**Other provisions for risks and charges** are broken down as follows.

Description	Amount
Future losses Linear Motion LLC	1,135
LTI and Bonus provisions	2,117
Product warranty provision	134
Kuhn reorganization charges	102
Umbra Cuscinetti Inc. penalty	134
<b>Total</b>	<b>3,622</b>

Other provisions for Euro 3,622 thousand concern:

- Euro 1,135 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 50 thousand to the product warranty provision of the German subsidiary PKE GmbH;
- Euro 84 thousand to the product warranty provision of the US subsidiary UGI Holding Inc.;
- 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.

**Post-employment benefits**

The breakdown of the account is as follows.

Description	31/12/2020	Increases	Decreases	31/12/2021
Post-employ. bens., movements	3,503	1,957	(2,025)	3,435

This provision reflects the Group's liability to all employees as of December 31, 2021, net of advance payments made. This provision represents the actual liability towards employees under applicable law and labour agreements. The provision concerns the parent company and the subsidiaries Serms Srl and AMCO Srl.

For the parent company, it corresponds to the total indemnities accrued in favour of employees at December 31, 2006, net of advances paid, and is equal to the amount payable to staff in the event of the termination of the employment contract as at this date.

The provision does not include indemnities matured from January 1, 2007, allocated to supplementary pensions as per Legislative Decree No. 252 of December 5, 2005 (or transferred to the INPS treasury fund).

**Payables**

Consolidated payables, after elimination of intercompany balances, are measured at their nominal value and the breakdown is as follows:

Description	Total	Within one year	Beyond one year	Of which over 5 years
Bank payables	79,489	16,187	63,302	10,944
Payables to other lenders	2,244	729	1,515	87
Advances	2,702	2,702	-	-
Trade payables	21,467	21,467	-	-
Payables to parent companies	-	-	-	-
Tax payables	2,330	2,178	152	-
Payables to social security institutions	2,000	2,000	-	-
Other payables	5,585	5,585	-	-
<b>Total</b>	<b>115,817</b>	<b>50,848</b>	<b>64,969</b>	<b>11,031</b>

**Bank payables** at December 31, 2021 of Euro 79,489 thousand include loans and reflect the effective payable for capital.

Bank payables due within one year exclusively include the capital portion of loans due within twelve months.

It should be noted that, in order to safeguard the financial stability of the company as a result of the COVID-19 pandemic, moratoriums on medium and long-term bank borrowers were activated in 2020. These actions resulted in a lengthening of the amortisation plans on outstanding financing and a consequent postponement of the principal payments due in 2020. During 2021, on expiration of the moratorium, the repayments resumed.

Loans outstanding at December 31, 2021 relating to the Parent Company are outlined below:

*Casse di Risparmio dell'Umbria – Intesa Group Loan*: On May 24, 2016, the company drew down a loan for Euro 7,000 thousand; the loan is repayable in half-yearly instalments in arrears concluding on May 24, 2022 with variable half-yearly interest on the basis of the Euribor at six months plus a spread; the residual payable at December 31, 2020 is Euro 705 thousand.

The covenants on the loan and the relative value at December 31, 2021, with non-compliance of at least two of the

above-indicated parameters resulting in an increase in the spread, were as follows:

	<b>Covenants</b>	<b>31.12.2021</b>
EBITDA / Financial charges	> =4.5	24.2
Net Financial Position / Net Equity	< = 1.2	NA
Net Financial Position / EBITDA	< = 3.0	NA

These covenants concern the consolidated financial statements.

*Banco Popolare Loan:* On November 7, 2016, the company drew down a loan of Euro 5,000 thousand; the loan has a grace period until December 31, 2016 and is repayable in 14 half-yearly instalments in arrears concluding on December 31, 2024 at a fixed interest rate; the residual payable at December 31, 2021 is Euro 2,180 thousand.

*Banca Popolare di Ancona Loan:* On November 17, 2016, the company drew down a loan for Euro 5,000 thousand; 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, 2021 is Euro 2,180 thousand.

The covenants on the loan and the relative value at December 31, 2021, with non-compliance of at least one of the above-indicated parameters resulting in an increase in the spread, were as follows:

	<b>Covenants</b>	<b>31.12.2021</b>
EBITDA / Financial charges	> =4.0	31.6
Net Financial Position / Net Equity	< = 1.5	NA
Net Financial Position / EBITDA	< = 2.5	NA

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 thousand; 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, 2021 is Euro 2,321 thousand.

The covenants on the loan and the relative value at December 31, 2021, with non-compliance of just one of the above-indicated parameters resulting in an increase in the spread, were as follows:

	<b>Covenants</b>	<b>31.12.2021</b>
Net Financial Position / Net Equity	< = 1.5	NA
Net Financial Position / EBITDA	< = 3.5	NA

These covenants concern the consolidated financial statements.

*Unicredit Loan:* On February 23, 2017, the company drew down a loan for Euro 5,000 thousand; the loan is repayable in quarterly instalments in arrears concluding on February 28, 2023 at a fixed interest rate; the residual payable at December 31, 2021 is Euro 1,250 thousand.

*Intesa SanPaolo Loan:* On March 28, 2017, the company drew down a loan of Euro 10,000 thousand; the loan is repayable in half-yearly instalments in arrears concluding on March 28, 2025 at a fixed interest rate; the residual payable at December 31, 2021 is Euro 5,074 thousand.

*BNP Paribas Loan:* On March 31, 2017, the company drew down a loan of Euro 7,000 thousand; 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, 2021 is Euro 3,302 thousand.

The covenants on the loan and the relative value at December 31, 2021, whose non-compliance triggers the

acceleration clause, were as follows:

	<b>Covenants</b>	<b>31.12.2021</b>
Net Financial Position / EBITDA	< = 3.0	NA

These covenants concern the consolidated financial statements.

*Mediocredito Loan:* On September 29, 2017, the company drew down a loan of Euro 10,000 thousand; 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, 2021 is Euro 5,808 thousand.

The covenants on the loan and the relative value at December 31, 2021, with non-compliance of at least one of the above-indicated parameters resulting in an increase in the spread, were as follows:

	<b>Covenants</b>	<b>31.12.2021</b>
EBITDA / Gross Financial Charges	> 4.5	24.2
Net Financial Position / Net Equity	< 1.2	NA
Net Financial Position / EBITDA	< 3	NA

These covenants concern the consolidated financial statements.

*Banca Popolare di Spoleto Loan:* On November 21, 2017, the company drew down a loan for Euro 4,000 thousand; the loan is repayable in quarterly instalments in arrears concluding on December 10, 2023 at a fixed interest rate; the residual payable at December 31, 2021 is Euro 1,618 thousand.

*Unicredit Loan:* The company drew down a loan for Euro 10,000 thousand; the loan is repayable in quarterly instalments in arrears concluding on November 30, 2027 at a fixed interest rate. The residual payable at December, 31 2021 is Euro 8,571 thousand.

Euro 1,429 thousand of the payable is due beyond 5 years.

*MPS Loan:* on November 27, 2019, the company drew down a loan for Euro 5,000 thousand; the loan is repayable in half-yearly instalments in arrears concluding on December 31, 2027 at a fixed interest rate. The residual payable at December, 31 2021 is Euro 4,309 thousand.

Euro 738 thousand of the payable is due beyond 5 years.

*UBI Loan:* On January 21, 2020, the company drew down a loan for Euro 3,000 thousand; the loan is repayable in quarterly instalments in arrears concluding on January 21, 2024 with variable interest on the basis of the Euribor at three months plus a spread. The residual payable at December, 31 2021 is Euro 2,257 thousand.

*UBI Loan:* On January 21, 2020, the company drew down a loan for Euro 7,000 thousand; the loan is repayable in half-yearly instalments in arrears concluding on January 21, 2027 with variable interest on the basis of the Euribor at six months plus a spread. The residual payable at December, 31 2021 is Euro 7,000 thousand.

Euro 2.000 thousand of the payable is due beyond 5 years.

*Intesa Loan:* on November 25, 2020, the company drew down a loan for Euro 10,000 thousand; the loan is repayable in half-yearly instalments in arrears concluding on February 25, 2027 at a fixed interest rate. The residual payable at December, 31 2021 is Euro 7,857 thousand.

Euro 714 thousand of the payable is due beyond 5 years.

*Unicredit loan:* on September 8, 2021 the company drew down a loan for Euro 15,000 thousand; 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 2021 is Euro 15,000 thousand.

Euro 5.893 thousand of the payable is due beyond 5 years.

	<b>Covenants</b>	<b>31.12.2021</b>
Net Financial Position / EBITDA	< = 3.5	NA

These covenants concern the consolidated financial statements.

*Banco BPM loan:* on November 15, 2021 the company drew down a loan for Euro 500 thousand; the loan, subject to a grace period until December 31, 2022, is repayable in quarterly instalments concluding on December 29, 2028 with a variable interest rate. The residual payable at December, 31 2021 is Euro 500 thousand. Euro 171 thousand of the payable is due beyond 5 years.

It should be noted that the disbursement by Banco BPM is linked to a medium-term line of credit for a total of Euro 12,500 thousand, which provides for the possibility of several drawdowns up to the amount made available.

	<b>Covenants</b>	<b>31.12.2021</b>
Net Financial Position / Net Equity	< 2	NA
Net Financial Position / EBITDA	< 3.5	NA

These covenants concern the consolidated financial statements.

The outstanding loans drawn down by the US subsidiary Umbra Cuscinetti Inc. at December 31, 2021 are reported below.

*BNP Paribas Loan:* the loan, drawn down by the US subsidiary Umbra Cuscinetti Inc. on January 22, 2019 for an amount of USD 4,000 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, 2021 is USD 3,00 thousand.

The covenants on the loan and the relative value at December 31, 2020, whose non-compliance triggers the acceleration clause, were as follows:

	<b>Covenants</b>	<b>31.12.2021</b>
Net Financial Position / Net Equity	< = 1.0	NA
Net Financial Position / EBITDA	< = 3	NA

These covenants concern the consolidated financial statements.

The outstanding loans at December 31, 2021 drawn down by the US subsidiary Linear Motion LLC (operating subsidiary of UGI Holding Inc.) are outlined below.

*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, 2021 is USD 6,750 thousand.

The covenants on the loan and the relative value at December 31, 2021, whose non-compliance triggers the acceleration clause, were as follows:

	<b>Covenants</b>	<b>31.12.2021</b>
Net Financial Position / Net Equity	< = 1.0	NA
Net Financial Position / EBITDA	< = 3	NA

These covenants concern the consolidated financial statements.

The outstanding loans drawn down by the German subsidiary PKE GmbH at December 31, 2020 are reported below.

*Kreissparkasse Loan*: the loan, drawn down by the German subsidiary PKE GmbH on June 30, 2015 for an amount of Euro 1,400 thousand, is repayable in quarterly instalments from September 30, 2015 and concluding on June 30, 2022 at a fixed interest rate; the residual payable at December 31, 2021 is Euro 100 thousand.

The outstanding loans drawn down by the subsidiary AMCO Srl at December 31, 2021 are reported below.

*Intesa San Paolo Loan*: the loan, drawn for an amount of Euro 1,500 thousand in 2016 and repayable in monthly instalments, was subject to a moratorium in accordance with Legislative Decree 18/2020 for a period of nine months, which pushed the last payment from November 10, 2021, to August 10, 2022. The residual payable at December 31, 2021 is Euro 203 thousand.

*Intesa San Paolo Loan*: the loan, drawn in 2018 for an amount of Euro 500 thousand and repayable in monthly instalments, was subject to a moratorium for a period of nine months, which pushed the last payment from January 26, 2025, to October 26, 2025. The residual payable at December 31, 2021 is Euro 279 thousand.

The amortised cost was not applied to loans drawn down in 2021 considering the immateriality of the settlement costs incurred, which were therefore accrued according to the loan duration.

The interest rate applied is in line with market conditions.

With regard to the debt positions of the U.S. subsidiaries, it should be noted that the Coronavirus Aid, Relief and Economic Security (CARES) Act was approved in 2020, introducing a wide range of mechanisms aimed at mitigating the impact of COVID-19.

One of the measures of greatest significance to small and medium-sized businesses was the Paycheck Protection Program (PPP), which allocated USD 350 billion to SMBs with fewer than 500 employees in order to avoid employee terminations and business closures and to help businesses through the most critical months of the emergency.

The programme (which was recently renewed for 2021) provides companies with access to subsidised loans that could be converted into grants on the grounds that: (i) there are no reductions in the workforce during the period February 15 – June 30, 2020; and (ii) the funds are used to pay employee wages and salaries and other eligible expenses (e.g. leases, utilities, etc.) over the course of the eight weeks (then extended to 24) following their disbursement.

The legislation established a formula for reducing the amount of the loan that could be converted into a grant based on any reduction in the workforce that occurred during the period concerned.

The loans, with a two-year duration and subsidised interest rate of 1%, were made available and actually disbursed by banks (who receive a commission from the federal government) and are backed by guarantees of the U.S. Small Business Administration (SBA).

In 2020, Umbra Cuscinetti Inc. submitted an application on April 22, 2020, and received a loan (on May 5, 2020) in the amount of USD 2,293 thousand within the scope of this programme.

On November 25, 2020, Umbra Cuscinetti Inc. filed a request for the loan to be converted into a grant for USD 1,744 thousand, reduced as a result of the reduction in the Umbra Cuscinetti Inc. workforce during the period in application of the formula defined by the applicable legislation. In 2020, non-operating income of USD 1,744 thousand was recognised under other revenues.

At December 31, 2021, the remaining payable was USD 278 thousand, fully payable within one year.

Also during 2021, Umbra Cuscinetti Inc., with regard to the same support program, requested and obtained the disbursement of a loan of USD 1,744 thousand.

The amount disbursed was converted into a non-refundable amount of USD 1,369 thousand, recording non-operating income for the same amount in the income statement under other revenues.

At December 31, 2021, the remaining payable was USD 135 thousand, of which USD 104 thousand payable beyond one year.

It should be noted that the conversion of the loan into a grant resulted in non-operating income that is not taxable for the purposes of federal income tax, and the costs incurred with the use of the grant's funds are fully deductible in calculating the companies' taxable income for federal income tax purposes.

**Payables to other lenders** comprise:

- Payable to the Ministry for Production Activities (former Ministry for Industry) for Euro 1,893 thousand relating to the Parent Company and in particular research and development projects for an electromechanical actuator for the Agusta – Westland helicopter and the VRS A380. The loan, issued in a number of tranches, carries a zero-interest rate.
- Payable to the Ministry of Economic Development (MISE) relating to the Genera project for Euro 293 thousand. The GENERA project (MISE grant decree No. 4250 of 23.10.2017) provides for subsidised funding, for a nominal percentage of 20% of eligible costs. Each beneficiary of the subsidised funding is required to repay the amount through equal half-yearly instalments in arrears, on June 30 and December 31 of each year, including capital and interest, at a rate of 0.17%, with 16 instalments, in addition to a grace period of a maximum of 3 years, running from the date of the grant decree (23.10.2017). The interest during the grace period, calculated on the basis of the effective drawdowns of the subsidised funding and its duration, is paid on the same maturities as the subsidised funding instalments. Euro 68 thousand of the payable is due beyond 5 years.
- Payable to the Ministry of Economic Development (MISE) relating to the IMARE project for Euro 58 thousand. The IMARE project (MISE grant decree No. 284975 of 10.09.2018) provides for subsidised funding, for a nominal percentage of 20% of eligible costs. Each beneficiary of the subsidised funding is required to repay the amount through equal half-yearly instalments in arrears, on June 30 and December 31 of each year, including capital and interest, at a rate of 0.16%, with 16 instalments, in addition to a grace period of a maximum of 3 years, running from the date of the grant decree (10.09.2018). The interest during the grace period, calculated on the basis of the effective drawdowns of the subsidised funding and its duration, is paid on the same maturities as the subsidised funding instalments. Euro 19 thousand of the payable is due beyond 5 years.

**Advances** for Euro 2,702 thousand refer to the advance payments received from customers relating to goods and services not yet supplied.

**Trade payables** amount to Euro 21,467 thousand and decreased Euro 832 thousand on the previous year. They are recognised net of commercial discounts; cash discounts are however recognised on payment. The nominal value of these payables was adjusted, on recognition of returns or premiums (adjustment to invoicing), to the amount agreed with the counterparty.

The account **tax payables** amounts to Euro 2,330 thousand and decreased Euro 1,722 thousand on the previous year; this account includes only definite tax liabilities, as the liabilities for probable income taxes or where the amount or the date of payment is uncertain, in relation to deferred tax liabilities, are recorded in the account B2 under liabilities (Deferred tax liabilities).

This account principally comprises:

- tax payables for withholding taxes of Euro 812 thousand concerning the Parent Company;
- tax payables for withholding taxes of Euro 820 thousand concerning leaving incentives for senior executives of the Parent Company;
- the substitute tax payable in the amount of Euro 284 thousand, Euro 142 thousand of which beyond the following year, attributable to the Parent Company;
- income tax payables of Euro 148 thousand concerning PKE GmbH;
- value added tax payable of Euro 60 thousand relating to the subsidiary Kuhn GmbH;
- tax payables for withholding taxes of Euro 44 thousand concerning the subsidiary AMCO Srl.

The tax payables account did not change significantly.

**Payables to social security institutions** amount to Euro 2,000 thousand, increasing Euro 323 thousand on the previous year; this account principally concerns parent company and Italian subsidiary payables due at year-end to these institutions relating to the charge upon the company and employees for December salaries.

**Other payables** of Euro 5,585 thousand principally include:

- payables for leaving incentives of senior management of Euro 1,382 concerning the parent company;
- payables to employees for vacation days due for Euro 96 thousand concerning the parent company;
- payables to directors for unpaid remuneration of Euro 452 thousand concerning the parent company;
- payables due to Cral for contributions to be paid of Euro 43 thousand concerning the parent company;
- welfare payables of Euro 464 thousand concerning the parent company;
- payables to employees of Euro 637 thousand relating to the subsidiary PKE GmbH, of which Euro 102 thousand for vacations days not yet taken;
- payables to the supplier QR Industries for USD 221 thousand relating to the subsidiary Umbra Cuscinetti Inc. concerning the settlement of a dispute over goods supplied;
- payables to employees of USD 533 thousand relating to the subsidiary Umbra Cuscinetti Inc., of which USD 136 thousand for vacations days not yet taken;
- payables for senior management leaving incentives of USD 186 thousand relating to the subsidiary Umbra Cuscinetti inc;
- payables to employees of USD 1,230 thousand relating to the subsidiary Linear Motion LLC., of which USD 429 thousand for vacations days not yet taken;
- payables to employees of Euro 136 thousand relating to the subsidiary AMCO Srl, of which Euro 57 thousand for vacations days not yet taken.

The company has chosen the option to not utilise the amortised cost criterion and to not discount payables as the accounting policies adopted do not provide for the discounting of payables with maturity of less than 12 months, to not discount payables in the case in which the effective interest rate does not significantly differ from market interest rates, to not apply the amortised cost criterion for payables with maturity of less than 12 months and finally to not apply the amortised cost criterion in the case in which settlement costs, commissions and any other difference between the initial value and the value at maturity is minimal.

Under these policies, payables are therefore recognised at nominal value.

#### Accrued liabilities and deferred income

Balance at 31/12/2021	Balance at 31/12/2020	Changes
2,533	3,596	(1,062)

The account relates to costs and revenues recorded in accordance with the accruals principle.

At December 31, 2021, there was deferred income with a duration exceeding five years for a total amount of Euro 340 thousand relating to a contribution in the account for plant regulated by Law 488/92, III and V Call and pertaining to the Parent Company.

The breakdown of the account is as follows.

Description	Amount
Insurance premiums	8
Grants received	1,609
Current account interest	129
Leasing	699
Others	88
	<b>2,533</b>

## Explanatory Notes - Income Statement

### Value of production

2021	2020	Changes
172,751	188,517	(15,766)

The **Value of production** amounts to Euro 172,751 thousand, down Euro 15,766 thousand on the previous year.

Description	2021	2020	Change
Revenues from sales and services	171,441	180,918	(9,477)
Changes in inventories	(6,202)	(527)	(5,675)
Increase in internal work capitalised	68	425	(357)
Other revenue and income	7,444	7,701	257
<b>Total</b>	<b>172,751</b>	<b>188,517</b>	<b>(15,766)</b>

**Sales revenues** amount to Euro 171,441 thousand, decreasing Euro 9,477 thousand on the previous year (-9.1%). The movement is strictly related to that stated in the Directors' Report.

Revenues by company and the consolidation adjustments are presented below.

Revenues from consolidated sales	2021	2020	Change
UmbraGroup Spa	104,960	111,540	(6,580)
Umbra Cuscinetti Inc.	13,766	16,234	(2,468)
UGI Holding Inc.	39,816	40,723	(907)
PKE GmbH	17,821	18,400	(579)
Kuhn GMBH	4,785	4,469	316
AMCO Srl	3,149	4,055	(906)
Serms Srl	545	485	60
Consolidation adjustments	(13,401)	(14,988)	1,587
<b>Total</b>	<b>171,441</b>	<b>180,918</b>	<b>(9,477)</b>

**Other revenues and income** total Euro 7,444 thousand, down Euro 257 thousand.

This account principally comprises:

- Grants for plant of Euro 40 thousand concerning the parent company;
- Operating grants of Euro 2,223 thousand concerning the parent company;
- Other recoveries of Euro 28 thousand concerning the parent company;
- Capital gains on tangible fixed assets of Euro 40 thousand concerning the parent company;
- Rental income of Euro 33 thousand concerning the parent company;
- Operating grants of USD 860 thousand concerning Umbra Cuscinetti Inc. in relation to the Wage Credit program to support personnel costs;
- Future losses provision release concerning Linear Motion LLC for USD 1,287 thousand;
- Release of Paycheck Protection Program (PPP) debt of USD 1,366 thousand concerning Umbra Cuscinetti Inc.

## Revenues by segment

The breakdown of the account is as follows.

Category	2021	2020	Change	Changes %
Sales of goods	170,014	179,536	(9,522)	-5.3%
Sales of accessories	60	26	34	130.8%
Services	1,367	1,356	11	0.80%
<b>Total</b>	<b>171,441</b>	<b>180,918</b>	<b>(9,477)</b>	<b>-5.2%</b>

Category	2021	2020	Change	Changes %
Aerospace Products	94,477	103,844	(9,367)	-9.0%
Industrial Products	75,215	75,718	(503)	-0.7%
Services	1,749	1,356	393	29.0%
<b>Total</b>	<b>171,441</b>	<b>180,918</b>	<b>(9,477)</b>	<b>-5.2%</b>

Group revenues came to Euro **171,441** thousand, decreasing from the previous year (Euro 180,918 thousand, -5.2%). This reduction was mainly attributable to the Aerospace sector, which was impacted most by the COVID-19 pandemic.

## Revenues by region

The breakdown of the account is as follows.

Region	2021	2020	Change	Changes %
Italy	14,442	15,616	(1,174)	-7.5%
EMEA	81,388	79,055	2,333	2.9%
USA	65,065	76,314	(11,249)	-14.7%
Other	10,546	9,932	614	6.2%
<b>Total</b>	<b>171,441</b>	<b>180,917</b>	<b>(9,476)</b>	<b>-5.2%</b>

## Costs of production

The breakdown of the account is as follows.

Description	2021 Aggregate total	Consolidation adjustments	2021	2020	Change
Raw materials, consumables and goods	54,329	(9,340)	44,989	54,825	(9,836)
Services	38,045	(5,429)	32,616	35,048	(2,432)
Rent, leasing and similar costs	3,456	(211)	3,245	4,478	(1,233)
Salaries and wages	48,765	-	48,765	57,946	(9,181)
Social security charges	7,210	-	7,210	7,462	(252)
Post-employment benefit	1,957	-	1,957	1,917	40
Other personnel costs	6,364	-	6,364	1,361	5,003
Amortisation	1,622	226	1,848	1,558	290
Depreciation	10,722	(93)	10,630	9,018	1,612
Doubtful debt provision	223	-	223	78	145
Change in inventories of raw materials	2,735	(14)	2,722	(47)	2,769
Provisions for risks	102	-	102	1,216	(1,114)
Other operating charges	1,218	-	1,218	1,350	(132)
<b>Total</b>	<b>176,748</b>	<b>(14,861)</b>	<b>161,889</b>	<b>(176,210)</b>	<b>(14,321)</b>

Production cost movements are strictly correlated to the comments in the Directors' Report and the description of point A (Value of production) of the Income Statement.

### Raw materials, consumables and goods and Service costs

*Raw material costs* in 2021 totalled Euro 44,989 thousand (Euro 54,329 thousand in 2020), decreasing Euro 9,836 thousand on the previous year (-17.9%).

*Service costs* decreased Euro 2,432 thousand, -6.9% on 2020. Costs that saw the greatest reduction concerned outsourcing, travel expenses, and trade fair costs.

*Rent, lease and similar costs* decreased Euro 1,233 thousand compared to the previous year, down 27.5%.

### Personnel costs

Description	2021	2020
Personnel costs	57,932	67,326
Other personnel costs	6,364	1,361
	<b>64,296</b>	<b>68,687</b>

Personnel costs in 2021 amounted to Euro 64,296 thousand (Euro 68,687 thousand in 2020), decreasing Euro 4,390 thousand (-6.4%).

The account includes all costs for personnel including increases, promotions, vacation days not taken and provisions in accordance with law and collective contractual agreements.

Other personnel costs of Euro 6,364 thousand principally include:

- Euro 445 thousand for the parent company's canteen costs;
- Euro 306 thousand for the cost of training of the parent company;
- Euro 327 thousand for costs related to the healthcare of the parent company's employees.

In addition, Other personnel costs includes 2021 bonuses to the parent company's personnel that will be paid during 2022 and due on the basis of a trade union agreement signed between the Company and the trade union representatives.

The bonuses, which were not accrued in 2020, had not been disbursed in 2021 due to the Covid-19 pandemic situation. It should be noted that payroll costs in 2021 include non-recurring costs relating to leaving incentives to senior management. Reference should be made to the Directors' Report.

### Amortisation, depreciation and provisions

Category	2021	2020
Amortisation of intangible assets	1,848	1,558
Depreciation of tangible assets	10,630	9,018
Write-down of current receivables	223	78
<b>Total amortisation, depreciation and write-downs</b>	<b>12,701</b>	<b>10,654</b>
Other provision for risks and charges	102	1,216

Amortisation and depreciation is reported in the statement of Fixed Asset changes.

The doubtful debt provision refers to the nominal value of trade receivables to express their expected realisable value.

Other provisions for risks and charges amounting to Euro 102 thousand refers to the reorganization costs of the German subsidiary Kuhn GmbH.

## Other operating charges

The breakdown of this account is shown in the following table:

Description	2021	2020
Membership fees	29	46
Charitable donations	115	191
Taxes and duties	586	886
Indemnities to third parties	356	-
Other operating charges	132	227
	<b>1,218</b>	<b>1,350</b>

Taxes and duties refer for Euro 127 thousand to the parent company and for Euro 459 thousand to the subsidiaries.

Other operating charges include Euro 115 thousand concerning donations.

"Indemnities to third parties" amounting to Euro 356 thousand refers to the American subsidiary Umbra Cuscinetti Inc. and includes the calculation of penalties relating to the Boeing contract and the amount agreed with the supplier QR Industries in order to settle the dispute regarding the supply of materials.

There were no recorded costs of an exceptional amount or proportion.

## Financial income and charges

The breakdown of the account is as follows.

	2021	2020	Changes
	1,790	(4,824)	6,614

The breakdown of the account is as follows.

Description	2021	2020	Change
Other income	163	167	(4)
(Interest and other financial charges)	(1,252)	(1,288)	36
Exchange gains/(losses)	2,875	(3,699)	6,574
	<b>1,790</b>	<b>(4,824)</b>	<b>6,614</b>

Exchange gains/(losses) report net income of Euro 2,875 thousand.

Of the total amount resulting from the income statement, the non-realised currency component corresponds to a profit of Euro 1,872 thousand.

Interest and other financial charges for Euro 1,252 thousand mainly includes interest and charges relating to the Group's medium/long-term loans as well as charges and interest relating to factoring transactions with recourse.

## Adjustments on financial assets

Description	2021	2020	Change
Revaluations of derivative financial instruments	-	680	(680)
Write-downs of derivative financial instruments	(877)	(303)	(574)
<b>Total</b>	<b>(877)</b>	<b>377</b>	<b>1,254</b>

Adjustments to financial assets exclusively concern the fair value adjustment of derivative financial instruments both on their natural maturity and at year-end.

These items particularly concern positive and negative fair value changes on derivative financial instruments for which hedge accounting has not been applied.

For the changes in value for each category of derivative financial instruments referred to above, reference should be made to the information provided below as required by Art. 2427-bis, first paragraph, no. 1 of the Civil Code.

### Income taxes for the year

	2021	2020	Changes
	(3,984)	849	4,833

Income taxes	2020	2020	Change
<b>Current income taxes:</b>	1,440	3,759	
IRES and tax effect of subsidiaries	1,111	3,444	
IRAP	329	315	
<b>Prior year taxes</b>	(5,033)	(66)	
<b>Deferred tax charge (income)</b>	(150)	(2,562)	
IRES and tax effect of subsidiaries	(150)	(2,562)	
IRAP	-	-	
Income and charges from the tax consolidation	(241)	(281)	
	<b>(3,984)</b>	<b>849</b>	<b>4,833</b>

Income taxes on an accruals basis for the year were recorded.

The tax rate for the year was impacted by the benefits of the Patent Box recorded following the signing of the agreement with the tax authorities by the Parent Company.

The tax rate for the year is in fact a positive 33.8% compared with a negative 10.8% in 2020; excluding the positive effect of the Patent Box, the tax rate was 8.9%.

In relation to IRES corporation tax of the parent company, the tax liability is shown in Payables to the consolidating company, net of payments on account, withholding taxes and tax credits.

The company in fact participated in the tax consolidation with Poliscom Srl as the consolidating company.

A reconciliation is provided below between the reported tax charge and the theoretical tax charge:

### Reconciliation between reported and theoretical tax charge (IRES)

Description	Amount	Income taxes
Parent company result before tax	8,290	
Theoretical tax charge (%)	24	1,989
<b>Temporary differences assessable in future years:</b>		
Contributions received accruing to the year	(1,477)	
Exchange rate differences (gains)	(1,871)	
<b>Total</b>	<b>(3,349)</b>	
<b>Temporary differences deductible in future years:</b>		
Directors fees to be paid	252	
Risk provisions	2,116	
Inventory obsolescence provision	1,424	
<b>Total</b>	<b>3,793</b>	
<b>Reversal of temporary differences from previous years</b>		
Use risk provision	(1,500)	
Grants received	1,318	
Directors fees paid	(275)	
Realised exchange differences	(679)	
Use inventory obsolescence provision	(889)	
<b>Total</b>	<b>(2,026)</b>	
<b>Non-reversing differences in future years</b>		
IMU Property tax	50	

Vehicle management costs	141	
IRAP Deduction	(27)	
"Superamortisation"	(684)	
"Hyperamortisation"	(1,792)	
Other decreases	(883)	
Other increases	438	
Total	(2,757)	
Parent company assessable income	3,950	
Subsidiaries assessable income	3,427	
Total assessable income	7,377	
Current IRES income taxes		1,110

#### Determination of assessable IRAP

Description	Amount	Income taxes
Difference between parent company value and costs of production	42,496	
Other decreases	(3,451)	
Deductions art. 11 paragraph 1) letter a) Legislative Decree 446	(31,982)	
Other increases	1,354	
Total	<b>8,415</b>	
Theoretical tax charge (%)	3.9	328
<b>Temporary differences deductible in future years:</b>		
Assessable IRAP	8,415	
Current IRAP income taxes		329

The amount of IRAP related to the 2021 financial year concerns the amount due for 2021.

#### Deferred tax income/charges

In accordance with point 14) of article 2427 of the civil code, the information on deferred tax assets and liabilities is provided below:

The deferred tax charge relates to the deferred tax provision made of Euro 556 thousand.

Deferred tax liabilities are calculated based on the global allocation criteria, taking into account the cumulative amount of all of the temporary differences, based on the average expected rates in force when these temporary differences reverse.

Deferred tax assets are recorded if there is reasonable certainty that the temporary differences will reverse in future years against assessable income not lower than the differences that will be reversed.

The directors consider the deferred tax assets recognised to the Financial Statements of Umbra Cuscinetti Inc to be recoverable, partly in view of the unlimited carry forward to future years and partly through the "Cares Act", i.e. a US government regulatory provision which establishes the option to Carry Back the 2017, 2018 and 2019 tax losses through utilising assessable income realised over the 5 preceding years.

The temporary differences that resulted in the recording of deferred tax assets and liabilities are shown in the table below together with the relative effect.

**Recording of deferred tax assets and liabilities and consequent effects:  
(in Euro thousands)**
**Breakdown of deductible temporary differences**

Parent company	Amount at end of previous year	Changes in the year	Amount at end of year	IRES rate	Tax effect IRES	IRAP rate	Tax effect IRAP
Amortisation and depreciation not deducted as per Law 185/2008 (buildings revaluation)	462	-	462	24	111	3.90	18
Risk provisions	1,500	(1,500)	-	-	-	-	-
Patent Box	-	71	717	24	172	-	-
Unrealised exchange losses	2,136	(2,000)	136	24	32	-	-
Doubtful debt provision	629		629	24	150	-	-
Inventory obsolescence provision	4,753	534	5,287	24	1,269	-	-
IRS Derivatives	1,456	(1,456)	-	-	-	-	-
LTI and Bonuses payable	-	2,116	2,116	24	508	-	-

**Breakdown of assessable temporary differences**

Parent company	Amount at end of previous year	Changes in the year	Amount at end of year	IRES rate	Tax effect IRES
Operating grants taxed on cash basis	2,254	151	2,405	24	577
Unrealised exchange gains	138	550	688	24	165

Umbra Cuscinetti Inc. In USD thousands	Amount of temporary differences	31/12/2021 Tax effect	Amount of temporary differences	31/12/2020 Tax effect
<b>Deferred tax assets:</b>				
Doubtful debt provision	-	-	56	12
R&D Credit	391	391	391	391
Personnel costs	828	182	619	136
Deferred revenues	-	-	959	210
Section 263a	468	103	538	118
Donations	16	4		
NOL	11,579	2,550	8,339	1,836
267A & 163J & others	545	120	105	23
Inventory obsolescence provision	415	91	181	40
<b>Total</b>			<b>11,190</b>	<b>2,769</b>
<b>Deferred tax liabilities:</b>				
Amortisation & Depreciation	4,796	1,056	3,930	865
IRS	-	-	37	4

<b>Total</b>	<b>4,796</b>	<b>1,056</b>	<b>3,967</b>	<b>874</b>
<b>Net deferred tax liabilities (asset)</b>				
Tax rate	21%		21%	

<b>UGI Holding Inc.</b> <b>In USD thousands</b>	<b>Amount of temporary differences</b>	<b>31/12/2021 Tax effect</b>	<b>Amount of temporary differences</b>	<b>31/12/2020 Tax effect</b>
<b>Deferred tax assets:</b>				
Inventory obsolescence provision	766	164	3,789	812
Amortisation & Depreciation	-	-	2,435	522
Other costs	938	201	1,068	229
<b>Total</b>			<b>7,292</b>	<b>750</b>
<b>Deferred tax liabilities:</b>				
Fixed assets	3,670	786	6,503	1,393
Deferred income	327	70	327	70
PPA Inventory Reserve	-	-	1,000	214
<b>Total</b>			<b>7,832</b>	<b>1,677</b>
<b>Net deferred tax liabilities (asset)</b>				
Tax rate	21%		21%	

<b>PKE GmbH</b> <b>Amounts in thousands of Euro</b>	<b>Amount of temporary differences</b>	<b>31/12/2021 Tax effect</b>	<b>Amount of temporary differences</b>	<b>31/12/2020 Tax effect</b>
<b>Deferred tax assets:</b>				
Goodwill	40	12	43	13
Capitalized payroll costs	70	21	-	-
<b>Total</b>	<b>110</b>	<b>33</b>	<b>43</b>	<b>13</b>
Tax rate	30%		30%	

## Explanatory Notes - Other Information

### Workforce

The average workforce by category of the fully consolidated companies is presented below.

<b>GROUP</b>	<b>31/12/2021</b>	<b>31/12/2020</b>	<b>Change</b>
Executives	26	24	2
White collar and managers	360	357	3
Blue-collar	680	811	(131)
<b>TOTAL</b>	<b>1,066</b>	<b>1,192</b>	<b>(126)</b>

### Remuneration, advances and receivables granted to directors and statutory auditors and commitments undertaken on their behalf

	<b>Directors</b>	<b>Stat. Aud.</b>
Fees	1,357	50

### Fees to the independent audit firm

In accordance with law the fees paid for services provided by the auditor are reported below:

	Amount
Annual accounts audit	80
<b>Total fees of the audit firm</b>	<b>80</b>

### Off balance sheet commitments, guarantees and contingent liabilities

Pursuant to the provisions of Article 2427, first paragraph, No. 9) of the Civil Code we disclose the following information in relation to commitments, guarantees and contingent liabilities:

Description	31/12/2021
Treasury shares acquisition commitments	2,085
Commitments for USD option contracts	9,853
	<b>11,938</b>

Commitments undertaken by the company include:

- Share purchase commitments of Euro 2,085 thousand; this stems from options agreed by the parent company with employees on undertaking shareholdings;
- Commitments for option contracts to hedge risks from Euro/USD exchange rate fluctuations concerning the parent company for a countervalue of Euro 9,853 thousand.

### Related party transactions

Transactions with the parent company under the Tax Consolidation are reported below.

Company	Receivables	Payables
Poliscom Srl	2,882	-

The company undertakes transactions with the following related party:

- EDIL UMBRA S.r.l.;

These transactions are of a commercial nature and concern the management of the former production site 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 transactions are summarised below:

(Euro thousands)

Company	Trade receivables	Trade payables	Revenues	Components and treatments purchased	Other
EDIL UMBRA S.r.l.	-	-	-	-	88

**Off-balance sheet agreements**

(Ref. Article 2427, first paragraph, No. 22-ter of the Civil Code).

There are no off-balance sheet agreements.

**Subsequent events**

On January 11, 2022, in accordance with Article 2386 of the Civil Code, the Board of Directors of the Parent Company co-opted a new member, Matteo Notarangelo, to replace the outgoing Antonio Baldaccini and appointed him to the role of executive director in charge of business strategy, the commercial area, procurements, and operations. At the same time, the Board of Directors expanded the powers of the Chairman, Antonello Marcucci, to include HR and Marketing & Communication.

Matteo Notarangelo, the company's new CEO, has more than 25 years of international experience in the aerospace industry and has developed keen strategic vision and excellent leadership skills in a multinational context.

**Larger/smaller undertakings preparing the financial statements**

In accordance with law, the information as per Article 2427, first paragraph, No. 22 *quinquies and sexies*), of the Civil Code is disclosed.

	Larger undertaking	Smaller undertaking
Company Name	Poliscom Srl	UmbraGroup Spa
City (if in Italy) or foreign country	Perugia	Foligno PG
Fiscal/tax code (only for Italian Companies)	02778900544	02016930543
Place where the consolidated FS is published	Perugia	Perugia

The company UmbraGroup S.p.A. is controlled by Poliscom Srl, with registered office in Perugia, Via Giovanni Battista Pontani 10, which prepares the consolidated financial statements of the entire Group (the wider scope of undertakings).

The company UmbraGroup S.p.A., with registered office in Foligno, Via Valter Baldaccini 1, prepares the consolidated financial statements of the smaller scope of undertakings within the Group.

**Information on derivative financial instruments as per Article 2427-bis of the Civil Code**

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.

**Instruments subscribed by the Parent Company****Derivative financial instruments with characteristics permitting accounting designation as hedging instruments**

The derivative financial instruments in the following table are interest rate hedges on medium/long-term debt.

Counterparty	Type	Maturity date	Notional capital	Fair Value 31/12/2021	Fair Value 31/12/2020
				Current portion	Current portion
Intesa San Paolo	IRS	24/05/2021	-	-	(1)
				-	(1)

Derivative financial instruments without characteristics permitting accounting designation as hedging instruments

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

Amounts in Euro	Positive fair value		Negative fair value	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
<b>US Dollar</b>	-	<b>381</b>	<b>503</b>	-

For all derivatives, the fair value was calculated on the basis of market data.

Deferred tax assets concerning both hedging and non-hedging derivatives are reported in the previous table regarding "Recognition of deferred tax assets and liabilities and consequent effects".

Movements in fair value reserves were indicated previously in the comment to changes in shareholders' equity.

**Key financial highlights of the company which exercises management and co-ordination**

The company is under the management and coordination of Poliscom Srl.

The financial highlights from the latest approved financial statements of the above company which exercises management and coordination are presented in the table below (Article 2497-bis, fourth paragraph of the Civil Code). However, the company Poliscom Srl prepares the consolidated financial statements for the entire Group.

	Latest year	Previous year
B) Fixed assets	27,882	26,250
C) Current assets	3,101	8,105
D) Prepayments and accrued income	-	-
Total assets	30,984	34,357
<b>A) Shareholders' Equity</b>		
Share capital	1,000	1,000
Reserves	25,686	14,969
Net income (loss)	(14)	14,016
Total Net Equity	26,671	29,986
B) Provisions for risks and charges	-	-
D) Payables	4,312	4,371
Total liabilities	30,984	34,357

	Latest year	Previous year
A) Value of production	-	-
B) Costs of production	152	1,118
C) Financial income and charges	47	15,180
Income taxes	(89)	46
Net income (loss)	(14)	14,016

**Disclosure as per 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 2021 in the form of subsidies granted by:

Project	Entity	Collection date	Grant payable to UMBRA GROUP SPA	Grant received	Amount forwarded to partners
TVB	CSEA	30/07/2021	140,830	579,251	438,421
GENERA	Sustainable Growth Fund	10/05/2021	117,116	117,116	-
PON MIUR (Lub for Life) grant	MIUR - DGRIC	02/02/2021	475,399	475,399	-
PON MIUR (Lub for Life) grant	MIUR - DGRIC	06/08/2021	206,641	206,641	-
Total			939,986	1,378,407	438,421

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  
Antonello Marcucci



# UmbraGroup S.p.A.

Consolidated financial statements as at 31 December 2021

Independent auditor's report in pursuant to article 14 of  
Legislative Decree n. 39, dated 27 January 2010

## Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

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 UmbraGroup Group (the Group), which comprise the balance sheet as at 31 December 2021, the income statement and consolidated statement of cash flows for the year then ended, and explanatory notes. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

#### 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of UmbraGroup S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter

We draw attention to what is stated in the paragraph of the notes to the consolidated financial statements "Finance leases", which describes the financial lease transactions recognized on the consolidated financial statement according to the equity method, in line with what was done in the previous years and allowed by Italian Generally Accepted Accounting Principles. Our opinion is not modified in respect of this matter.

#### Other matter

As required by the law, the explanatory notes include the condensed financial information of the entity that exercises management and coordination over Parent Company UmbraGroup S.p.A.. Such financial information has not been audited by us.

### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the 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, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company UmbraGroup S.p.A. or to cease operations, or have no realistic alternative but to do so. The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 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 International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated 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.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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 have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of UmbraGroup S.p.A. are responsible for the preparation of the Report on Operations of Group UmbraGroup as at 31 December 2021, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of UmbraGroup Group as at 31 December 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of UmbraGroup Group as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Perugia, April, 13 2022

EY S.p.A.  
Signed by: Marco Magnanelli, Auditor

*This report has been translated into the English language solely for the convenience of international readers.*