

MARZOCCHI POMPE S.P.A.

FY 2022

Reports and Draft Financial Statements

*Registered office in Zola Predosa - Bologna
Share Capital Euro 6,538,750.00, fully paid-in
Register of Enterprises of Bologna no. 03285900969
Economic and Administrative Repertoire of Bologna no. 422251*

Subject to management and coordination by Abbey Road S.r.l.

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MARZOCCHI POMPE S.P.A.

Letter to the Shareholders

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Dear Shareholders,

Our Group achieved highly satisfactory results in 2022.

In an economic scenario that was already highly complex, aggravated by the Russia-Ukraine conflict, the resulting explosive inflation and harsh turbulence in the financial markets, our business model confirmed its specific suitability to handle this difficult economic phase, which is leading to significant rethinking of the globalisation strategies by the manufacturing industry.

In 2022, Marzocchi Pompe managed to leverage the recovery of several markets at global level, excellently overcoming all the significant obstacles which arose, primarily the difficulty in procuring raw materials and the related price increases. As a result of the company's usual extensive reactivity, it was firstly able to immediately capture many opportunities that arose. At the same time, our distinctive "make not buy" approach, which has, over time, created partnerships with suppliers or critical components, has avoided the risk of interruption in our production chain: this was made possible also due to our targeted strategy for managing stocks, which were temporarily increased as a preventive action.

Prompt adjustment of sales prices, along with the usual search for operating efficiently, made it possible to avoid compromising profitability.

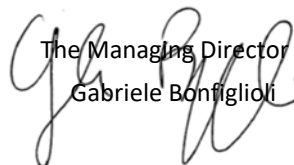
We submit to your attention the 2022 Consolidated Financial Statements of Marzocchi Pompe S.p.A., which show a profit of Euro 1,962 thousand.

Net revenues in 2022 amounted to Euro 48.5 million, reaching a record high in our history, growing by 19.7% on 2021. This significant recovery was driven by both Core Business revenues (+21.7%, equal to Euro 38.9 million) and Automotive market revenues (+12.1%, equal to Euro 9.6 million).

The EBITDA margin amounted to 15.4% in 2022, down on 16.4%, due to the inertia inherent in the transfer of the increases in costs during the year onto sales prices.

Lastly, despite the investments made and the growth in working capital, the Net Financial Position, equal to Euro 7.8 million, remained at the same levels of 2021, with leverage (NFP over EBITDA) down to 1.04, compared to 1.10 in 2021. This once again demonstrates Marzocchi Pompe's equity soundness and ability to generate cash flow.

The results of 2022 strengthen our optimism about the Group's future: we will continue to focus on our make approach and to relate with customers with extreme flexibility, both at technical and production levels, which is becoming a critical success factor. Moreover, we strongly intend to expand our extremely wide range of innovative, high-tech products, believing that this will enable us to continue our ambitious process of growth.


The Managing Director
Gabriele Bonfiglioli

Corporate Data

Registered office of the Parent Company

Marzocchi Pompe S.p.A.

Via A. Grazia 2
40069 Zola Predosa (Bologna) – Italy
Tel. +39 051-6137511
Fax +39 051-592083

Legal data of the Parent Company

Share capital resolved, subscribed and paid in Euro 6,538,750.00
Tax code and enrolment no.: 03285900969 in the Register of Enterprises of Bologna
Registered in the Bologna Chamber of Commerce with Economic and Administrative Repertoire no. 422251
Email address: info@marzocchipompe.com
Certified email address mpompe@legallmail.it
Website: www.marzocchipompe.com

Offices and production facilities

Zola Predosa (BO) – Via Grazia 2
Casalecchio di Reno (BO) – Via 63° Brigata Bolero 15

Composition of corporate bodies

Board of Directors⁽¹⁾

Paolo Marzocchi	Chairperson
Gabriele Bonfiglioli	Managing Director
Carlo Marzocchi	Deputy Chairperson
Guido Nardi	Chief Operating Officer
Valentina Camorani Scarpa	Director
Matteo Tamburini	Director
Giuseppe Zottoli	Independent Director

Board of Statutory Auditors⁽²⁾

Romano Conti	Chairperson
Andrea Casarotti	Standing Auditor
Stefano Favalletti	Standing Auditor
Simone Furian	Alternate Auditor
Fabio Gallio	Alternate Auditor

Independent Auditors⁽³⁾

PricewaterhouseCoopers Spa

Notes:

⁽¹⁾ Term of office 2021-2023 (resolution of the Shareholders' Meeting of 30 April 2021)

⁽²⁾ Term of office 2022-2024 (resolution of the Shareholders' Meeting of 29 April 2022)

⁽³⁾ Term of office 2021-2023 (resolution of the Shareholders' Meeting of 30 April 2021)

Composition of the Group

Marzocchi Pompe S.p.A.

Parent Company, which designs, manufactures and sells fluid dynamic equipment.

Marzocchi Pumps USA Corp.

Company that oversees the sales of fluid dynamic equipment on the North American market.

Marzocchi (Shanghai) Trading Co. Ltd

Company under voluntary liquidation, currently inactive

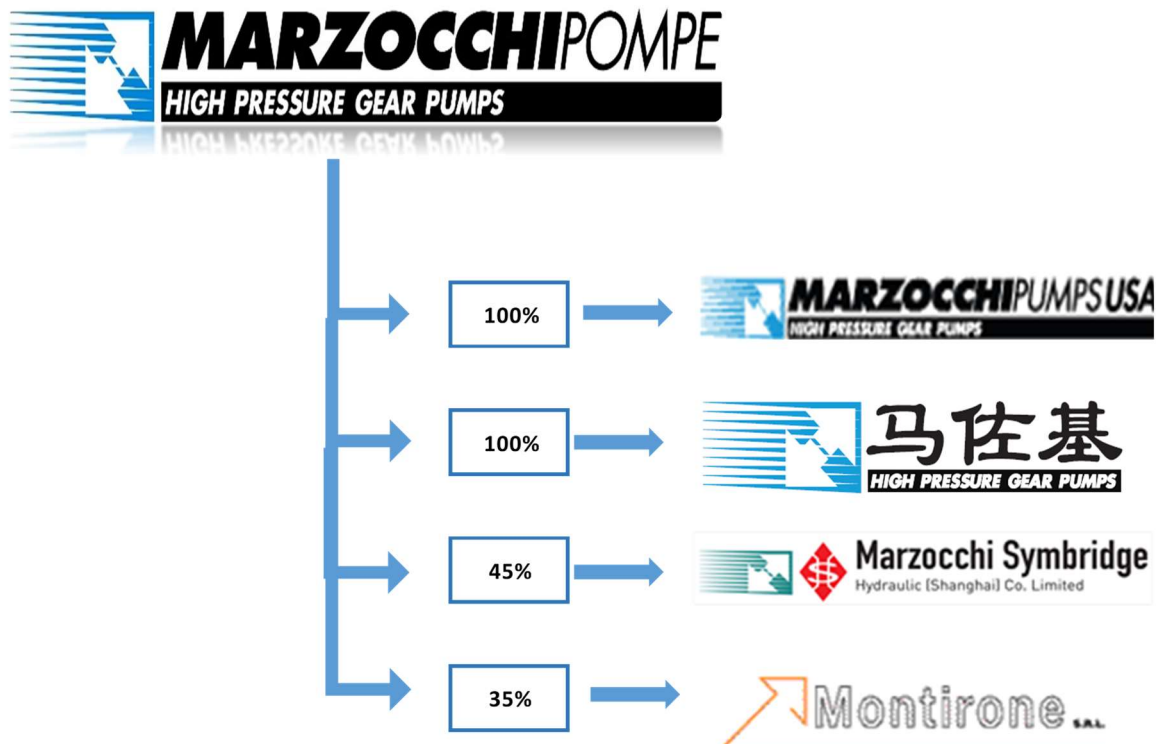
Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd

Company that oversees the sales of fluid dynamic equipment on the North Chinese market.

Montirone S.r.l.

Foundry for die-casting of aluminium

The Organisational Chart



MARZOCCHI POMPE S.P.A.

Consolidated Financial Statements as at 31 December 2022

Registered office in Zola Predosa - Bologna
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Subject to management and coordination by Abbey Road S.r.l.

Marzocchi Pompe S.p.A. Group

Consolidated balance sheet
audited data
amounts in Euro units

31 December 2022

31 December 2021

Assets

B)		Fixed assets		
I		Intangible fixed assets		
1)		establishment and expansion costs	344,458	580,705
			0	8,419
3)		industrial patents and intellectual property rights		
4)		concessions, licences, trademarks and similar rights	537,096	571,457
6)		work in progress and advances	64,370	83,273
7)		other	119,183	62,356
		Total intangible fixed assets	1,065,107	1,306,210
II		Tangible fixed assets		
1)		land and buildings	7,783,650	8,122,014
2)		plant and machinery	4,365,854	6,507,282
3)		industrial and commercial equipment	1,171,176	1,086,031
4)		other assets	502,504	542,165
5)		work in progress and advances	1,084,194	133,427
		Total tangible fixed assets	14,907,378	16,390,919
III		Financial fixed assets		
1)		equity investments in:		
a)		subsidiaries consolidated at equity	28,391	173,322
b)		associates consolidated at equity	759,755	686,350
d-bis)		other companies	11,376	10,342
2)		receivables:		
d-bis)		from others		
		- beyond 12 months	13,960	13,316
3)		other securities	469,260	500,251
4)		Assets arising from derivative financial instruments	256,877	0
		Total financial fixed assets	1,539,619	1,383,581
		Total Fixed assets (B)	17,512,104	19,080,710
C)		Working capital		
I		Inventories		
1)		raw and subsidiary materials and consumables	4,247,708	2,916,104
2)		work in progress and semi-finished goods	4,192,083	4,562,233
4)		finished products and goods	5,568,157	4,642,563
		Total inventories	14,007,948	12,120,900
II		Receivables:		
1)		trade receivables		
		- within 12 months	8,284,800	7,419,736
2)		from subsidiaries consolidated at equity		
		- within 12 months	0	0
3)		from associates consolidated at equity		
		- within 12 months	91,279	282,835
4)		from parent companies		
		- beyond 12 months	474,232	599,095
5-bis)		tax receivables		
		- within 12 months	744,608	877,968
5-ter)		deferred tax assets		
		- within 12 months	246,108	133,345
		- beyond 12 months	406,352	716,776
5-quater)		from others		
		- within 12 months	220,688	352,774
		Total receivables	10,468,067	10,382,529
III		Financial assets other than fixed assets		
5)		Assets arising from derivative financial instruments	119,420	0
		Total financial assets other than fixed assets	119,420	0
IV		Cash and cash equivalents		
1)		bank and postal deposits	6,925,597	5,678,724
2)		cheques	0	0
3)		cash on hand	1,847	2,048
		Total cash and cash equivalents	6,927,444	5,680,772
V		Assets held for sale		
1)		Industrial buildings held for sale	0	0
		Total working capital (C)	31,522,879	28,184,201
D)		Accruals and deferrals		
a)		Accrued income	7,530	877
b)		Prepayments	1,323,637	855,025
		Total accruals and deferrals	1,331,167	855,902
		TOTAL ASSETS	50,366,150	48,120,813

Liabilities		31 December 2022	31 December 2021
A)	Group Shareholders' equity		
I	Share Capital	6,538,750	6,538,750
II	Share premium reserve	6,462,750	6,462,750
III	Revaluation reserve	1,867,115	1,867,115
IV	Legal reserve	1,054,822	1,000,000
VI	Other reserves	3,258,604	2,459,484
VII	Cash flow hedging reserve	376,297	-99,187
VIII	Profits (losses) carried forward	0	0
IX	Profit (loss) for the year	1,962,104	1,590,578
X	Negative reserve for treasury shares in portfolio	-120,311	-23,820
	Total Group Shareholders' equity	21,400,131	19,795,670
B)	Provisions for risks and charges		
1)	for pensions and similar obligations	401,165	339,902
2)	for taxes, including deferred taxes	249,588	430,505
3)	Liabilities arising from derivative financial instruments	0	99,187
4)	others	803,595	700,000
	Total provisions for risks and charges	1,454,348	1,569,594
c)	Staff leaving indemnity	1,524,604	1,552,297
D)	Payables		
4)	payables to banks		
	- within 12 months	4,215,655	3,676,041
	- beyond 12 months	8,512,584	7,570,675
5)	payables to other lenders		
	- within 12 months	496,435	961,243
	- beyond 12 months	1,807,729	1,310,627
6)	advances		
	- within 12 months	198,873	11,378
7)	payables to suppliers		
	- within 12 months	6,105,216	6,623,183
9)	Payables to subsidiaries consolidated at equity		
	- within 12 months	0	0
10)	Payables to associates consolidated at equity		
	- within 12 months	566,154	879,528
11)	payables to parent companies		
	- within 12 months	6,297	0
12)	Payables to the tax administration		
	- within 12 months	819,004	624,757
	- beyond 12 months	0	49,909
13)	contributions to pension and social security institutions		
	- within 12 months	889,552	905,184
14)	other payables		
	- within 12 months	1,876,796	2,047,711
	Total payables	25,494,295	24,660,236
E)	Accruals and deferrals		
a)	Accrued expenses	97,466	50,821
b)	Deferred income	395,306	492,195
	Total accruals and deferrals	492,772	543,016
TOTAL LIABILITIES		50,366,150	48,120,813

Consolidated Profit and Loss Account		31 December 2022	31 December 2021	
audited data amounts in Euro units				
A)	Value of production			
1)	revenues from sales and services	48,513,031	40,537,557	
2)	changes in inventories of work in progress, semi-finished goods and finished products	451,475	3,044,321	
4)	increases in company-produced additions to fixed assets	62,751	58,593	
5)	other revenues and income	278,547	477,228	
a)	grants for operating expenses	869,902	693,980	
b)	others	869,902	693,980	
	Total value of production	50,175,706	44,811,679	
B)	Cost of production			
6)	for raw and subsidiary materials, consumables and goods	14,121,365	12,063,235	
7)	for services	13,785,463	12,004,622	
8)	for use of third-party assets	382,289	316,446	
9)	for personnel			
a)	wages and salaries	10,867,978	10,191,606	
b)	social security contributions	3,315,285	3,114,191	
c)	staff leaving indemnity	909,981	771,769	
e)	other costs	122,900	107,625	
	Total personnel costs	15,216,144	14,185,191	
10)	amortisation/depreciation and writedowns			
a)	amortisation of intangible fixed assets	486,735	390,892	
b)	depreciation of tangible fixed assets	4,060,251	4,435,824	
c)	other writedowns of fixed assets	0	0	
d)	writedowns of receivables entered among working capital and cash and cash equivalents	47,267	41,949	
	Total amortisation/depreciation and writedowns	4,594,253	4,868,665	
11)	changes in inventories of raw and subsidiary materials, consumables and goods	-1,331,603	-1,347,178	
12)	provisions for risks	248,526	0	
14)	miscellaneous operating costs	444,924	436,001	
	Total costs of production	47,461,361	42,526,982	
	DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	2,714,345	2,284,697	
C)	Financial income and charges			
15)	income from equity investments			
b)	income from equity investments in associates consolidated at equity	0	0	
e)	income from other equity investments	104	234	
16)	other financial income			
b)	from securities stated in fixed assets other than equity investments			
-	other securities	7,207	7,207	
d)	other financial income not included above			
-	from others	2,807	496	
17)	interest and other financial charges			
-	from others	375,961	282,734	
17 bis)	Exchange rate gains and (losses)	182,261	44,175	
	Total financial income and charges	(15 + 16 + 17 + - 17bis)	-183,582	-230,622
D)	Value adjustments to financial assets			
18)	revaluations			
a)	of equity investments	225,474	54,773	
b)	of financial fixed assets other than equity investments	0	0	
19)	writedowns			
a)	of equity investments	144,931	160,727	
b)	of financial fixed assets other than equity investments	30,827	0	
	Total adjustments (18 - 19)	49,716	-105,954	
	Profit before taxes	(A - B + - C + - D)	2,580,479	1,948,121
20)	income taxes for the financial year			
a)	current	294,305	277,739	
b)	Taxes relating to previous financial years	-17,953	-5,027	
c)	deferred	14,098	193	
d)	prepaid	327,925	84,638	
	Total income taxes for the financial year	618,375	357,543	
	Profit (loss) for the financial year	1,962,104	1,590,578	

MARZOCCHI POMPE S.P.A.

Consolidated Cash Flow Statement as at 31 December 2022

Registered office in Zola Predosa - Bologna
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Marzocchi Pompe S.p.A. Group

2022

2021

A. Cash flow from income management			
Profit (loss) for the year	1,962,104		1,590,578
Income taxes	618,375		357,543
Interest expense (interest income)	365,947		275,031
(Dividends)	-236,243		-234
(Capital gains)/capital losses deriving from the disposal of assets	6,836		-470
1. Profit (loss) for year before income taxes, interest, dividends and capital gains/losses from disposals		2,717,019	2,222,44
Allocations to provisions	636,585		134,017
Amortisation/depreciation of fixed assets	4,546,986		4,826,716
Writedowns due to impairment losses	0		0
Adjustments to financial assets and liabilities deriving from derivative financial	0		0
Other adjustments for non-monetary items	-341,92		-92,315
Adjustments for non-monetary items with no effects on net working capital		4,841,647	4,868,41
2. Cash flow prior to changes in net working capital		7,558,666	7,090,866
Decrease/ (increase) in inventories	-1,760,832		-4,381,055
Decrease/(increase) in trade receivables (including intercompany receivables)	-549,737		-1,985,394
Increase/(decrease) in trade payables (including intercompany payables)	-740,255		2,440,930
Decrease/(increase) in accruals and deferrals	-498,960		-653,198
Increase/(decrease) in accrued liabilities and deferred income	86,659		-73,682
Other changes in net working capital	420,372		1,237,639
Cash flow from changes in net working capital		-3,042,753	-3,414,760
3. Cash flow after change in net working capital		4,515,913	3,676,106
Interest received/(paid)	-137,423		-94,313
(Income taxes paid)	-416,256		-248,682
Dividends received	236,243		234
(Use of provisions)	-502,237		-90,974
Cash flow from other adjustments		-819,673	-433,735
(Use of provisions)	-502,237		-90,974
Cash flow from other adjustments		-819,673	-433,735
Cash flow from income management (A)		3,696,240	3,242,371
B. Cash flow from investment activities			
(Investments)	-3,279,923		-933,087
Price realised on disinvestments	604,724		-321
Tangible fixed assets		-2,675,199	-933,408
(Investments)	-239,468		-171,951
Price realised on disinvestments	825		0
Intangible fixed assets		-238,643	-171,951
(Investments)	-1,035		-278,895
Price realised on disinvestments	6,494		1,180
Interest income from financial fixed assets	7,000		7,207
Financial fixed assets		12,459	-270,508
(Investments)	0		0
Price realised on disinvestments	0		0
Interest income on financial assets not included in fixed assets	1,154		207
Financial assets not included in fixed assets		1,154	207
Purchase of business branches net of cash and cash equivalents		0	0
Sale of business branches net of liquid assets		0	0
Cash flow from investment activities (B)		-2,900,229	-1,375,659
C. Cash flow from financing activities			
Increase (decrease) in short-term payables to banks	0		0
New loans	6,000,000		480,000
Loan repayments	-4,486,183		-3,857,739
Financial charges on loans	-214,926		-144,571
Financial charges for derivatives on loans	-15,103		-47,552
Cash flow from indebtedness		1,283,788	-3,569,862
Increase in share capital and reserves against payment	0		0
Reimbursement of capital and reserves against payment	0		0
Change in consolidation and translation reserves	46,214		155,554
Disposal (purchase) of treasury shares	-96,491		-23,820
Dividends (and advances on dividends) paid	-782,850		-392,325
Cash flow from Shareholders' Equity		-833,127	-260,591
Cash flow from financing activities (C)		450,661	-3,830,453
Cash and cash equivalents (period start)	5,680,772		7,644,513
Increase (decrease) in cash and cash equivalents (A ± B ± C)	1,246,672		-1,963,741
Cash and cash equivalents (period end)	6,927,444		5,680,772

MARZOCCHI POMPE S.P.A.

*Notes to the consolidated financial statements
for the year ended as at 31 December 2022*

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Dear Shareholders,

The consolidated financial statements of Marzocchi Pompe S.p.A. and its subsidiaries as at 31 December 2022 (Balance Sheet, Profit and Loss Account, Cash Flow Statement and Explanatory Notes) that we hereby submit to you have been drawn up in compliance with the regulations in force and, specifically, with Italian Legislative Decree 127/1991, as amended. Where necessary, those regulations were supplemented and interpreted by the accounting standards endorsed by the Italian Accounting Authority (O.I.C.). In order to ensure greater disclosure, the supplementary comparative statements *Changes in Shareholders' equity accounts* and the *Statement of reconciliation of shareholders' equity and profit (loss) for the year as at 31 December 2022 of Marzocchi Pompe S.p.A. (hereinafter, the parent company) and the Consolidated Shareholders' equity and profit (loss) for the year of the Group* have been prepared.

These statement comply with the provisions of art. 32, paragraph 1 of Italian Legislative Decree 127/1991.

The financial statements have been drawn up with a view to the company as a going concern. The statements and these notes have been drawn up in Euro, while the board of directors' report has been drawn up in thousands of Euro, unless otherwise specified.

None of the valuation criteria, set out in the following chapters, differs from those applied in previous periods.





Consolidation area

The scope of line-by-line consolidation includes the financial statements as at 31 December 2022 of Marzocchi Pompe S.p.A. and of the subsidiary Marzocchi Pumps USA Corp., in which the parent company directly holds the majority of voting rights and which represents a long-term investment.

The following companies were valued at equity:

- Marzocchi (Shanghai) Trading Co. Ltd (in liquidation)
on which the parent company exercises complete control, but whose line-by-line inclusion would be immaterial, as well as the effects of one method or the other would be insignificant.
- Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd
A joint venture with the long-term Chinese partner Symbridge Hydraulics Technology (Shenzhen) Co Ltd., for the purpose of more fruitful commercial penetration of Asian markets. As at 31 December 2022, the parent company held a non-controlling interest in this company.
- Montirone S.r.l.
in which, as at 31 December 2022, the parent company held a non-controlling interest.

The breakdown of investments is shown below:

Name	Registered office	Currency	Share Capital	Amount of
 Marzocchi Pumps USA Corp.	1355 Bowes RD, Elgin, Illinois 60123, USA	US \$	768,580	100%
		€uro	720,589 ¹	
 Marzocchi (Shanghai) *** Trading Co. Ltd	5th Floor, Building 7, No. 3601 Dongfang Road, Pudong New Area, Shanghai	CNY	2,726,578	100%
		€uro	370,550 ¹	
 Marzocchi Symbridge Hydraulic (Shanghai) Co. Limited	Room F,21 F/L, Fei-Zhou International Plaza, No 899, Ling-Ling Road, 200030 Shanghai	CNY	4,508,462	45%
		€uro	612,713 ¹	
 Montirone S.r.l.	Via Einstein 15, San Giovanni in Persiceto (BO), Italy	€uro	156,000	35%
*** In liquidation ¹ Amounts at the spot exchange rate of 31 December 2022				

The consolidated financial statements as at 31 December 2022 were drawn up based on the draft financial statements prepared by the single investees which, where necessary, were suitably reclassified in order to make their form of presentation comply with the standardised criteria and, also where necessary, were further adjusted to standardise the valuation criteria of the consolidated companies.

The administrative period and the closing date for preparing the consolidated financial statements are those of the parent company's financial statements for the period.

1. Consolidation principles

In compliance with art. 31 of Italian Legislative Decree 127/91, the main consolidation criteria are specified below:

- the carrying amount of consolidated investment was eliminated against the related shareholders' equity in relation to the assumption of the assets and liabilities of the subsidiaries, in accordance with the line-by-line method;
- debt and credit, cost and revenue items and all significant transactions carried out between consolidated companies were eliminated;
- any shares of capital, reserves and the profit (loss) for the year pertaining to third parties were posted to the items "Share capital and reserves of third parties" in Shareholders' equity and "Profit (loss) pertaining to third parties" in the profit and loss account, respectively.
- the excess amount between the purchase cost of the investments and the corresponding value of shareholders' equity of the investees was recognised at the date of acquisition of the consolidated

companies, and was recorded under the specific items of intangible fixed assets or, where applicable, under “goodwill”.

Where this difference was negative, it was recorded under the item Consolidation loss;

- there are no items with exclusive relevance for tax purposes posted in the balance sheets or the profit and loss accounts of the consolidated companies;
- any tax effects deriving from the adjustments made to standardise the valuation criteria of the financial statements of the consolidated companies are recorded in the provisions for deferred taxes.
- unrealised intercompany profits and losses relating to amounts included in the balance sheet (sales of assets that remain as stocks at the consolidated companies) were eliminated, where possible, contrary to the transfers of assets, as these were immaterial and in any case relating to transactions finalised at values near normal market conditions, in accordance with the provisions of art. 31, paragraph 3 of Italian Legislative Decree 127/91.
- financial statements in foreign currency were translated as follows:
 - all assets and liabilities were translated at the spot exchange rate at the end of December 2022;
 - all costs and revenues for the period were converted at the average exchange rate for 2022;
 - the translation differences were differentiated by type, either profit and loss or equity, and were recognised in either the profit and loss account or shareholders' equity.
- Operating lease and rental contracts, with equivalent characteristics, in the separate financial statements of the companies consolidated on a line-by-line basis were recorded using the financial method.

2. Valuation criteria

The accounting and valuation criteria underlying the preparation of the consolidated financial statements for the period comply with those set out in art. 35 of Italian Legislative Decree 127/91, and have remained stable over time.

The main criteria are specific below:

Intangible fixed assets

Intangible fixed assets are recognised at cost and subject to direct amortisation over the periods in which they provide economic benefits. The notes to the financial statements regarding this item indicate the period of direct amortisation applied which, in any event, does not exceed five years, except in the case of Trademarks.

In compliance with that required by accounting standard OIC 9, impairment testing was carried out. Fixed assets whose value at the close of the financial year proves to be consistently lower than the residual cost to be amortised are stated at the lower value; this figure is restored in later years if the

grounds for the adjustment no longer exist.

Tangible fixed assets

Tangible fixed assets are stated at purchase price or cost of production, including directly attributable ancillary charges. The cost is adjusted only in compliance with specific national laws which allow for the revaluation to adjust the value to the changes purchasing power of money.

The depreciation of tangible fixed assets recognised in the financial statements is calculated on a straight-line basis, in constant rates decreased to 50% for assets acquired during the year, with reference to any revalued cost. Those rates represent the actual economic-technical deterioration of the assets based on their residual economic useful life, in compliance with the provisions of art. 2426 of the Italian Civil Code. Ordinary maintenance costs are charged fully to the profit and loss account. Maintenance costs that enhance assets are attributed to the assets they refer to, and depreciated according to the rates applicable to the asset.

In compliance with that required by accounting standard OIC 9, impairment testing was carried out. Fixed assets whose value at the close of the financial year proves to be consistently lower than the residual cost to be depreciated are stated at the lower value; this figure is restored in later years if the grounds for the adjustment no longer exist.

There are durable goods, mainly hardware and software user licences, acquired through operating leases with characteristics equivalent to finance leases. Those assets, equivalent to those acquired through finance leases, are recognised in these consolidated financial statements, just as in the previous ones, using the financial method. Based on this method, the value of the asset and the corresponding payable to the lease or rental company are recognised among tangible or intangible fixed assets, and the related accumulated depreciation is recognised based on the residual useful life of the assets.

More specifically, the depreciation was calculated by applying the following maximum rates:

	Ord. Depreciation Rate ⁽¹⁾	
	<i>Marzocchi Pompe S.p.A.</i>	<i>Marzocchi Pumps USA Corp.</i>
Land and buildings		
- Land	-	-
- Buildings	3%	-
Plant and machinery		
- Plant	10%	10%
- Production machinery	15.50%	-
- Testing machinery	15.50%	-
Equipment		
- Industrial equipment	15.50%	15.50%
- Moulds	25%	-
- Temporary structures	10%	-
- Canteen equipment and furniture	12%	-
Others		
- Forklift trucks	20%	20%
- Shelving, containers and workshop furniture	10%	10%
- Office furniture and fittings	12%	12%
- Electronic office equipment	12%	-
- Hardware	40%	40%
- Vehicles	25%	-

⁽¹⁾ in the year of purchase of the asset, the ordinary depreciation rates are decreased to 50%

Tangible fixed assets of less than Euro 516.46 in value are fully depreciated in the year in which they are purchased.

Financial fixed assets

Any equity investments in non-consolidated subsidiaries and investments in other companies are measured at purchase cost, adjusting it where necessary to the corresponding value of the percentage of shareholders' equity.

Equity investments in associates are measured at equity.

Inventories

Inventories are measured at the average weighted cost, as that value most matches the real situation.

Stocks of obsolete products or those with slow turnover are measured considering the possibilities or use and sale.

For inventories of work in progress, the production cost was considered, based on the phases of processing reached at the end of the period.

Receivables and payables

Receivables are recognised at their presumable realisable value, while payables are posted at their nominal value, with the only exception of financial payables arising after 31 December 2015, which are posted at amortised cost.

Receivables and payables in foreign currency are shown at their value in Euro, based on the spot exchange rates at year end.

Accruals and deferrals

Accrued income and prepayments, and accrued liabilities and deferred income reflect revenues, income, costs and charges attributed to a time frame concerning several consecutive years.

Provisions for risks and charges

Provisions for risk are intended to cover potential liabilities, according to realistic estimates of their settlement.

Staff leaving indemnity

The amount of these provisions is suitable to cover the indemnity accrued by employees up to 31 December 2022, in compliance with provisions of law.

Taxes

Income taxes for the year are determined based on the accruals principle. Therefore, the actual current taxes for the year and any deferred tax assets and liabilities are recognised.

Costs and revenues

These are entered in the financial statements according to the principles of prudence and on an accrual basis, recognising the related accruals and deferrals.

Revenues, income, costs and charges are entered net of returns, discounts, allowances and bonuses and of the taxes directly related to the sale of products and the provision of services.

Hedging derivatives

These are stated at fair value, determined based on the market value, equal to the Mark-to-Market at the period end date.

3. INFORMATION ON THE BALANCE SHEET

Note that balance sheet assets do not include either capitalised financial charges or receivables with a duration of more than five years.

B) I - Intangible fixed assets

Years of Amortisation	Amount as at 31.12.2021	Cross-rate adjustment	Increases 2022					Amort. 2022	Amount as at 31.12.2022
			Reclassifications	Other uses	Purchases	IAS 16 & 17	Total		
B, I, 1 - Establishment and expansion costs									
- Corporate Changes 5	580,705						580,705	(236,248)	344,458
Total B, I, 1	580,705						580,705	(236,248)	344,458
B, I, 2 - Development costs									
- Development costs									
Total B, I, 2									
B, I, 3 - Industrial patents and intellectual property rights									
- Patents 2	8,419						8,419	(8,419)	
Total B, I, 3	8,419						8,419	(8,419)	
B, I, 4 - Concessions, licenses, trademarks and similar rights									
- Licences for use of software 5	498,863	335	18,038		122,080		639,317	(185,593)	453,723
- Trademarks 18	72,595		10,673		7,908		91,177	(7,803)	83,374
Total B, I, 4	571,458	335	28,712		129,989		730,494	(193,396)	537,096
B, I, 6 - Work in progress and advances	83,273		(28,712)	(825)	10,633		64,369		64,370
B, I, 7 - Other intangible assets									
- Other long-term costs 5	12,920						12,920	(4,660)	8,260
- Joint investments 5	49,436				15,500		64,936	(20,465)	44,471
- Non-competition agreements 2 ^(a)					90,000		90,000	(23,548)	66,452
- Costs for transfer of assets 5									
Total B, I, 7	62,357				105,500		167,856	(48,670)	119,183
TOTAL B, I	1,306,211	335		(825)	246,122		1,551,843	(486,735)	1,065,107

^{a)} depending on the two-year contractual duration

Below is a statement analysing the single items, accompanied by the changes during the year:

in the period, these mainly regard the implementation of utilities of the SAP S/4HANA ERP system, the acquisition of a right to a non-competition agreement by a former executive of the company, a joint investment in moulds for the construction of product components and the expansion of the geographical coverage of our trademarks. In a residual amount, operations aborted during work were transferred to cost accounts.

B) II - Tangible fixed assets

The table below illustrates the changes in tangible fixed assets, with the specific details required by art. 38, paragraph 1, letter c, point 2 of Italian Legislative Decree 127/91:

	Ord. Depreciation Rate ⁽¹⁾	Historic cost	Previous Revaluations	Amount as at 31.12.2021	Cross-rate adjustment	Reclassifications due to disposals	Increases 2022			Disposals 2022	Amount as at 31.12.22
							Reclassifications	Purchases	Total		
B, II, 1 - Land and buildings											
- Land	0%	778,358	1,106,450	1,884,808	0	0	0	125,781	125,781	(188,888)	1,821,702
- Buildings	3%	6,252,631	6,088,405	12,341,036	0	0	0	555,089	555,089	(928,139)	11,967,986
Total B, II, 1		7,030,989	7,194,855	14,225,843	0	0	0	680,870	680,870	(1,117,027)	13,789,688
B, II, 2 - Plants and machinery											
- Plant	10%	2,792,802	12,395	2,805,197	1,590	0	28,000	154,567	184,156	(479,458)	2,509,895
- Production machinery	15.50%	15,287,562	3,133,210	18,420,771	0	0	3,682	53,606	57,289	(49,578)	18,428,482
- Testing machinery	15.50%	8,103,338	340,112	8,443,450	0	0	26,679	569,419	596,098	(203,045)	8,836,503
Total B, II, 2		26,183,701	3,485,717	29,669,418	1,590	0	58,362	777,592	837,543	(732,081)	29,774,880
B, II, 3 - Industrial and commercial equipment											
- Industrial equipment	15.50%	3,185,945	12,640	3,198,585	1,092	0	58,344	137,881	197,316	(313,549)	3,082,352
- Moulds	25%	5,071,269	1,098	5,072,367	0	0	0	479,200	479,200	(475,513)	5,076,054
- Temporary structures	10%	72,623	0	72,623	0	0	0	0	0	(33,612)	39,011
- Canteen equipment and furniture	12%	10,782	0	10,782	0	0	0	0	0	(2,328)	8,454
Total B, II, 3		8,340,619	13,738	8,354,357	1,092	0	58,344	617,081	676,516	(825,002)	8,205,872
B, II, 4 - Other assets											
- Forklift trucks	20%	213,589	2,170	215,759	2,080	0	0	7,630	9,710	(8,939)	216,530
- Shelving, containers and workshop furniture	10%	1,644,400	0	1,644,400	1,695	0	0	65,713	67,408	0	1,711,808
- Office furniture and fittings	12%	301,133	0	301,133	2,867	0	0	20,558	23,425	0	324,558
- Electronic office equipment	12%	6,744	0	6,744	0	0	0	0	0	0	6,744
- Hardware	40%	670,467	0	670,467	3,827	0	0	16,587	20,414	0	690,881
- Vehicles - Italian Vehicle Registration Agency	25%	60,831	0	60,831	0	0	0	0	0	0	60,831
Total B, II, 4		2,897,164	2,170	2,899,334	10,469	0	0	110,488	120,957	(8,939)	3,011,352
B, II, 5 - Assets under construction and advances		133,427	0	133,427	0	0	(116,705)	637,434	1,085,272	(1,078)	1,084,194
TOTAL B, II		44,585,901	10,696,479	55,282,379	13,151	0	0	2,823,464	3,401,159	(2,684,127)	55,865,985

	Tangible Fixed Assets as at 31.12.21	Accumulated Depreciation		Cross-rate adjustment	Changes in 2022				Accumulated Depreciation as at 31.12.22	Net Tangible Fixed Assets as at 31.12.22
		Previous Revaluations	as at 31.12.21		Increases	Reclassifications due to disposals	Reclassifications	Utilisations		
B, II, 1 - Land and buildings										
- Land	1,821,702	0	(131,821)	0	0	0	0	18,888	(112,934)	1,708,768
- Buildings	11,967,986	0	(5,972,009)	0	(351,493)	0	0	430,398	(5,893,104)	6,074,883
Total B, II, 1	13,789,688	0	(6,103,830)	0	(351,493)	0	0	449,286	(6,006,037)	7,783,651
B, II, 2 - Plants and machinery										
- Plant	2,509,895	0	(2,051,130)	(1,178)	(163,466)	0	0	479,458	(1,736,317)	773,578
- Production machinery	18,428,482	1,824,769	(14,496,209)	0	(1,918,271)	0	0	49,578	(16,364,902)	2,063,581
- Testing machinery	8,836,503	786,487	(6,614,796)	0	(896,056)	0	0	203,045	(7,307,808)	1,528,695
Total B, II, 2	29,774,880	2,611,256	(23,162,136)	(1,178)	(2,977,793)	0	0	732,081	(25,409,026)	4,365,854
B, II, 3 - Industrial and commercial equipment										
- Industrial equipment	3,082,352	529,513	(2,933,566)	(732)	(133,741)	0	0	312,863	(2,755,177)	327,175
- Moulds	5,076,054	848,650	(4,257,121)	0	(444,857)	0	0	465,050	(4,236,928)	839,127
- Temporary structures	39,011	0	(68,308)	0	(562)	0	0	33,550	(35,320)	3,691
- Canteen equipment and furniture	8,454	0	(9,332)	0	(268)	0	0	2,328	(7,271)	1,183
Total B, II, 3	8,205,872	1,378,163	(7,268,327)	(732)	(579,428)	0	0	813,791	(7,034,696)	1,171,176
B, II, 4 - Other assets										
- Forklift trucks	216,530	0	(205,593)	(2,058)	(8,118)	0	0	8,939	(206,830)	9,700
- Shelving, containers and workshop furniture	1,711,808	0	(1,197,541)	(1,406)	(88,018)	0	0	0	(1,286,965)	424,843
- Office furniture and fittings	324,558	0	(275,949)	(2,018)	(7,828)	0	0	0	(285,796)	38,762
- Electronic office equipment	6,744	0	(6,744)	0	0	0	0	0	(6,744)	0
- Hardware	690,881	0	(618,273)	(3,599)	(42,398)	0	0	0	(664,269)	26,612
- Vehicles - Italian Vehicle Registration Agency	60,831	0	(53,069)	0	(5,175)	0	0	0	(58,244)	2,587
Total B, II, 4	3,011,352	0	(2,357,169)	(9,081)	(151,537)	0	0	8,939	(2,508,848)	502,504
B, II, 5 - Assets under construction and advances	1,084,194	0	0	0	0	0	0	0	0	1,084,194
TOTAL B, II	55,865,985	3,989,419	(38,891,461)	(10,991)	(4,060,251)	0	0	2,004,097	(40,958,607)	14,907,378

The increases during the period are almost fully attributable to investments of the parent company (Euro 2,821 thousand) and mainly regarded the expansion of the production areas.

Against disinvestments from assets that extinguished their production usefulness (Euro 680 thousand) capital losses of Euro 11 thousand and capital gains of Euro 4.2 thousand were recorded.

Note that the most significant amounts of disposals mainly related to an industrial building which, following the optimisation of the production areas in 2016, with the entry into operation of the facilities in Via Grazia no. 2, also in Zola Predosa, no longer performed any production functions, as it was used for storing materials. In addition, some technologically obsolete industrial equipment which was fully depreciated and no longer used was disposed of.

Work in progress is composed of advances paid for the installation of a photovoltaic plant of 640Kw to serve the production facility in Zola Predosa as well as part of the advance paid on signing a real estate lease connected with the acquisition of new spaces to replace those disposed of. Even though there is a single contract for the entire building, it was ideally divided into three areas in which the building can hypothetically be divided, of which only one will be directly used on completion of the renovation works currently in progress, while the other two are currently rented by third party companies. The provisions of IAS 17 applied to the latter, within the item land and buildings, to ensure the correct correlation between costs (depreciation and financial charges) and revenues (rents received), while the remainder was posted to work in progress, pending the above-mentioned completion of the renovation works.

Breakdown of the revaluations containing amounts as at 31 December 2022:

	Revaluation pursuant to Italian Presidential Decree 917/86									
	Revaluation pursuant to Italian Law 576/75	Revaluation pursuant to Italian Law 72/83	Revaluation pursuant to Italian Presidential Decree 917/86	Revaluation pursuant to Italian Law 413/91	Revaluation pursuant to Italian Law 185/08	of assets*	reduction of prov. *	Total Current Revaluations	Decreases during the period	Amount as at 31.12.2022
B, II, 1 - Land and buildings										
- Land					1,106,450			1,106,450		1,106,450
- Buildings	13,886	723,040		227,422	5,124,057			6,088,405		6,088,405
Total B, II, 1	13,886	723,040		227,422	6,230,507			7,194,855	0	7,194,855
B, II, 2 - Plants and machinery										
- Plant			12,395					12,395		12,395
- Production machinery		49,873	435,035			2,648,302	1,824,769	4,957,979		4,957,979
- Testing machinery			21,708			318,404	786,487	1,126,599		1,126,599
Total B, II, 2		49,873	469,138			2,966,706	2,611,256	6,096,973	0	6,096,973
B, II, 3 - Industrial and commercial equipment										
- Industrial equipment						12,640	529,513	542,153		542,153
- Moulds						1,098	848,650	849,748		849,748
Total B, II, 3						13,738	1,378,163	1,391,901	0	1,391,901
B, II, 4 - Other assets										
- Forklift trucks			2,170					2,170		2,170
Total B, II, 4			2,170					2,170	0	2,170
Totals	13,886	772,913	471,307	227,422	6,230,507	2,980,444	3,989,419	14,685,898	0	14,685,899

* LBO

It is important to note that in 2008 the companies that own the real estate assets availed of the option provided by Italian Legislative Decree 185/08, and revalued their property assets in terms of the market value of operating assets. Those values, in line with specific appraisal reports prepared by sector professionals were compared with the residual amounts of the assets to be depreciated.

The resulting amounts were used as the maximum limit of the revaluations, which were recorded as increases in the asset value, with offsetting entry in shareholders' equity reserves. As no tax recognition was provided to these items, the deferred tax liabilities relating to the misalignment between statutory values and tax values were allocated, directly decreasing the shareholders' equity reserves.

Following the conversion of Decree Law 104/2020 into Italian Law no. 178 of 30 December 2020, the directors made the decision to carry out the tax “realignment” of that difference, reducing the related payables for deferred tax liabilities.

It is also noted that the LBO, widely covered in the documentation referring to 2018, gave rise to a merger deficit which was fully absorbed by the category of production and testing machinery, as well as industrial equipment and moulds.

That revaluation, backed by a specific appraisal, was subject to tax relief through the application of the provisions of art. 176 of the Consolidated Income Tax Act. Here we certify that the net value of the revalued assets does not exceed the amount that can be fundamentally attributed to them in relation to their production capacity and their market value, as well as the current cycle of depreciation connects with the period of useful life of the assets.

The following is also noted:

- the industrial buildings in Via Grazia in Zola Predosa bear a mortgage of an original amount of Euro 4,375 thousand. As illustrated in the paragraph “Payables to banks”, the beneficiary is Istituto Mediocredito Trentino;
- technical fixed assets are adequately covered for catastrophic risk with insurance policies entered into with leading insurance companies.

B) III - Financial assets

B) III, 1, a, b & d bis - Equity investments

The amounts shown in point *a)* refer solely to Marzocchi (Shanghai) Trading Co. Ltd Ltd, a Chinese company, established in the spring of 2016, and represent the portion of equity present as at 31 December 2022. That company was placed in liquidation in June 2021 and, therefore, is not currently operational. Those set out in point *b)* refer to the equity investments in the associates Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd Ltd, also Chinese, set up as a joint venture at the end of 2020 and operational since the start of 2021 and Montirone S.r.l., both consolidated at equity, while the remainder, presented in the subsequent point *d-bis)*, regards the recognition at cost of two minority equity investments in consortia and banking cooperatives, which did not show any impairment.

A table showing the main changes taking place in the period is shown below:

B, III	Book value 31-Dec-22	Changes during the year					Book value 31-Dec-21
		Capitalisations	Profits (Losses) on investees	Revaluations D, 18, a	Writedowns D, 19, a	Cross-rate adjustment	
1) a							
Marzocchi (Shanghai) Trading Co. Ltd.	28,391				-144,931		173,322
Total C, III, 1, a	28,391	0		0	-144,931	0	173,322
1) b							
Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd	381,369		67,298		0	(7,138)	321,209
Montirone S.r.l.	378,387		13,245				365,141
Total C, III, 1, b	759,755	0	80,543	0	0	(7,138)	686,350
Total C, III	788,146	0	80,543	0	-144,931	(7,138)	859,672

B) III, 2, d-bis – Receivables

Point *d-bis*) records only security deposits paid in at the time of signing utilities or services contracts.

B) III, 3 – Other securities

This item, deriving from the parent company's financial statements, is composed of two lots of securities, identified in greater detail by codes ISIN IT0005090318 (BTP TF 1.50% GN25 Euro) for Euro 300 thousand and ISIN IT0005210650 (BTP TF 1.25% DC26 Euro) for Euro 200 thousand, with an extremely high degree of liquidability, acquired to earn income on the financial resources used to oversee the provisions for product warranties, posted to item B, 4 of liabilities.

This is posted among financial fixed assets, as it is not foreseeable (or hoped) that that item could be liquidated before its natural maturity.

The measurement method was that suggested by OIC 20 (amortised cost) and following the fluctuations in the financial markets, the value was decreased further, applying a writedown of Euro 30,827.00 in order to state the amount at market value, based on the data recorded at the end of the year.

B) III, 4 – Assets arising from derivative financial instruments

As at 31 December 2022, the Group had the following interest rate and exchange rate hedging options, which were stated at fair value, determined based on the market value, equal to the Mark-to-Market at that date.

Institution	Type of Derivative	From	To	Notional Amount	Strike Price	MTM
BNL	Interest Capped Swap	7-Feb-18	10-Apr-26	1,027,086	0.00	43,178
Intesa	Interest Capped Swap	21-May-19	31-Mar-25	375,000	0.00	14,643
BPM	Interest Capped Swap	4-Jul-19	4-Jan-24	282,301	0.00	4,032
Unicredit	Interest Capped Swap	21-Nov-19	30-Nov-24	809,003	0.00	27,062
BNL	Interest Capped Swap	18-Jun-20	18-Jun-23	1,750,000	-0.20	106,884
Unicredit	Interest Capped Swap	2-Dec-20	30-Nov-26	909,091	-0.20	61,079
BNL	FlexiTerm	21-Sep-22	28-Jun-23	\$2,000,000	1.02	119,420
Totals	Totals			5,152,480		376,297

As shown in the table above, the types of derivatives used are extremely simple, and due to their characteristics there can be no surprises in expected costs. They are specifically implemented as part of financial planning in order to circumscribe the fluctuations in interest rates and exchange rates to within a range deemed economically acceptable and financially sustainable. All transactions perfectly match both the notional amounts and the timing of the repayment plans of financial payables they serve, as well as the expected cash flows, and the company records them as hedging derivatives, as they have no speculative functions.

The MTM value of exchange rate hedging was included in item C, III, 5.

C) - Current assets

C) I, 1,2,4 – Inventories

The breakdown of amounts of inventories is specified in the table below:

C, I	Gross opening balance 31-Dec-22	Adjustment item 31-Dec-22	Book value 31-Dec-22	Gross opening balance 31-Dec-21	Adjustment item 31-Dec-21	Book value 31-Dec-21
C, I, 1 Raw materials, subsidiary materials and consumables	4,517,192	(269,484)	4,247,708	3,113,708	(197,604)	2,916,104
C, I, 2 Work in progress and semi-finished goods	4,574,281	(382,198)	4,192,083	4,962,498	(400,265)	4,562,233
C, I, 4 Finished goods and goods for resale	5,954,527	(386,370)	5,568,157	5,195,773	(553,210)	4,642,563
C, I, 5 Advances						
Total C, I	15,046,000	(1,038,052)	14,007,948	13,271,979	(1,151,079)	12,120,900

Net change	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
C, I, 1 Raw materials, subsidiary materials and consumables	4,247,708	2,916,104	1,331,604
C, I, 2 Work in progress and semi-finished goods	4,192,083	4,562,233	(370,150)
C, I, 4 Finished goods and goods for resale	5,568,157	4,642,563	925,594
Total C, I	14,007,948	12,120,900	1,887,048

Change in adjustment item	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
C, I, 1 Raw materials, subsidiary materials and consumables	(269,484)	(197,604)	(71,880)
C, I, 2 Work in progress and semi-finished goods	(382,198)	(400,265)	18,067
C, I, 4 Finished goods and goods for resale	(386,370)	(553,210)	166,840
Total C, I	(1,038,052)	(1,151,079)	113,027

The average turnover ratio (consumption(A1)/stock(C1)) amounted to 3.46, equal to average coverage of 105.4 days. The slight decrease on the 2021 financial statements (109.1) was substantially attributable to an improved economic trend referring to increased availability of materials, though continuously applying a prudent procurement policy.

C) II, 1 – Trade receivables

The balances and changes in receivables under working capital are illustrated in the tables below:

C, II - 1	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Trade receivables Italy	5,221,974	4,258,918	963,056
Trade receivables Export	3,390,837	3,439,152	(48,315)
Bad debt provision	(328,011)	(278,334)	(49,677)
Total C, II, 1	8,284,800	7,419,736	865,064

For the year analysed, there was an average collection time of 67.1 days, in line with 68.6 days in the previous year, though with limited use of factoring without recourse.

The changes in bad debt provisions are broken down in the table below:

Changes during the year	Bad debt provision	Taxed bad debt provision	Total amounts
Book value 31.12.2021	(278,334)	0	(278,334)
+/- Cross-rate adjustment	(2,410)	0	(2,410)
- Utilisations 2022	0	0	0
- Releases 2022	0	0	0
+ Allocations 2022	(47,267)	0	(47,267)
Book value 31.12.22	(328,011)	0	(328,011)

The credit quality was confirmed as good overall, and the adjusting amounts present are statistically suitable to absorbing any losses.

C) II, 3 – Trade receivables due from associates consolidated at equity

This item and its changes are illustrated in greater detail in the table below:

C, II - 3	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Trade receivables due from Montirone S.r.l.	10,620	10,731	(111)
Trade receivables due from Marzocchi Symbridge Co. Ltd	80,659	272,104	(191,445)
Total C, II, 5 bis	91,279	282,835	(191,556)

C) II, 4 – Receivables (from) parent companies

This item represents receivables for (Italian) deferred tax assets, correlated with the deductibility of tax losses from the holding company Abbey Road S.r.l., included in the Group's tax consolidation.

C) II, 5 bis - Tax receivables

This exposure includes Euro 169 thousand for the VAT credit and Euro 575 thousand for the tax credit on investments ("Industria 4.0" and others), research and development and "aid" on higher energy costs incurred in 2022. The amount shown for the previous year was likewise attributable to the same legislative provisions.

C, II - 5 bis	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
VAT credit	169,435	658,972	(489,537)
Tax credit	575,172	218,995	356,177
Total C, II, 5 bis	744,608	877,968	(133,360)

C) II, 5 ter - Receivables for deferred tax assets

This item represents tax credits arising prior to the participation in the Group tax consolidation, correlated with the time deferral of the deductibility of several categories of costs and the use of losses of previous periods. This item is broken down based on the time frame of collection, between receivables which, based on tax regulations, will be deducted over the next 12 months and those that will arise in subsequent years, based on the financial forecasts drawn up for the period 2022-2024:

C, II - 5 ter	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Within 12 months	246,108	133,345	112,763
Beyond 12 months	406,352	716,776	(310,424)
Total C, II, 5 ter	652,460	850,121	(197,661)

C) II, 5 quater – Other receivables

The breakdown of other receivables is shown below:

C, II - 5 quater	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Trade receivables	50,131	230,984	(180,853)
Advances to suppliers of services	136,782	91,395	45,387
Employees for settlements of injuries - INAIL	346	5,253	(4,907)
Others of immaterial unitary amounts	33,429	25,142	8,287
Total C, II, 5 quater	220,688	352,774	(132,086)

Advances on services mainly refer to professional services not yet completed, while trade receivables refer to accounting positions that have actually occurred but for which the related tax documentation has not been received.

C) IV, 1, 2, 3 - Cash and cash equivalents

These total Euro 6,927 thousand, and are comprised of available funds on bank current accounts for Euro 6,926 thousand and cash on hand for Euro 2 thousand, up on the balance of Euro 5,681 thousand as at 31 December 2021.

For an exact analysis of the changes during the year, refer to the cash flow statement.

D) Accruals and deferrals

These are the items for the year calculated on an accruals basis, and only those relating to “prepaid services” have a duration of more than 5 years.

The increase in prepayments is attributable to the advance payment for services relating to a ten-year contract entered into with one of our main customers, in addition to the portion of the balloon payment on the real estate lease not falling under the provisions of IAS 17, which is discussed at the bottom of item B, II.

The changes are illustrated in detail in the table below:

D	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Accrued income	7,530	877	6,653
Prepayments	1,323,637	855,025	468,612
Total D	1,331,167	855,902	475,265

the breakdown:

Accrued income	Book value 31-Dec-22	Prepayments	Book value 31-Dec-22
Interest income on government bonds	584	Taxes	779
Coverage of taxes	6,946	Prepaid services	1,322,858
Total accrued income	7,530	Total prepayments	1,323,637

A) Group Shareholders' equity

For a chronological examination of the changes, refer to the Statement of Changes in Shareholders' Equity at the end of this document.

A) I - Share capital

As at 31 December 2022, the share capital of the parent company amounted to Euro 6,538,750, was fully paid-up and broken down into 6,538,750 ordinary shares with no nominal value.

A) II - Share premium reserve

Recorded in 2019, this is the premium paid on subscribing the share capital increase reserved to the market. As a result of the realignment carried out pursuant to art. 110 of Decree Law 104/2020, the amount of Euro 2,974,009.00 is untaxed.

A) III - Revaluation reserves

Eliminated following the share exchange of December 2018, these reserves were established once again by way of Shareholders' Meeting of 2 May 2019.

As a result of the realignment carried out pursuant to art. 110 of Decree Law 104/2020, the entire amount of Euro 1,867,115.00 is untaxed.

A) IV – Legal reserve

The item in question is composed of portions of profits, as required by art. 2430 of the Italian Civil Code.

A) VI - Other reserves

These comprise Euro 499 thousand of the extraordinary reserve (after allocating the profit for the previous year of the parent company and distributing dividends of Euro 782,850.00), which is composed of portions of undistributed profit; Euro 399 thousand of the exchange surplus; Euro 72 thousand of the negative reserve generated as a result of the translation of the financial statements in US dollars of the American subsidiary into Euro; and the remainder of the consolidation reserve^(*) of Euro 2,433 thousand, formed through the consolidation process.

The balance shown also includes the rounding up/down to whole Euro.

A) VII - Cash flow hedging reserve

This item represents the fair value, determined based on the market value, equal to the Mark-to-Market at the period end date, of interest rate hedging transactions implemented by the parent company as part of its financial planning.

A) X – Negative reserve for treasury shares in portfolio

The item in question represents the total expenses incurred up to 31 December 2022 to purchase a total of 25,750 treasury shares, equal to 0.394% of the share capital, as a result of the Shareholders' Meeting resolution of 30 April 2021.

() Process occurred with the application of the criteria described in the introduction, whose breakdown is detailed in the table below:*

Amounts	Book value 31-Dec-22	Book value 31-Dec-21	<i>Changes</i>
Previous profits (or losses)	2,401,301	1,746,956	654,345
Netting of writedowns	0	0	0
Measurement at equity	31,692	20,804	7,881
Total C, 17	2,432,993	1,767,760	662,226

All the changes in the shareholders' equity are illustrated in greater detail in the Statement of Changes shown at the end of this document. A summary is provided below:

Amounts	Amount as at 31/12/2022	Amount as at 31/12/2021	Change
Share capital	6,538,750	6,538,750	
Share premium reserve	6,462,750	6,462,750	
Revaluation reserves	1,867,115	1,867,115	
Legal reserve	1,054,822	1,000,000	54,822
Extraordinary reserve	498,878	240,115	258,763
Exchange surplus	398,891	398,891	
Translation differences reserve	-72,158	52,716	-124,874
Consolidation reserve	2,432,993	1,767,760	665,233
Hedging derivatives reserve	376,297	-99,187	475,484
Negative reserve for treasury shares in portfolio	-120,311	-23,820	-96,491
Profit (loss) for the period	1,962,104	1,590,578	371,526
Rounding up/down to whole Euro		2	-2
Total Shareholders' Equity	21,400,131	19,795,670	1,604,461

B) Provisions for risks

B) 1 – For retirement benefits

These comprise the obligations deriving from art. 1751 of the Italian Civil Code, as amended by Italian Decree Law no. 303 of 10 September 1991, relating to the severance pay for Commercial Agents and Representatives on termination of the agency relationship.

B, 1	Agents' leaving indemnity
Book value 31.12.2021	339,902
- Utilisations 2022	0
- Releases 2022	0
+ Allocations 2022	61,263
Book value 31.12.22	401,165

B) 2 – Per deferred tax liabilities

This amount essentially relates to the payable resulting from the application of the financial method to operating lease and equivalent rental contracts pursuant to IAS 17.

The rates applied to income components whose taxation is deferred or prepaid in accordance with (Italian and US) tax regulations are those set out in the respective legislation.

B) 4 – Others

The amounts shown represent provisions prudently allocated to cover potential losses directly or indirectly connected with commercial disputes or company business.

The current amount is correlated with operations in the automotive segment, with the specific guarantees required in that segment. To date, though lacking a significant time series for reference, the provisions allocated seem to match the potential risk connected with the number of products sold.

B, 4	Book value 31-Dec-22	Changes during the year			Book value 31-Dec-21
		Reserve funds	Releases	Utilisations	
Product warranty provision	500,000	0	0	0	500,000
K-people income subsidy	0	0	0	0	0
Provisions for sundry risks	303,595	300,000	196,405	0	200,000
Total B, 4	803,595	300,000	196,405	0	700,000

The release of provisions during the year (then included in item D, 18, a for Euro 144 thousand and in item B, 12 for Euro 51 thousand), was related to the settlement of a legal dispute promoted by an Asian customer against both the parent company and the Chinese subsidiary (in liquidation). In light of the fact, this dispute was merely *retaliation*, as the matter under dispute had already been the subject of an arbitration award that declared us the winner and resulted in the client dropping the lawsuit even before its inevitable loss in the legal proceedings. Nonetheless, this entailed significant legal costs for the Chinese subsidiary, in addition to significantly slowing down the liquidation procedure, which was able to start again only following the closing of the dispute, and is now nearing its conclusion.

In the same period, a new allocation was necessary (slightly less than the amount estimated in the last half-yearly report) in relation to the settlement of a labour law dispute with a former executive of the parent company. For more information on this point, refer to the Directors' Report.

C) Provisions for personnel

With regard to staff leaving indemnity, the amount shown equals the amount accrued for the period in favour of employees in compliance with the current laws at the consolidated reporting date.

The changes were as follows:

C	Staff leaving indemnity
Book value 31.12.2021	1,552,297
+ Allocations 2022	836,641
- Utilisations 2022	(233,882)
- Contributions to Pension Fund 2022	(630,452)
Book value 31.12.22	1,524,604

D) Payables

D) 4 - a - Current bank overdrafts and financing

D,4	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Use of revocable bank credit facilities	0	0	0
Instalments of short-term loans	4,215,655	3,676,041	539,614
Total D, 4 within 12 months	4,215,655	3,676,041	539,614
Instalments of medium/long-term loans	8,512,584	7,570,675	941,909
Total D, 4 beyond 12 months	8,512,584	7,570,675	941,909
Total D, 4	12,728,239	11,246,716	1,481,523

For a more in depth analysis of the net financial position, see the directors' report.

D) 4 - b - Non-current bank overdrafts and financing

Original Amount /000	Duration	Expiry < 12 months	Expiry > 12 but < 24 months	Expiry > 24 but < 36 months	Expiry more than 36 months	Debt subject to repayment
1,930	2017 - 2022	198,465	-	-	-	198,465
1,100	2017 - 2022	113,114	-	-	-	113,114
2,500 ^(a)	2016 - 2026	286,011	291,904	297,919	151,253	1,027,086
1,500	2018 - 2023	311,755	-	-	-	311,755
1000	2019 - 2025	166,667	166,667	41,667	-	375,000
1000	2019 - 2024	225,057	57,244	-	-	282,301
2000	2019 - 2024	399,366	409,637	-	-	809,003
2000	2019 - 2024	399,183	411,621	-	-	810,804
1250	2020 - 2026	227,273	227,273	227,273	227,273	909,091
2500	2020 - 2026	500,000	500,000	500,000	250,000	1,750,000
1250	2021 - 2026	250,000	250,000	250,000	250,000	1,000,000
2000	2022-2027	391,995	398,305	404,716	515,068	1,710,084
3000	2022-2027	569,295	589,252	611,056	795,713	2,565,315
1000	2022-2027	194,472	198,095	201,786	309,748	904,102
Accessory charges deducted from the debt		(16,997)	(11,299)	(6,720)	(2,864)	(37,880)
Total D, 4		4,215,655	3,488,697	2,527,695	2,496,192	12,728,239
		8,512,584				

^(a) payable backed by mortgage guarantee

The data referring to this grouping can be found in the totals of the 2nd, 3rd and 4th numeric columns. Currently, all the commitments are borne by the parent company, while collateral is represented by a

single mortgage registered on the properties in Via Grazia in Zola Predosa, for a residual amount of Euro 1.797 million in favour of Mediocredito Trentino. There are no other substantial covenants.

D) 5 - a & b – Payables with other lenders

These mainly represent the payable to the operating lease and rental company for the remaining instalments to be paid. The portions falling due beyond 24 months include Euro 480 thousand in principal comprising the SIMEST loan on the Fund 394/81 [Project for Capitalisation of Exporting Companies].

To ensure greater understanding, the table below illustrates the due dates of these payables:

D, 5	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
within 12 months	496,435	961,243	(464,808)
beyond 12 months but within 24 months	526,300	405,715	120,585
beyond 24 months but within 36 months	307,614	433,307	(125,693)
beyond 36 months but within 48 months	226,428	214,674	11,754
beyond 48 months but within 60 months	747,386	256,931	490,455
Total D, 13	2,304,164	2,271,870	32,294

D) 6 - Advances

This item is essentially composed of advance payments for supplies to be provided in the near future.

D) 7, 9 & 10 - Trade payables, due to subsidiaries and associates

Trade payables and due to subsidiaries and associated decreased to Euro 6.8 million, down by slightly more than Euro 0.651 million on the previous year.

D, 7	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Trade payables - Italy	5,739,079	6,214,719	(475,640)
Trade payables - Abroad	366,137	408,464	(42,327)
Total D, 7	6,105,216	6,623,183	(517,967)

D, 10	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Payables due to Montirone S.r.l.	566,154	879,528	(313,374)
Payables due to Marzocchi Symbridge Co. Ltd	0	0	0
Total D, 9	566,154	879,528	(313,374)

Trade payables appear in line with the business volumes and, as a whole (D7 + D9 + D10) show, in relation to the turnover (A1), an average payment extension of around 50 days, down on the figure in the previous financial statements (68 days).

D) 11 - Payables to parent companies

This item represents payables for current taxes (IRES) which, following the participation in the national tax consolidation, are now shown as due to the holding company Abbey Road S.r.l.

D) 12 – Tax payables

The breakdown of these payables based on their due dates is mainly attributable, in terms of the nearest due dates, to the taxes withheld as withholding agent, with the obligation to pay them by January 2023, and the encumbrances related to the tax realignment pursuant to Italian Law 178 of 30 December 2020.

A breakdown is provided in the table below:

D, 12	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
<i>within 12 months</i>			
IRES/IRAP tax payables (credits)	223,045	134,658	88,387
Withholding agent payables	552,018	440,191	111,827
Tax credit			0
Payables for substitute tax	43,941	49,908	(5,967)
total within 12 months	819,004	624,757	194,247
<i>beyond 12 months</i>			
Payables for substitute tax		49,909	(49,909)
total beyond 12 months	0	49,909	(49,909)
Total D, 12	819,004	674,666	144,338

D) 13 - Welfare and social security contributions

The breakdown of the financial statement balances and changes on the previous year are shown in the table below:

D, 13	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Italian National Social Security Institute (INPS)	587,862	611,779	(23,917)
Previndapi	21,812	22,676	(864)
Fondapi	26,698	25,781	917
Other funds	18,802	15,039	3,763
Enasarco	9,794	8,645	1,149
Workplace accident insurance authority (INAIL)	-6,737	8,438	(15,175)
Contributions on deferred remuneration (holiday pay, performance bonuses, 13th month salaries)	231,321	212,826	18,495
Total D, 13	889,552	905,184	(15,632)

Excluding only the payables for contributions related to the accrual of deferred charges by employees, these are obligations whose payment was made in January 2023.

D) 14 - Other payables

Other payables mainly refer to two cases: the management of employment, with the payables for remuneration of the monthly salaries of December 2022, which are payable in the subsequent month of January, and the payables relating to deferred charges (holiday leave, performance bonuses, 13th month salaries).

D, 14	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Payables for supplies to be gifted	59,697	35,171	24,526
Payables for remuneration	704,365	735,900	(31,535)
Payables for deferred remuneration (holiday pay, performance bonuses, 13th month salaries)	778,151	718,306	59,845
Charges to be received	192,585	94,906	97,679
Other payables	134,000	422,172	(288,172)
Others of immaterial unitary amounts	7,998	41,257	(33,259)
Total D, 14	1,876,796	2,047,711	(170,916)

E) Accruals and deferrals

The breakdown of accruals and deferrals is shown in the table below:

E	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Accrued expenses	97,466	50,821	46,645
Deferred income	395,306	492,195	(96,889)
Total D	492,772	543,016	(50,244)

and an analysis:

Accrued income	Book value 31-Dec-22	Prepayments	Book value 31-Dec-22
Accrued interest and financial charges	31,801	Grants related to equipment	376,705
Costs for the financial period (realign. of leases)	65,665	Grants related to interest	11,067
		Others	7,534
Total accrued income	97,466	Total prepayments	395,306

The component grants related to equipment mainly represents the recognition by the Ministry for Economic Development (MISE) of the tax credit pursuant to Italian Law 205 of 27 December 2017, which will be posted to the profit and loss *pro-rata temporis*, as regulated under point 88, paragraph a) of OIC 16.

No component has a duration of more than 5 years.

4. INFORMATION ON THE PROFIT AND LOSS ACCOUNT

A) Revenues

A) 1 - Revenues from sales

Typical sales recorded an increase of 19.67%, and slightly less than 72% regarded international markets, while 83% of the consolidated net volumes were directly realised by the parent company, and the remaining 17% by Marzocchi Pumps USA Corp.

A, 1	Book value 31-Dec-22	Book value 31-Dec-21	% Change	Breakdown
Net internal sales	13,821,770	11,016,594	25.46%	28.49%
Net EU sales	12,165,780	10,357,048	17.46%	25.08%
Net Non-EU sales	22,525,481	19,163,915	17.54%	46.43%
Total A, 1	48,513,031	40,537,557	19.67%	100%

For a more in depth analysis of sales, see the directors' report.

A) 4 - Increases in fixed assets due to internal works

These are capitalisations of costs relating to the in-house construction of equipment for processing or final assembly of parts.

A) 5, a – Grants pertaining to the financial period

That component was mainly attributable to the portion of the grant for higher energy expenses provided by the Italian government.

A) 5, b - Other revenues

In detail:

A, 5, b	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
1 Rent receivable	17,766	1,665	16,101
2 Customer contributions to the creating of designs, moulds and equipment	112,861	72,284	40,577
3 Resales, charge-backs and expense reimbursements	363,899	382,808	(18,909)
4 Grants related to equipment	149,828	121,611	28,217
5 Ordinary capital gains	4,233	562	3,671
6 Contingent assets	218,896	110,496	108,400
7 Other immaterial	2,419	4,554	(2,135)
Total A, 5, b	869,902	693,980	175,922

The main components are comprised of charges for resales of goods that cannot be classified under A1 and revenues relating to technical designs [2 & 3], while contingent assets [6] refer to the Research and Development tax credit for 2021, which was quantified following the deadline for including it in the

2021 financial statements. Grants related to equipment[4] essentially refer to the portion of the tax credit pursuant to Italian Law 205/17.

B) Costs of production

B) 6) for raw materials and consumables

These are illustrated in the table below:

B, 6	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Purchase of raw materials and semi-finished goods	12,211,157	10,510,935	1,700,222
Purchase of fuel	298,694	182,374	116,320
Purchase of consumables	1,351,150	1,122,683	228,467
Other consumables	260,364	247,243	13,121
Total B, 6	14,121,365	12,063,235	2,058,130

This item, suitably adjusted by the changes in inventories of materials and correlated with the sum of the items A, 1 and A, 2, represents the percentage ratio of “consumption”.

That amount came to 26.1% (it was 24.6% in the 2021 financial statements), showing an increase of one percentage point, and is related to the increase in the costs of goods and materials, which grew sharper over the year.

B) 7 - for services

The breakdown by type of expenditure is as follows:

B, 7	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Expenses for subcontract work	6,684,780	6,491,498	193,282
Services contracted to third parties	388,692	359,033	29,659
Staff leasing agencies	225,577	102,975	122,602
Transportation	792,224	608,418	183,806
Maintenance charges	944,052	828,843	115,209
Charges for commissions	740,689	595,990	144,699
Promotional charges	129,310	44,101	85,209
Insurance charges	675,817	567,061	108,756
Utilities	1,841,663	1,147,208	694,455
Other charges	298,887	189,197	109,690
Consulting fees	668,108	676,267	(8,159)
Corporate bodies	395,664	394,031	1,633
Total B, 7	13,785,463	12,004,622	1,780,841

This item also showed a significant increase in absolute value, which translated, however, into a slight percentage increase (slightly more than one half of a percentage point), amounting to 28.2% compared to the previous 27.5%. The most significant increase was recorded in energy costs, whose absolute value rose by 61% on the previous year.

Fees to auditing bodies

For each Director, Statutory Auditor and the Independent Auditors of the parent company, the table below shows the fees accrued during 2022, also for the work performed at other subsidiaries of the Group:

Fees to Directors, Statutory Auditors and Independent Auditors

Euro/000	Fees for the office held	Charges and reimbursements
Directors		
Paolo Marzocchi ^(a)	200	17
Gabriele Bonfiglioli ^(b)	19	2
Guido Nardi ^(c)	20	2
Valentina Camorani Scarpa	15	1
Carlo Marzocchi	15	2
Matteo Tamburini	15	1
Giuseppe Zottoli	15	1
Total	299	26
Auditors		
Romano Conti ^(d)	11	0
Andrea Casarotti	7	0
Stefano Favallési	7	0
Total	25	1
Independent Auditors		
PricewaterhouseCoopers	38	2
Total	38	2

(a) Chairman of the Board of Directors

(b) Director, CEO and (since 19/7/22) Chairman of M.P. USA

(c) Chief Operating Officer and Secretary of M. P. USA

(d) Chairman of the Board of Statutory Auditors

B) 8 - for use of third-party assets

Having reclassified lease contracts and equivalent operating rental contracts using the financial method as recommended by OIC 17, this item exclusively regards the rental of premises used by the company and operating rentals (not under IAS 17) of vehicles and forklift trucks.

B, 8	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Operating rentals (not under IAS 16)	22,995	19,629	3,366
Long-term vehicle leases	216,494	167,367	49,127
Rent payable	142,800	129,450	13,350
Total B, 8	382,289	316,446	65,843

B) 9, a, b, c, e – for personnel

The breakdown of personnel costs is as follows:

B, 9	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Wages and salaries	10,867,978	10,191,606	676,372
Social security contributions	3,315,285	3,114,191	201,094
Staff leaving indemnity	909,981	771,769	138,212
Other costs	122,900	107,625	15,275
Total B, 9	15,216,144	14,185,191	1,030,953

Wages and salaries include the “work component” charged to the Staff Leasing Agencies.

In relation to items A1+A2, the percentage decreased by 1.5 percentage points (31.1% compared to the previous 32.5%). In the comparison with 2021, a greater number of hours were worked (1.25%) and, obviously, no use of social shock absorbers was necessary.

The average composition of the workforce is shown in the table below:

Position	average # 2022	average # 2021	change
Manual workers	177.80	173.71	4.09
Worker Supervisors, Office Workers and Managers	75.43	76.77	-1.34
Senior management	5.34	5.33	0.01
Total employees	258.57	255.81	2.76
Temporary Workers	28.13	14.95	13.18
Grand Total	286.70	270.76	15.94

B) 10, a, b, c, d - amortisation/depreciation and writedowns

The amortisation/depreciation of fixed assets shows quite a high absolute value. Nonetheless, it is important to consider the effects of the revaluation carried out following the LBO. However, the percentage out of the typical value of industrial operations [A, 1 + A, 2] decreased by 1.8 percentage points.

B, 10	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
a) Amort. of intangible fixed assets	486,735	390,892	95,843
b) Dep. of tangible fixed assets	4,060,251	4,435,824	(375,573)
c) Other writedowns of fixed assets	0	0	0
d) Writedowns of receivables included in net working capital	47,267	41,949	5,318
Total B, 10	4,594,253	4,868,665	(274,412)

The breakdown can be seen under items B, I and B, II, covered previously.

B) 11 - Change in inventories of MP and SL

Inventories and their changes were illustrated and commented on in point C, I of current assets, to which reference is made.

B) 12 - Risk provisioning

The provisions allocated were already illustrated at the bottom of item B, 4 of the Balance Sheet, to which reference is made.

B) 14 - Other costs

A residual fixed component, mainly comprised of taxes on real estate assets and charges for remaining on the Euronext Growth Milan listing of Borsa Italiana [former AIM].

B, 14	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Association fees	55,901	41,982	13,919
On-going EGM ITALY costs	151,052	174,359	(23,307)
Taxes and levies (not related to income)	143,800	146,860	(3,060)
Ordinary compensation and contingent liabilities	13,216	4,692	8,524
Other costs	80,955	68,108	12,847
Total B, 14	444,924	436,001	8,923

C) Financial income and charges

C) 16 - b & d - Other financial income

Item mainly regarding the interest paid by securities under item B, III, 3 of assets.

C) 17, d - Financial charges

These increased to from a total of Euro 283 thousand in 2021 to Euro 376 thousand in 2022, and are broken down as follows:

C, 17	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Payable bank interest	253,167	158,042	95,125
Financial fees and expenses	96,054	105,830	(9,776)
Financial discounts and allowances payable	26,741	18,860	7,881
Rounding up/down of financial statements to whole Euros	(1)	2	(3)
Total C, 17	375,961	282,734	93,227

The financial component was consolidated on the usual company practices, resulting in a percentage of less than one percentage point.

C) 17 bis - Exchange rate gains and (losses)

This item is broken down into its two components - the amount realised and the amount from realignment.

C, 17 bis	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the year
Exchange rate (losses)	(91,108)	(10,833)	(80,275)
Exchange rate (losses) from realignment	(36,303)	(26,010)	(10,293)
Exchange rate gains	248,975	80,786	168,189
Exchange rate gains from realignment	60,697	232	60,465
Total C, 17 bis	182,261	44,175	138,086

D) Value adjustments to financial assets

D) 18 a, b - Revaluations

The amount recorded refers to the associate Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd for Euro 67,297.00, in addition to Euro 13,245.00 referring to Montirone S.r.l. For both these companies, this represents the pertaining portion of the profit and loss for the period. As regards the additional amount of Euro 144,931.00 recognised, refer to that illustrated at the bottom of item B, 4 of Balance Sheet liabilities, above.

E) 19 a, b - Writedowns

The amount recorded fully refers to the subsidiary Marzocchi (Shanghai) Trading Co. Ltd in liquidation, and represents its impairment for the period (Euro 145 thousand).

Refer to that illustrated at the bottom of points B, III, 1, a and B, III, 3, above.

Income taxes

The consolidated financial statements are not subject to a specific tax autonomy. The amount stated, comprising prepaid, deferred and current taxes, derives from the amounts recognised by the individual companies comprising the scope of line-by-line consolidation, which are calculated based on the regulations and rates in force in their home countries.

RELATED PARTIES

In compliance with art. 2427, point 22 bis, it is noted that transactions undertaken with related parties were concluded, without exception, at normal market conditions. For more details, refer to the information given in that regard in the Director's Report.

COMMITMENTS TO SELL CURRENCY

Commitments to sell foreign currency as part of exchange rate hedging transactions amounted to US\$ 2,000,000,00 (Euro 1,969,473.17) and aligns with both the amount and timing of the commercial flows receivable, expected during the term of the transaction.

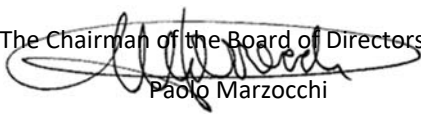
The fair value as at 31 December 2022 was recognised in the financial statements in item C, III, 5 Assets arising from derivative financial instruments.

OFF-BALANCE SHEET AGREEMENTS

There were no off-balance sheet agreements except for those previously reported in the various chapters of these explanatory notes.

SUBSEQUENT EVENTS

We note that to date, there were no events occurring subsequent to 31 December 2022 that could substantially change the current equity or cash flow situations in relation to those resulting from the Consolidated Balance Sheet and Profit and Loss Account at that date, or could require adjustments or additional information to the financial statements.

The Chairman of the Board of Directors

Paolo Marzocchi

Statement of changes in Shareholders' Equity

		1-Jan-22	29/04/2022 Ordinary Shareholders' Meetings Resolution				31-Dec-22	31-Dec-22
		Opening balances	Allocation of 2021 profit	Extraordinary dividend	Transfers	Changes in the period	Profit (loss) for the period	Closing balances in the financial statements
A,I	Share Capital	6,538,750						6,538,750
A,II	Share premium reserve	6,462,750						6,462,750
A,III	Revaluation reserve pursuant to Italian Law 185/08	1,867,115						1,867,115
A,IV	Legal reserve	1,000,000	54,822					1,054,822
A,VI	Extraordinary reserve	240,115	1,041,613	(782,850)				498,878
A,VI	Reserve for exchange rate gains from realignment pursuant to art.							
A,VI	Exchange surplus	398,891						398,891
A,VI	Consolidation reserve	1,767,760			52,716	612,517		2,432,993
A,VI	Reserve for translation of financial statements in foreign currency	52,716			(52,716)	(72,158)		(72,158)
A,VI	Rounding up/down to whole Euro	2				(2)		0
A,VII	Cash flow hedging reserve	(99,187)				475,484		376,297
A,VIII	Profits (losses) carried forward							
A,IX	Profits (losses) for the year pertaining to the Group	1,590,578	(1,096,435)			(494,143)	1,962,104	1,962,104
A,X	Negative reserve for treasury shares in portfolio	(23,820)				(96,491)		(120,311)
	Total Shareholders' Equity	19,795,670		(782,850)		425,207	1,962,104	21,400,131

Statement of reconciliation of shareholders' equity and profit (loss) for the year as at 31 December 2022 of the parent company and the Consolidated Shareholders' equity and profit (loss) for the year

Amounts	Shareholders' Equity	Profit/(loss)
Shareholders' equity and profit (loss) for the year of the holding company	19,166,444	2,089,251
▪ Effect of monetary translation of foreign subsidiaries	(72,158)	0
▪ Effect of the application of IAS 17	607,826	-503,964
Elimination of the carrying value of consolidated equity investments:		
▪ Adjustments to writedowns made by the parent company	0	0
▪ Amortisation of goodwill	(185,266)	0
▪ Consolidation differences	848,279	(441,232)
▪ Effect of measurement at equity of companies not consolidated line-by-line	297,501	80,543
▪ Profit/loss for the period of consolidated companies	737,506	737,506
▪ Rounding up/down to whole Euro	-1	0
Consolidated Shareholders' equity and profit (loss) for the year	21,400,131	1,962,104
▪ Minority interests	0	0
Shareholders' equity and profit (loss) for the year pertaining to the Group	21,400,131	1,962,104

MARZOCCHI POMPE S.P.A.

*Consolidated Board of Directors' Report
as at 31 December 2022*



Registered office in Zola Predosa – Bologna
Share Capital Euro 6,538,750.00, fully paid-in
Register of Enterprises of Bologna no. 03285900969
Economic and Administrative Repertoire of Bologna no. 422251

Subject to management and coordination by Abbey Road S.r.l.

Consolidated Board of Directors' Report

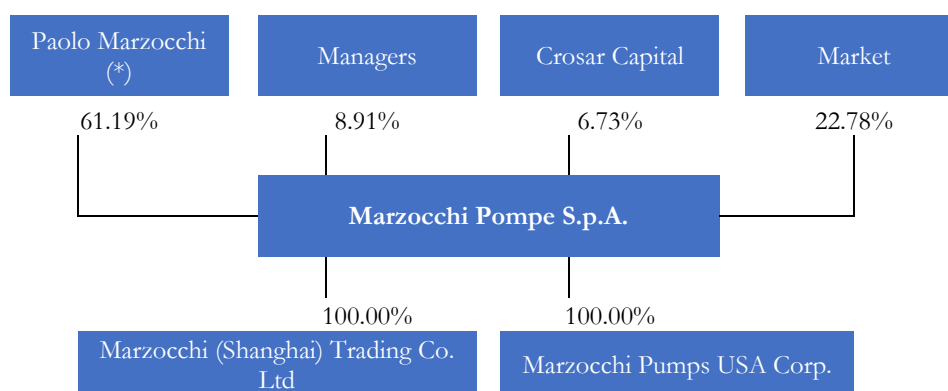
Dear Shareholders,

In compliance with Legislative Decree no. 127 of 9 April 1991, implementing the IV and VII EEC Directives, as amended, we have drawn up and hereby submit to you the Consolidated Financial Statements of Marzocchi Pompe S.p.A. (hereinafter, the Group) and its subsidiaries as at 31 December 2022, showing a net profit of Euro 1,962,104, after reclassifying lease contracts using the financial method.

The document that we are proposing to you today faithfully represents the profit and loss, balance sheet and cash flow of the Group, comprised of Marzocchi Pompe S.p.A., parent company of the Marzocchi Pompe Group of the same name, and of:

- Marzocchi Pumps USA Corp., consolidated on a line-by-line basis;
- Marzocchi (Shanghai) Trading Co. Ltd, consolidated at synthetic equity;

as per the following chart:



(*) through Abbey Road S.r.l.

The associates Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd and Montirone S.r.l. were valued at equity.

1. Significant events in 2022 and market performance

2022 was a year of exceptional growth for our Group, reaching the highest levels of revenues in our history, demonstrating the extensive resilience of our business model.

This result was also achieved despite a difficult global context, featuring i) the energy shock resulting from the Russia-Ukraine conflict, which triggered a sharp growth in inflation, ii) the unresolved problems in supply chains, which continue to penalise the Automotive sector, and iii) the increase in interest rates due to the restrictive monetary policies implemented by central banks.

Our Group is demonstrating its formidable ability to adapt to the continuous changes in global scenarios and the related economic and financial turbulence, due to its distinguishing characteristics: a “make not buy” approach, innovative high-tech products, extensive flexibility and focus on customer satisfaction, all strengths that we will continue to invest in also in the future.

Once again, it is worth noting the confirmation of the Group’s ability to generate cash flow. This allowed us to keep the net financial position unchanged compared to 2021, at Euro 7.8 million, despite the phase of additional growth in invested capital, both for investments and for working capital as a

result of the increase in revenues, which required an increase in stocks, up from Euro 12.1 million to Euro 14.0 million (+15%). This was fundamental in keeping production lead time unchanged and thus avoiding the risk of interruption of the production chain, in a global scenario of difficulties in logistics and procurement of materials.

The global tensions that impacted the raw materials market also resulted in a significant increase in the related costs. A periodic mechanism of resulting adjustments to sales prices is in place with Automotive customers. Instead, for the core business, the company applied several increases to list prices over the year, whose effects are still in force.

In light of such challenging, complex scenarios, the excellent results achieved by the Group take on even more significance.

Revenues for the year, amounting to Euro 48.5 million, reached a record high for the Group, growing significantly on 2021 (Euro 40.5 million, +19.7%).

EBITDA amounted to Euro 7.6 million, up by 5.6% on the Euro 7.2 million of 2021.

The EBITDA margin, equal to 15.4%, was slightly down on 2021 (16.4%) and reflects the difficulties linked to the sudden, generalised increase in costs, not fully absorbed by the adjustments to sales prices.

Consolidated net profit for the year was Euro 2.0 million, up on the Euro 1.6 million recognised in 2021, with basic earnings per share for the year of Euro 0.30 (+25% on 2021).

The Net Financial Position amounted to Euro 7.8 million, unchanged on 2021, despite a significant increase in invested capital, deriving from: (i) investments made of Euro 3.6 million and (ii) an increase in net working capital of Euro 3.2 million. In that context, the ratio with EBITDA (leverage ratio) also improved, reaching 1.04 compared to 1.10 in 2021 and 2.24 in 2020.

Lastly, in 2022, another step was taken in extending the range of products: the Group consolidated the launch of the new FTP line, mainly dedicated for low pressure applications, an additional market to the one reached by the innovative Elika line to which it belongs.

Once again, this confirms how Marzocchi Pompe continues to work incessantly on Research and Development and its highly distinctive approach to customers' needs. Participation in trade shows linked to electrical vehicles, which are spreading throughout the world, also testifies to the company's commitment to capturing all possible new opportunities, founded on its product range suited to any industrial need.

2. Profit and loss and balance sheet results

To provide a clearer understanding of the company's performance, its profit and loss and balance sheet, the reclassified Balance sheet and Profit and Loss Account are shown below.

Note that, in the two years 2020 and 2021, the company did not apply any extraordinary measures with economic impacts set out by Italian lawmakers to assist companies in difficulty, such as:

- The suspension of amortisation/depreciation charges (Art. 60 of Italian Law 126/2020).
- The revaluation of assets and equity investments (Art. 110 of Italian Law 126/2020).

During 2020, paragraph 8-bis of Art. 110 of Italian Law Decree 104/2020, regarding the option of tax realignment of the higher values of company assets, already recorded in the financial statements against payment of a substitution tax of 3%, included in item D.12 of liabilities and item 20.a) of the profit and loss account. As a result, deferred tax liabilities of 27.9% were freed up (items B.2 of balance sheet liabilities and item 20.b) of the profit and loss account).

Moreover, also in 2020, only two moratoria were obtained, offered by one of our main financial partners *motu proprio*, which provided us with a time extension of eight months on the repayment of the principal of two loans and twelve lease contracts.

Select financial information

To provide a clearer understanding of the Group's performance, its profit and loss and balance sheet results, the reclassified Balance Sheet and Profit and Loss Account are shown below, drawn up using the same criteria indicated in Chapter 3 of the Admission Document.

1) Profit and loss data for the year ended 31 December 2022 compared with 2021 and 2020

The main consolidated profit and loss data of the Group for the years ended 31 December 2022, 2021 and 2020 are shown below.

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20	
Revenues from sales	48,513	100%	40,538	100%	34,143	100%
Changes in WIP	451		3,044		(307)	
Other revenues	1,211		1,230		916	
VALUE OF PRODUCTION	50,176		44,812		34,752	
Consumption of raw materials	(12,790)	(26.1%)	(10,716)	(24.6%)	(7,931)	(23.4%)
Costs for services	(13,785)	(28.2%)	(12,005)	(27.5%)	(9,621)	(28.4%)
Costs for use of third-party assets	(382)	(0.8%)	(316)	(0.7%)	(307)	(0.9%)
Miscellaneous operating costs	(445)	(0.9%)	(436)	(1.0%)	(378)	(1.1%)
VALUE ADDED	22,773	46.51%	21,339	48.96%	16,516	48.81%
Personnel costs	(15,216)	(31.1%)	(14,185)	(32.5%)	(12,387)	(36.6%)
EBITDA	7,557	15.43%	7,153	16.41%	4,129	12.20%
Amortisation/depreciation and writedowns	(4,843)	(9.9%)	(4,869)	(11.2%)	(5,229)	(15.5%)
EBIT	2,714	5.54%	2,285	5.24%	(1,100)	(3.3%)
financial income and charges	(184)	(0.4%)	(231)	(0.5%)	(510)	(1.5%)
financial value adjustments	50	0.10%	(106)	(0.2%)	(24)	(0.1%)
PRE-TAX PROFIT	2,580	5.27%	1,948	4.47%	(1,634)	(4.8%)
Income taxes for the financial year	(618)	(1.3%)	(358)	(0.8%)	1,863	5.51%
NET REVENUES	1,962	4.01%	1,591	3.65%	229	0.68%

The profit and loss account does not include non-recurring items for any of the years indicated (2022, 2021 or 2020), and therefore, no normalisation was required.

The data do not include the recording of non-recurring costs. As EBITDA is not identified as an accounting measure in the Italian national accounting standards (OIC), the determination of its amount may not be unequivocal. EBITDA is a measure used by the company's management to monitor and assess its operating performance. The management deems that the EBITDA is an important parameter to measure the company's operating performance as it is not influenced by the effects of the various criteria used to determine taxable income, by the total amount or nature of capital employed or by the related depreciation and amortisation policies. The criterion for determining the EBITDA applied by the company may not be uniform with that adopted by other companies/groups and, therefore, its value may not be comparable with that determined by those parties. For the calculation of EBITDA, refer to the paragraphs below.

1.1) Analysis of revenues for the years ended 31 December 2021, 2020 and 2019

The notes provide a breakdown of the item Group revenues by market. Instead, below the revenues are shown by market (a), geographical area (b), currency (c) and sales channel (d) for the years ended as at 31 December 2022, 2021 and 2020.

a) Entry A.1 profit and loss account

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20	
Net internal sales	13,822	28.5%	11,017	27.2%	7,667	22.5%
Net EU sales	12,166	25.1%	10,357	25.5%	8,090	23.7%
Net Non-EU sales	22,525	46.4%	19,164	47.3%	18,386	53.9%
Total Revenues from sales	48,513	100.0%	40,538	100.0%	34,143	100.0%

b) Breakdown by geographical area

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20	
AMERICA	17,614	36.3%	12,142	30.0%	13,364	39.1%
EUROPE	12,166	25.1%	10,357	25.5%	8,090	23.7%
ITALY	13,822	28.5%	11,017	27.2%	7,667	22.5%
ASIA	4,687	9.7%	6,915	17.1%	4,843	14.2%
AFRICA	157	0.3%	62	0.2%	136	0.4%
OCEANIA	67	0.1%	45	0.1%	43	0.1%
Total Revenues from sales	48,513	100.0%	40,538	100.0%	34,143	100.0%

Percentage changes year-over-year

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20	
AMERICA	45.1%		-9.1%		-5.9%	
EUROPE	17.5%		28.0%		-18.6%	
ITALY	25.5%		43.7%		-21.3%	
ASIA	-32.2%		42.8%		-5.7%	
AFRICA	153.8%		-54.5%		51.2%	
OCEANIA	49.8%		4.4%		-20.3%	
Total Revenues from sales	19.7%		18.7%		-12.8%	

c) By currency

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20	
In Euro	38,662	79.7%	33,688	83.1%	28,951	84.8%
In US Dollars	9,851	20.3%	6,850	16.9%	5,192	15.2%
Total Revenues from sales	48,513	100.0%	40,538	100.0%	34,143	100.0%

d) Sales channels

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20	
Sales Network	18,178	37.5%	14,704	36.3%	11,829	34.6%
Automotive	9,600	19.8%	8,566	21.1%	10,200	29.9%
Fixed	11,507	23.7%	9,729	24.0%	7,396	21.7%
Mobile	9,228	19.0%	7,538	18.6%	4,718	13.8%
Total Revenues from sales	48,513	100.0%	40,538	100.0%	34,143	100.0%
of which						
Core business	38,913	80.2%	31,972	78.9%	23,943	70.1%
Automotive	9,600	19.8%	8,566	21.1%	10,200	29.9%

Percentage changes year-over-year

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20	
Sales Network	23.6%		24.3%		-11.0%	
Automotive	12.1%		-16.0%		4.6%	

Fixed	18.3%	31.6%	-23.2%
Mobile	22.4%	59.8%	-27.4%
Total Revenues from sales	19.7%	18.7%	-12.8%
of which			
Core business	21.7%	33.5%	-18.6%
Automotive	12.1%	-16.0%	4.6%

2) Balance sheet data for the year ended 31 December 2022 compared with 2021 and 2020

The information regarding the main balance sheet indicators of the Issuer for the years ended 31 December 2022, 2021 and 2020 is shown below.

More specifically, the Group's balance sheet reclassified by source and use is shown below.

<i>€ 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
A) NET FIXED ASSETS	17,512	19,081	22,426
Intangible fixed assets	1,065	1,306	1,502
Tangible fixed assets	14,907	16,391	19,712
Financial fixed assets	1,540	1,384	1,212
B) NET WORKING CAPITAL	13,518	10,105	6,901
Inventories	14,008	12,121	7,673
Advances from customers	(199)	(11)	(17)
Trade receivables	8,376	7,703	6,365
Other receivables	2,092	2,680	2,299
Trade payables	(6,671)	(7,503)	(4,858)
Other payables	(3,592)	(3,628)	(2,494)
Provisions for risks and charges	(1,454)	(1,570)	(1,526)
Other assets/liabilities	958	313	(542)
C) GROSS INVESTED CAPITAL	31,030	29,186	29,327
D) STAFF LEAVING INDEMNITY	(1,525)	(1,552)	(1,631)
E) NET INVESTED CAPITAL	29,505	27,633	27,696
covered by			
F) OWN SHARE CAPITAL	(21,400)	(19,796)	(18,444)
G) NET FINANCIAL POSITION (*)	(8,105)	(7,838)	(9,252)
Medium-long term financial payables	(10,320)	(8,881)	(11,705)
Short-term financial payables	(4,712)	(4,637)	(5,191)
Cash and cash equivalents	6,927	5,681	7,644
H) TOTAL COVERAGE	(29,505)	(27,633)	(27,696)

(*) Gross of the fair value of assets deriving from interest rate hedging derivatives, equal to Euro 0.26 million, classified under financial fixed assets (pursuant to that set out in OIC 32 no. 28b).

3) Alternative Performance Indicators

The Group uses several Alternative Performance Indicators ("APIs") to facilitate the understanding of the profit and loss and balance sheet performance.

In order to correctly interpret those APIs, the following is noted: *(i)* those indicators have been constructed exclusively on the Group's past data and do not indicate the Group's future performance, *(ii)* the APIs are not set out by the OIC and, though deriving from the Consolidated Financial Statements as at 31 December 2022, 2021 and 2020, are not subject to auditing, *(iii)* the APIs shall not be considered as replacing the reference accounting standards (OIC), *(iv)* as the definitions and criteria adopted to determine the indicators used by the Group do not derive from the reference accounting standards

may not be uniform with those adopted by other companies or groups and, therefore, may not be comparable with those presented by those parties, if any, and **(v)** the APIs used by the Group have been developed using the same, uniform definition and representation for all years for which the financial information is included in this director's report on operations.

With the exception of revenues, the total net results of the APIs represented (EBITDA, EBITDA margin, EBIT, EBIT margin, EBT, EBT margin, operating net working capital, net working capital, net financial indebtedness, debt ratio and leverage ratio) are not identified as accounting measures under the OIC. Therefore, as illustrated above, they shall not be considered alternative measures to those provided in the Group's financial statement tables for assessing its profit and loss performance and related balance sheet position.

The tables below show the main profit and loss and balance sheet APIs used by the Group to monitor the profit and loss and balance sheet performance, as well as their methods of determination, calculated net of the normalisations previously described, in order to highlight the performance of turnover and recurring operating margins:

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Revenues from production and sale (1)	48,965	43,582	33,836
EBITDA (2)	7,557	7,153	4,129
% EBIT margin (2)	15.43%	16.41%	12.20%
EBIT (3)	2,714	2,285	(1,100)
% EBIT margin (3)	5.54%	5.24%	-3.25%
EBT (4)	2,580	1,948	(1,634)
% EBT margin (4)	5.27%	4.47%	-4.83%
Total net profit	1,962	1,591	229
Operating Net Working Capital (5)	15,514	12,309	9,163
Net Working Capital (6)	13,518	10,105	6,901
Net financial indebtedness	(7,848)	(7,838)	(9,252)
Debt ratio (7)	0.37	0.40	0.50
Leverage (8)	1.04	1.10	2.24

- 1) **Revenues from production and sale** are defined as the algebraic sum of revenues from sales and the (positive or negative) change in work in progress and finished products. For better understanding of the items that contributed to determining that API, the detailed table is shown below:

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20
Revenues from sales (with annual changes)	48,513	19.7%	40,538	18.7%	34,143
Changes in WIP	451		3,044		(307)
Revenues from production and sale	48,965	12.4%	43,582	28.8%	33,836

- 2) **EBITDA** is defined as the profit (loss) for the year, adjusted by the following components: **(i)** income taxes, **(ii)** financial income/charges, **(iii)** non-recurring income and charges (illustrated in greater detail in paragraph 1 above), **(iv)** amortisation, depreciation and impairment and **(v)** provisions. For better understanding of the items that contributed to determining that API, the detailed table is shown below:

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Total net profit	1,962	1,591	229
Income taxes	618	358	(1,863)
Value adjustments to financial assets	(50)	106	24
Financial income and charges	184	231	510

Non-recurring income and charges	0	0	0		
Amortisation/depreciation and impairment	4,803	4,829	5,190		
Provision for bad debt	40	40	40		
Provisions for risks	0	0	0		
EBITDA (A) - <i>with annual changes</i>	7,557	5.6%	7,153	73.2%	4,129
Revenues from production and sale (B)	48,965		43,582		33,836
<i>% EBITDA margin (A/B)</i>	<i>15.43%</i>		<i>16.41%</i>		<i>12.20%</i>

- 3) **EBIT** is defined as the profit (loss) for the year, adjusted by the following components: (i) income taxes, (ii) financial income/charges and (iii) non-recurring income and charges (illustrated in greater detail in paragraph 1 above). For a better understanding of the items that contributed to determining that API, the detailed table is shown below:

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20
Total net profit	1,962		1,591		229
Income taxes	618		358		(1,863)
Value adjustments to financial assets	(50)		106		24
Financial income and charges	184		231		510
Non-recurring income and charges	0		0		0
EBIT (A) - with annual changes	2,714	18.8%	2,285	-307.6%	(1,100)
Revenues from production and sale (B)	48,965		43,582		33,836
<i>% EBIT margin (A/B)</i>	<i>5.54%</i>		<i>5.24%</i>		<i>-3.25%</i>

If the amortisation/depreciation from revaluation were not considered, such as negative components deriving from the merger through LBO, the effects on the EBIT would be as follows:

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20
EBIT (A) - with annual changes	2,714	18.8%	2,285	-307.6%	(1,100)
Amortisation/depreciation from revaluation	(884)		(1,092)		(1,328)
Adjusted EBIT (A) - with annual changes	3,598	6.6%	3,377	1383.0%	228
Revenues from production and sale (B)	48,965		43,582		33,836
<i>% EBIT margin (A/B)</i>	<i>7.35%</i>		<i>7.75%</i>		<i>0.67%</i>

- 4) **EBT** is defined as the profit (loss) for the year, adjusted by income taxes. For better understanding of the items that contributed to determining that API, the detailed table is shown below:

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Total net profit	1,962	1,591	229
Income taxes	618	358	(1,863)
EBT (A)	2,580	1,948	(1,634)
Revenues from production and sale (B)	48,965	43,582	33,836
<i>% EBT margin (A/B)</i>	<i>5.27%</i>	<i>4.47%</i>	

- 5) and 6) the **operational** net working capital and the **net working capital** are calculated as follows:

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Inventories	14,008	12,121	7,673
Trade receivables	8,177	7,691	6,348
Trade payables	(6,671)	(7,503)	(4,858)
Net Operating Working Capital	15,514	12,309	9,163

Other current assets and liabilities	(2,078)	(2,001)	(1,986)
Tax receivables and payables and deferred tax liabilities	578	1,053	1,791
Provisions for risks and charges	(1,454)	(1,570)	(1,526)
Other assets/liabilities	958	313	(542)
Net Working Capital	13,518	10,105	6,901

7) The Debt Ratio is calculated as follows:

<i>€ 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Net Financial Indebtedness (A)	(7,848)	(7,838)	(9,252)
Shareholders' Equity (B)	21,400	19,796	18,444
Debt Ratio -(A)/(B)	0.37	0.40	0.50

8) The Leverage Ratio is calculated as follows:

<i>€ 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Net Financial Indebtedness (A)	(7,848)	(7,838)	(9,252)
EBITDA	7,557	7,153	4,129
Debt Leverage -(A)/(B)	1.04	1.10	2.24
% Change on previous year	-5.22%	-51.10%	

4) Cash Flow and Net Financial Position ("NFP")

The change in net financial indebtedness can be analysed as follows:

	2022	2021	2020
	€ /000	€ /000	€ /000
EBIT	2,714	2,285	(1,100)
Tax effect	(618)	(358)	1,863
Changes in provisions	(143)	(35)	(1,295)
Allocations and writedowns	4,843	4,869	5,229
Cash flow from income	6,796	6,761	4,697
Changes in working capital			
Inventories	(1,887)	(4,448)	446
Trade receivables	(486)	(1,343)	1,497
Other receivables	588	(381)	(936)
Payables to suppliers	(831)	2,645	303
Other payables	(561)	279	(179)
Changes in working capital	(3,178)	(3,248)	1,131
Operating cash flow (Free cash flow)	3,618	3,513	5,829
Net investments in tangible & intangible assets	(3,118)	(1,352)	(1,574)
Changes in other fixed assets	101	(172)	24
Financial value adjustments	50	(106)	(24)
Cash flow from investment activities	(2,968)	(1,629)	(1,574)
Financial charges/income	(184)	(231)	(510)
Increases/(decreases) in share capital	0	0	0
Other changes in Shareholders' Equity	(734)	(239)	(461)
Cash flow from financing activities	(918)	(470)	(971)

Net cash flow (*)	(267)	1,414	3,283
Opening Net Financial Position	(7,838)	(9,252)	(12,535)
Closing Net Financial Position (*)	(8,105)	(7,838)	(9,252)
Net increase (decrease) in cash	(267)	1,414	3,283

(*) the cash flow analysis did not include the following:

- the fair value of assets deriving from interest rate hedging derivatives, classified under financial fixed assets (pursuant to that set out in OIC 32 no. 28b), given that their recognition, which passed through capital reserves, did not generate any cash flows;
- the fair value of assets deriving from exchange rate hedging derivatives (USD), classified under working capital, given that, also in this case, their recognition, which passed through capital reserves, did not generate any cash flows.

The **net financial position** breaks down as follows:

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Liquidity	6,927	5,681	7,644
<i>Subscribed capital unpaid</i>	0	0	0
<i>Current financial assets</i>	0	0	0
Current financial receivables	0	0	0
<i>Short-term payables to banks</i>	(4,216)	(3,676)	(3,418)
<i>Short-term lease payables</i>	(496)	(961)	(1,773)
<i>Other short-term payables</i>	0	0	0
Current financial indebtedness	(4,712)	(4,637)	(5,191)
Current net financial indebtedness	2,215	1,043	2,453
<i>Non-current financial assets</i>	257		
<i>Payables to banks</i>	(8,803)	(7,571)	(10,088)
<i>Lease payables</i>	(1,038)	(831)	(1,618)
<i>Payables to others</i>	(480)	(480)	0
Non-current net financial indebtedness	(10,063)	(8,881)	(11,705)
ADJUSTED NET FINANCIAL POSITION	(7,848)	(7,838)	(9,252)
% Change on previous year	0.13%	(15.29%)	(26.19%)

(*) The adjusted NFP also includes the positive balance of assets deriving from interest rate hedging derivatives on bank loans recognised under financial fixed assets.

The current financial indebtedness is certainly balanced in relation to the size of the Group, and is capable of widely supporting the Group's growth strategies.

3. Investments

Also in 2022, as in the previous years, the Group continued with its plans, making investments nearing Euro 3.6 million, equal to 7.4% of turnover.

4. Research and development

As regards research and development, also as a result of the recent hiring of several resources in the Technical Department, the Group continued its normal improvement in functions and completion of the product range, aware that its future must be based on a competitive edge correlated with innovation. All of this was carried out in close partnership with the Industrial Engineering Department of the University of Bologna.

5. Information pursuant to Art. 2428, paragraph 2, point 6-bis of the Italian Civil Code

The Group is exposed to the normal risks and uncertainties typical of a business.

The markets where the Group operates are global markets, and niche markets in many cases. Therefore they are small in size, with few important competitors.

As a result of this distinctive trait, our Group maintains significant leadership on the market and, therefore, is less exposed to mass competition which increasingly aims for high volume markets.

A description of the financial risk factors the Group is exposed to is provided below:

Credit risk

The Group mainly works with know, reliable customers, and it is deemed that financial assets have a good credit quality. Nonetheless, the balance of receivables is monitored periodically for the main purpose of minimising losses.

There are no financial assets exceeding provisions allocated that are deemed potential bad debts.

Liquidity and interest rate risk

The Group identifies liquidity risk as the possibility that it may not be able to fully meet its obligations. This risk is reduced through actions to guarantee a balanced capital structure and efficient cash flow. Likewise, there are debt instruments or other credit lines, with varying sources, to cover any liquidity needs. The risk in question has been assessed as relatively significant, and is subject to continuous monitoring.

In this regard, the Group has no loan agreements that require compliance with “financial covenants”.

Interest rate risk is the risk that adverse movements in the interest rate curve negatively influences the cost of debt. As part of its cash flow planning, in order to combat that possibility, several hedging transactions were implemented (illustrated in detail in the notes) which, with certain costs, make it possible to set a cap on possible future increases, especially relating to jumps in inflation.

Exchange rate risk

With regard to exchange rate risk, the Company has implemented hedging policies by entering into commitments to sell foreign currency as part of exchange rate hedging transactions, as illustrated in the paragraph “commitments to sell currency” of the notes.

Market risk

Sensitively breaking down market risk into its primary factors: country risk, price risk and cross rate risk, the Group has identified the primary exposure risk as the latter.

The first risk is immaterial, as the Group operates mainly with industrially developed countries. The second is present, though the commercial policies are based on the quality and technical nature of the products, while there is also competition on the technical performance, not only on lower prices.

Nonetheless, it is deniable that, compared to 2021, prices on the market of raw materials used by

the Group (specifically, steel and aluminium) have increased significantly. This forced us, where possible, to adjust the sales prices to fully or partially absorb those greater costs.

Instead, exchange rate risk is present, and may significantly impact sales margins.

The scope of exposure was reduced to the minimum by using, where possible, the price list in the functional currency, but the risk cannot be further reduced, on pain of losing significant market shares.

Therefore, forward sales are carried out, correlated with the expected flows in foreign currency. As these have maximum flexibility and certain costs, they set a limit to the volatility of exchange rates.

COVID-19 risk and geopolitical tensions

Health risk

The Group has adopted all possible measures to prevent, control and contain the virus at its sites, with the goal of safeguarding the health of its workers, in close collaboration with the Trade Union Representatives.

Market risk

One of the latest consequences of the global pandemic under way, which was joined by the effects of the conflict in Ukraine, is represented by:

- increases in raw material and energy costs;
- increases in logistics costs (charters and transport);
- lack of semi-finished goods (for example, chips for the automotive industry).

Those phenomena are extremely complex to deal with, especially in the current global scenario characterised by extreme geopolitical tensions which broke out in the military conflict in Ukraine. However, as explained below, due to the total lack of purchases and immaterial amount of sales (0.7% of turnover) in the countries involved in the war, on the one hand, and the measures previously implemented to avoid production problems and significant impacts on profitability of the turbulence in the components market, on the other, the company is deemed to have the necessary characteristics to also mitigate this type of risk.

Financial risk

As regards the financial aspects of this current scenario, interest rates are undergoing an accelerated sharp rise. Nonetheless, this should not have specific impacts on our Group, which has a high level of solvency and reliability, as well as significant financial autonomy to support its operating needs and growth strategies, as demonstrated by the significant unused credit lines, which guarantee access to the debt market also due to unforeseen events which could have a negative impact on cash flow.

6. Intercompany transactions and transactions with related parties

Transactions with related parties, including intercompany transactions, were not either atypical or unusual, as they fall within the normal course of business of Group companies.

Those transactions settled at market conditions, taking into account the characteristics of the goods and services provided.

The following transactions with related parties were undertaken during the year:

credit and debit transactions with Related Parties as at 31 December 2022

<i>Eur 000</i>	<i>trade receivables</i>	<i>trade payables</i>	<i>other receivables</i>	<i>other payables</i>
Shareholders				
Board of Directors				(26)
Managers (*)				(329)
Marzocchi Pumps USA Corp.	1,827	(1)		
Marzocchi (Shanghai) Trading Co. Ltd				
Montirone S.r.l.	11	(566)		
Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd	81			
Abbey Road S.r.l.				
Total	1,919	(567)		(355)

Financial transactions with Related Parties as at 31 December 2022

<i>Eur 000</i>	<i>revenues A.1</i>	<i>Costs B.6</i>	<i>Costs B.7</i>	<i>Costs B.9</i>	<i>Costs B12</i>
Shareholders					
Board of Directors			(316)		
Managers (*)			(50)	(977)	(249)
Marzocchi Pumps USA Corp.	6,224		(56)		
Marzocchi (Shanghai) Trading Co. Ltd					
Montirone S.r.l.	24	(3,030)	(102)		
Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd	501				
Total	6,749	(3,030)	(524)	(977)	(249)

(*) During 2022, the company terminated the long-term employment of Aldo Toscano, a former manager of the Group. For this termination, concluded with a settlement agreement in the initial months of 2023, provisions for risk were allocated of Euro 249 thousand.

The Board of Directors of Marzocchi Pompe S.p.A. approved - at the time of the listing on the then AIM market - the Procedure for Identifying, Approving and Executing Related-Party Transactions based on the provisions of the EGM (Euronext Growth Milan) Issuer Regulation and the CONSOB Regulation on Related Party Transactions and Provisions on Related Party Transactions (hereinafter, the “**Procedure for Related Party Transactions**”). The Board of Directors’ meeting of 30 June 2021 also approved the update to that Procedure, following the amendment to the CONSOB Regulation.

The Procedure for Related Party Transactions governs the rules for identifying, approving and executing Transactions with Related Parties and Associated Entities (as defined therein) implemented by the Issuer, to ensure the transparency and substantive and procedural correctness thereof.

The Issuer adopted that procedure to identify and formalise the conditions, objectives and content of the solutions adopted, and assesses its effectiveness and efficiency over time, to pursue objectives of integrity and impartiality in the decision-making process, respect for the interests of shareholders and creditors in general, and the efficient functioning of corporate bodies.

The Procedure for Related Party Transactions is available (in Italian) on the Issuer’s website www.marzocchipompe.com – governance → company documents → related party procedure.

7. Significant events since the end of the financial year and outlook on operations

After 31 December 2022, no atypical or unusual transactions were carried out that require changes to these financial statements.

The year 2023 began by confirming a growth trend in orders, both regarding the core business and the automotive market.

Clearly, the continuation of the conflict between Russia and Ukraine (countries in which the Group has operated to a marginal extent in the past), in addition to the financial crisis resulting from the rise in interest rates, in turn linked to the high level of inflation, are impacting the entire global market, in a climate of increasing uncertainty.

Considering that maintaining delivery times at standard levels and our extreme flexibility both in the design and production phases constitute, in these turbulent times, a critical success factor that enables Marzocchi Pompe to gain market shares, it is reasonable to expect that the process of organic growth that the target of organic growth that the Group has set may be reached, through methods that cannot be quantified at this time. This is the focus of the investment being completed which, starting in the second half of 2023 will result in a significant expansion of the production and logistics spaces adjacent to the facilities in Zola Predosa.

The unceasing effort to launch new products continued, which paid off also during the worst periods of the pandemic. The Group has always made it a priority to maintain the excellence in innovation and the high-tech nature of its products, factors which are recognised and consistently form the foundations on which it intends to build its future.

It is important to note that, working with its long-term partner for IT Systems, Marzocchi Pompe has launched an important project to increase the levels of cybersecurity, a highly important issue in these times.

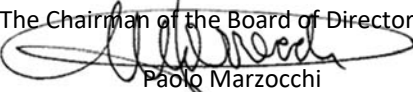
Last but not least, it is important to mention the Group's renewed commitment to ESG issues. Marzocchi Pompe has always been sensitive to these issues, as shown by its ISO 14001 environmental certification obtained in 2016 for the facilities in Zola Predosa, and has launched an analysis process to identify the methods and timing for activities that it intends to start up again as soon as possible, following the forced stop due to the pandemic. That demonstrates Marzocchi Pompe's intention to position itself as a cutting-edge Group, not just with regard to its products, but also in terms of its organisation and interaction with the environment in which it operates.

8. Expectations for the two-year period 2023-2024

As the 2022 results fully confirmed the Group's strategies and potential for growth announced last year, the following is expected for the two-year period 2023 – 2024:

- 1) Significant organic growth in turnover, with a CAGR of 6-8% by 2024, consistent with the strategic guidelines indicated in the IPO;
- 2) An improvement in the current levels of profitability achieved;
- 3) A continued optimum level of leverage (total debt/EBITDA 1-1.5x) which also reflects a debt ratio of less than 50% of shareholders' equity;
- 4) Confirmation of the dividend policy adopted in recent years.

Those forecasts can be achieved, as the Group has developed a production and sales model which, in this historical phase of significant global tensions, demonstrated extraordinary resilience and will most likely continue to set the standard in the manufacturing industry.

The Chairman of the Board of Directors

Paolo Marzocchi



**INDEPENDENT AUDITOR'S REPORT IN
ACCORDANCE WITH ART.14 OF ITALIAN LEG.
DECREE NO. 39 OF 27 JANUARY 2010**

MARZOCCHI POMPE S.P.A.

CONSOLIDATED FINANCIAL STATEMENT AS AT 31 DECEMBER 2022



Independent auditor's report

in accordance with art.14 of Italian Leg. Decree no. 39 of 27 January 2010

To the Shareholders of
Marzocchi Pompe S.p.A.

Report on the audit of the consolidated financial statement

Opinion

We performed the audit of the consolidated financial statement of Marzocchi Pompe S.p.A. (the "Company") and its subsidiaries (the "Marzocchi Pompe Group"), composed of balance sheet as at 31 December 2022, income statement, cash flow statement for the financial year closing on that date and explanatory notes.

In our opinion, the consolidated financial statement provides a true and accurate picture of the Marzocchi Pompe Group's assets and financial position as at 31 December 2022, of its operating result and cash flows for the accounting period closing on that date, in keeping with the Italian standards regulating the drafting of financial statements.

Evidence forming basis of opinion

We carried out the audit of the accounts in conformity with international auditing principles (ISA Italia (tax compliance indices)). Our responsibilities, according to these principles, are described in greater detail in the section entitled *Auditor's responsibilities for the audit of the consolidated financial statement* contained in this report. We are independent of Marzocchi Pompe S.p.A., in keeping with principles and rules on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors in relation to the consolidated financial statement

The Directors are responsible for the drafting of the consolidated financial statement that provides a true and accurate picture conforming to Italian standards regulating drafting criteria and, in accordance with Italian law, for those aspects of the internal audit which they deem necessary to ensure that the financial statement prepared is free from material misstatements arising from fraud or unintentional conduct or events.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



The Directors are responsible for assessing the Group's ability to continue operating as a going concern and, when drafting the consolidated financial statement, for the appropriate application of the going concern basis of accounting, and for the relevant disclosures. The Directors use the going concern basis of accounting when drafting the consolidated financial statement unless they are of the opinion that there are grounds for winding up the parent company of Marzocchi Pompe S.p.A. or suspending activities, or they have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for supervising the financial reporting process adopted by the Marzocchi Pompe Group, in the terms prescribed by law.

Auditor's responsibilities for the audit of the consolidated financial statement

Our objectives are to obtain reasonable certainty that the consolidated financial statement, as a whole, is free from material misstatements arising from fraud or unintentional conduct or events, and to draw up an auditors' report that includes our opinion. Reasonable certainty means a high level of certainty that does not, however, guarantee that an audit conducted in keeping with international auditing standards (ISA Italia) will always detect a material misstatement when it exists. Misstatements may arise from fraud or unintentional conduct or events and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statement.

When carrying out the audit in keeping with international auditing standards (ISA Italia), we exercised professional judgement and maintained a degree of professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatements in the consolidated financial statement, arising from fraud or unintentional conduct or events; we designed and performed audit procedures responsive to those risks; we also obtained adequate, appropriate evidence on which to base our opinion. The risk of failing to detect a material misstatement arising from fraud is higher than the risk of not detecting such an error caused by unintentional conduct or events, as fraud may involve collusion, falsification, intentional omissions, misleading representation or coercion during the internal control process;
- we familiarised ourselves with the internal control system relevant for auditing purposes in order to establish audit procedures that are the most appropriate in the circumstances and not for the purpose of expressing an opinion regarding the effectiveness of the internal control process adopted by the Marzocchi Pompe Group;
- we assessed whether the accounting standards adopted are appropriate and whether the accounting estimates made by the Directors, including the relevant disclosures, are reasonable;

- we reached a conclusion regarding the appropriateness of the going concern basis of accounting adopted by the Directors and, on the basis of the evidence obtained, the existence of significant uncertainties surrounding events or circumstances that may cast significant doubts on the ability of the Marzocchi Pompe Group to maintain its status as a going concern. If a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the examination of evidence obtained up to the date of the report. Nevertheless, subsequent events or circumstances may force the Group to cease operating as a going concern;
- we assessed the overall presentation, structure and content of the consolidated financial statement, including the disclosures, and whether the consolidated financial statement describes the underlying transactions and events in such a way as to provide an accurate picture of the situation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Marzocchi Pompe Group to express an opinion on the consolidated financial statement. We are responsible for the direction, supervision and performance of the Marzocchi Pompe Group audit. We remain solely responsible for our audit opinion on the consolidated financial statement.

We communicate with those charged with governance, identified at an appropriate level as required under 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 laws and regulations

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

The Directors at Marzocchi Pompe S.p.A. are responsible for preparing the management report of the Marzocchi Pompe Group as at 31 December 2022, including its consistency with the relevant consolidated financial statement and its compliance with the law.

We performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the management report with the consolidated financial statement of the Marzocchi Pompe Group as at 31 December 2022 and on its compliance with the law, as well as to issue a statement regarding material misstatements, if any.



In our opinion, the management report is consistent with the consolidated financial statement of the Marzocchi Pompe Group as at 31 December 2022 and has been prepared in compliance with the law.

With reference to the statement referred to in article 14(2)(e) of Italian Legislative Decree no. 39/10, made on the basis of our knowledge and understanding of the firm and of the relevant context acquired during the audit, we have nothing to report.

Parma, 12 April 2023

PricewaterhouseCoopers SpA

A handwritten signature in blue ink, reading "Nicola Madureri".

Nicola Madureri
(Independent Auditor)

MARZOCCHI POMPE S.P.A.

Financial statements at 31 December 2022

Registered office in Zola Predosa – Bologna
Share Capital Euro 6,538,750.00, fully paid-in
Register of Enterprises of Bologna no. 03285900969
Economic and Administrative Repertoire of Bologna no. 422251

Subject to management and coordination by Abbey Road S.r.l.

Marzocchi Pompe S.p.A.

Balance Sheet
audited data
amounts in Euro units

31 December 2022 31 December 2021

B)		Assets		
I		Fixed assets		
		Intangible fixed assets		
1)	establishment and expansion costs	344,458	580,705	
2)	development costs	0	0	
3)	industrial patents and intellectual property rights	0	8,419	
4)	concessions, licences, trademarks and similar rights	315,474	242,771	
5)	goodwill	0	0	
6)	work in progress and advances	64,370	83,273	
7)	other	119,183	62,356	
	Total intangible fixed assets	843,485	977,524	
II		Tangible fixed assets		
1)	land and buildings	7,162,292	8,122,014	
2)	plant and machinery	2,641,233	3,546,774	
3)	industrial and commercial equipment	1,168,343	1,081,784	
4)	other assets	489,304	520,773	
5)	work in progress and advances	653,077	133,427	
	Total tangible fixed assets	12,114,249	13,404,772	
III		Financial fixed assets		
1)	equity investments in:			
a)	subsidiaries	549,438	694,369	
b)	associates	610,773	610,773	
d-bis)	other companies	11,376	10,342	
2)	receivables:			
d-bis)	from others			
-	beyond 12 months	6,200	6,200	
3)	other securities	469,260	500,251	
4)	Assets arising from derivative financial instruments	256,877	0	
	Total financial fixed assets	1,903,924	1,821,935	
	Total fixed assets (B)	14,861,658	16,204,231	
C)		Working capital		
I		Inventories		
1)	raw and subsidiary materials and consumables	4,247,708	2,916,104	
2)	work in progress and semi-finished goods	4,192,083	4,562,233	
4)	finished products and goods	4,327,680	3,816,242	
	Total inventories	12,767,471	11,294,579	
II		Receivables:		
1)	trade receivables			
-	within 12 months	7,280,332	6,461,747	
2)	from subsidiaries			
-	within 12 months	1,826,789	1,368,755	
3)	from associates			
-	within 12 months	91,279	282,835	
4)	from parent companies			
-	within 12 months	0	0	
-	beyond 12 months	474,232	599,095	
5-bis)	tax receivables			
-	within 12 months	744,608	877,968	
5-ter)	deferred tax assets			
-	within 12 months	101,771	68,371	
-	beyond 12 months	378,102	693,927	
5-quater)	from others			
-	within 12 months	249,052	351,947	
c,III,5	Total receivables	11,146,165	10,704,645	
III		Financial assets other than fixed assets		
5)	Assets arising from derivative financial instruments	119,420	0	
	Total financial assets other than fixed assets	119,420	0	
IV		Cash and cash equivalents		
1)	bank and postal deposits	5,303,985	4,389,835	
2)	cheques	0	0	
3)	cash on hand	1,825	2,048	
	Total cash and cash equivalents	5,305,810	4,391,883	
	Total working capital (C)	29,338,866	26,391,107	
D)		Accruals and deferrals		
a)	Accrued income	7,530	877	
b)	Prepayments	1,559,211	836,407	
	Total accruals and deferrals	1,566,741	837,284	
	TOTAL ASSETS	45,767,265	43,432,622	

		31 December 2022	31 December 2021
Liabilities			
A)	Shareholders' equity		
	Share capital	6,538,750	6,538,750
	Share premium reserve	6,462,750	6,462,750
	Revaluation reserve	1,867,115	1,867,115
	Legal reserve	1,054,822	1,000,000
V	Other reserves	897,770	639,007
	Cash flow hedging reserve	376,297	-99,187
	Profit (loss) for the year	2,089,251	1,096,435
	Negative reserve for treasury shares in portfolio	-120,311	-23,820
	Total shareholders' equity	19,166,444	17,481,050
B)	Provisions for risks and charges		
1)	for pensions and similar obligations	401,165	339,902
2)	for taxes, including deferred taxes	14,382	284
3)	Liabilities arising from derivative financial instruments	0	99,187
4)	others	803,595	700,000
	Total provisions for risks and charges	1,219,142	1,139,373
C)	Staff leaving indemnity	1,524,604	1,552,297
D)	Payables		
4)	payables to banks		
	- within 12 months	4,215,655	3,676,041
	- beyond 12 months	8,512,584	7,570,675
5)	payables to other lenders		
	- within 12 months	0	0
	- beyond 12 months	480,000	480,000
6)	advances		
	- within 12 months	198,873	11,378
7)	payables to suppliers		
	- within 12 months	6,047,385	6,450,318
9)	Payables to subsidiaries		
	- within 12 months	1,388	543
10)	payables to associates		
	- within 12 months	566,154	936,701
11)	payables to parent companies		
	- within 12 months	6,297	0
12)	payables to the tax administration		
	- within 12 months	661,984	574,847
	- beyond 12 months	0	49,909
13)	contributions to pension and social security institutions		
	- within 12 months	885,104	905,184
14)	other payables		
	- within 12 months	1,817,120	2,014,976
	Total payables	23,392,544	22,670,572
E)	Accruals and deferrals		
a)	Accrued expenses	69,225	97,135
b)	Deferred income	395,306	492,195
	Total accruals and deferrals	464,531	589,330
	TOTAL LIABILITIES	45,767,265	43,432,622

Statement of Income

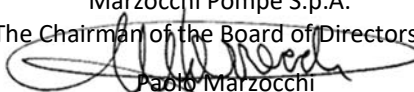
audited data
amounts in Euro units

31 December 2022

31 December 2021

A)		Value of production		
	1)	revenues from sales and services	46,320,735	39,403,575
	2)	changes in inventories of work in progress, semi-finished goods and finished products	141,288	2,457,762
	4)	increases in company-produced additions to fixed assets	62,751	58,593
	5)	other revenues and income		
	a)	grants for operating expenses	278,547	348,047
	b)	others	764,109	637,217
		Total value of production	47,567,430	42,905,194
B)		Cost of production		
	6)	for raw and subsidiary materials, consumables and goods	14,048,254	12,043,735
	7)	for services	13,080,203	11,538,015
	8)	for use of third-party assets	1,250,658	2,057,693
	9)	for personnel		
	a)	wages and salaries	10,060,114	9,500,726
	b)	social security contributions	3,227,627	3,039,223
	c)	staff leaving indemnity	910,160	771,769
	e)	other costs	122,750	107,625
		Total personnel costs	14,320,651	13,419,343
	10)	amortisation/depreciation and writedowns		
	a)	amortisation of intangible fixed assets	379,336	336,787
	b)	depreciation of tangible fixed assets	2,504,543	2,738,021
	c)	other writedowns of fixed assets	0	0
	d)	writedowns of receivables entered among working capital and cash and cash equivalents	47,267	41,949
		Total amortisation/depreciation and writedowns	2,931,146	3,116,757
	11)	changes in inventories of raw and subsidiary materials, consumables and goods	-1,331,603	-1,347,178
	12)	provisions for risks	248,526	0
	14)	miscellaneous operating costs	415,358	418,633
		Total costs of production	44,963,193	41,246,998
		DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	2,604,237	1,658,196
C)		Financial income and charges		
	15)	income from equity investments		
	a)	income from equity investments in subsidiaries	236,139	0
	b)	income from equity investments in associates	0	0
	e)	income from other equity investments	104	234
	16)	other financial income		
	b)	from securities stated in fixed assets other than equity investments		
	-	other securities	7,207	7,207
	d)	other financial income not included above		
	-	from others	2,672	418
	17)	interest and other financial charges		
	-	from others	347,534	239,553
	17 bis)	Exchange rate gains and (losses)	183,579	36,274
		Total financial income and charges (15 + 16 + 17 + 17 bis)	82,167	-195,420
D)		Value adjustments to financial assets		
	18)	revaluations		
	a)	of equity investments	144,931	0
	b)	of financial fixed assets other than equity investments	0	0
	19)	writedowns		
	a)	of equity investments	144,931	160,727
	b)	of financial fixed assets other than equity investments	30,827	0
		Total adjustments (18 - 19) (A - B + - C + - D)	-30,827	-160,727
			2,655,577	1,302,049
	20)	Profit before taxes		
		income taxes for the financial year		
	a)	current	162,845	88,518
	b)	Taxes relating to previous financial years	-17,906	0
	c)	deferred	14,098	193
	d)	prepaid	407,289	116,903
		Total income taxes for the financial year	566,326	205,614
		Profit (loss) for the financial year	2,089,251	1,096,435

All of the parts of these Financial Statements, expressed in Euro units, are true and real, and comply with the accounting entries.

Marzocchi Pompe S.p.A.
The Chairman of the Board of Directors

Paolo Marzocchi

MARZOCCHI POMPE S.P.A.

Cash Flow Statement as at 31 December 2022

Registered office in Zola Predosa - Bologna
Share Capital Euro 6,538,750.00, fully paid-in
Register of Enterprises of Bologna no. 03285900969
Economic and Administrative Repertoire of Bologna no. 422251

Subject to management and coordination by Abbey Road S.r.l.

Marzocchi Pompe S.p.A.
2022
2021
A. Cash flow from income management

Profit (loss) for the year	2,089,251	1,096,435
Income taxes	566,326	205,614
Interest expense (interest income)	337,655	231,928
(Dividends)	-236,243	-234
(Capital gains)/capital losses deriving from the disposal of assets	6,836	-470
1. Profit (loss) for year before income taxes, interest, dividends and capital gains/losses from disposals	2,763,825	1,533,273
Allocations to provisions	636,764	160,360
Amortisation/depreciation of fixed assets	2,883,879	3,074,808
Writedowns due to impairment losses	0	0
Adjustments to financial assets and liabilities deriving from derivative financial	0	0
Other adjustments for non-monetary items	-177,502	-8,223
Adjustments for non-monetary items with no effects on net working capital	3,343,141	3,226,945

2. Cash flow prior to changes in net working capital

Decrease/ (increase) in inventories	-1,431,263	-3,764,654
Decrease/(increase) in trade receivables (including intercompany receivables)	-960,584	-2,547,508
Increase/(decrease) in trade payables (including intercompany payables)	-681,549	2,356,602
Decrease/(increase) in accruals and deferrals	-753,152	-616,728
Increase/(decrease) in accrued liabilities and deferred income	12,104	-248,037
Other changes in net working capital	150,275	1,224,844
Cash flow from changes in net working capital	-3,664,169	-3,595,481

3. Cash flow after change in net working capital

Interest received/(paid)	-109,092	-51,152
(Income taxes paid)	-177,036	-248,682
Dividends received	236,243	234
(Use of provisions)	-307,401	-107,553
Cash flow from other adjustments	-357,286	-407,153

Cash flow from income management (A)
B. Cash flow from investment activities

(Investments)	-1,985,703	-776,675
Price realised on disinvestments	673,194	576
Tangible fixed assets	-1,312,509	-776,099
(Investments)	-239,133	-220,339
Price realised on disinvestments	825	0
Intangible fixed assets	-238,308	-220,339
(Investments)	-1,035	-277,325
Price realised on disinvestments	0	164
Interest income from financial fixed assets	7,000	7,207
Financial fixed assets	5,965	-269,954
(Investments)	0	0
Price realised on disinvestments	0	0
Interest income on financial assets not included in fixed assets	1,115	149
Financial assets not included in fixed assets	1,115	149
Purchase of business branches net of cash and cash equivalents	0	0
Sale of business branches net of liquid assets	0	0
Cash flow from investment activities (B)	-1,543,737	-1,266,242

C. Cash flow from financing activities

Increase (decrease) in short-term payables to banks	0	0
New loans	6,000,000	1,730,000
Loan repayments	-4,518,477	-3,284,601
Financial charges on loans	-214,926	-144,571
Financial charges for derivatives on loans	-15,103	-47,552
Cash flow from indebtedness	1,251,494	-1,746,724
Increase in share capital and reserves against payment	0	0
Reimbursement of capital and reserves against payment	0	0
Disposal (purchase) of treasury shares	-96,491	-23,821
Dividends (and advances on dividends) paid	-782,850	-392,325
Cash flow from Shareholders' Equity	-879,341	-416,146
Cash flow from financing activities (C)	372,153	-2,162,870

Cash and cash equivalents (period start)	4,391,883	7,063,411
Increase (decrease) in cash and cash equivalents (A ± B ± C)	913,927	-2,671,528
Cash and cash equivalents (period end)	5,305,810	4,391,883

MARZOCCHI POMPE S.P.A.

*Notes to the Financial Statements as at
31 December 2022*

Registered office in Zola Predosa - Bologna
Share Capital Euro 6,538,750.00, fully paid-in
Register of Enterprises of Bologna no. 03285900969
Economic and Administrative Repertoire of Bologna no. 422251

Subject to management and coordination by Abbey Road S.r.l.

1. GENERAL FINANCIAL STATEMENT PRINCIPLES AND CRITERIA

The financial statements for the year ended 31 December 2022, of which these notes form an integral part, pursuant to art. 2423, paragraph 1 of the Italian Civil Code, reflect the entries in the duly kept company books and were drawn up in keeping with articles 2423, 2423 bis and ter, 2424, 2424 bis, 2425, 2425 bis and ter of the Italian Civil Code, adopting the drafting principles described in art. 2423 bis, paragraph 1 of the Italian Civil Code and the valuation criteria defined in art. 2426 of the Italian Civil Code, as set out in Italian Legislative Decree no. 127 of 9 April 1991, implementing the IV and VII EEC Directives.

The accounting standards used are in line with those recommended by the O.I.C. - Italian Accounting Body – and referred to by CONSOB.

The financial statement entries were evaluated on the basis of general criteria of prudence and the accrual principle, with a view to the continuation of the business.

Profits were only entered when accrued prior to the closure of the financial year, whereas risks and losses were considered even when they emerged after its end.

The criteria used in the formation and valuation of the financial statements for the year ended 31 December 2022 take account of the changes introduced into Italian law by Italian Legislative Decree 139/2015, which implemented Directive 2013/34/EU, entailing the amendment of the national accounting standards OIC.

Where it was necessary to change the composition of the reclassification of financial statement items, for a like-for-like comparison, those changes were made also to the data referring to the previous year.

None of the valuation criteria, set out in the following chapter, differs from those applied in previous periods.

2. VALUATION CRITERIA

The most significant principles and valuation criteria are as follows:

Intangible fixed assets

Intangible fixed assets are amortised on a straight-line basis, based on their estimated useful lives and, in any event, over a period not exceeding five years, except for trademarks, which are amortised over eighteen years.

Establishment and expansion costs are exclusively recognised with the consent of the Board of Statutory Auditors, as required by art. 2426, paragraph 5 of the Italian Civil Code.

In compliance with that required by accounting standard OIC 9, impairment testing was carried out. Fixed assets whose value at the close of the financial year proves to be consistently lower than the residual cost to be depreciated are stated at the lower value; this figure is restored in later years if the grounds for the adjustment no longer exist.

Tangible fixed assets

Fixed assets are stated at purchase price or cost of production, including directly attributable ancillary charges.

The cost is adjusted only in compliance with specific national laws which allow for the revaluation to adjust the value to the changes purchasing power of money.

Depreciation is calculated systematically on a straight-line basis, referring to the revalued cost, if any, based on the duration of the assets' estimated useful life in the company.

Ordinary maintenance costs are charged fully to the profit and loss account. Maintenance costs that enhance assets are attributed to the assets they refer to, and depreciated according to the rates applicable to the asset.

In compliance with that required by accounting standard OIC 9, impairment testing was carried out. Fixed assets whose value at the close of the financial year proves to be consistently lower than the residual cost to be depreciated are stated at the lower value; this figure is restored in later years if the grounds for the adjustment no longer exist.

Equity investments

Equity investments in subsidiaries and associates are valued, in accordance with the criterion set out in paragraph 1, point no. 1 of art. 2426 of the Italian Civil Code, at the historic purchase cost, possibly adjusted to take account of impairment.

Receivables

In compliance with the provisions of OIC 15, receivables are posted at amortised cost. Nonetheless, the same principle also regulates cases where disapplication is permitted, which include the case of expiry not exceeding twelve months (short term). In the financial statements referred to by these notes there are no receivables whose expiry exceeds that time limit; therefore, those receivables are posted at their estimated realisable value, which equals the value resulting from the difference between the nominal amount and the bad debt provision, plus the amount allocated during the year.

Inventories

Inventories are measured at the lower of the purchase or production cost, including directly attributable accessory costs, and the realizable value, estimated on the basis of market trends.

In order to ensure a correct valuation of stocks of obsolete products or those with slow turnover, the value of inventories is adjusted by recognising provisions for inventory obsolescence which is determined by an accurate analysis of turnover, to take account of the actual possibility of use or estimated realisation.

The cost configuration used is the average weighted cost. The difference between the value of inventories determined at current costs at the end of the year is immaterial.

Accruals and deferrals

Accruals and deferrals are recognised based on the accruals principle.

Provisions for risks and charges

Provisions for risk allocated in Balance Sheet liabilities are intended to cover potential liabilities of the Company, according to realistic estimates of their settlement.

Staff leaving indemnity

The provision equals the full amount accrued for the period in favour of employees in compliance with the current laws.

Payables

In compliance with the provisions of OIC 19, payables are posted at amortised cost. Nonetheless, the same principle also regulates cases where disapplication is permitted, which include:

- for non-financial payables, those correlated to the case of expiry not exceeding twelve months (short term);
- for financial payables, those correlated to the date of occurrence (if prior to 1 January 2016).

In the financial statements referred to by these notes there are no operating payables whose expiry exceeds that time limit; therefore, equal to financial payables arising prior to 1 January 2016, those payables are posted at their nominal value, while financial payables arising after that date are posted at amortised cost.

Revenue recognition

Revenues from the sale of products are reported at the time ownership is transferred, which normally takes place upon the shipment of the goods.

Financial revenues are recognised on an accruals basis.

Amounts expressed in foreign currency

Items in foreign currency other than receivables and payables do not give rise to exchange rate gains and losses in the event of changes in exchange rates. Rather, they are written down to decrease the price due to impairment (fixed assets) or to reduce it to the lower price of estimated realisation (other items in working capital). In general, receivables and payables, even if non-current, including advances to customers and suppliers, accruals and deferrals provisions for risks and charges, are recognised at the spot exchange rate at year end. Where the risks of exchange rate volatility are specifically hedged, they are realigned with the exchange rate on a forward basis. In both cases, relative gains and losses on realignment are posted to the profit and loss account. Where the balance is positive, the gains for the year are allocated to a specific reserve, the “Reserve pursuant to art. 2426 of the Italian Civil Code” – on approval of the financial statements, up to the limit of gains on realignment, net of any losses. That reserve will be decreased in the amount of excess losses on translation gains in the following years.

The amount of that reserve, which may be transferred to “other reserves” in the balance sheet, is indicated in comments to item A, VI of these notes.

Following the end of the financial year, there were no significant changes in exchange rates.

B) FIXED ASSETS

B, I - INTANGIBLE FIXED ASSETS

The changes during the year were as follows:

	Years of Amortisation	Amount as at 31.12.2021	Increases 2022				Amort. 2022	Amount as at 31.12.2022
			Reclassifications	Other uses	Purchases	Total		
B, I, 1 - Establishment and expansion costs								
- Corporate Changes	5	580,705	-		-	580,705	-236,247	344,458
Total B, I, 1		580,705	-		-	580,705	-236,246	344,458
B, I, 2 - Development costs								
- Development costs		-				-		-
Total B, I, 2		-			-	0	0	-
B, I, 3 - Industrial patents and know how								
- Patents	2	8,419	-		-	8,419	-8,419	-
Total B, I, 3		8,419	-		-	8,419	-8,418	-
B, I, 4 - Concessions, licenses, trademarks and similar rights								
- Licences for use of software	5	170,176	18,038	0	122,080	310,294	-78,194	232,100
- Trademarks	18	72,595	10,673	-	7,908	91,177	-7,803	83,374
Total B, I, 4		242,771	28,712	0	129,989	401,471	-85,996	315,474
B, I, 6 - Work in progress and advances		83,273	-28,712	-825 a)	10,633	64,369	0	64,369
B, I, 7 - Other intangible assets								
- Other long-term costs	5	12,920			-	12,920	-4,660	8,260
- Joint investments	5	49,436			15,500	64,936	-20,465	44,471
- Non-competition agreements	2 ^(b)	-			90,000	90,000	-23,548	66,452
Total B, I, 7		62,356			105,500	167,856	-48,673	119,183
TOTAL B, I		977,524	0	-825	246,122	1,222,820	-379,333	843,485

a) costs

b) based on the two-year duration of the contract

In the period, these mainly regard implementations of SAP ERP software, the acquisition of a right to a non-competition agreement by a former executive of the company, a joint investment in moulds for the construction of product components and the expansion of the geographical coverage of our trademarks. In a residual amount, operations aborted during work were transferred to cost accounts.

B, II - TANGIBLE FIXED ASSETS

The tables below illustrate the changes in tangible fixed assets, with the specific details required by art. 2427, point 2 of the Italian Civil Code:

	Ord. Depreciation Rate ¹⁾	Historic cost	Previous Revaluations	Amount as at 31.12.2021	Reclassifications	Increases 2022 other uses	Purchases	Disposals 2022	Amount as at 31.12.2022
B, II, 1 - Land and buildings									
- Land	0%	778,358	1,106,450	1,884,808				-188,888	1,695,921
- Buildings	3%	6,252,631	6,088,405	12,341,036			51,965	-928,139	11,464,861
Total B, II, 1		7,030,989	7,194,855	14,225,844	0		51,965	-1,117,027	13,160,782
B, II, 2 - Plants and machinery									
- Plant	10%	2,708,888	12,395	2,721,283	28,000		154,567	-479,458	2,424,392
- Production machinery	15.50%	6,079,077	3,133,210	9,212,286	3,682		53,606	-49,578	9,219,997
- Testing machinery	15.50%	4,780,963	340,112	5,121,075	26,679		270,934	-184,892	5,233,797
Total B, II, 2		13,568,928	3,485,717	17,054,645	58,362		479,107	-713,928	16,878,186
B, II, 3 - Industrial and commercial equipment									
- Industrial equipment	15.50%	3,173,868	12,640	3,186,508	58,344		137,881	-313,549	3,069,183
- Moulds	25%	5,071,269	1,098	5,072,367			479,200	-475,513	5,076,054
- Temporary structures	10%	72,623		72,623				-33,612	39,011
- Canteen equipment and furniture	12%	10,782		10,782				-2,328	8,454
Total B, II, 3		8,328,542	13,738	8,342,280	58,344		617,081	-825,002	8,192,702
B, II, 4 - Other assets									
- Forklift trucks	20%	162,857	2,170	165,026			7,630	-8,939	163,717
- Shelving, containers and workshop furniture	10%	1,625,653		1,625,653			65,713		1,691,367
- Office furniture and fittings	12%	269,418		269,418			20,190		289,609
- Electronic office equipment	12%	6,744		6,744					6,744
- Hardware	40%	481,065		481,065			14,931		495,996
- Vehicles - Italian Vehicle Registration Agency	25%	60,831		60,831					60,831
Total B, II, 4		2,606,569	2,170	2,608,739			108,464	-8,939	2,708,264
B, II, 5 - Assets under construction and advances									
				133,427	-116,705	-1,078 a)	637,434		653,077
TOTAL B, II		31,535,028	10,696,479	42,364,935	0	-1,078	1,894,050	-2,664,896	41,593,011

a) costs

	Tangible Fixed Assets as at 31.12.2022	as at 31.12.2021	revaluations	net as at 31.12.2021	Increases	Reclassifications	Utilisations	as at 31.12.2022	Net Tangible Fixed Assets as at 31.12.2022
B, II, 1 - Land and buildings									
- Land	1,695,921	-131,821	0	-131,821	0	0	18,888	-112,934	1,582,987
- Buildings	11,464,861	-5,972,009	0	-5,972,009	-343,946	0	430,398	-5,885,557	5,579,305
Total B, II, 1	13,160,782	-6,103,830	0	-6,103,830	-343,946	0	449,286	-5,998,490	7,162,292
B, II, 2 - Plants and machinery									
- Plant	2,424,392	-2,001,795	0	-2,001,795	-155,682	0	479,458	-1,678,019	746,373
- Production machinery	9,219,997	-9,266,093	1,824,769	-7,441,324	-867,524	0	49,578	-8,259,270	960,727
- Testing machinery	5,233,797	-4,851,239	786,487	-4,064,752	-419,803	0	184,892	-4,299,664	934,133
Total B, II, 2	16,878,186	-16,119,127	2,611,256	-13,507,871	-1,443,009	0	713,928	-14,236,953	2,641,233
B, II, 3 - Industrial and commercial equipment									
- Industrial equipment	3,069,183	-3,455,248	529,513	-2,925,735	-131,968	0	312,863	-2,744,840	324,342
- Moulds	5,076,054	-5,105,771	848,650	-4,257,121	-444,857	0	465,050	-4,236,927	839,127
- Temporary structures	39,011	-68,308	0	-68,308	-562	0	33,550	-35,320	3,691
- Canteen equipment and furniture	8,454	-9,332	0	-9,332	-268	0	2,328	-7,271	1,183
Total B, II, 3	8,192,702	-8,638,659	1,378,163	-7,260,496	-577,654	0	813,791	-7,024,359	1,168,343
B, II, 4 - Other assets									
- Forklift trucks	163,717	-157,888	0	-157,888	-5,268	0	8,939	-154,216	9,501
- Shelving, containers and workshop furniture	1,691,367	-1,182,092	0	-1,182,092	-87,359	0	0	-1,269,451	421,916
- Office furniture and fittings	289,609	-254,019	0	-254,019	-5,235	0	0	-259,254	30,354
- Electronic office equipment	6,744	-6,744	0	-6,744	0	0	0	-6,744	-
- Hardware	495,996	-434,154	0	-434,154	-36,897	0	0	-471,051	24,945
- Vehicles - Italian Vehicle Registration Agency	60,831	-53,069	0	-53,069	-5,175	0	0	-58,244	2,587
Total B, II, 4	2,708,264	-2,087,965	0	-2,087,965	-139,934	0	8,939	-2,218,960	489,304
B, II, 5 - Assets under construction and advances									
	653,077	0	0	0	0	0	0	0	653,077
TOTAL B, II	41,593,011	-32,949,581	3,989,419	-28,960,162	-2,504,543	0	1,985,943	-29,478,762	12,114,249

¹ in the year of purchase of the asset, the ordinary depreciation rates are decreased to 50%

Note that the most significant amounts of disposals mainly related to an industrial building which, following the optimisation of the production areas in 2016, with the entry into operation of the facilities in Via Grazia no. 2, also in Zola Predosa, no longer performed any production functions, as it was used for storing materials. In addition, some technologically obsolete industrial equipment which was fully depreciated and no longer used was disposed of. Purchases made regard the normal replacement and additions to the production structure, which also include the moulds needed to melt the metallic components of our product, while work in progress is composed of advances paid for the installation of a photovoltaic plant of 640Kw to serve the production facility in Zola Predosa.

The amounts of tangible fixed assets include the revaluations pursuant to laws which were passed over time. The table below summarises the revaluations still present in the amounts of the financial statements as at 31 December 2022:

	Revaluation pursuant to Italian Law 576/75	Revaluation pursuant to Italian Law 72/83	Revaluation pursuant to Italian Presidential	Revaluation pursuant to Italian Law 413/91	Revaluation pursuant to Italian Law 185/08	Revaluation pursuant to Italian Presidential Decree 917/86 on the asset *	reduction of prov. *	Amount as at 31.12.2022
B, II, 1 - Land and buildings								
- Land					1,106,450			1,106,450
- Buildings	13,886	723,040		227,422	5,124,057			6,088,405
Total B, II, 1	13,886	723,040		227,422	6,230,507	-		7,194,855
B, II, 2 - Plants and machinery								
- Plant			12,395		-			12,395
- Production machinery		49,873	435,035		-	2,648,302	1,824,769	4,957,979
- Testing machinery			21,708		-	318,404	786,487	1,126,599
Total B, II, 2		49,873	469,138		-	2,966,706	2,611,256	6,096,973
B, II, 3 - Industrial and commercial								
- Industrial equipment					-	12,640	529,513	542,153
- Moulds					-	1,098	848,650	849,748
Total B, II, 3					-	13,738	1,378,163	1,391,901
B, II, 4 - Other assets								
- Forklift trucks			2,170		-			2,170
Total B, II, 4			2,170		-	-	-	2,170
Totals	13,886	772,913	471,307	227,422	6,230,507	2,980,444	3,989,419	14,685,899

* LBO

It is important to note that the real estate assets were fully included in the company assets, following the incorporations carried out in 2013. The merged companies applied the option set out by Italian Law 185/08, revaluing their real estate assets for a total amount of Euro 7,054,078. Those revaluations were determined with regard to the single market values of operating assets, in accordance with the specific sworn appraisal reports, comparing them with the residual amounts of those assets still to be depreciated. The resulting amounts were used as the maximum limit of the revaluations, which, were fully recorded as increases in the asset value, with offsetting entry in specific shareholders' equity reserves.

As these amounts were not recognised for tax purposes, the specific deferred tax liabilities related to the statutory and tax misalignment were allocated, and recognised as a decrease in the revaluation reserves.

We certify that all of this was fully endorsed at the time of the above-mentioned incorporations, and is now included in the financial statements, with the exception of the residual payable for deferred taxes.

Following the conversion of Decree Law 104/2020 into Italian Law no. 178 of 30 December 2020, the directors made the decision to carry out the tax “realignment” of that difference, reducing the related payables.

It is noted that the LBO, widely covered in the documentation referring to 2018, gave rise to a merger deficit which was fully absorbed by the category of production and testing machinery, as well as industrial equipment and moulds.

That revaluation, backed by a specific appraisal, was subject to tax relief through the application of the provisions of art. 176 of the Consolidated Income Tax Act. Here we certify that the net value of the revalued assets does not exceed the amount that can be fundamentally attributed to them in relation to their production capacity and their market value, as well as the current cycle of depreciation connects with the period of useful life of the assets.

4. LEASED ASSETS AND COMPARABLE OPERATING RENTALS

Financial lease contracts and operating rental contracts with comparable characteristics are recognised according to Italian accounting practices, by charging the lease rentals to the profit and loss account based on their accruals. If the international accounting practice (IAS 17) that expresses the real nature of the operation was adopted, considering those contracts as similar to loans granted by the lessor to the lessee (financial method) and providing for the lessee to recognise the rights-of-use under assets and the related amortisation and interest payable relating to the loan among negative income components, the fixed assets would be Euro 2,560,450.00 higher, and prepayments Euro 161,307.00 lower. In relation to this, deferred charges from remodulation would be Euro 22,148.00 higher, financial payables would be Euro 1,533,962.00 higher and tax payables would be Euro 235,206.00 higher. As a result, the shareholders’ equity would be Euro 1,111,790.00 higher, including a profit for the year Euro 503,964.00 lower, net of the theoretical tax effect.

The table pursuant to point 22 of art. 2427 of the Italian Civil Code is shown below, for leases only.

Financial lease transactions	Current value of instalments not due as at 31 December 2022	Interest payable for the financial period	Historic cost	Year of entry into operation	Amortisation for the year	Accumulated amortisation as at 31 December 2022	Net book value
SI 155457	-	-	54,000	2012	-	54,000	-
SI 155450	-	-	415,000	2012	-	415,000	-
009775135/001	-	-	245,000	2012	-	245,000	-
009775135/001	-	-	255,000	2013	-	255,000	-
SI 159184	-	-	480,000	2013	-	480,000	-
W0020364	-	-	450,000	2014	-	450,000	-
W0025820	-	-	85,000	2014	-	85,000	-
LI 1412911	-	-	418,000	2014	-	418,000	-
SI 173034	-	-	60,000	2015	-	60,000	-
X0008014	-	72	290,000	2016	42,775	290,000	-
X0008015	-	72	290,000	2016	42,775	290,000	-
X0008016	-	208	835,000	2016	123,163	835,000	-
6083349	-	-	120,000	2015	-	120,000	-
LI 1646302	-	-	153,500	2015	-	153,500	-
LI 1648360	-	-	153,500	2016	22,641	153,500	-
LS 1648964	-	-	37,600	2016	5,546	37,600	-
X0058049	-	-	419,000	2016	61,803	419,000	-
X0058053	-	11	130,000	2016	19,175	130,000	-
X0058057	-	32	116,000	2016	17,110	116,000	-
X0063906	-	80	100,000	2016	14,750	100,000	-
SI 179713	-	-	34,000	2016	5,015	34,000	-
01085280/001	-	-	86,000	2016	12,685	86,000	-
01085277/001	-	-	86,000	2016	12,685	86,000	-
01085302/001	-	-	450,000	2016	66,375	450,000	-
01085288/001	-	-	86,000	2016	12,685	86,000	-
01085303/001	-	-	450,000	2016	66,375	450,000	-
01085289/001	-	-	86,000	2016	12,685	86,000	-
SI 182155	-	24	450,000	2017	69,750	383,625	66,375
SI 182162	-	5	86,000	2017	13,330	73,315	12,685
SI 182157	-	24	450,000	2017	69,750	383,625	66,375
SI 182163	-	5	86,000	2017	13,330	73,315	12,685
SI 182160	-	207	86,000	2017	13,330	73,315	12,685
SI 182164	-	40	86,000	2017	13,330	73,315	12,685
01086905/001	-	-	67,000	2016	6,700	43,550	23,450
01086904/001	-	-	33,000	2016	4,868	33,000	-
Y0022448	-	36	131,500	2016	19,396	131,500	-
01007956/001	-	-	23,500	2016	3,466	23,500	-
01008176/001	-	-	100,000	2016	14,750	100,000	-
01008180/001	-	-	143,500	2016	21,166	143,500	-
01008182/001	-	34	260,000	2017	40,300	221,650	38,350
01008183/001	-	6	120,000	2017	18,600	102,300	17,700
01008184-001	-	38	449,000	2017	69,595	382,773	66,228
SI 190941	-	80	152,834	2017	23,689	130,291	22,543
SI 191465	-	13	28,000	2017	2,800	28,000	-
LS 1669634	-	472	450,000	2017	69,750	383,625	66,375
LS 1669637	-	472	450,000	2017	69,750	383,625	66,375
LS 1669639	-	93	86,000	2017	13,330	73,315	12,685
LS 1669641	-	93	86,000	2017	13,330	73,315	12,685
LS 1671564	39,746	912	420,000	2018	32,550	162,750	257,250
LS 1671563	13,249	301	140,000	2018	10,850	54,250	85,750
LS1685943	113,528	2,567	360,000	2019	55,800	195,300	164,700
1133718/1	66,393	1,215	167,000	2019	25,885	90,598	76,403
A1833801	25,473	509	49,500	2019	7,673	26,854	22,646
A1833814	72,473	1,445	128,500	2019	19,918	69,711	58,789
A1855462	19,686	428	36,000	2019	5,580	19,530	16,470
1133724/1	201,286	3,586	405,000	2020	31,388	94,163	310,838
A1833821	64,843	1,400	103,000	2020	7,983	23,948	79,053
LS 1717425	36,383	596	46,000	2021	3,565	7,130	38,870
LS 1717427	42,710	699	54,000	2021	4,185	8,370	45,630
LS 1718228	92,201	653	129,000	2022	9,353	9,353	119,648
IR 1723823	472,324	3,503	698,783	2022	10,482	10,482	688,302
SI 245378	146,302	69	172,500	2022	12,506	12,506	159,994
Totals	1,406,594	19,997	13,118,217		1,360,268	10,483,996	2,634,221

The changes over the year refer to the purchase of two three-dimensional measuring machines as well as an industrial building adjacent to the plant in Zola, replacing the areas sold.

The lease contracts subject to moratoria in 2020 were remodulated in compliance with OIC 19 A.7 App. A, as well as the contract regarding the real estate purchase which, even though there is a single contract for the entire building, was ideally divided into three areas in which the building can hypothetically be divided, of which only one will be directly used on completion of the renovation works

currently in progress, while the other two are currently rented by third party companies. For these two parts, the lease was remodulated as if the start of the lease occurred at on entering into the contract, in order to ensure the correct correlation between costs (rentals) and revenues (rents received).

B, III - FINANCIAL FIXED ASSETS

1. Equity investments

This item refers to the portfolio of equity investments:

Name	Registered office	Currency	Share capital	Shareholders' equity	Profit (loss) for the previous year	Amount of holding	Value of the equity investment
Marzocchi Pumps USA Corp.	1355 Bowes RD, Elgin, Illinois 60123, USA	US \$	768,580	517,794 ¹	1,253,011	100%	521,047
		€uro	720,589	485,462 ¹	1,174,771 ²		
Marzocchi (Shanghai) Trading Co. Ltd	5th Floor, Building 7, No. 3601 Dongfang Road, Pudong New Area, Shanghai	CNY	2,726,578	(1,479,579) ¹	(1,038,093)	100%	28,390
		€uro	370,550	(201,080) ¹	(141,080) ²		
Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd	Room F,21 F/L, Fei-Zhou International Plaza, No 899, Ling-Ling Road, 200030 Shanghai	CNY	4,508,462	627,104 ¹	1,100,418	45%	227,325
		€uro	612,713	85,225 ¹	149,550 ²		
Montirone S.r.l.	Via Einstein 15, San Giovanni in Persiceto (BO), Italy	€uro	156,000	887,258 ¹	37,844	35%	333,448

¹ Amount not including the profit (loss) for the year:

² Amounts at the spot exchange rate of 31 December 2022

Marzocchi Pumps USA Corp. is our *commercial vehicle* for the United States, while the joint venture Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd, operational since January 2021, is our *commercial vehicle* for the Chinese market, replacing the subsidiary Marzocchi (Shanghai) Trading Co. Ltd, which was placed in voluntary liquidation.

The other associate, Montirone S.r.l., is a strategic supplier.

Changes in Equity Investments

The breakdown of changes in the equity investments is shown below.

Company	Book value as at 31 December 2021				Changes in 2022			Book value 2022
	Historic cost	Revaluations	Writedowns	Total	Purch. (Sales)	Revaluations	Writedowns	
B,III,1,a SUBSIDIARIES								
Marzocchi Pumps USA Corp.	521,047			521,047				521,047
Marzocchi (Shanghai) Trading Co. Ltd	367,000		(193,678)	173,322			(144,931)	28,391
Total B, III, 1, a	888,047		(193,678)	694,369			(144,931)	549,438
B,III,1,b ASSOCIATES								
Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd								277,325
Montirone S.r.l.	333,448			333,448	277,325			333,448
Total B, III, 1, b	333,448			333,448	277,325			610,773
B, III, 1, d-bis OTHER COMPANIES								
BCC Felsinea								10,320
Banca di Bologna Co.n.ai.	10,320			10,320				1,035
Round-offs	22			22	1,035			22
Total B, III, 1, d-bis	10,342			10,342	1,035			11,376
TOTAL	1,231,837		(193,678)	1,038,159	278,360		(144,931)	1,171,587

As previously mentioned, the valuation criteria of the equity investments in portfolio is the criterion set out in paragraph 1, point no. 1 of art. 2426 of the Italian Civil Code, in other words, the historic purchase cost, possibly adjusted to take account of impairment.

For 2022 those adjustments regard only Marzocchi (Shanghai) Trading Co. Ltd, a commercial company established under Chinese law, currently placed in voluntary liquidation, for which a writedown was recognised to maintain the symmetry between the value posted and the shareholders' equity of the subsidiary.

B, III, 2, d/bis - Receivables classified as non-current assets due from others

The amounts shown represent receivables for security deposits paid to third parties, and showed no changes during the period.

B, III, 3 – Other investments

This item is composed of two lots of securities, identified in greater detail by codes ISIN IT0005090318 (BTP TF 1.50% GN25 Euro) for Euro 300 thousand and ISIN IT0005210650 (BTP TF 1.25% DC26 Euro) for Euro 200 thousand, with an extremely high degree of liquidity, acquired to earn income on the financial resources used to oversee the provisions for product warranties, posted to item B, 4 of liabilities.

This is posted among financial fixed assets, as it is not foreseeable (or hoped) that that item could be liquidated before its natural maturity.

The measurement method was that suggested by OIC 20 (amortised cost) and following the fluctuations in the financial markets, the value was decreased further, applying a writedown of Euro 30,827.00 in order to state the amount at market value, based on the data recorded at the end of the year.

B) III, 4 – Assets arising from derivative financial instruments

As at 31 December 2022, the Company had the following interest rate and exchange rate hedging options, which were stated at fair value, determined based on the market value, equal to the Mark-to-Market at that date.

Institution	Type of Derivative	From	To	Notional Amount	Strike Price	MTM
BNL	Interest Capped Swap	7-Feb-18	10-Apr-26	1,027,086	0.00	43,178
Intesa	Interest Capped Swap	21-May-19	31-Mar-25	375,000	0.00	14,643
BPM	Interest Capped Swap	4-Jul-19	4-Jan-24	282,301	0.00	4,032
Unicredit	Interest Capped Swap	21-Nov-19	30-Nov-24	809,003	0.00	27,062
BNL	Interest Capped Swap	18-Jun-20	18-Jun-23	1,750,000	-0.20	106,884
Unicredit	Interest Capped Swap	2-Dec-20	30-Nov-26	909,091	-0.20	61,079
BNL	Flexi Term	21-Sep-22	28-Jun-23	\$2,000,000	1.02	119,420
Totals	Totals			5,152,480		376,297

As shown in the table above, the types of derivatives used are extremely simple, and due to their characteristics there can be no surprises in expected costs. They are specifically implemented as part of financial planning in order to circumscribe the fluctuations in interest rates and exchange rates to within a range deemed economically acceptable and financially sustainable. All transactions perfectly match both the notional amounts and the timing of the repayment plans of financial payables they serve, as well as the expected cash flows, and the company records them as hedging derivatives, as they have no speculative functions.

The MTM value of exchange rate hedging was included in item C, III, 5.

C) CURRENT ASSETS

I - INVENTORIES

As stated in point 2 above, the cost configuration used is the average weighted cost, just as in the past, whose difference from the value of stock determined at current costs at the end of the year is immaterial.

The changes during the financial year are as follows.

C, I	Gross opening balance 31-Dec-22	Adjustment item 31-Dec-22	Book value 31-Dec-22	Gross opening balance 31-Dec-21	Adjustment item 31-Dec-21	Book value 31-Dec-21
C, I, 1 Raw materials, subsidiary materials and consumables	4,517,191	(269,484)	4,247,708	3,113,708	(197,604)	2,916,104
C, I, 2 Work in progress and semi-finished goods	4,574,281	(382,198)	4,192,083	4,962,498	(400,265)	4,562,233
C, I, 4 Finished goods and goods for resale	4,626,637	(298,957)	4,327,680	4,210,640	(394,398)	3,816,242
C, I, 5 Advances						
Total C, I	13,718,109	(950,639)	12,767,471	12,286,847	(992,267)	11,294,579

Net change	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
C, I, 1 Raw materials, subsidiary materials and consumables	4,247,708	2,916,104	1,331,604
C, I, 2 Work in progress and semi-finished goods	4,192,083	4,562,233	(370,150)
C, I, 4 Finished goods and goods for resale	4,327,680	3,816,242	511,438
Total C, I	12,767,471	11,294,579	1,472,892

and the changes in the adjustment funds:

Change in adjustment item	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
C, I, 1 Raw materials, subsidiary materials and consumables	(269,484)	(197,604)	(71,880)
C, I, 2 Work in progress and semi-finished goods	(382,198)	(400,265)	18,067
C, I, 4 Finished goods and goods for resale	(298,957)	(394,398)	95,442
Total C, I	(950,639)	(992,267)	41,629

The average turnover ratio (A, 1 + A, 5-b points 2 to 7)/stock (C, I) amounted to 3.66, equal to average coverage of 100 days. The slight decrease on the previous year (104) was substantially attributable to an improved economic trend referring to increased availability of materials, though continuously applying a prudent procurement policy.

C, II - RECEIVABLES

C, II, 1 – Trade Receivables

The breakdown of the financial statement item of receivables due within the next financial period and the changes on the previous financial year are shown below:

C, II - 1	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Trade receivables Italy	5,222,164	4,259,391	962,773
Trade receivables Export	2,357,104	2,454,025	(96,921)
Bad debt provision	(298,936)	(251,669)	(47,267)
Taxed bad debt provision	0	0	0
Total C, II, 1	7,280,332	6,461,747	818,585

Exclusively using the financial statement data, the average collection times¹ can be approximated using the ratio of the value of trade receivables (C, II, 1 + C, II, 2 + C, II, 3) to items A, 1 + A, 5, b (points 2 to 7) of the profit and loss account (x 365).

For 2022, there was an average collection time of 72 days, a decrease on the 74 days in the previous year, though with limited use of factoring without recourse.

¹ this must still be considered an approximate figure, due to the lack of like-for-like values used as the numerator and the denominator, where VAT charged is not included, as it cannot be taken from the financial statement data.

As regards the adjustment fund, the changes during the year are shown below.

Changes during the financial year	Bad debt provision	Taxed bad debt provision	Total amounts
Book value 31.12.2021	(251,669)	0	(251,669)
- Utilisations 2022	0	0	0
- Releases 2022	0	0	0
+ Allocations 2022	(47,267)	0	(47,267)
Book value 31.12.2022	(298,936)	0	(298,936)

The credit quality was confirmed as good overall, and the adjusting amounts present are statistically suitable to absorbing any future losses.

C, II, 2 – Receivables from subsidiaries

This item comprises trade receivables due from companies over which control is exercised.

The changes occurred are shown below:

C, II - 2	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Receivables due from Marzocchi Pumps USA Corp.	1,826,789	1,368,755	458,034
Receivables due from Marzocchi (Shanghai) Trading Co. Ltd	0	0	0
Total C, II, 2	1,826,789	1,368,755	458,034

almost all of these cases refer to commercial supplies, carried out at normal market values.

C, II, 3 – Receivables from associates

This item represents trade receivables that are immediately due, from the associates Montirone S.r.l. and Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd.

The changes occurred are shown below:

C,II - 3	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Receivables due from Montirone S.r.l.	10,620	8,559	2,061
Receivables due from Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd	80,659	274,276	(193,617)
Total C, II, 2	91,279	282,835	(191,556)

C, II, 4 – Receivables due from the Holding company

This item represents receivables for deferred tax assets, correlated with the deductibility of tax losses from the holding company Abbey Road S.r.l., included in the Group's tax consolidation.

For their changes, refer to the table set out under point 6 of these notes.

C, II, 5-bis – Tax receivables

C, II - 5 bis	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
VAT credit	169,435	658,972	(489,537)
Surplus advances	0	0	0
Tax credit	575,173	218,996	356,177
Total C, II, 5 bis	744,608	877,968	(133,360)

The main component of this item is represented by tax credits, which regard the tax credit on investments ("Industria 4.0" and others), research and development and "aid" on higher energy costs incurred in 2022, while there was a significant decrease in the VAT credit.

C, II, 5-ter – Deferred tax assets

This item represents tax credits (arising prior to the participation in the Group tax consolidation), correlated with the time deferral of the deductibility of several categories of costs and the use of losses of previous periods. This item is broken down based on the time frame of collection, between receivables which, based on tax regulations, will be deducted in 2023 and those that will arise in subsequent years, based on the financial forecasts drawn up for the period 2021-2024:

C, II - 5 ter	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Within 12 months	101,771	68,371	33,400
Beyond 12 months	378,102	693,927	(315,825)
Total C, II, 5 ter	479,873	762,298	(282,425)

For a more detailed breakdown, refer to the table set out under point 6 at the bottom of these notes.

C, II, 5/quarter – Other Receivables

The breakdown of other receivables is illustrated below, along with the changes compared to the previous year. All of these receivables are due with the next financial year.

C, II - 5 quater	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Employees for round-offs in pay slips	120	122	(2)
Employees for settlements of injuries - INAIL	346	5,253	(4,907)
Advances to suppliers of services	136,781	91,395	45,386
Trade receivables	50,131	230,510	(180,379)
Deposits for confirmation	0	0	0
Sundry receivables	61,674	24,667	37,007
Total C, II, 5 quater	249,052	351,947	(102,895)

Advances on services mainly refer to professional services not yet completed, while trade receivables refer to accounting positions that have actually occurred but for which the related tax documentation has not been received.

C) IV - CASH AND CASH EQUIVALENTS

This item mainly relates to bank current account balances.

The breakdown and comparison with the amounts of the previous year are shown below.

C, IV	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Current accounts and deposits at banks	5,303,985	4,389,835	914,150
Cash on hand	1,825	2,048	(223)
Cheques	0	0	0
Total C, IV	5,305,810	4,391,883	913,927

For an exact analysis of the changes during the year, refer to the cash flow statement.

D) ACCRUALS AND DEFERRALS

These are the items for the year calculated on an accruals basis, and only those relating to “prepaid services” have a duration of more than 5 years.

The main component of prepayments is attributable to the advance payment for services relating to a ten-year contract entered into with one of our main customers, in addition to the advance paid on signing the real estate lease contract connected with the acquisition discussed at the bottom of point 4.

The changes during the period are shown below:

D	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Accrued income	7,530	877	6,653
Prepayments	1,559,211	836,407	722,804
Total D	1,566,741	837,284	729,457

and an analysis of the main types:

Accrued income	Book value 31-Dec-22	Prepayments	Book value 31-Dec-22
Interest income on government bonds	584	Leases/prepaid rentals	938,469
Coverage of taxes	6,946	Duties	742
		Prepaid costs	620,000
Total accrued income	7,530	Total prepayments	1,559,211

A) SHAREHOLDERS' EQUITY

Statement of changes in Shareholders' Equity

	1-Jan-22 Opening balances	29/04/2022 Ordinary Shareholders' Meetings Resolution Allocation of 2021 profit	Extraordinary dividend	Other	31-Dec-22 Profit (loss) for the period	31-Dec-22 Closing balances in the financial statements
Share Capital	6,538,750					6,538,750
Share premium reserve	6,462,750					6,462,750
Legal reserve	1,000,000	54,822				1,054,822
Extraordinary reserve	240,115	1,041,613	(782,850)			498,878
Reserve pursuant to art. 2426 of the Italian Civil Code	-					0
Revaluation reserve pursuant to Italian Law 185/08	1,867,115					1,867,115
Exchange surplus	398,891					398,891
Cash flow hedging reserve	(99,187)			475,484		376,297
Negative reserve for treasury shares in portfolio	(23,820)			(96,491)		(120,311)
Profits (losses) carried forward	0					0
Profits (losses) for the period	1,096,435	(1,096,435)			2,089,251	2,089,251
Rounding up/down to whole Euro	1			0		0
Total Shareholders' Equity	17,481,050	0	(782,850)	378,993	2,089,251	19,166,444

With reference to the provisions of Art. 2427, point 7 bis, an explanatory table is shown below:

Shareholders' Equity	Balance as at 31.12.20	Balance as at 31.12.21	Balance as at 31.12.22	Possible use	Portion available as at 31.12.2022	Uses over the past three financial years for	
						coverage of losses	other reasons
Share Capital	6,538,750	6,538,750	6,538,750				
Share premium reserve	6,462,750	6,462,750	6,462,750	A,B,C	5,818,356		
Revaluation reserve pursuant to Italian Law 185/08	1,867,115	1,867,115	1,867,115	A,B			
Legal reserve	1,000,000	1,000,000	1,054,822	A,B			
Extraordinary reserve	675,348	240,115	498,878	A,B,C	498,878	(293,344)	(1,567,500)
Reserve pursuant to art. 2426 of the Italian Civil Code	8,179	0	0	B			
Exchange surplus	398,891	398,891	398,891	A,B,C	398,891		
Hedging derivatives reserve	(120,680)	(99,187)	376,297				
Negative reserve for treasury shares	0	(23,820)	(120,311)				
Profit (loss) for the year	(51,087)	1,096,435	2,089,251	A,B,C			
Closing balances	16,779,266	17,481,049	19,166,443		6,716,125	(293,344)	(1,567,500)

A - for Share Capital increases
B - for coverage of losses
C - for distribution to shareholders

A, I – Share Capital

Share capital is represented by 6,538,750 (six million, five hundred thirty eight thousand, seven hundred fifty) ordinary shares, without nominal value, fully subscribed and paid-in.

A, II - Share premium reserve

Recorded in 2019, this is the premium paid on subscribing the share capital increase reserved to the market. As a result of the realignment carried out pursuant to art. 110 of Decree Law 104/2020, the amount of Euro 2,974,009.00 is untaxed.

A, III Revaluation reserve pursuant to Italian Law 185/08

Eliminated following the share exchange of December 2018, these reserves were established once again by way of Shareholders' Meeting of 2 May 2019.

As a result of the realignment carried out pursuant to art. 110 of Decree Law 104/2020, the amount of Euro 1,867,115.00 is untaxed.

A, IV – Legal reserve

The item in question is composed of portions of profits, as required by art. 2430 of the Italian Civil Code.

A, VI - Other reserves

The item in question comprises Euro 498,878 relating to the extraordinary reserve (following allocation of the profit for the previous year and the distribution of dividends of Euro 782,850.00), which is composed of portions of undistributed profit, as established by the Shareholders' Meeting resolutions, and Euro 398,891 relating to the share exchange in December 2018.

The balance shown also includes the rounding up/down to whole Euro.

A, VII - Cash flow hedging reserve

This item represents the fair value (MTM) of interest rate hedging transactions, and foreign currency flows implemented by the company as part of its financial planning.

For details, refer to point B, III, 4 of Assets, above.

A, X – Negative reserve for treasury shares in portfolio

The item in question represents the total expenses incurred up to 31 December 2022 to purchase a total of 25,750 treasury shares, equal to 0.394% of the share capital, as a result of the Shareholders' Meeting resolution of 30 April 2021.

UNAVAILABILITY OF A PORTION OF RESERVES AND PROFITS CARRIED FORWARD PURSUANT
TO POINT 5 OF ART. 2426 OF THE ITALIAN CIVIL CODE.

Pursuant to point no. 5 of art. 2426, it is specified that a portion of the reserves, in the amount of Euro 344,458.00, is restricted to cover the amount of establishment and expansion costs, which have not yet been amortised and, where present, the Reserve pursuant to art. 2426 of the Italian Civil Code.

B) PROVISIONS FOR RISKS AND CHARGES

B, 1 – For pensions and similar obligations

This item refers to the obligations deriving from art. 1751 of the Italian Civil Code, as amended by Italian Decree Law no. 303 of 10 September 1991, relating to the severance pay for Commercial Agents and Representatives on termination of the agency relationship.

The changes during the year are shown below:

B, 1	Agents' leaving indemnity
Book value 31.12.2021	339,902
- Utilisations 2022	0
- Releases 2022	0
+ Allocations 2022	61,263
Book value 31.12.2022	401,165

B, 2 – For taxes, including deferred taxes

This item represents deferred tax liabilities, relating to items whose deductibility is deferred by tax regulations.

Marginal in amount, this item changed as follows:

B, 2	Deferred taxation provision
Book value 31.12.2021	284
- Utilisations 2022	(284)
+ Additions 2022	14,382
Book value 31.12.2022	14,382

B, 4 – others

The amounts shown represent provisions prudently allocated to cover potential losses directly or indirectly connected with commercial disputes or company business.

The current amount is mainly correlated with operations in the automotive segment, with the specific guarantees required in that segment. To date, though lacking a significant time series for reference, the provisions allocated seem to match the potential risk connected with the number of products sold.

B, 4	Book value 31-Dec-22	Changes during the financial year			Book value 31-Dec-21
		Reserve funds	Releases	Utilisations	
Product warranty provision	500,000	-	-	-	500,000
Provisions for sundry risks	303,595	300,000	196,405	-	200,000
Total B, 4	803,595	300,000	196,405	-	700,000

The release of provisions during the year (then included in item D, 18, for Euro 144,931 and in item B, 12 for Euro 51,474), was related to the settlement of a legal dispute promoted by an Asian customer against the company and our Chinese subsidiary (in liquidation). In light of the fact, this dispute was

merely *retaliation*, as the matter under dispute had already been the subject of an arbitration award that declared us the winner and resulted in the client dropping the lawsuit even before its inevitable loss in the legal proceedings. Nonetheless, this entailed significant legal costs for the Chinese subsidiary, in addition to significantly slowing down the liquidation procedure, which was able to start again only following the closing of the dispute, and is now nearing its conclusion.

In the same period, a new allocation was necessary (slightly less than the amount estimated in the last half-yearly report) in relation to the settlement of a labour law dispute with a former executive of the company. For more information on this point, refer to the Directors' Report.

C) STAFF LEAVING INDEMNITY

These provisions showed the following changes during the year:

C	Staff leaving indemnity
Book value 31.12.2021	1,552,297
+ Allocations 2022	836,641
- Utilisations 2022	(233,882)
- Contributions to Pension Fund 2022	(630,452)
Book value 31.12.2022	1,524,604

D) PAYABLES

D, 4 – Payables to banks

This item breaks down as follows:

D,4	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Use of revocable bank credit facilities	-	-	0
Instalments of short-term loans	4,215,655	3,676,041	539,614
Total D, 4 within 12 months	4,215,655	3,676,041	539,614
Instalments of medium/long-term loans	8,512,584	7,570,675	941,909
Total D, 4 beyond 12 months	8,512,584	7,570,675	941,909
Total D, 4	12,728,239	11,246,716	1,481,523

For a more detailed comment on the NFP, refer to the director's report, while a table illustrating loans outstanding is shown below:

Original Amount /.000	Duration	Expiry < 12 months	Expiry > 12 but < 24 months	Expiry > 24 but < 36 months	Expiry more than 36 months	Debt subject to repayment
1,930	2017 - 2022	198,465	-	-	-	198,465
1,100	2017 - 2022	113,114	-	-	-	113,114
2,500 ¹	2016 - 2026	286,011	291,904	297,919	151,253	1,027,086
1,500	2018 - 2023	311,755	-	-	-	311,755
1,000	2019 - 2025	166,667	166,667	41,667	-	375,000
1,000	2019 - 2024	225,057	57,244	-	-	282,301
2,000	2019 - 2024	399,366	409,637	-	-	809,003
2,000	2019 - 2024	399,183	411,621	-	-	810,804
1,250	2020 - 2026	227,273	227,273	227,273	227,273	909,091
2,500	2020 - 2026	500,000	500,000	500,000	250,000	1,750,000
1,250	2021 - 2026	250,000	250,000	250,000	250,000	1,000,000
2,000	2022-2027	391,995	398,305	404,716	515,068	1,710,084
3,000	2022-2027	569,295	589,252	611,056	795,713	2,565,315
1,000	2022-2027	194,472	198,095	201,786	309,748	904,102
Accessory charges deducted from the debt		-16,998	-11,299	-6,720	-2,864	-37,881
Total D, 4		4,215,654	3,488,697	2,527,695	2,496,192	12,728,238
		8,512,584				

¹ payable backed by a mortgage guarantee

Mortgage Guarantees

As shown in the table above, one mortgage guarantee exists, which is collateral for a ten-year loan contracted with Mediocredito Trentino. In the year in question, the guarantee amounted to Euro 1,797,401.00, and covers the property in Via Grazia in the Municipality of Zola Predosa.

D, 5 – Payables to other lenders

These represent the payable in principal of the SIMEST loan on the Fund 394/81 [Project for Capitalisation of Exporting Companies].

To ensure greater understanding, the table below illustrates the due dates of that payable:

D,5	Expiries
within 12 months	-
beyond 12 months, within 24 months	120,000
beyond 24 months, within 36 months	120,000
beyond 36 months	240,000
Total	480,000

D, 6 – advances

This item is essentially composed of advance payments for supplies to be provided in the near future.

D, 7 – trade payables

This item is composed of only payables due within the next financial year. The breakdown of the financial statement balance and the changes on the previous year are as follows:

D, 7	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Trade payables - Italy	5,714,846	6,135,243	(420,397)
Trade payables - Abroad	332,539	315,075	17,464
Total D, 7	6,047,385	6,450,318	(402,933)

These appear in line with the business volumes and, as a whole (D7 + D9 + D10) show, in relation to the turnover (A1), an average payment extension of around 52 days, down on the figure in the previous year (68).

D, 9 – payables to subsidiaries

For an explanatory comment, refer to that reported in the previous point.

The detailed table is shown below:

D, 9	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Payables due to Marzocchi Pompe USA Corp.	1,388	543	845
Payables due to Marzocchi (Shanghai) Trading Co. Ltd	0	0	0
Total D, 9	1,388	543	845

D, 11 – payables to payables to parent companies

This item represents payables for current taxes (IRES) which, following the participation in the national tax consolidation, are now shown as due to the holding company Abbey Road S.r.l.

D, 10 – payables to associates

For an explanatory comment, refer to that set out in item D, 7. Here, we specify that these are trade payables for typical supplies, due to Montirone S.r.l., and the decrease shown of Euro 370,547.00 is exclusively attributable to the timing of normal trade.

D, 12 – tax payables

This item, broken down into its due dates, is mainly attributable to 2022 taxes and the taxes withheld as withholding agent, with the obligation to pay them by January 2023, and the encumbrances related

to the tax realignment pursuant to Italian Law 178 of 30 December 2020.

D, 12	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
<i>within 12 months</i>			
IRAP Payables	66,025	84,749	(18,724)
Withholding agent payables	552,018	440,190	111,828
Payables for substitute tax	43,941	49,908	(5,967)
total within 12 months	661,984	574,847	87,137
<i>beyond 12 months</i>			
Payables for substitute tax		49,909	(49,909)
total beyond 12 months	0	49,909	(49,909)
Total D, 12	661,984	624,756	37,228

D, 13 – welfare and social security contributions

The breakdown of the financial statement balances and changes on the previous year are shown in the table below:

D, 13	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Italian National Social Security Institute (INPS)	583,414	611,779	(28,365)
Previndapi	21,812	22,676	(864)
Fondapi	26,698	25,781	917
Other funds	18,802	15,039	3,763
Enasarco	9,794	8,645	1,149
Workplace accident insurance authority (INAIL)	-6,737	8,438	(15,175)
Contributions on deferred remuneration (holiday pay, performance bonuses, 13th month salaries)	231,321	212,826	18,495
Total D, 13	885,104	905,184	(20,080)

Excluding only the payables for contributions related to the accrual of holiday pay by employees, these are obligations whose payment was made in January 2023.

D, 14 – other payables

Compared to the previous year, other payables showed the changes set out in the table below, which is explanatory:

D, 14	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Payables for supplies to be gifted	59,697	35,171	24,526
Payables for remuneration	661,331	735,900	(74,569)
Payables for deferred remuneration (holiday pay, performance bonuses, 13th month salaries)	761,509	701,134	60,375
Other payables	334,583	542,771	(208,188)
Total D, 14	1,817,120	2,014,976	(197,856)

E) ACCRUALS AND DEFERRALS

These are the items for the year calculated on an accruals basis, and none of these have a duration of more than 5 years.

The financial statement item can be broken down as follows:

E	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Accrued expenses	69,225	97,135	(27,910)
Deferred income	395,306	492,195	(96,889)
Total D	464,531	589,330	(124,799)

in detail:

Accrued expenses	Book value 31-Dec-22	Deferred income	Book value 31-Dec-22
Accrued interest and financial charges	31,801	Grants related to interest	11,067
Lease realignment	37,424	Capital contributions	376,705
Others of immaterial unitary amounts	0	Others of immaterial unitary amounts	7,534
Other accrued expenses	69,225	Total deferred income	395,306

The component capital contributions mainly represent the recognition by the Ministry for Economic Development (MISE) of the tax credit pursuant to Italian Law 205 of 27 December 2017, which will be posted to the profit and loss *pro-rata temporis*, as regulated under point 88, paragraph a) of OIC 16.

As mentioned in point 2 of these notes, lease contracts subject to moratoria were remodulated, as postulated in OIC 19 A.7, Appendix A, with the resulting recognition of the accrued expenses.

No component has a duration of more than 5 years.

A) REVENUES

A, 1 – Breakdown of revenues by geographical area and sales channel

In detail:

A, 1	Book value 31-Dec-22	Book value 31-Dec-21	% Change	Breakdown
Net internal sales	13,821,770	11,016,595	25.46%	29.84%
Net EU sales	12,143,246	10,357,048	17.25%	26.22%
Net Non-EU sales	20,355,719	18,029,932	12.90%	43.95%
Total A, 1	46,320,735	39,403,575	17.55%	100%

Overall, typical sales increased by 17.55% with a share of sales abroad amounting to 70% of the total.

For a more in-depth analysis of sales, see the directors' report to the consolidated financial statements.

A, 2 – Changes in inventories of work in progress, semi-finished goods and finished products

For an explanatory comment, refer to that reported in class C, I of the balance sheet assets.

A, 4 – Increases in fixed assets due to internal works

These are capitalisations of costs relating to the in-house construction of equipment for processing or final assembly of parts.

A, 5, a – Grants for operating expenses

That component was mainly attributable to the portion of the grant for energy expenses.

A, 5, b - Others

In detail:

A, 5, b		Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
1	Grants related to equipment	149,828	121,612	28,216
2	Customer contributions to the creating of moulds and equipment	1,814	5,617	(3,803)
3	Charges for technical designs	110,487	88,069	22,418
4	Rent receivable	17,766	1,665	16,101
5	Charge-backs and expense reimbursements	85,258	72,464	12,794
6	Resales of materials and services	173,408	232,178	(58,770)
7	Ordinary capital gains	4,233	562	3,671
8	Contingent assets	218,896	110,496	108,400
9	Other immaterial	2,419	4,554	(2,135)
Total A, 5, b		764,109	637,217	126,892

The main components are comprised of charges for resales of goods that cannot be classified under A1 and revenues relating to technical designs [2 & 3], while contingent assets [8] refer to the Research and Development tax credit for 2021, which was quantified following the deadline for including it in the 2021 financial statements. Grants related to equipment [1] essentially refer to the portion of the tax credit pursuant to Italian Law 205/17.

B) COSTS

B, 6 - for materials and tangible goods

An analysis:

B, 6	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Purchase of raw materials and semi-finished goods	12,374,881	10,667,258	1,707,623
Purchase of packaging	319,484	250,699	68,785
Purchase of fuel	291,990	178,792	113,198
Purchase of tools, oil and other consumables for production	958,268	873,432	84,836
Other consumables	103,631	73,554	30,077
Total B, 6	14,048,254	12,043,735	2,004,519

This item, suitably adjusted by the changes in inventories of materials, B, 11, and correlated with the sum of the items A, 1 and A, 2, represents the percentage ratio of “consumption”.

That amount came to 27.4% (it was 25.6% in 2021), showing an increase of 1.8%, which is related to the increase in the costs of goods and materials, which grew sharper over the year.

B, 7 - For services

In detail:

B, 7	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Expenses for subcontract work	6,754,692	6,575,141	179,551
Utilities	1,829,206	1,135,786	693,420
Transportation	490,913	429,327	61,586
Insurance costs	436,132	399,127	37,005
Maintenance costs	903,824	806,314	97,510
Commissions	740,689	594,764	145,925
Staff leasing agencies	225,577	102,975	122,602
Consultancy and fees	654,278	661,953	(7,675)
Corporate bodies	381,419	381,349	70
Advertising and entertainment	119,261	31,948	87,313
Travel expenses	71,379	5,705	65,674
Canteen and cleaning services	388,692	359,033	29,659
Others	84,141	54,593	29,548
Total B, 7	13,080,203	11,538,015	1,542,188

The percentage of this item also increases, from the previous 27.6% in 2021 to the current 28.2%. The most significant increase was recorded in energy costs, whose absolute value rose by 61% on the previous year.

B, 8 - For use of third-party assets

An analysis:

B, 8	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Lease fees	849,534	1,683,509	(833,975)
Operating leases	168,909	181,580	(12,671)
Long-term vehicle leases	181,263	144,930	36,333
Rent payable	50,952	47,674	3,278
Total B, 8	1,250,658	2,057,693	(807,035)

This item is directly connected to the industrial investments made through finance leases, which are gradually being extinguished. As mentioned in point 4 of these notes, lease contracts subject to moratoria were remodulated, as postulated in OIC 19 A.7, Appendix A.

B, 9 - for personnel

In detail:

B, 9	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Wages and salaries	10,060,114	9,500,726	559,388
Social security contributions	3,227,627	3,039,223	188,404
Staff leaving indemnity	910,160	771,769	138,391
Other costs	122,750	107,625	15,125
Total B, 9	14,320,651	13,419,343	901,308

This item includes the “work component” charged to the Staff Leasing Agencies.

In relation to items A1+A2, the percentage decreased by 1.2 percentage points (30.8% compared to the previous 32.1%). Overall, a greater number of hours were worked (+1.25%) and, obviously, no use of the State-Subsidised Redundancy Fund was necessary.

B, 10 - amortisation/depreciation and writedowns

The amortisation/depreciation of fixed assets shows a high absolute value. Nonetheless, it is important to consider that 0.884 million of these resulted from the revaluation carried out following the LBO.

B, 10	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
a) Amort. of intangible fixed assets	379,336	336,787	42,549
b) Dep. of tangible fixed assets	2,504,543	2,738,021	(233,478)
c) Other writedowns of fixed assets	0	0	0
d) Writedowns of receivables included in net working capital	47,267	41,949	5,318
Total B, 10	2,931,146	3,116,757	(185,611)

As a ratio to revenues from sales gross of changes in the stock of finished products (A, 1 + A, 2), the percentage decreased by slightly more than one percentage point (-1.1%).

The breakdown can be seen under items B, I and B, II, covered previously.

B, 12 - provisions for risks

The provisions allocated were already illustrated at the bottom of item B, 4 of the Balance Sheet, to which reference is made.

B, 14 - miscellaneous operating costs

In detail:

B, 14	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Association fees	55,901	41,982	13,919
On-going Euronext Growth Milan costs	151,053	174,360	(23,307)
Taxes and levies (not on income)	136,381	142,381	(6,000)
Insurance deductibles and compensation agreed	2,147	4,484	(2,337)
Ordinary capital losses and contingencies	11,069	92	10,977
Other immaterial	58,807	55,334	3,473
Total B, 14	415,358	418,633	(3,275)

A residual fixed component, mainly comprised of taxes on real estate assets and charges related to remaining on the EGM listing of Borsa Italiana [former AIM Italia].

C) FINANCIAL INCOME AND CHARGES

C, 15, a - income from equity investments in subsidiaries

This item represents the collection of dividends on 2021 profits of the US subsidiary.

C, 16, b - d - other financial income

These quite insignificant items are broken down in the table below:

C, 16, b-d	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Interest income on investment securities	7,207	7,207	0
Receivable bank interest	1,115	149	966
Interest receivable from others	13	0	13
Financial discounts and allowances receivable	1,544	269	1,275
Total C, 16, b-d	9,879	7,625	2,254

C, 17 - interest and other financial charges

An analysis:

C, 17	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Payable bank interest	239,264	115,339	123,925
Interest payable to others	0	0	0
Financial fees and expenses	81,902	105,830	(23,928)
Financial discounts and allowances payable	26,368	18,386	7,982
Rounding up/down of financial statements to whole Euros	0	(2)	2
Total C, 17	347,534	239,553	107,981

The financial component consolidated its usual minimum impact, significantly less than one percentage point.

C, 17 bis - exchange rate gains and (losses)

This item is broken down into its two components - the amount realised and the amount from realignment.

C, 17 bis	Book value 31-Dec-22	Book value 31-Dec-21	Changes during the financial year
Exchange rate (losses)	(91,108)	(10,834)	(80,274)
Exchange rate (losses) from realignment	(12,916)	(26,010)	13,094
Exchange rate gains	227,679	71,934	155,745
Exchange rate gains from realignment	59,924	1,184	58,740
Total C, 17 bis	183,579	36,274	147,305

D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS

D, 18, a) - revaluations

The value recognised was already illustrated at the bottom of item B, 4, to which reference is made.

D, 19, a, b) - writedowns

The value recognised in point a) refers to the subsidiary Marzocchi (Shanghai) Trading Co. Ltd in voluntary liquidation, and represents its impairment, as explained at the bottom of point B, III, 1 of Balance Sheet Assets and point B, 4 of Balance Sheet Liabilities, while for information on that recognised in point b), refer to the explanation at the bottom of B, III, 3 of Balance Sheet Assets.

6. INFORMATION ON DEFERRED TAX LIABILITIES

In compliance with that set out in point 14 a and b of article 2427 of the Italian Civil Code, and in compliance with the accounting standard no. 25, taxes were allocated on an accruals basis. The temporary differences in value between the amount obtained on this basis and that relating to taxes due which will be stated in the income tax returns are summarised below. Note that within the limit set in point 41 of OIC 25, no other difference was excluded from the calculation, and the tax rates set out in Italian Law 208 of 28.12.15 were used. In that regard, reference is made to the comments to item B, 2 of liabilities.

Amounts as at 31 December 2021				Amounts as at 31 December 2022								
Item with deferred taxation	Amount of temporary differences	Deferred tax effect		Amount of temporary differences	Deferred tax effect		Tax for the year	Use of deferred tax assets	Presented in the financial statements under item D, 20, d	Deferred tax liabilities for the year	Use of Deferred tax liabilities	Presented in the financial statements under item D, 20, c
		IRES tax	IRAP tax		IRES tax	IRAP tax						
Deferred tax assets												
Provisions for risks	764,894	183,575	10,331	892,037	214,089	15,289	(75,909)	40,436	(35,473)			
Bad debt provision	992,267	238,144	0	981,466	235,552	0	(235,552)	238,144	2,592			
Realignment of foreign currency liabilities	26,010	6,242	0	12,916	3,100	0	(3,100)	6,242	3,143			
Costs with deferred deductibility	65,674	39,310	0	72,893	17,494	918	(4,428)	8,347	3,919			
OWN deductible tax losses	1,284,352	308,244	0	0	0	0	0	308,244	308,244			
Tax losses conferred to Tax Cons.(¹)	2,496,230	599,095	0	1,975,967	474,232	0	(0)	124,863	124,863			
Deductible tax losses (²)	4,815,254	1,155,661	0	5,022,050	1,205,293	0	(49,632)	0(³)				
Total Deferred tax assets	5,629,428	1,374,611	10,331	3,935,279	944,467	16,208	(318,988)	726,277	407,289			
				960,675		4						
Deferred taxes												
Realignment of foreign currency assets	1,184	284	0	59,924	14,382	0				14,382	(284)	14,098
Revaluation pursuant to Italian Law 185/08	0	0	0	0(¹)	0	0				0	0	0
Total Deferred taxes	1,184	284	0	59,924	14,382	0				14,382	(284)	14,098
				14,382		5						

¹ Posted as a receivable due from the Holding company C, II, 4

² Amounts intentionally not recorded

³ The lack of recording the receivable for deferred tax assets and the provisions of OIC 25 ensure that, in the event of use, the recording of the contingent assets will provide tax coverage of the exposure of the tax charges illustrated herein.

⁴ This amount is posted under Balance Sheet assets in item C, II, 5-ter, net of that posted in item C, II, 4. ⁵ Amount posted under Balance Sheet liabilities in item B, 2.

As shown in the table, there are quite significant tax losses, inherited through the incorporation of the former holding company in 2013.

These tax losses were generated over time by wound up companies.

Considering the amount, information on these is provided herein, considering that:

- the highly significant amounts that would be recorded to the balance sheet even though partial recording could contrast with the principles of prudence;
- the instability of tax legislation, which does not provide any certainty in terms of legislative continuity;

and, in compliance with the above-mentioned principles of prudence, it was decided not to post any items in that regard, preferring to accurately handle the situation at the time the manifestation of the tax losses is certain, i.e., when their conditions for use are met.

7. GENERAL INFORMATION

Related parties

In compliance with art. 2427, point 22 bis, it is noted that transactions undertaken with related parties were concluded, without exception, at normal market conditions. For more details, refer to the information given in that regard in the Director's Report.

Commitments to sell currency

Commitments to sell foreign currency as part of exchange rate hedging transactions amounted to US\$ 2,000,000,00 (Euro 1,969,473.17) and aligns with both the amount and timing of the commercial flows receivable, expected during the term of the transaction. The fair value as at 31 December 2022 was recognised in the financial statements in item C, III, 5 Assets arising from derivative financial instruments.

Off-Balance Sheet Agreements

Pursuant to the provisions of article 2427, point 22 ter, it is noted that there were no off-balance sheet agreements except for those previously reported in the various chapters of these explanatory notes (principal of lease commitments).

Average number of employees

During 2022, the average total number of workers at the company increased on the previous year, amounting to near 246 resources, plus an additional annual average of 28.13 atypical workers.

Workforce	Average no. 2022	Permanent ⁽¹⁾ 2022	Average no. 2021	Permanent ⁽¹⁾ 2021
Manual workers	175.80	175.72	171.71	169.86
Worker Supervisors, Office Workers and Managers	65.85	65.85	67.23	66.23
Senior management	4.34	4.34	4.33	4.33
Totals	245.99	245.91	243.27	240.42

⁽¹⁾ of which hired on permanent contracts

Research and development

As regards research and development, the Company continued its normal improvement in functions and completion of the product range, aware that its future must be founded on a competitive edge based on innovation. All of this was carried out in close partnership with the Industrial Engineering Department of the University of Bologna.

Government subsidies pursuant to Italian Law no. 124 of 4.8.17, art. 1, paragraph 125, line 3

In compliance with regulations, and applying the prevailing assumption that sets the “cash” principle as inspiring the regulation, it is specified that during 2022, government subsidies amounting to Euro 15,126.03 were received.

In detail: Euro 15,126.03 in disbursements of grants related to interest (Sabatini Ter) from the Ministry of Economic Development (MISE).

Fees to Directors, Statutory and Independent Auditors

For each Director, Statutory Auditor and the Independent Auditors of Marzocchi Pompe S.p.A., the table below shows the fees accrued during 2022, also certifying that no loans or advances were granted to those parties:

Fees to Directors, Statutory Auditors and Independent Auditors

Euro/000	Fees for the office held	Charges and reimbursements
Directors		
Paolo Marzocchi ^(a)	200	17
Gabriele Bonfiglioli ^(b)	15	2
Guido Nardi ^(c)	15	2
Valentina Camorani Scarpa	15	1
Carlo Marzocchi	15	2
Matteo Tamburini	15	1
Giuseppe Zottoli	15	1
Total	290	26
Auditors		
Romano Conti ^(d)	11	0
Andrea Casarotti	7	0
Stefano Favalletti	7	0
Total	25	1
Independent Auditors		
PricewaterhouseCoopers	38	2
Total	38	2

(a) Chairman of the Board of Directors

(b) Board member and CEO

(c) Chief Operating Officer

(d) Chairman of the Board of Statutory Auditors

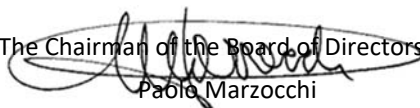
8. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

Following the end of the financial year, no events occurred that were worth mentioning. Despite the aggravation of the global situation linked to the continuing conflict between Russia and Ukraine, the company continued to operate in line with the levels of the year just ended.

9. PROPOSAL FOR ALLOCATION OF PROFITS

Dear Shareholders, the profit for the year amounted to Euro 2,089,251.00, and we propose that you:

- allocate Euro 104,462.55 to the legal reserve;
- allocate Euro 47,007.98 to the reserve pursuant to art. 2426 of the Italian Civil Code;
- allocate Euro 1,937,780.47 to the extraordinary reserve;
- distribute a dividend amounting to Euro 0.15 per outstanding share, withdrawing the amount from the extraordinary reserve.


The Chairman of the Board of Directors
Paolo Marzocchi

MARZOCCHI POMPE S.P.A.

*Board of Director's Report on the financial statements
as at 31 December 2022*



Registered office in Zola Predosa - Bologna
Share Capital Euro 6,538,750, fully paid-in
Register of Enterprises of Bologna no. 03285900969
Economic and Administrative Repertoire of Bologna no. 422251

Subject to management and coordination by Abbey Road S.r.l.

Dear Shareholders,

The Explanatory Notes provide you with the information required to illustrate the financial statements as of 31/12/2022; in this report, as required by art. 2428 of the Italian Civil Code, we provide you with information regarding the company's situation and the performance of operations.

This report, drawn up with amounts expressed in euros, is presented accompanying the Financial Statements, in order to provide income, equity, cash flow and operational information of the company, accompanied, where possible, by historic elements and forward-looking assessments.

The document that we are proposing to you today faithfully represents the profit and loss, balance sheet and cash flow of the Company.

1. Significant events in 2022 and market performance

2022 was a year of exceptional growth for our Company, reaching the highest levels of revenues in our history, demonstrating the extensive resilience of our business model.

This result was also achieved despite a difficult global context, featuring i) the energy shock resulting from the Russia-Ukraine conflict, which triggered a sharp growth in inflation, ii) the unresolved problems in supply chains, which continue to penalise the Automotive sector, and iii) the increase in interest rates due to the restrictive monetary policies implemented by central banks.

Marzocchi Pompe is demonstrating its formidable ability to adapt to the continuous changes in global scenarios and the related economic and financial turbulence, due to its distinguishing characteristics: a “make not buy” approach, innovative high-tech products, extensive flexibility and focus on customer satisfaction, all strengths that we will continue to invest in also in the future.

Once again, it is worth noting the confirmation of the ability to generate cash flow, keeping the net financial position, equal to Euro 7.6 million, substantially unchanged on the previous year (+4%). This was possible even in a phase of additional growth in working capital as a result of the increase in revenues, which required an increase in stocks, up from Euro 11.3 million to Euro 12.8 million (+13%), fundamental in keeping production lead time unchanged and thus avoiding the risk of interruption of the production chain, in a global scenario of difficulties in logistics and procurement of materials.

The global tensions that impacted the raw materials market also resulted in a significant increase in the related costs. A periodic mechanism of resulting adjustments to sales prices is in place with Automotive customers. Instead, for the core business, the company applied several increases to list prices over the year, whose effects are still in force.

In light of such challenging, complex scenarios, the excellent results achieved by the Company take on even more significance.

Revenues for the year, amounting to Euro 46.3 million, reached a record high for the Company, up sharply on 2021 (Euro 39.4 million, +17.5%).

The profit for the year amounted to Euro 2.1 million, compared to Euro 1.1 million in 2021 (+91%), demonstrating that the company's business model managed to handle the global turbulence of these last few years without particular difficulties.

Lastly, in 2022, another step was taken in extending the range of products: Marzocchi Pompe consolidated the launch of the new FTP line, mainly dedicated for low pressure applications, an additional market to the one reached by the innovative Erika line to which it belongs.

Once again, this confirms how Marzocchi Pompe continues to work incessantly on Research and Development and its highly distinctive approach to customers' needs. Participation in trade shows linked to electrical vehicles, which are spreading throughout the world, also testifies to the company's

commitment to capturing all possible new opportunities, founded on its product range suited to any industrial need.

2. Balance sheet and profit and loss

To provide a clearer understanding of the company's performance, its profit and loss and balance sheet, the reclassified Balance sheet and Profit and Loss Account are shown below.

It is also noted that outstanding lease contracts will be recorded in the consolidated financial statements using the financial method, as required by the international accounting standard IFR 16.

Note that, in the two years 2020 and 2021, the company did not apply any extraordinary measures with economic impacts set out by Italian lawmakers to assist companies in difficulty, such as:

- The suspension of amortisation/depreciation charges (Art. 60 of Italian Law 126/2020).
- The revaluation of assets and equity investments (Art. 110 of Italian Law 126/2020).

During 2020, paragraph 8-bis of Art. 110 of Italian Law Decree 104/2020, regarding the option of tax realignment of the higher values of company assets, already recorded in the financial statements against payment of a substitution tax of 3%, included in item D.12 of liabilities and item 20.a) of the profit and loss account. As a result, deferred tax liabilities of 27.9% were freed up (items B.2 of balance sheet liabilities and item 20.b) of the profit and loss account).

Moreover, also in 2020, only two moratoria were obtained, offered by one of our main financial partners *motu proprio*, which provided us with a time extension of eight months on the repayment of the principal of two loans and twelve lease contracts.

Select financial information

1) Select profit and loss data for the years ended 31 December 2022, 2021 and 2020

The main profit and loss data of the Company for the years ended 31 December 2022, 2021 and 2020 are shown below (amounts in thousands of Euro).

<i>Eur 000</i>	31-Dec-22		31-Dec-21		31-Dec-20	
Revenues from sales	46,321	100%	39,404	100%	32,858	100%
Changes in WIP	141		2,458		(324)	
Other revenues	1,105		1,044		765	
VALUE OF PRODUCTION	47,567		42,905		33,299	
Consumption of raw materials	(12,717)	(27.4%)	(10,697)	(25.6%)	(7,909)	(24.3%)
Costs for services	(13,080)	(28.2%)	(11,538)	(27.6%)	(9,282)	(28.5%)
Costs for use of third-party assets	(1,251)	(2.7%)	(2,058)	(4.9%)	(2,312)	(7.1%)
Miscellaneous operating costs	(415)	(0.9%)	(419)	(1.0%)	(360)	(1.1%)
VALUE ADDED	20,105	43.27%	18,194	43.46%	13,436	41.30%
Personnel costs	(14,321)	(30.8%)	(13,419)	(32.1%)	(11,624)	(35.7%)
EBITDA	5,784	12.45%	4,775	11.41%	1,812	5.57%
Amortisation/depreciation and writedowns	(3,180)	(6.8%)	(3,117)	(7.4%)	(3,421)	(10.5%)
EBIT	2,604	5.61%	1,658	3.96%	(1,609)	(4.9%)
financial income and charges	82	0.18%	(195)	(0.5%)	(444)	(1.4%)
financial value adjustments	(31)	(0.1%)	(161)	(0.4%)	37	0.11%
PRE-TAX PROFIT	2,656	5.72%	1,302	3.11%	(2,016)	(6.2%)
Income taxes for the financial year	(566)	(1.2%)	(206)	(0.5%)	1,965	6.04%
NET REVENUES	2,089	4.50%	1,096	2.62%	(51)	(0.2%)

The profit and loss account does not include non-recurring items for any of the years indicated (2022, 2021 or 2020), and therefore, no normalisation was required.

(1) The data do not include the recording of non-recurring costs. As EBITDA is not identified as an accounting measure in the Italian national accounting standards (OIC), the determination of its amount may not be unequivocal. EBITDA is a measure used by the company's management to monitor and assess its operating performance. The management deems that the EBITDA is an important parameter to measure the company's operating performance as it is not influenced by the effects of the various criteria used to determine taxable income, by the total amount or nature of capital employed or by the related depreciation and amortisation policies. The criterion for determining the EBITDA applied by the company may not be uniform with that adopted by other companies/groups and, therefore, its value may not be comparable with that determined by those parties. For the calculation of EBITDA, refer to the paragraphs below.

2) Select balance sheet data for the years ended 31 December 2022, 2021 and 2020

The information regarding the main balance sheet indicators of the Company for the years ended 31 December 2022, 2021 and 2020 is shown below.

More specifically, the Group's balance sheet reclassified by source and use is shown below.

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
A) NET FIXED ASSETS	14,862	16,204	17,962
Intangible fixed assets	843	978	1,071
Tangible fixed assets	12,114	13,405	15,186
Financial fixed assets	1,904	1,822	1,706
B) NET WORKING CAPITAL	13,732	10,164	6,666
Inventories	12,767	11,295	7,490
Advances from customers	(199)	(11)	(17)
Trade receivables	9,198	8,113	6,232
Other receivables	1,948	2,591	2,498
Trade payables	(6,615)	(7,388)	(4,827)
Other payables	(3,371)	(3,545)	(2,864)
Provisions for risks and charges	(1,219)	(1,139)	(1,112)
Other assets/liabilities	1,222	248	(734)
C) GROSS INVESTED CAPITAL	28,593	26,368	24,628
D) STAFF LEAVING INDEMNITY	(1,525)	(1,552)	(1,631)
E) NET INVESTED CAPITAL	27,069	24,816	22,997
covered by			
F) OWN SHARE CAPITAL	(19,166)	(17,481)	(16,779)
G) NET FINANCIAL POSITION (*)	(7,902)	(7,335)	(6,218)
Medium-long term financial payables	(8,993)	(7,571)	(10,009)
Short-term financial payables	(4,216)	(4,156)	(3,272)
Cash and cash equivalents	5,306	4,392	7,063
H) TOTAL COVERAGE	(27,069)	(24,816)	(22,997)

(*) Gross of the fair value of assets deriving from interest rate hedging derivatives, equal to Euro 0.26 million, classified under financial fixed assets (pursuant to that set out in OIC 32 no. 28b).

3) Alternative Performance Indicators

The Company uses several Alternative Performance Indicators ("APIs") to facilitate the understanding of the profit and loss and balance sheet performance.

In order to correctly interpret those APIs, the following is noted: **(i)** those indicators have been constructed exclusively on the Company's past data and do not indicate the Company's future performance, **(ii)** the APIs are not set out by the OIC and, though deriving from the Financial Statements as at 31 December 2022, 2021 and 2020, are not subject to auditing, **(iii)** the APIs shall not be considered as replacing the reference accounting standards (OIC), **(iv)** as the definitions and criteria adopted to determine the indicators used by the Company do not derive from the reference accounting standards may not be uniform with those adopted by other companies or groups and, therefore, may not be comparable with those presented by those parties, if any, and **(v)** the APIs used by the Company have been developed using the same, uniform definition and representation for all years for which the financial information is included in this director's report on operations.

With the exception of revenues, the total net results of the APIs represented (Adjusted EBITDA, % Adjusted EBITDA, Adjusted EBIT, % Adjusted EBIT, EBT, % Adjusted EBT, operating net working capital, net working capital, net financial indebtedness, debt ratio and leverage ratio) are not identified as accounting measures under the OIC. Therefore, as illustrated above, they shall not be considered alternative measures to those provided in the Company's financial statement tables for assessing its profit and loss performance and related balance sheet position.

The tables below show the main profit and loss and balance sheet APIs used by the Company to monitor the profit and loss and balance sheet performance, as well as their methods of determination, calculated net of the normalisations previously described, in order to highlight the performance of turnover and recurring operating margins:

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Revenues from production and sale (1)	46,462	41,861	32,534
EBITDA (2)	5,784	4,775	1,812
% EBIT margin (2)	12.45%	11.41%	5.57%
EBIT (3)	2,604	1,658	(1,609)
% EBIT margin (3)	5.61%	3.96%	-4.95%
EBT (4)	2,656	1,302	(2,016)
% EBT margin (4)	5.72%	3.11%	-6.20%
Total net profit	2,089	1,096	(51)
Operating Net Working Capital (5)	15,152	12,009	8,877
Net Working Capital (6)	13,732	10,164	6,666
Net financial indebtedness	(7,646)	(7,335)	(6,218)
Debt ratio (7)	0.40	0.42	0.37
Leverage (8)	1.32	1.54	3.43

- 1) **Revenues from production and sale** are defined as the algebraic sum of revenues from sales and the (positive or negative) change in work in progress and finished products.

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Revenues from sales (with annual changes)	46,321	39,404	32,858
Changes in WIP	141	2,458	(324)
Revenues from production and sale	46,462	41,861	32,534

- 2) **EBITDA** is defined as the profit (loss) for the year, adjusted by the following components: (i) income taxes, (ii) financial income/charges, (iii) non-recurring income and charges (illustrated in greater detail in paragraph 1 above), (iv) amortisation, depreciation and impairment and (v) provisions.

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Total net profit	2,089	1,096	(51)
Income taxes	566	206	(1,965)
Value adjustments to financial assets	31	161	(37)
Financial income and charges	(82)	195	444
Non-recurring income and charges	0	0	0
Amortisation/depreciation and impairment	3,140	3,077	3,381
Provision for bad debt	40	40	40
Provisions for risks	0	0	0
EBITDA (A) - with annual changes	5,784	4,775	1,812
Revenues from production and sale (B)	46,462	41,861	32,534
<i>% EBITDA margin (A/B)</i>	<i>12.45%</i>	<i>11.41%</i>	<i>5.57%</i>

- 3) **EBIT** is defined as the profit (loss) for the year, adjusted by the following components: (i) income taxes, (ii) financial income/charges and (iii) non-recurring income and charges (illustrated in greater detail in paragraph 1 above). The effects on the EBIT of the amortisation/depreciation from revaluation are also shown, such as negative components deriving from the merger through LBO:

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Total net profit	2,089	1,096	(51)
Income taxes	566	206	(1,965)
Value adjustments to financial assets	31	161	(37)
Financial income and charges	(82)	195	444
Non-recurring income and charges	0	0	0
EBIT (A) - with annual changes	2,604	1,658	(1,609)
Revenues from production and sale (B)	46,462	41,861	32,534
<i>% EBIT margin (A/B)</i>	<i>5.61%</i>	<i>3.96%</i>	<i>-4.95%</i>

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
EBIT (A) - with annual changes	2,604	1,658	(1,609)
Amortisation/depreciation from revaluation	(1,328)	(1,328)	(1,328)
Adjusted EBIT (A) - with annual changes	3,933	2,987	(281)
Revenues from production and sale (B)	46,462	41,861	32,534
<i>% EBIT margin (A/B)</i>	<i>8.46%</i>	<i>7.13%</i>	<i>-0.86%</i>

- 4) **EBT** is defined as the profit (loss) for the year, adjusted by income taxes.

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Total net profit	2,089	1,096	(51)
Income taxes	566	206	(1,965)
EBT (A)	2,656	1,302	(2,016)
Revenues from production and sale (B)	46,462	41,861	32,534
<i>% EBT margin (A/B)</i>	<i>5.72%</i>	<i>3.11%</i>	<i>-6.20%</i>

5) and 6) the **operational** net working capital and the **net working capital** are calculated as follows:

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Inventories	12,767	11,295	7,490
Trade receivables	9,000	8,102	6,215
Trade payables	(6,615)	(7,388)	(4,827)
Net Operating Working Capital	15,152	12,009	8,877
Other current assets and liabilities	(1,985)	(1,969)	(1,975)
Tax receivables and payables and deferred tax liabilities	562	1,016	1,609
Provisions for risks and charges	(1,219)	(1,139)	(1,112)
Other assets/liabilities	1,222	248	(734)
Net Working Capital	13,732	10,164	6,666

7) The Debt Ratio is calculated as follows:

<i>Eur 000</i>	31-Dec-21	31-Dec-21	31-Dec-20
Net Financial Indebtedness (A)	(7,646)	(7,335)	(6,218)
Shareholders' Equity (B)	19,166	17,481	16,779
Debt Ratio -(A)/(B)	0.40	0.42	0.37

8) **The Leverage Ratio** is calculated as follows:

<i>Eur 000</i>	31-Dec-21	31-Dec-21	31-Dec-20
Net Financial Indebtedness (A)	(7,646)	(7,335)	(6,218)
EBITDA	5,784	4,775	1,812
Debt Leverage -(A)/(B)	1.32	1.54	3.43
% Change on previous year	-13.95%	-55.24%	

4) Cash Flow and Net Financial Position

The change in net financial indebtedness can be analysed as follows:

	2022	2021	2020
	€/000	€/000	€/000
EBIT	2,604	1,658	(1,609)
Tax effect	(566)	(206)	1,965
Changes in provisions	52	(51)	(1,371)
Allocations and writedowns	3,180	3,117	3,421
Cash flow from income	5,270	4,518	2,406
Changes in working capital			
Inventories	(1,473)	(3,805)	436
Trade receivables	(898)	(1,887)	1,352
Other receivables	644	(93)	(963)
Payables to suppliers	(773)	2,560	255
Other payables	(1,029)	(300)	246
Changes in working capital	(3,528)	(3,525)	1,325

Operating cash flow (Free cash flow)	1,741	993	3,731
Net investments in tangible & intangible assets	(1,755)	(1,243)	(718)
Changes in other fixed assets	175	(116)	(38)
Financial value adjustments	(31)	(161)	37
Cash flow from investment activities	(1,611)	(1,520)	(719)
Financial charges/income	82	(195)	(444)
Increases/(decreases) in share capital	0	0	0
Other changes in Shareholders' Equity	(780)	(395)	(398)
Cash flow from financing activities	(698)	(590)	(841)
Net cash flow (*)	(568)	(1,117)	2,171
Opening Net Financial Position	(7,335)	(6,218)	(8,389)
Closing Net Financial Position	(7,902)	(7,335)	(6,218)
Net increase (decrease) in cash	(568)	(1,117)	2,171

(*) the cash flow analysis did not include the following:

- the fair value of assets deriving from interest rate hedging derivatives, classified under financial fixed assets (pursuant to that set out in OIC 32 no. 28b), given that their recognition, which passed through capital reserves, did not generate any cash flows;
- the fair value of assets deriving from exchange rate hedging derivatives (USD), classified under working capital, given that, also in this case, their recognition, which passed through capital reserves, did not generate any cash flows.

The net financial position breaks down as follows:

<i>Eur 000</i>	31-Dec-22	31-Dec-21	31-Dec-20
Liquidity	5,306	4,392	7,063
<i>Subscribed capital unpaid</i>	0	0	0
<i>Current financial assets</i>	0	0	0
Current financial receivables	0	0	0
<i>Short-term payables to banks</i>	(4,216)	(4,156)	(3,272)
<i>Other short-term payables</i>	0	0	0
Current financial indebtedness	(4,216)	(4,156)	(3,272)
Current net financial indebtedness	1,090	236	3,791
<i>Current financial assets*</i>	257		
<i>Payables to banks</i>	(8,513)	(7,091)	(10,009)
<i>Payables to others</i>	(480)	(480)	0
Non-current net financial indebtedness	(8,736)	(7,571)	(10,009)
ADJUSTED NET FINANCIAL POSITION	(7,646)	(7,335)	(6,218)
% Change on previous year	4.24%	17.96%	

(*) The adjusted NFP also includes the positive balance of assets deriving from interest rate hedging derivatives on bank loans recognised under financial fixed assets.

The current financial indebtedness is certainly balanced in relation to the size of the Company, and is capable of widely supporting the Group's growth strategies.

Below, the figures are examined in greater detail as specifically requested by the provisions of art. 2428 of the Italian Civil Code.

3.1. Main risks and uncertainties to which the company is exposed

The Company is exposed to the normal risks and uncertainties typical of a business.

The markets where the Company operates are global markets, and niche markets in many cases. Therefore they are small in size, with few important competitors.

As a result of this distinctive trait, Marzocchi Pompe maintains significant leadership on the market and, therefore, is less exposed to mass competition which increasingly aims for high volume markets.

A description of the financial risk factors the Company is exposed to is provided below:

Credit risk

The Company mainly works with know, reliable customers, and it is deemed that financial assets have a good credit quality. Nonetheless, the balance of receivables is monitored periodically for the main purpose of minimising losses.

There are no financial assets exceeding provisions allocated that are deemed potential bad debts.

Liquidity and interest rate risk

The Company identifies liquidity risk as the possibility that it may not be able to fully meet its obligations. This risk is reduced through actions to guarantee a balanced capital structure and efficient cash flow. Likewise, there are debt instruments or other credit lines, with varying sources, to cover any liquidity needs. The risk in question has been assessed as relatively significant, and is subject to continuous monitoring.

In this regard, there are no loan agreements that require compliance with “financial covenants”.

Interest rate risk is the risk that adverse movements in the interest rate curve negatively influences the cost of debt. As part of its cash flow planning, in order to combat that possibility, several hedging transactions were implemented (illustrated in detail in the notes) which, with certain costs, make it possible to set a cap on possible future increases, especially relating to jumps in inflation.

Exchange rate risk

With regard to exchange rate risk, the Company has implemented hedging policies by entering into commitments to sell foreign currency as part of exchange rate hedging transactions, as illustrated in the paragraph “commitments to sell currency” of the notes.

Market risk

Sensitively breaking down market risk into its primary factors: country risk, price risk and cross rate risk, the Group has identified the primary exposure risk as the latter.

The first risk is immaterial, as the Company operates mainly with industrially developed countries. The second is present, though the commercial policies are based on the quality and technical nature of the products, while there is also competition on the technical performance, not only on lower prices.

Nonetheless, it is deniable that, compared to 2021, prices on the market of raw materials used (specifically, steel and aluminium) have increased significantly. This forced us, where possible, to adjust the sales prices to fully or partially absorb those greater costs.

Instead, exchange rate risk is present, and may significantly impact sales margins.

The scope of exposure was reduced to the minimum by using, where possible, the price list in the functional currency, but the risk cannot be further reduced, on pain of losing significant market shares.

Therefore, forward sales are carried out, correlated with the expected flows in foreign currency. As these have maximum flexibility and certain costs, they set a limit to the volatility of exchange rates.

COVID-19 risk and geopolitical tensions

Health risk

The Company has adopted all possible measures to prevent, control and contain the virus at its sites, with the goal of safeguarding the health of its workers, in close collaboration with the Trade Union Representatives.

Market risk

One of the latest consequences of the global pandemic under way, which was joined by the effects of the conflict in Ukraine, is represented by:

- increases in raw material and energy costs;
- increases in logistics costs (charters and transport);
- lack of semi-finished goods (for example, chips for the automotive industry).

Those phenomena are extremely complex to deal with, especially in the current global scenario characterised by extreme geopolitical tensions which broke out in the military conflict in Ukraine. However, as explained below, due to the total lack of purchases and immaterial amount of sales (0.7% of turnover) in the countries involved in the war, on the one hand, and the measures previously implemented to avoid production problems and significant impacts on profitability of the turbulence in the components market, on the other, the company is deemed to have the necessary characteristics to also mitigate this type of risk.

Financial risk

As regards the financial aspects of this current scenario, interest rates are undergoing an accelerated sharp rise. Nonetheless, this should not have specific impacts on our Company, which has a high level of solvency and reliability, as well as significant financial autonomy to support its operating needs and growth strategies, as demonstrated by the significant unused credit lines, which guarantee access to the debt market also due to unforeseen events which could have a negative impact on cash flow.

4.2 Main non-financial indicators

Pursuant to art. 2428 (2) of the Italian Civil Code, in view of the company's specific business, the provision of details of non-financial indicators is not considered necessary for a full understanding of its business, performance and operating result.

4.3 Environmental Disclosure

The company has not implemented any specific environmental impact policies because this is not necessary for its type of business. Rather, as will be discussed further below, following the forced stop due to the pandemic, Marzocchi Pompe started up again with renewed vigour, in a virtuous process regarding the environmental impact, with regard to ESG issues.

4.4 Information about personnel

There is nothing in particular to report concerning HR management.

4.5 Research and development

As regards research and development, the Company continued its normal improvement in functions and completion of the product range, aware that its future must be based on a competitive edge correlated with innovation. All of this was carried out in close partnership with the Industrial Engineering Department of the University of Bologna.

4.6 Transactions with subsidiaries, associated and parent companies

Transactions with related parties, including intercompany transactions, were not either atypical or unusual, as they fall within the normal course of business of Group companies.

Those transactions settled at market conditions, taking into account the characteristics of the goods and services provided.

The following transactions with related parties were undertaken during the year:

credit and debit transactions with Related Parties as at 31 December 2022				
<i>Eur 000</i>	<i>trade receivables</i>	<i>trade payables</i>	<i>other receivables</i>	<i>other payables</i>
Shareholders				
Board of Directors				(26)
Managers (*)				(329)
Marzocchi Pumps USA Corp.	1,827	(1)		
Marzocchi (Shanghai) Trading Co. Ltd				
Montirone S.r.l.	11	(566)		
Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd	81			
Abbey Road S.r.l.				
Total	1,919	(567)		(355)

Financial transactions with Related Parties as at 31 December 2022					
<i>Eur 000</i>	<i>revenues A.1</i>	<i>Costs B.6</i>	<i>Costs B.7</i>	<i>Costs B.9</i>	<i>Costs B12</i>
Shareholders					
Board of Directors			(316)		
Managers (*)			(50)	(977)	(249)
Marzocchi Pumps USA Corp.	6,224		(56)		
Marzocchi (Shanghai) Trading Co. Ltd					
Montirone S.r.l.	24	(3,030)	(102)		
Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd	501				
Total	6,749	(3,030)	(524)	(977)	(249)

(*) During 2022, the company terminated the long-term employment of Aldo Toscano, a former manager of the Group. For this termination, concluded with a settlement agreement in the initial months of 2023, provisions for risk were allocated of Euro 249 thousand.

The Board of Directors of Marzocchi Pompe S.p.A. approved - at the time of the listing on the then AIM market - the Procedure for Identifying, Approving and Executing Related-Party Transactions based on the provisions of the EGM (Euronext Growth Milan) Issuer Regulation and the CONSOB Regulation

on Related Party Transactions and Provisions on Related Party Transactions (hereinafter, the “**Procedure for Related Party Transactions**”). The Board of Directors’ meeting of 30 June 2021 also approved the update to that Procedure, following the amendment to the CONSOB Regulation.

The Procedure for Related Party Transactions governs the rules for identifying, approving and executing Transactions with Related Parties and Associated Entities (as defined therein) implemented by the Issuer, to ensure the transparency and substantive and procedural correctness thereof.

The Issuer adopted that procedure to identify and formalise the conditions, objectives and content of the solutions adopted, and assesses its effectiveness and efficiency over time, to pursue objectives of integrity and impartiality in the decision-making process, respect for the interests of shareholders and creditors in general, and the efficient functioning of corporate bodies.

The Procedure for Related Party Transactions is available (in Italian) on the Issuer’s website www.marzocchipompe.com – *governance* → *company documents* → *related party procedure*.

Shares of the parent company

Note that the company is controlled by Abbey Road S.r.l., a holding company of the Paolo Marzocchi family, which holds 61.19%, exercising voting rights on a share of 52.78%.

4.7 Subsequent events and anticipated management trend

After 31 December 2022, no atypical or unusual transactions were carried out that require changes to these financial statements.

The year 2023 began by confirming a growth trend in orders, both regarding the core business and the automotive market.

Clearly, the continuation of the conflict between Russia and Ukraine (countries in which we have operated to a marginal extent in the past), in addition to the financial crisis resulting from the rise in interest rates, in turn linked to the high level of inflation, are impacting the entire global market, in a climate of increasing uncertainty.

Considering that maintaining delivery times at standard levels and our extreme flexibility both in the design and production phases constitute, in these turbulent times, a critical success factor that enables Marzocchi Pompe to gain market shares, it is reasonable to expect that the process of organic growth that the target of organic growth that we have set may be reached, through methods that cannot be quantified at this time. This is the focus of the investment being completed which, starting in the second half of 2023 will result in a significant expansion of the production and logistics spaces adjacent to the facilities in Zola Predosa.

The unceasing effort to launch new products continued, which paid off also during the worst periods of the pandemic. Marzocchi Pompe has always made it a priority to maintain the excellence in innovation and the high-tech nature of its products, factors which are recognised and consistently form the foundations on which it intends to build its future.

It is important to note that, working with its long-term partner for IT Systems, Marzocchi Pompe has launched an important project to increase the levels of cybersecurity, a highly important issue in these times.

Last but not least, it is important to mention the Company’s renewed commitment to ESG issues. Marzocchi Pompe has always been sensitive to these issues, as shown by its ISO 14001 environmental certification obtained in 2016 for the facilities in Zola Predosa, and has launched an analysis process to identify the methods and timing for activities that it intends to start up again as soon as possible, following the forced stop due to the pandemic. That demonstrates Marzocchi Pompe’s intention to position itself as a cutting-edge company, not just with regard to its products, but also in terms of its organisation and interaction with the environment in which it operates.

4.8 Expectations for the two-year period 2023-2024

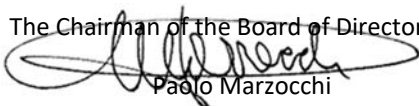
As the 2022 results fully confirmed the Group's strategies and potential for growth announced last year, the following is expected for the two-year period 2023 – 2024:

- 1) Significant organic growth in turnover, with a CAGR of 6-8% by 2024, consistent with the strategic guidelines indicated in the IPO;
- 2) An improvement in the current levels of profitability achieved;
- 3) A continued optimum level of leverage (total debt/EBITDA 1-1.5x) which also reflects a debt ratio of less than 50% of shareholders' equity;
- 4) Confirmation of the dividend policy adopted in recent years.

Those forecasts can be achieved, as Marzocchi Pompe has developed a production and sales model which, in this historical phase of significant global tensions, demonstrated extraordinary resilience and will most likely continue to set the standard in the manufacturing industry.

4.9 Use by the company of financial instruments of relevance for the evaluation of the company's financial soundness and operating result

For the intents and purposes of art. 2428, paragraph 3, point 6-bis) of the Italian Civil Code, we hereby inform you that the company has not implemented any particular financial risk management policies, with the exception of several interest rate and exchange rate hedging derivative contracts, illustrated both above and in the paragraph on "Risks and uncertainties the Company is exposed to" in the explanatory notes.

The Chairman of the Board of Directors

Paolo Marzocchi



**INDEPENDENT AUDITORS' REPORT IN
ACCORDANCE WITH ART.14 OF ITALIAN LEG.
DECREE NO. 39 OF 27 JANUARY 2010**

MARZOCCHI POMPE S.P.A.

FINANCIAL STATEMENT AS AT 31 DECEMBER 2022



Independent auditors' report

in accordance with art.14 of Italian Leg. Decree no. 39 of 27 January 2010

To the Shareholders of
Marzocchi Pompe S.p.A.

Report on the audit of the financial statement

Opinion

We performed the audit of the financial statement of Marzocchi Pompe S.p.A. (the "Company"), composed of balance sheet as at 31 December 2022, income statement, cash flow statement for the financial year closing on that date and explanatory notes.

In our opinion, the financial statement provides a true and accurate picture of the Company's assets and financial position as at 31 December 2022, of its operating result and cash flows for the accounting period closing on that date, in keeping with the Italian standards regulating the drafting of financial statements.

Evidence forming basis of opinion

We carried out the audit of the accounts in conformity with international auditing principles (ISA Italia (tax compliance indices)). Our responsibilities, according to these principles, are described in greater detail in the section entitled Auditor's responsibilities for the audit of the financial statement contained in this report. We are independent of the Company, in keeping with principles and rules on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors in relation to the financial statement

The Directors are responsible for the drafting of the financial statement that provides a true and accurate picture conforming to Italian standards regulating drafting criteria and, in accordance with Italian law, for those aspects of the internal audit which they deem necessary to ensure that the financial statement prepared is free from material misstatements arising from fraud or unintentional conduct or events.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



The Directors are responsible for assessing the Company's ability to continue operating as a going concern and, when drafting the financial statement, for the appropriate application of the going concern basis of accounting, and for the relevant disclosures. The Directors use the going concern basis of accounting when drafting the financial statement unless they are of the opinion that there are grounds for winding up the company or suspending activities, or they have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for supervising the Company's financial reporting process, in the terms prescribed by law.

Auditor's responsibilities for the audit of the financial statement

Our objectives are to obtain reasonable certainty that the financial statement, as a whole, is free from material misstatements arising from fraud or unintentional conduct or events, and to draw up an auditors' report that includes our opinion. Reasonable certainty means a high level of certainty that does not, however, guarantee that an audit conducted in keeping with international auditing standards (ISA Italia) will always detect a material misstatement when it exists. Misstatements may arise from fraud or unintentional conduct or events and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statement.

When carrying out the audit in keeping with international auditing standards (ISA Italia), we exercised professional judgement and maintained a degree of professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatements in the financial statement, arising from fraud or unintentional conduct or events; we designed and performed audit procedures responsive to those risks; we also obtained adequate, appropriate evidence on which to base our opinion. The risk of failing to detect a material misstatement arising from fraud is higher than the risk of not detecting such an error caused by unintentional conduct or events, as fraud may involve collusion, falsification, intentional omissions, misleading representation or coercion during the internal control process;
- we familiarised ourselves with the internal control system relevant for auditing purposes in order to establish audit procedures that are the most appropriate in the circumstances and not for the purpose of expressing an opinion regarding the effectiveness of the company's internal control process;
- we assessed whether the accounting standards adopted are appropriate and whether the accounting estimates made by the Directors, including the relevant disclosures, are reasonable;



- we reached a conclusion regarding the appropriateness of the going concern basis of accounting adopted by the Directors and, on the basis of the evidence obtained, the existence of significant uncertainties surrounding events or circumstances that may cast significant doubts on the Company's ability to maintain its status as a going concern. If a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the examination of evidence obtained up to the date of the report. Nevertheless, subsequent events or circumstances may force the Company to cease operating as a going concern;
- we assessed the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement describes the underlying transactions and events in such a way as to provide an accurate picture of the situation.

We communicate with those charged with governance, identified at an appropriate level as required under 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 laws and regulations

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

The Directors at Marzocchi Pompe S.p.A. are responsible for preparing the management report of Marzocchi Pompe S.p.A. as at 31 December 2022, including its consistency with the relevant financial statement and its compliance with the law.

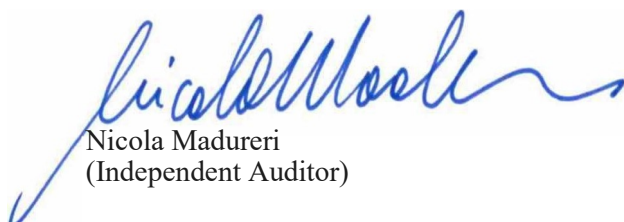
We performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the management report with the financial statement of Marzocchi Pompe S.p.A. as at 31 December 2022 and on its compliance with the law, as well as to issue a statement regarding material misstatements, if any.

In our opinion, the management report is consistent with the financial statement of Marzocchi Pompe S.p.A. as at 31 December 2022 and has been prepared in compliance with the law.

With reference to the statement referred to in article 14(2)(e) of Italian Legislative Decree no. 39/10, made on the basis of our knowledge and understanding of the firm and of the relevant context acquired during the audit, we have nothing to report.

Parma, 12 April 2023

PricewaterhouseCoopers SpA



Nicola Madureri
(Independent Auditor)

MARZOCCHI POMPE S.P.A.

Registered office in Zola Predosa - Bologna

Recorded in the Bologna Companies Register under n. 03285900969

Economic Administrative Index (REA) n. 422251

Company subject to management and coordination, in the manner envisaged

in art. 2497 of the Italian Civil Code, by Abbey Road S.r.l.

* * *

Report of the Board of Statutory Auditors on the Financial Statement and Consolidated Financial Statement as at 31 December 2022 drafted in accordance with art. 2429 of the Italian Civil Code

To the Shareholders,

We submit the financial statement relating to the year 2022 for your attention, which was drafted in accordance with the provisions contained in articles 2423 et seq. of the Italian Civil Code, supplemented, whenever necessary, by the accounting principles applied by the Italian Accounting Body (OIC), and records a profit for the year of € 2,089,251, together with the consolidated financial statement closing on 31 December 2022, also drafted in accordance with the provisions of the Italian Civil Code, and supplemented, whenever necessary, by the OIC accounting principles. The consolidated financial statement records a profit of € 1,962,104, which relates, in its entirety, to the parent company Marzocchi Pompe S.p.A.

The financial statement and the Group consolidated financial statement were made available, together with the reports on the financial statement and the consolidated financial statement, by the Directors, adopting the procedures and time schedule provided for in art. 2429 of the Italian Civil Code. The Board of

Statutory Auditors, which, as laid down in art. 2409 bis of the Italian Civil Code, is not required to audit the accounts, then obtained the reports on the financial statement and the consolidated financial statement drawn up in accordance with art. 14 of Legislative Decree n. 39 of 27 January 2010 and both dated 12 April 2023, from the auditing firm instructed - PricewaterhouseCoopers SpA - PwC SpA.

* * *

We wish to inform you that, during our term of office, we performed the control and supervisory duties assigned to us by the law.

We conducted these activities, basically adopting the operating procedures referred to in the rules of conduct for Boards of Statutory Auditors recommended by the Italian Association of Chartered Accountants and Tax Advisers regulating corporate control operations and following, in so far as they are not incompatible, the indications contained in the communication from CONSOB (the National Commission for Companies and the Stock Exchange) n. DEM/1025564 of 6 April 2001 and subsequently supplemented, as indicated below.

Firstly it is confirmed that, in the performance of its control activities, the Board of Statutory Auditors received information during its term of office relevant to the tasks assigned, through inspections of corporate structures, including the periodic controls carried out in accordance with art 2404 of the Italian Civil Code, as well as information obtained during meetings of the Board of Directors. These meetings were held in the form of Webinar online meetings due to the problems linked to the Covid 19.11 pandemic of which you will be aware. The Board of Statutory Auditors also carried out inspections and controls by exchanging a great deal of information with the auditing firm PwC SpA and, more specifically, with the partner instructed, Nicola Madureri, and with Paola Manferdini.

Firstly, the Board of Statutory Auditors acknowledge that, during the financial period that has just closed, the Board of Directors reported promptly on the work

carried out, the most significant economic, financial and capital transactions and transactions potentially giving rise to a conflict of interests, that is, intra-group transactions and related party transactions: the associated companies Montirone S.r.l. and Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd, as well as any other activities or transaction considered to be significant and/or relevant to the management of the company.

1. INFORMATION REGARDING THE MOST SIGNIFICANT ECONOMIC, FINANCIAL AND CAPITAL TRANSACTIONS UNDERTAKEN BY THE COMPANY

On the basis of the information received, the analyses and controls performed, it emerged that no transactions of any particular significance were carried out during the financial period 2022, either directly by the Company or through its subsidiaries. It is pointed out, in particular, that, during the period under examination (2022), factory premises not used for production purposes were sold and advance payments were made on the installation of a new 640Kw photovoltaic plant at the factory in Zola Predosa. Plant and equipment were also purchased for routine replacements and the upgrading of the production line. Purchases of tangible assets increased during the year to a total of €/MLN 1.9. The disposal of assets related, in addition to the factory premises referred to above, to plant and equipment that had been fully depreciated and were no longer in use.

2. INFORMATION REGARDING THE EXISTENCE OF ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRA-GROUP TRANSACTIONS AND RELATED PARTY TRANSACTIONS

The Board of Statutory Auditors did not observe any transactions, during 2022 or subsequently, up to the date of this report, that may be defined as atypical and/or unusual, involving third parties or related parties, including members of the Group. Ordinary intra-group transactions are subject to normal market conditions and are

described in detail in the Management Report, in terms of type and economic and financial scope.

Intra-group transactions represented normal business transactions. Dealings with the foreign subsidiary, Marzocchi Pumps USA Corp. - a company incorporated under United States law - related to technical and sales assistance and the sale of the parent company's products to be placed on the North American market. Dealings with the associate company, Marzocchi Symbridge Hydraulic (Shanghai) Co. Ltd - a company incorporated under Chinese law - related to sales assistance and the sale of Marzocchi Pompe S.p.A. products in the Far East, and, more precisely, the Chinese market.

It is expressly stated in the accounts that all the aforementioned transactions were concluded subject to market conditions. In the performance of its control activities, the Board of Statutory Auditors acknowledged, with the advice of the auditing firm PwC SpA on the subject, acknowledged that the transactions described under this heading were consistent, in terms of the amount involved and the operating procedures adopted, and were carried out in the Company's economic interests.

3. ASSESSMENT OF THE ADEQUACY OF THE INFORMATION PROVIDED BY THE DIRECTORS REGARDING ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRA-GROUP TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the financial period 2022, the Directors periodically provided full and adequate information on the operations carried out, the most significant transactions, from a management and operating point of view, and on intra-group transactions and/or transactions with associated companies. They also referred that there had been no transactions that may be defined as atypical and/or unusual, involving third parties or members of the "Group", as defined by current legislation.

4. AUDITOR'S REPORT

In its auditor's report, the company PwC SpA made findings and references regarding the quality and completeness of disclosures, made no reservations, objections or comments on any irregularities or critical issues in either the company's internal control or administrative procedures that could have a substantial effect on the reliability, accuracy or completeness of the disclosures and information given for the purpose of auditing the accounts, the financial statement and the consolidated financial statement.

The company PwC SpA issued its reports dated 12 April 2023 in accordance with art. 14 of Legislative Decree no. 39 of 27 January 2010, in which it expressed a positive view of the financial statement and the consolidated financial statement, confirming that these documents had been prepared in accordance with legislative provisions and in keeping with generally accepted principles, and that they provide a true, correct indication of the company's assets and liabilities and financial situation, and the economic results recorded.

PwC SpA expressed its opinion, in its reports accompanying the financial statements, regarding the management reports, which, in the auditing firm's opinion, was consistent with the financial statement and with the consolidated financial statement and had been drafted in accordance with the law.

5. INFORMATION REGARDING ANY COMPLAINTS MADE PURSUANT TO ARTICLE 2408 OF THE ITALIAN CIVIL CODE AND MEASURES TAKEN TO DEAL WITH THEM

The Board of Statutory Auditors did not receive any complaints from Shareholders pursuant to article 2408 of the Italian Civil Code during the year 2022 or up to the date of this report, and no measures were therefore taken in this regard.

6. INFORMATION REGARDING THE SUBMISSION OF ANY STATEMENTS AND MEASURES TAKEN TO DEAL WITH THEM

The Board of Statutory Auditors did not receive any reports of incidents and/or statements from Shareholders during the year 2022 or up to the date of this report; nor was it made aware of any reports of incidents and/or statements submitted to the company by third parties and no measures were therefore taken in this regard.

7. INFORMATION REGARDING ANY FURTHER INSTRUCTIONS GIVEN TO THE AUDITING FIRM AND THE RELATED COSTS

We point out that the Board of Statutory Auditors is not aware of any further instructions given during the year 2022 to the auditing firm PwC SpA. The company in question earned the total sum of €40 ML for the work it carried out in the financial period 2022, which includes expenses and reimbursements. The company PwC SpA certified, in its reports on the financial statement and the consolidated financial statement, that it is independent of the Company, in keeping with principles and rules on ethics and independence applicable to audits of financial statements under Italian auditing regulations.

8. INFORMATION REGARDING ANY FURTHER INSTRUCTIONS GIVEN TO SUBJECTS LINKED BY ONGOING RELATIONS TO THE AUDITING FIRM AND THE RELATED COSTS

The Board of Statutory Auditors is not aware of any further instructions given during the financial period 2022 to subjects linked by ongoing relations to the auditing firm PwC SpA.

9. INFORMATION REGARDING THE EXISTENCE OF OPINIONS ISSUED IN ACCORDANCE WITH THE LAW DURING THE FINANCIAL PERIOD 2022

Within its sphere of competence, the Board of Statutory Auditors has not, during its term of office, up to the date of this report, expressed an opinion required by law, with the sole exception of an opinion expressed pursuant to Article 2389 of the Italian Civil Code regarding remuneration payable to Directors holding particular offices.

The Board of Statutory Auditors also consented to the reporting of “Establishment and expansion costs” totalling €/ML 344.4, in the accounts amongst assets, treating it as a multi-year cost item, in accordance with the provisions contained in art. 2426(1)(5) of the Italian Civil Code.

The Board of Statutory Auditors did not report any matter to the managing body during the year within the meaning and for the purposes envisaged in art. 15 of Decree Law no. 118/2021 or within the meaning and for the purposes envisaged in art. 25 octies of Legislative Decree no. 14 of 12 January 2019, referred to as the Corporate Crisis and Insolvency Code, nor were any reports received from public creditors within the meaning and for the purposes envisaged in art. 25 novies of the aforementioned Legislative Decree no. 14/2019 or within the meaning and for the purposes envisaged in art. 30 sexies of Decree Law no. 152 of 6 November 2021, converted by Law no. 233 of 29 December 2021, as amended. In fact, the Company performed its obligations promptly and punctually at all times, in particular those towards the tax and welfare authorities.

The Board of Statutory Auditors also acknowledges that the Company has supplied the information required in the Explanatory notes regarding its transparency and disclosure obligations relating to subsidies, contributions and/or economic benefits received on any basis from public administrations and/or bodies, provided for in art. 1(125-129) of Law no. 124 of 4 August 2017.

10. INFORMATION REGARDING THE REGULARITY AND NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS AND BY THE BOARD OF STATUTORY AUDITORS

For more detailed information regarding the activities conducted by the company, we indicate the number of meetings of the corporate bodies set out below, held during the financial period 2022:

- The Board of Directors met with a regularity that enabled it to provide an

adequate amount of information regarding company developments and future prospects. The Board held “virtual” meetings, using the Microsoft Teams platform. A total of 4 meetings were held by the Board of Directors on the following dates: 24 January, 30 March, 25 July and 30 September 2022.

- The Board of Statutory Auditors met more frequently than required by law (every 90 days). A total of 6 meetings of the Board of Statutory Auditors were held. The meetings were held on the following dates: 26 January, 08 February, 12 April, 11 July, 30 September and 23 December 2022. Meetings were held pursuant to art. 2404 of the Italian Civil Code, as well as that held to draw up the report in accordance with art. 2429(2) of the Italian Civil Code. The Board of Statutory Auditors also attended the meetings of the Board of Directors, and guaranteed its participation in ordinary general meetings convened by the Company. It also attended “virtual” meetings with top management and with representatives from the auditing firm, Nicola Madureri and Paola Manferdini.

11. OBSERVATIONS REGARDING COMPLIANCE WITH THE PRINCIPLES OF GOOD MANAGEMENT

In the opinion of the Board of Statutory Auditors, the Company is managed in accordance with the law and the articles of association. The powers and mandates, as they have been conferred, appear to be appropriately formulated, in the light of the size of the Company and operations carried out. No findings and/or observations regarding the company’s management activities have been made either by us or any other company body vested with specific supervisory powers. The Board of Statutory Auditors emphasises that, to the extent that it is responsible, it examined and supervised compliance with the principles of good management, by making direct observations, collecting information from heads of

company departments, meetings, including virtual meetings, with the Board member dealing with administration and finance, and with the persons responsible in the auditing firm, in order to provide for a mutual exchange of information.

In particular, with regard to the procedures adopted by the Board of Directors to pass resolutions, the Board of Statutory Auditors verified, also by attending “virtual” meetings held by the Board, that the management choices made by the Directors complied with the law and the articles of association and that the relevant decisions were backed up by analyses and opinions - produced internally or, whenever necessary, by professional advisers and/or external companies - and were, above all, correctly adopted and reflected the interests of the Company.

12. OBSERVATIONS REGARDING THE COMPANY’S ORGANISATIONAL STRUCTURE

To the extent that it is responsible, the Board of Statutory Auditors also examined and monitored the adequacy of the Company’s organisational structure and its functioning.

It was found that the Company’s organisational structure adequately met the operating and communication needs involved in keeping the market promptly and effectively informed, in its role as a Euronext Growth Milan listed company (formerly AIM).

Following the amendment made to the CONSOB (the Italian Securities Exchange Commission) Regulation: “procedure for related party transactions”, the Company approved the relevant modification, as early as June 2021.

On our part, we therefore have no findings or observations to report regarding the organisational structure or the procedures adopted by the Company.

13. OBSERVATIONS REGARDING THE ADEQUACY OF THE INTERNAL CONTROL SYSTEM

The Board of Statutory Auditors assessed and monitored the adequacy of the

Company's internal control system, also through periodic "virtual" meetings with (i) Top Management (ii) the Person Responsible in the Auditing Firm (iii), and also by obtaining corporate documents and periodic reports, finding that the system did not reveal any particular problems worthy of comment.

The system regulating administrative and controlling roles at first and second levels is run by the company's own internal resources.

The system is based on a well-defined set of functions, tasks and roles. Every procedure is based on a system of parameters and benefits from a periodic flow of information that gauges its efficiency and effectiveness and brings to light any anomalies/ errors and/or deviations. The internal control system is based on a series of management procedures that have already been implemented and tested, including the SAP system and software programmes that enable corporate controls and operations to be carried out that more effectively reflect the specific needs arising.

14. OBSERVATIONS REGARDING THE ADMINISTRATION AND ACCOUNTING SYSTEM AND ITS RELIABILITY IN PROVIDING A CORRECT REPRESENTATION OF MANAGEMENT-RELATED ISSUES

The Board of Statutory Auditors assessed and oversaw the adequacy of the administrative and accounting system, and its reliability in providing a correct representation of management-related issues, by collecting information from the heads of the competent departments, and has nothing to report in this area.

The auditing firm, PwC SpA, controlled the administrative and accounting procedures without making any findings regarding their reliability. It also verified whether management-related issues were correctly reported in the accounts and the information and valuation criteria adopted in the drafting of the financial statement and consolidated financial statement were complete, and did not report any particular findings and/or have any comments.

15. OBSERVATIONS REGARDING THE ADEQUACY OF INSTRUCTIONS GIVEN TO SUBSIDIARIES

The Board of Statutory Auditors monitored the adequacy of the instructions given by the Company to its subsidiaries, in particular, Marzocchi Pumps USA Corp.; the other subsidiary, Marzocchi (Shanghai) Trading Co. Ltd, no longer operates.

On the basis of the close functional and operational ties involved, and also taking into account the contact subjects at the subsidiaries, the flow of information is constantly monitored, backed up by appropriate documentation and accounting tables and statements utilised in the management of the subsidiaries.

16. OBSERVATIONS REGARDING MEETINGS HELD WITH THE INDEPENDENT AUDITORS

The Board of Statutory Auditors verified, with direct inspections and information obtained from the auditing firm, PwC SpA, whether the Company complied with laws and regulations regarding the drafting and format of the financial statement, the consolidated financial statement and the management reports.

The Board of Statutory Auditors held meetings with the partner at the auditing firm instructed to deal with the auditing of the accounts pursuant to art. 2409 bis, of the Italian Civil Code, and the auditing of the statutory financial statement and the consolidated financial statement, providing for a beneficial exchange of information, as required by current legislation.

No anomalies, issues or omissions on the part of the person responsible for Auditing, Nicola Madureri, arose during these meetings. On our part, we informed the partner at PwC SpA of the work carried out by the Board of Statutory Auditors and of any relevant events of particular significance involving the company brought to our attention.

17. FINAL ASSESSMENT OF THE ACTIVITIES CONDUCTED BY THE COMPANY

To the Shareholders,

concluding this report, we wish to confirm that we performed our supervisory duties with the full cooperation of the company bodies, the persons in charge of administration and management and the auditing firm.

We did not detect any omissions, reprehensible actions, imprudent transactions or irregularities to be reported; our supervisory and monitoring activities did not therefore reveal any significant facts or events worthy of mention to be drawn to your attention.

18. PROPOSALS PUT FORWARD TO THE GENERAL MEETING

To the Shareholders,

having taken note of the results reported in the financial statement closing 31 December 2022, that recorded a profit of € 2,089,251, the Board of Statutory Auditors has no objection to the following resolutions put forward by the Board of Directors: (i) the approval of the financial statement in the version submitted; (ii) the proposal to allocate the profit recorded for the financial period as follows: € 104,462.55 to Legal reserve, € 47,007.98 to the Reserve set up pursuant to art. 2426 of the Italian Civil Code and € 1,937,780.47 to Extraordinary reserve; (iii) the proposal to then distribute a dividend of € 0.15 for every ordinary outstanding share, to be taken from the extraordinary reserve.

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To the Shareholders,

concluding our report, we would like to extend our warmest thanks to all those who assisted us with our work and to yourselves for the trust and esteem shown to us when we were appointed.

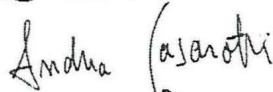
Bologna/Padova, 12 April 2023

The Board of Statutory Auditors

(Romano Conti)



(Andrea Casarotti)



(Stefano Favalletti)

