

Biesse S.p.A.

2021

ANNUAL REPORT

THE BIESSE GROUP	7
GROUP STRUCTURE	7
GROUP PROFILE	8
ALTERNATIVE PERFORMANCE INDICATORS	8
FINANCIAL HIGHLIGHTS	9
COMPOSITION OF CORPORATE BODIES	11
DIRECTORS' REPORT ON OPERATIONS	12
GENERAL ECONOMIC OVERVIEW	12
BUSINESS SECTOR REVIEW	13
2021 TREND	15
2021 MAIN EVENTS	16
INCOME STATEMENT HIGHLIGHTS	18
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS	21
MAIN RISKS AND UNCERTAINTIES TO WHICH BIESSE S.P.A. AND THE GROUP ARE EXPOSED	23
CORPORATE GOVERNANCE	27
RECONCILIATION BETWEEN THE PARENT'S EQUITY AND RESULTS AND CONSOLIDATED EQUITY AND RESULTS	28
TRANSACTIONS WITH ASSOCIATES, PARENTS AND THE LATTER'S SUBSIDIARIES	28
OTHER RELATED-PARTY TRANSACTIONS	29
INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU	30
SHARES IN BIESSE AND/OR ITS SUBSIDIARIES, HELD DIRECTLY OR INDIRECTLY BY MEMBERS OF THE BOARD OF DIRECTORS, THE BOARD OF STATUTORY AUDITORS AND THE GENERAL MANAGER, AS WELL AS BY THEIR RESPECTIVE SPOUSES WHERE NOT LEGALLY SEPARATED AND BY THEIR MINOR CHILDREN	31
SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND OUTLOOK	32
DIRECTORS' REPORT ON OPERATIONS OF BIESSE S.P.A.	33
RELATED-PARTY TRANSACTIONS	37
OTHER INFORMATION	37
PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING	37
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021	39
CONSOLIDATED INCOME STATEMENT	39
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	40
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	41
CONSOLIDATED STATEMENT OF CASH FLOWS	42
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	43
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	44
1. GENERAL INFORMATION	44
2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND GENERAL STANDARDS	46
3. MEASUREMENT CRITERIA AND USE OF ESTIMATES	48
4. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA ADOPTED	49
A. CONSOLIDATION CRITERIA	49

B.	FOREIGN CURRENCY TRANSACTIONS	52
C.	REVENUE RECOGNITION	52
D.	GOVERNMENT GRANTS.....	52
E.	EMPLOYEE BENEFITS.....	53
F.	COSTS AND CHARGES	53
G.	FINANCE INCOME AND EXPENSE.....	53
H.	INCOME TAXES	53
I.	EARNINGS PER SHARE.....	54
J.	PROPERTY, PLANT AND EQUIPMENT OWNED BY THE GROUP	54
K.	RIGHT OF USE AND LEASING LIABILITIES	55
M.	FINANCIAL ASSETS AND LIABILITIES	57
N.	PROVISIONS FOR RISKS AND CHARGES.....	59
O.	INVENTORIES	59
P.	CASH AND CASH EQUIVALENTS.....	60
Q.	SHARE CAPITAL.....	60
R.	IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS.....	60
5.	ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS	61
a)	ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED AS OF 1 JANUARY 2021.....	61
b)	ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP AS AT 31 DECEMBER 2021	61
c)	ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION.....	62
6.	REVENUE AND ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHICAL AREA	62
7.	REVENUE	65
8.	OTHER INCOME	66
9.	CONSUMPTION OF RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS.....	66
10.	PERSONNEL EXPENSE	66
11.	AMORTISATION, DEPRECIATION, IMPAIRMENT AND PROVISIONS	67
12.	OTHER OPERATING EXPENSE.....	68
13.	FINANCE INCOME AND EXPENSES AND EXCHANGE RATE GAINS AND LOSSES	69
14.	BASIC AND DILUTED EARNINGS PER SHARE	69
15.	PROPERTY, PLANT AND EQUIPMENT.....	71
16.	RIGHT-OF-USE ASSETS AND LEASE LIABILITIES	71
17.	GOODWILL.....	73
18.	INTANGIBLE ASSETS	76
19.	OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS.....	77
20.	INVENTORIES	77
21.	TRADE RECEIVABLES	78
22.	OTHER RECEIVABLES.....	79
23.	CASH AND CASH EQUIVALENTS.....	79
24.	CONSOLIDATED EQUITY	80

25. FINANCIAL LIABILITIES	81
26. EMPLOYEE BENEFITS.....	83
27. INCOME TAXES	84
28. PROVISIONS FOR RISKS AND CHARGES.....	86
29. TRADE PAYABLES	86
30. CONTRACT LIABILITIES	87
31. OTHER CURRENT AND NON-CURRENT PAYABLES.....	87
32. FINANCIAL ASSETS/LIABILITIES FOR DERIVATIVE INSTRUMENTS.....	87
33. FINANCIAL RISK MANAGEMENT	88
Classification of financial instruments	91
34. BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND SALE OF EQUITY INVESTMENTS	92
35. RELATED-PARTY TRANSACTIONS	96
36. OTHER INFORMATION	97
37. EVENTS AFTER THE REPORTING DATE.....	98
38. ANNEXES.....	99
FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021 AND FINANCIAL STATEMENTS.....	103
SEPARATE INCOME STATEMENT AS AT 31 DECEMBER 2021	103
SEPARATE STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021	103
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021	104
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021	105
SEPARATE STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2021	106
SEPARATE STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021	107
NOTES TO THE FINANCIAL STATEMENTS.....	108
1. OVERVIEW.....	108
2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS	108
3. MEASUREMENT CRITERIA AND USE OF ESTIMATES	109
4. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA ADOPTED	111
A. Foreign currency transactions.....	111
B. Revenue recognition.....	111
C. Government grants.....	112
D. Employee benefits.....	112
E. Costs and charges.....	112
F. Exchange rate gains and losses.....	112
G. Income taxes.....	113
H. Owned property, plant and equipment.....	113
I. Right-of-use assets and lease liabilities.....	114
J. Intangible assets and Goodwill.....	115
K. Investments.....	116
L. Financial assets and liabilities	116
M. Provisions for risks and charges.....	118
N. Inventories	118

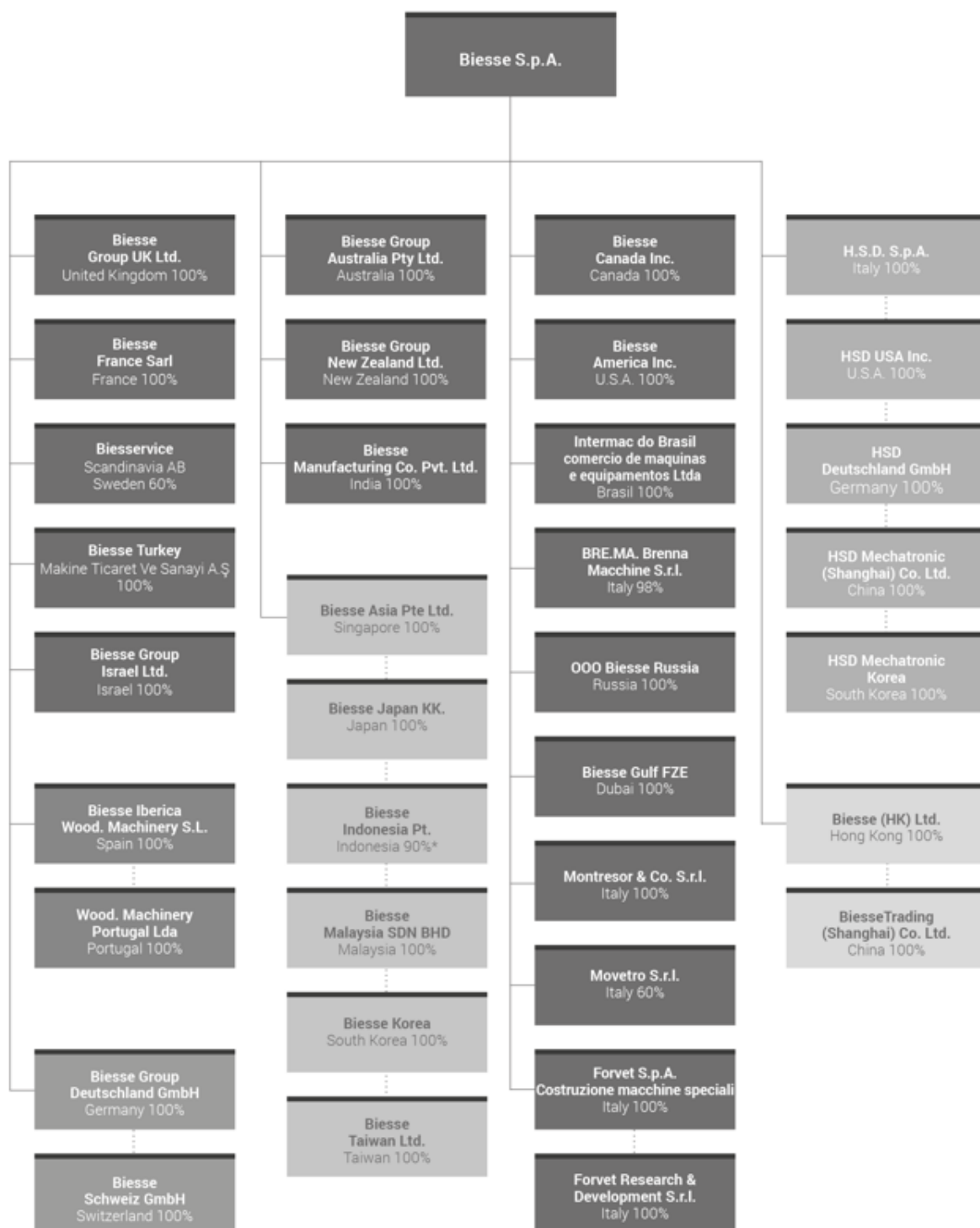
O. Cash and cash equivalents	119
P. Share capital	119
Q. Impairment losses on property, plant and equipment and intangible assets	119
5. Adoption of new accounting standards, amendments and IFRS interpretations.....	119
a) ACCOUNTING STANDARDS, AMENDMENT AND IFRS INTERPRETATION APPLIED AS OF 1 JANUARY 2021	119
b) ACCOUNTING STANDARDS, AMENDMENT AND IFRS INTERPRETATION ENDORSED BY THE EUROPEAN UNION BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY AS AT 31 DECEMBER 2021	120
c) ACCOUNTING STANDARDS, AMENDMENT AND IFRS INTERPRETATION NOT YET ENDORSED BY THE EUROPEAN UNION.....	120
6. REVENUE FROM SALES AND SERVICES AND OTHER OPERATING INCOME.....	122
7. ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHICAL SEGMENT	124
8. CONSUMPTION OF RAW MATERIALS AND CONSUMABLES.....	124
9. PERSONNEL EXPENSE.....	125
10. OTHER OPERATING EXPENSE.....	126
11. IMPAIRMENT LOSSES	129
12. PROFITS/LOSSES OF RELATED COMPANIES	129
13. FINANCE INCOME AND EXPENSE.....	130
14. DIVIDENDS	132
15. TAXES.....	132
16. PROPERTY, PLANT, EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT.....	133
17. GOODWILL.....	134
18. OTHER INTANGIBLE ASSETS.....	137
19. EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	138
20. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES.....	140
21. INVENTORIES	141
22. TRADE RECEIVABLES AND CONTRACT ASSETS DUE FROM THIRD PARTIES	141
23. TRADE RECEIVABLES AND CONTRACT ASSETS DUE FROM RELATED PARTIES.....	143
24. OTHER CURRENT ASSETS DUE FROM THIRD PARTIES	144
25. CURRENT FINANCIAL ASSETS DUE FROM THIRD PARTIES.....	144
26. CURRENT FINANCIAL ASSETS AND LIABILITIES DUE FROM RELATED PARTIES.....	145
27. CASH AND CASH EQUIVALENTS.....	145
28. SHARE CAPITAL AND TREASURY SHARES	146
29. SHARE CAPITAL RESERVES.....	146
30. OTHER RESERVES AND RETAINED EARNINGS	146
31. DIVIDENDS	147
32. POST-EMPLOYMENT BENEFITS	147
33. DEFERRED TAX ASSETS AND LIABILITIES.....	149
34. BANK OVERDRAFTS AND LOANS	149
35. FINANCE LEASE LIABILITIES.....	150
36. NET FINANCIAL POSITION	151
37. PROVISIONS FOR RISKS AND CHARGES.....	152

38. TRADE PAYABLES TO THIRD PARTIES	152
39. TRADE PAYABLES TO RELATED PARTIES	152
40. CONTRACT LIABILITIES DUE TO THIRD PARTIES	154
41. CONTRACT LIABILITIES DUE TO RELATED PARTIES	154
42. OTHER LIABILITIES DUE TO THIRD PARTIES	155
43. OTHER CURRENT ASSETS AND LIABILITIES DUE FROM/TO RELATED PARTIES	155
44. INCOME TAX PAYABLES	156
45. FINANCIAL ASSETS AND LIABILITIES FROM DERIVATIVE INSTRUMENTS	156
46. CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES	157
47. RISK MANAGEMENT AND CLASSIFICATION OF FINANCIAL INSTRUMENTS	157
Classification of financial instruments	161
48. TRANSACTIONS NOT INVOLVING CHANGES IN CASH FLOWS AND RECONCILIATION OF CASH FLOWS	161
49. ATYPICAL OR UNUSUAL TRANSACTIONS	162
50. RELATED-PARTY TRANSACTIONS	162
51. OTHER INFORMATION	164
52. EVENTS AFTER THE REPORTING DATE	164
53. GOVERNMENT GRANTS PURSUANT TO ART. 1, PARAGRAPHS 125-129 OF LAW NO. 124/2017	164
54. REMUNERATION OF DIRECTORS, GENERAL MANAGERS, MANAGERS WITH STRATEGIC RESPONSIBILITIES AND MEMBERS OF THE BOARD OF STATUTORY AUDITORS	166
55. PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING	167
APPENDIXES 2021 Financial Statements	169
REPORTS	177
REPORT ON THE AUDIT ON THE CONSOLIDATED FINANCIAL STATEMENT	177
REPORT ON THE AUDIT ON THE FINANCIAL STATEMENT	186
REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDER'S MEETING	192

THE BIESSE GROUP

GROUP STRUCTURE

The following companies belong to the Biesse Group and are included in the scope of consolidation:



* Il restante 10% è detenuto direttamente da Biesse S.p.A.
The remaining 10% is owned directly by Biesse S.p.A.

Note: the different colours represent the subgroups of the control chain

GROUP PROFILE

The Biesse Group is a leading multinational in the processing of wood, glass, stone, plastic and metal. It designs, makes and distributes machinery, integrated systems and software for manufacturers of furnishings, windows and doors, building components, boats and planes. It invests 3% of its annual turnover in research and development and has filed over 250 patents. It operates through 14 industrial plants, 35 branches and exports 80% of its production. Among its customers are the most prestigious brands in Italian and international design. It was founded in Pesaro in 1969 by Giancarlo Selci and since June 2001 it has been listed in the Euronext Star segment managed by Borsa Italiana. It now has more than 4,300 employees distributed across the main production and distribution sites located in Pesaro, Gradara, Padua, Villafranca (province of Verona), Thiene (province of Vicenza), Alzate Brianza (province of Como), Volvera (TO), Bangalore and the branches/representative offices in Europe, North America, Latin America, Middle and Far East Asia, and Oceania.

Compared with the financial statements for the year ended 31 December 2020, the consolidation scope changed following the establishment of the new commercial branches Biesse Japan KK, which is a subsidiary of Biesse Asia Pte Ltd and Biesse Group Israel Ltd., operating in marketing and post-sales assistance for the Group's machinery. The sale of the stake in Dongguan Korex Machinery Co. Ltd. and the purchase of an additional stake in Viet Italia S.r.l. (through which its controlling stake goes from 85% to 100%) should be noted, both transactions completed in April 2021. The main change in consolidation scope concerns the fact that on 11 October 2021 the contract for the acquisition of 100% of the shares in Forvet S.p.A. Costruzione Macchine Speciali, a company based in Volvera (TO) producing special automated machines for glass processing, was signed, while on 2 November 2021 the transfer of the respective shares to Biesse S.p.A. was completed, with consequent inclusion in the consolidation scope starting from that date. Finally, on 27 December 2021, Biesse Austria GmbH (a subsidiary of Biesse Deutschland Group GmbH) was definitively liquidated and closed.

In addition, on 30/06/2021 the merger process of the subsidiaries Viet Italia S.r.l. and Bsoft S.r.l. into the parent company Biesse S.p.A. was completed, while in December 2021 the merger process of the subsidiary Uniteam S.p.A. was concluded, even if these transactions are irrelevant from the point of view of the effects on the consolidated financial statements.

ALTERNATIVE PERFORMANCE INDICATORS

Management uses some performance indicators, which are not identified as accounting measures under the IFRS (non-GAAP measures), to enable a better assessment of the Group's performance. The criterion applied by the Group to set these indicators might not be the same as that adopted by other groups and the indicators might not be comparable with those set by the latter. These performance indicators, which were set in compliance with the Guidelines on performance indicators issued by ESMA/2015/1415 and adopted by CONSOB with its communication No. 92543 of 3 December 2015, refer to performance in the accounting period covered by this Annual Report on Operations and the year used for comparison.

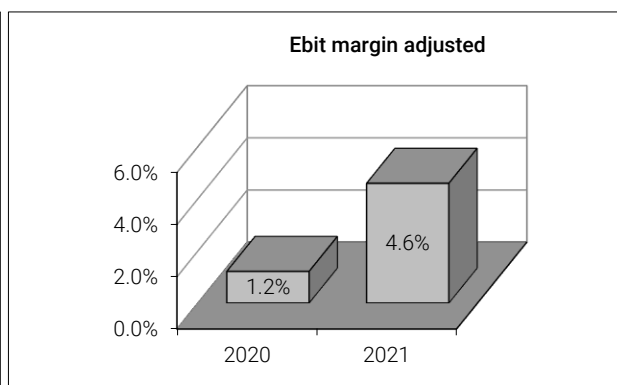
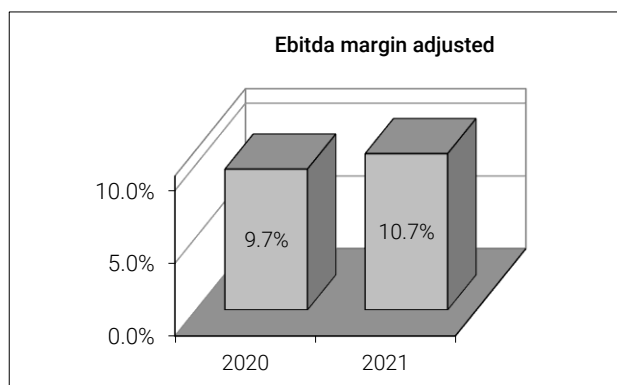
The performance indicators must be considered as complementary and do not replace of the information prepared in accordance with the IFRS. Hereafter is a description of the main indicators adopted.

- **Value Added:** this indicator is defined as the Profit (Loss) for the year before income taxes, finance income and expense, exchange rate gains and losses, amortisation of intangible assets, depreciation of property, plant and equipment, impairment losses on fixed assets, allocations to provisions for risks and charges, costs and revenues arising from transactions that are considered by Management as non-recurring relative to the Group's ordinary operations, as well as personnel expense.
- **Adjusted EBITDA (Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation):** this indicator is defined as the Profit (Loss) for the period before income taxes, finance income and expense, exchange rate gains and losses, amortisation of intangible assets, depreciation of property, plant and equipment, impairment losses on fixed assets, allocations to provisions for risks and charges, as well as costs and revenues arising from transactions that are considered by Management as non-recurring relative to the Group's ordinary operations.
- **Adjusted EBIT (Adjusted Earnings Before Interest and Taxes):** this indicator is defined as the Profit (Loss) for the year before income taxes, finance income and expense, exchange rate gains and losses, impairment losses on fixed assets, as well as costs and revenues arising from transactions that are considered by Management as non-recurring relative to the Group's ordinary operations.

- Net Operating Working Capital: this indicator is calculated as the total of Inventories, Trade receivables and Contract assets, net of Trade payables and Contract liabilities.
- Net Working Capital: this indicator is calculated as the total of Net Operating Working Capital and other Current Assets and Liabilities including Provisions for short-term risks and charges.
- Net Invested Capital: this indicator represents the total of Current and Non-Current Assets, excluding financial assets, net of Current and Non-Current Liabilities, excluding financial liabilities.
- Net Financial Position: this indicator is calculated in accordance with the provisions contained in Communication No. 5/21 of 29 April 2021 issued by Consob which refers to the ESMA Recommendations of 4 March 2021.

FINANCIAL HIGHLIGHTS

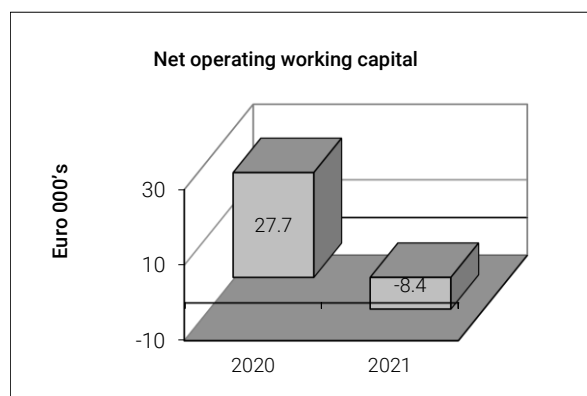
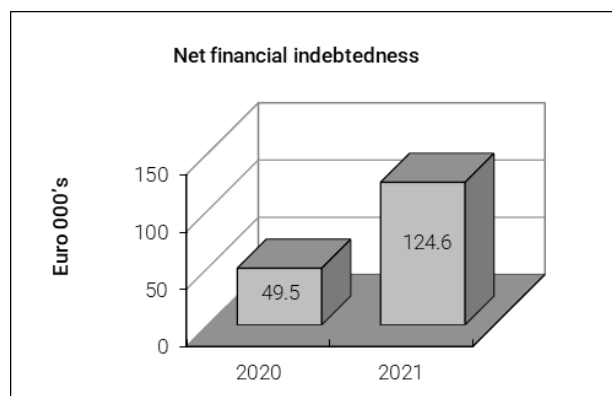
	31 December 2021	% on sales	31 December 2020	% on sales	Change %
<i>Euro 000's</i>					
Revenue from sales and services	742,199	100.0%	578,789	100.0%	28.2%
Normalised Added value (1)	312,091	42.0%	247,194	42.7%	26.3%
Ebitda adjusted	79,672	10.7%	55,985	9.7%	42.3%
Ebit adjusted (1)	34,064	4.6%	7,014	1.2%	-
Ebit (1)	45,721	6.2%	6,223	1.1%	-
Profit/Loss for the period	34,195	4.6%	2,455	0.4%	-



Statement of financial position data and financial ratios

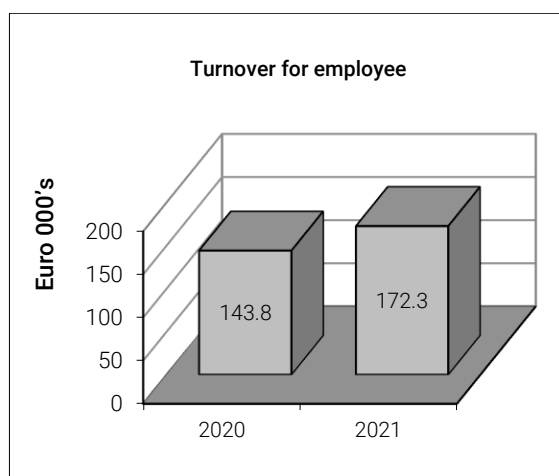
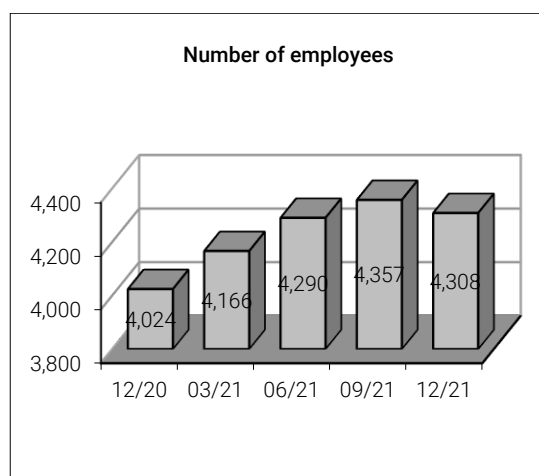
	31 December 2021	31 December 2020
<i>Euro 000's</i>		
Net invested capital (1)	123,722	165,270
Equity	249,217	214,812
Net financial position (1)	124,603	49,543
Net operating working capital (1)	(8,375)	27,744
Fixed asset/standing capital ratio	1.16	1.08
Order intake	378,213	204,130

(1) The criteria for determining amounts relating to interim results and aggregate equity and financial data are described in the Directors' Report on Operations and the Notes to the Financial Statements.



	31 December 2021	31 December 2020
Number of employees at year end	4,308	4,024

* the figure includes temporary staff.



COMPOSITION OF CORPORATE BODIES

Board of Directors

Chairman	Giancarlo Selci
Chief Executive Officer	Roberto Selci
Co-Chief Executive Officer	Massimo Potenza
Non-executive director	Alessandra Baronciani
Lead Independent Director	Rossella Schiavini
Independent Director	Ferruccio Borsani
Independent Director	Federica Ricceri

Board of Statutory Auditors

Chairman	Paolo De Mitri
Standing Statutory Auditor	Giovanni Ciurlo
Standing Statutory Auditor	Enrica Perugia
Alternate Statutory Auditor	Silvia Muzi
Alternate Statutory Auditor	Maurizio Gennari

Control and Risks Committee – Remuneration Committee

Federica Ricceri
Rossella Schiavini

Related-Party Transactions Committee

Ferruccio Borsani
Rossella Schiavini

Independent Auditors

Deloitte & Touche S.p.A.

DIRECTORS' REPORT ON OPERATIONS

GENERAL ECONOMIC OVERVIEW

GLOBAL ECONOMIC TREND

Global economic activity continued to show good resilience in the fourth quarter of last year. Survey data point to robust economic growth towards the end of 2021. Bottlenecks along supply chains have shown tentative signs of easing, in a context of increased uncertainty due to pandemic developments. In the last two months of 2021, there was an improvement in supplier delivery times worldwide. At the same time some improvements were reversed in January, and supplier delivery times now remain close to the extreme values observed during the global lockdown in Q2 2020. Maritime transport costs on some major trade lines are falling, and global automotive production recovered slightly in Q4 2021. The global composite Purchasing Managers' Index (PMI) for goods excluding the Euro area remained stable and above its long-term average in Q4 2021, reflecting stable demand. Nevertheless, outbreaks of the more contagious Omicron variant began to affect the service sector in major economies, including the UK, in December. With the significantly tighter measures to contain the coronavirus (COVID-19) in many countries at the turn of the year, a temporary slowdown in economic activity is expected in the first quarter of 2022, as already indicated by the weakening of the manufacturing PMI in the January data. Global price pressures remained high in November. In the member countries of the Organisation for Economic Cooperation and Development (OECD), 12-month inflation measured by the consumer price index rose to 5.8% in November. While energy goods inflation reached its highest level for forty years, inflation excluding energy goods and food also rose to 3.8% in November, from 3.2% in the previous month. Looking ahead, global inflationary pressures should ease during the course of the year, as energy prices are expected to moderate from their current high levels.

UNITED STATES

In the US, economic activity continued to hold up well, with increased short-term risks to the outlook due to the escalating pandemic. Annualised GDP growth rose to 6.9 per cent in the fourth quarter of 2021, driven in part by a strong increase in inventories, while private consumption accelerated the pace of growth to pre-pandemic rates. The increase in consumption was mainly driven by services. At the same time, the emergence of the Omicron variant is expected to weigh on the latter, although the expected impact should remain mostly limited to the first quarter of 2022. At the same time, conditions in the labour market remain tight, in the face of labour shortages. Tensions in the labour market have resulted in intensifying wage pressures. Overall 12-month consumer inflation rose to 7.0% in December, marking the highest pace of growth since 1982. Energy commodity prices remain an important driver, with persistent supply-side bottlenecks continuing to contribute to price increases. In response to tight labour market conditions and high inflation, the Federal Reserve signalled a more restrictive stance at its December meeting. The gradual reduction in monthly purchases of financial assets accelerated pace from January 2022, and an increase in interest rates is expected later in the year.

JAPAN

In Japan, the recovery of the economy picked up in the fourth quarter of 2021. After the contraction observed in the summer of last year, economic activity remained stable in the fourth quarter, mainly supported by pent-up demand. The manufacturing sector experienced a significant recovery towards the end of 2021, partly reflecting the increase in production in the automotive sector. While the recovery is expected to continue in the first quarter of 2022, the emergence of the Omicron variant has been an obstacle to growth. December PMI levels declined slightly in both manufacturing and services, perhaps signalling a moderation in the recovery amid continued supply-side pressures and concerns about the spread of the new variant.

UNITED KINGDOM

In the UK, economic activity, while recovering, is expected to remain subdued in the fourth quarter. In November, real activity surpassed pre-pandemic levels for the first time, thanks to growing momentum across all industrial sectors. The manufacturing and construction sectors rebounded as raw materials became easier to source and disruptions along supply chains began to subside. With the further setback related to the Omicron variant expected to take effect in December, the pace of recovery in Q4 is likely to remain weak. There was a further increase in inflation in December, with annual consumer inflation rising to 5.4% in December, from 5.1% in November. Inflation excluding food and energy also rose to 4.2% in December, from 4.0% in the previous month. Inflationary pressures have spread to most sectors and are expected to remain sustained in the coming months. The Bank of England raised key rates from 0.1% to 0.25% at its December monetary policy meeting, taking into account increasingly tight labour market conditions and signs of continued domestic price pressures.

CHINA

In China, expansionary momentum remains fragile. In the fourth quarter of last year, China's GDP growth rose to 1.6% on the previous quarter, bringing annual growth in 2021 to 8.1%. Monthly indicators, however, point to a slowdown in economic activity. Retail sales remained subdued towards the end of last year, underlining the difficulty of restoring consumption to pre-pandemic levels in the context of China's strict COVID-19 containment strategy. Turbulence in the residential property sector continued at the end of 2021, with sales growth in the residential property sector remaining negative in December and house prices weakening further. The emergence of the Omicron variant is posing risks to growth in the short term. Should an escalation of the pandemic result in higher infection rates, China's zero-COVID strategy could lead to significantly harsher containment measures, which would further burden economic activity.

EUROZONE

Real GDP growth in the Euro area slowed in the last quarter of last year, after two quarters of strong expansion, but reached its pre-pandemic level at the end of 2021. In the early part of 2022, economic activity and demand are likely to remain moderate for a number of reasons. Firstly, containment measures are affecting consumer services, in particular those that are more contact-intensive. That said, although infection rates are still very high, the impact of the pandemic on economic life is currently proving less damaging. Secondly, high energy costs are reducing the purchasing power of households and the profits of businesses, holding back consumption and investment. Finally, equipment, material and labour shortages in some sectors continue to hamper the production of manufactured goods, cause delays in construction and slow down the recovery in some segments of the service sector. There are signs that these bottlenecks may begin to subside, but they will continue for some time. As the labour market improves further, with more people in employment and fewer still benefiting from wage subsidies, households should be able to benefit from higher incomes and increase spending. Targeted fiscal measures to stimulate productivity and structural reforms, tailored to the conditions in different Euro area countries, remain key to effectively complementing the ECB's monetary policy. Risks to the economic outlook continue to be broadly balanced over the medium term. The economy could recover more strongly than expected if households save less than expected due to increased confidence. By contrast, although uncertainties about the pandemic have eased somewhat, geopolitical tensions have increased. In addition, persistently high energy costs could dampen consumption and investment more than expected. The timing of resolving supply-side bottlenecks poses an additional risk to growth prospects. Inflation has risen sharply in recent months, continuing its upward trajectory in January. This development is mainly driven by higher energy costs pushing up the prices of goods and services in many sectors, as well as by rising food prices. Inflation is likely to remain high for longer than previously expected, and then decline over the next year.

ITALY

Growth in Italy continued at a high pace in the third quarter of 2021, mainly supported by household consumption. GDP decelerated sharply in the fourth quarter, affected by the resurgence of the pandemic, in addition to persistent supply constraints for companies.

In the third quarter, GDP increased by 2.6% over the previous period (up from 2.7% in the second quarter), driven mainly by further strong expansion in household consumption. Starting in the spring, spending on trade, transport and accommodation services in particular picked up (helped by the easing of restrictive measures put in place during the height of the pandemic), leading to an acceleration of activity in the entire tertiary sector.

Based on the most recent indicators, GDP was reported to have decelerated significantly in the last quarter of 2021, increasing by 0.5% over the previous three months. This was mainly due to the impact on consumption caused by the resurgence of infections, in addition to persistent supply constraints related to the unavailability of certain raw materials and intermediate products at global level. The economic information available to date, of both a qualitative and quantitative nature, points to a slowdown in activity in both manufacturing and services. The composite Purchasing Managers' Index and the Purchasing Managers' Index of business confidence in the retail trade and market services sectors remained at historically high levels, but in the latter part of the year they were lower than their average levels in the summer.

BUSINESS SECTOR REVIEW

UCIMU – SISTEMI PER PRODURRE

In the fourth quarter of 2021, the machine tool order index compiled by the UCIMU-SISTEMI PER PRODURRE Research & Business Culture Centre showed an increase of 49.4% compared to the period October-December

2020. The absolute value of the index was 129.1 (base value of 100 in 2015). This is a record value never before recorded in history. The result was determined by both the positive trend of orders collected on the foreign market and the excellent feedback from the domestic market. In particular, orders collected abroad grew by 29% compared to the same period last year. The absolute value of the index stands at 101.5. On the domestic front, collected orders increased by 96.9%, for an absolute index value of 243.9. On a year-on-year basis, the order index increased by 70.1%, for an absolute value of 130.4. While there was a clear recovery in cross-border business, which resulted in a 43.6% increase in orders, with an absolute value of 112.7, there was a more than exponential increase in domestic orders, which were 166.6% higher than in 2020, with an absolute value of 182.7. It is not just the fourth quarter that performed exceptionally well, the same can be said for the entire year and all four quarters of 2021 compared to their respective reporting periods. Barbara Colombo, Chair of UCIMU-SISTEMI PER PRODURRE, stated: "2021 was a decidedly satisfactory year for Italian machine tool manufacturers, as demonstrated by the trend in the order index over the 12 months, whose growth was determined, on one hand, by the partial recovery of activity on international markets and, on the other, by the buoyancy of Italian demand supported, also, by the government's Transition 4.0 incentives". "This unexpected increase in orders, all concentrated in a very short period of time," said the president of UCIMU-SISTEMI PER PRODURRE, "combined with the great difficulty in finding raw materials and electrical and electronic components, due to the interruption of supply chains, especially in the Far East, is however putting a strain on our companies, which are forced to postpone the delivery of machinery ordered by customers, while waiting for the materials to arrive". "Sic stantibus rebus, machine tool manufacturers could find it difficult to ensure the delivery of machines ordered in 2021, within the deadline set for 30 June 2022, the deadline by which the customer can enjoy the tax benefits, as envisaged by the 2021 government measure. This is why," said Barbara Colombo, "we are asking the government authorities for immediate action to extend, by six months, the delivery terms for machinery ordered by the end of 2021, moving the deadline from 30 June 2022 to 31 December 2022. "The amendment to the measure would not imply any aggravation on the coffers of the State, it would instead be of great benefit to the entire manufacturing system of the country, which, engaged in the gradual process of digital transformation, certainly cannot stop the ongoing development, which is essential for maintaining the competitiveness of the industry." "In addition to this," continued Barbara Colombo, "there are two major problems that Italian manufacturers have to face and on which they are asking for special attention from the government authorities. The first relates to the production costs faced by the industry. We are witnessing skyrocketing prices for raw materials, components and energy, which we cannot pass on to our customers. For materials, the impact on our businesses is direct and therefore devastating. In the case of energy, the direct effect is less problematic, as the sector is certainly not classified as a major energy consumer, but it is still severe as it affects our upstream and downstream supply chain. "The second issue is the need to oversee foreign markets, where more than half of the sector's production is destined. In the specific case of machine tools, in addition to sales, which cannot be done remotely except in exceptional cases, there is also installation and testing, which requires the transfer of personnel. Unfortunately, however, quarantines, vaccines that are not recognised by the European Medicines Agency, swabs, and vague rules that are not shared between countries make this whole business very cumbersome. For this reason, we hope that the relevant government authorities will intervene to make the bureaucracy associated with travel and transfers more fluid".

ACIMALL – ITALIAN WOODWORKING TECHNOLOGY ASSOCIATION

2021 demonstrated in practice how the pandemic emergency also represented a phase of strong stimulation of production in many sectors. One of these is undoubtedly the world of machinery, plant, equipment and tools for processing wood and wood derivatives, which has experienced an extremely "stimulating" 2021, with a growth in orders that is hard to believe. The period October-December 2021 undoubtedly presented less "tumultuous" results than the other quarters, but still excellent. Orders grew by 41% over the same period in 2020, driven by an excellent plus 60% on the domestic market and 38.6% on world markets. This situation has a downside on the production front, which is affected by procurement difficulties, price increases and delays in the supply of raw materials and components that could affect the first part of this year. The quarterly survey carried out by the Acimall Research Office – the association that brings together wood technology manufacturers – on a significant statistical sample reveals that the order book is 6.1 months, a figure not seen in periodic analyses for a long time. The change in prices in 2021 is 5.2%. The figures for the last quarter of the year provide an overview of 2021: According to the Acimall Research Office, the collection of orders in the twelve months grew by 72% compared to 2020, the year in which the effects of the pandemic were most devastating. However, growth remains "significant" even when compared to the orders collected in 2019 (plus 44.1%). If we then compare the "quarter-on-quarter" figures – i.e. the period October-December 2021 compared to the same three months in 2019 – the increase in orders was 46.1%, thus perfectly in line with the result recorded for the whole of 2021.

A more than positive climate also prevailed in the qualitative survey, drawn up thanks to the responses of those interviewed, according to whom production was either positive (57% of the sample) or stationary (43%). It should be noted that no one reported a contraction. Employment showed similar figures: an increase for 57% of the sample, stable for the remaining 43%. Inventories were stable for 48% of the respondents, increasing for 24% and decreasing for 28%.

Looking to the future, the forecast survey confirms a strong tendency towards stability in the international market (76% of the sample), while 24% see further growth in the first three months of this year. The domestic market will remain at current levels according to 66% of respondents, continue to grow for 29%, and show signs of shrinkage for 5%.

2021 TREND

The second half of 2021 confirmed the positive results already shown during the first six months of the year. The encouraging increase in order intake recorded up to June, with a consequent increase in the related portfolio, continued in the following months of 2021, thanks to the policies to stimulate the economy and combat the pandemic, implemented by the governments of the main western countries. At the end of 2021, the Group had an order intake of € 733,373 thousand, up 55.5% compared to 2020, while the portfolio stood at € 378,213 thousand, up 85.3% compared to December 2020.

This performance was made possible by both the particularly positive market situation and the Group's widespread distribution network, which enabled it to respond promptly to the strong signs of reawakening from the reference market.

In this context, Biesse Group's revenue from sales and services as at 31 December 2021 amounted to € 742,199 thousand, up 28.2% on 2020. The increase concerned all the geographical areas of reference: Western Europe (32.3%), Asia-Oceania (38.5%), Eastern Europe (26.9%), North America (12.2%) and the Rest of the World (28.0%). Western Europe was once again the Group's largest market, generating € 288,765 thousand in turnover, i.e. 49.9% of the total. A breakdown of revenues by operating segment shows that Machine-Systems and Mechatronics increased by 28.2% and 33.7% respectively in 2020. (The percentage increase in the Mechatronics segment is 28.8% if only non-captive revenues are taken into account).

The above-mentioned rise in volumes was reflected in the operating result for the period, as indicated by Adjusted EBITDA, amounted to € 79,672 thousand, up by 42.3%. Adjusted EBIT improved as well (€ 34,064 thousand in 2021 compared to € 7,014 thousand in 2020), with a positive delta of € 27,050 thousand; as a percentage of revenue, it rose from 1.2% to 4.6%.

It should be noted that the Group's result for the current year is affected by "non-recurring events" and "impairment" that contribute positively to the result for a total of € 11,657 thousand. The main phenomenon is represented by the capital gain generated by the sale of the Chinese subsidiary Dongguan Korex Machinery Co. Ltd., partially offset by write-downs of development costs related to projects no longer deemed strategic.

The positive market environment also had an impact on the financial position, with inventories rising significantly to keep up with the influx of orders. This was more than offset by the increase in payables to suppliers and advances from customers, which caused net working capital to decline sharply. Finally, the acquisition of Forvet is the most significant change in cash outflows for investments in business combinations, which was more than offset by the proceeds from the sale of the Chinese stake finalised in early 2021.

As regards the financial situation, net operating working capital decreased by € 36,119 thousand compared to December 2020. Trade Receivables and Contract Assets, amounting to € 125,962 thousand, increased by € 23,087 thousand (22.4%), following the growth in sales volumes. Inventories, amounting to € 179,417 thousand, increased by € 49,569 thousand (38.2%), due to the increase in stocks of finished products and stocks of raw materials and semi-finished products to meet the substantial growth in demand from customers, and the persistent difficulties in the sourcing of materials.

Trade Payables (equal to € 186,660 thousand), whose trend is linked to the production cycle, increased by € 53,870 thousand. Contractual Liabilities (equal to € 127,093 thousand), linked to the trend in order entry, increased by € 54,904 thousand compared to 31 December 2020 (+76.1%).

As at 31 December 2021, the Group's Net Financial Position was positive for € 124,603 thousand, an improvement of € 75,060 thousand compared to the December 2020 figure (+151.5%). The change is mainly due to the contribution of operational management (€ 36,119 thousand).

CONSOLIDATED NON-FINANCIAL STATEMENT

The Consolidated Non-Financial Statement (hereinafter referred to as "NFS") of Biesse S.p.A. has been prepared in accordance with Italian Legislative Decree No. 254 dated 30 December 2016. The NFS reports on environmental, social and staff-related issues, the respect for human rights, the fight against bribery and corruption, as well as additional issues identified through a materiality analysis process as being material for the Biesse Group.

The NFS is published with a separate and specific document. It refers to the financial year ended 31 December 2021 and includes data from the parent company Biesse S.p.A. and the companies consolidated on a line-by-line basis. In regards to this, reference should be made to the paragraph 'scope of consolidation' in the Notes to the Consolidated Financial Statements. The NFS was approved by Biesse S.p.A.'s Board of Directors on this date and is subject to separate certification of compliance by the independent auditors.

2021 MAIN EVENTS

COVID-19

In relation to the spread of variants related to the COVID-19 pandemic, the Group has also implemented operational measures, including remote working and incentives to use videoconferencing, to ensure the running of all operations related to sales and supporting the sales network. These allow working in a synergistic and integrated manner with the Group's 35 branches and our dealers around the world.

At the date of approval of this report, Biesse has undrawn credit lines of over € 213 million (of which € 125 million committed with a maturity of over 12 months). All credit lines are unsecured with no collateral.

Almost two years since the start of the pandemic, we can state that the Biesse Group has shown flexibility and speed in its ability to adapt to sudden changes in the economic and social context. The Group has adopted remote working and adopted new channels to communicate with its own customer base, also through the organisation of virtual events ("Inside In Action"). In consideration of the measures implemented by the Group and of the conditions on the key markets, there are no elements which may impact on the continuity of the business.

TRADE FAIRS AND EVENTS AROUND THE WORLD TO MEET CUSTOMERS

Trade fairs and events are part of Biesse Group's marketing and communication strategy. They are an opportunity for customers to get to know the company up close and to discover the latest technology, systems, software and services for automating factories.

In response to the changing international scenario and its customers' travel and travel habits, the Group has rethought and implemented new strategies to continue to foster the relationship with customers in a constantly evolving scenario, offering them new content and new ways of interacting with the company's specialists.

The Group also strengthened its distance learning projects and set up online demos to allow customers to watch technology demonstrations.

Within the Digital Arena online platform, customers can access a permanent digital content library and attend webinars and live demos. It is a digital venue dedicated to wood, plastic and composite materials, and the glass and stone industry that allows sharing stimulating contents as well as promotes the exchange of ideas and discussions.

During 2021, Inside events were held at the Headquarters and in the showrooms of the countries where the Group is present. At the events, customers were able to visit the premises in total safety and discover technologies, products and services. Thanks to a dedicated online booking system, customers were able to book individual slots and technical demos.

PARTICIPATION IN THE VIRTUAL STAR CONFERENCE 2021 – SPRING EDITION

Biesse remotely participated in the conference organised by Borsa Italiana Virtual Star Conference 2021 - Spring Edition reserved for companies in the STAR segment. During the event, Biesse's Management was able to share its strategies and activities with the almost 80 investors and analysts present - both Italian and international

PARTICIPATION IN THE 2021 ISMO (ITALIAN STOCK MARKET OPPORTUNITIES) EVENT

As in previous years, Biesse took part in the virtual 2021 ISMO event organised by Banca IMI. At the event, Biesse was able to discuss its results achieved and current expectations with the Italian and international financial community.

PARTICIPATION IN THE 2021 INDUSTRIAL & HEALTHCARE DAY

Biesse took part, again on an exclusively virtual basis, in the 2021 Industrial & Healthcare Day organised by Borsa Italiana. At the event, it had the opportunity to share its plans, as detailed in the recently approved Three-Year Business Plan (2021-2023), with the almost 50 investors/analysts present.

PARTICIPATION IN THE VIRTUAL STAR CONFERENCE – FALL EDITION ORGANISED BY BORSA ITALIANA

Biesse took part in the Virtual STAR Conference – Fall Edition organised by Borsa Italiana. Almost 50 Italian and international investors and analysts were virtually present, and Biesse Management shared their expectations and key parts of the Three-Year Business Plan with them.

DIRECTORS' REPORT ON OPERATIONS OF THE BIESSE GROUP

As indicated in the Notes to the Financial Statements, the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2021 have been consistently applied to the comparative period.

INCOME STATEMENT HIGHLIGHTS

Income Statement as at 31 December 2021 highlighting non-recurring items

	31 December 2021	% on sales	31 December 2020	% on sales	CHANGE %
<i>Euro 000's</i>					
Revenue from sales and services	742,199	100.0%	578,789	100.0%	28.2%
Change in inventories, wip, semi-finished products and finished products	21,409	2.9%	(10,911)	(1.9)%	-
Other revenues	7,007	0.9%	5,767	1.0%	21.5%
Value of production	770,615	103.8%	573,645	99.1%	34.3%
Raw materials, consumables, supplies and goods	(333,566)	(44.9)%	(234,320)	(40.5)%	42.4%
Other operating costs	(124,958)	(16.8)%	(92,130)	(15.9)%	35.6%
Personnel expense	(232,419)	(31.3)%	(191,209)	(33.0)%	21.6%
Gross operating result before non recurring items	79,672	10.7%	55,985	9.7%	42.3%
Depreciation and amortisation	(33,236)	(4.5)%	(33,384)	(5.8)%	(0.4)%
Provisions	(12,372)	(1.7)%	(15,587)	(2.7)%	(20.6)%
Operating results before non recurring items	34,064	4.6%	7,014	1.2%	-
Non recurring-items	11,657	1.6%	(791)	(0.1)%	-
Operating result	45,721	6.2%	6,223	1.1%	-
Net financial income	292	0.0%	1,080	0.2%	(73.0)%
Net financial expens	(2,595)	(0.3)%	(3,190)	(0.6)%	(18.6)%
Net exchange rate loses	(2,933)	(0.4)%	(891)	(0.2)%	-
Pre-tax result	40,484	5.5%	3,222	0.6%	-
Income taxes	(6,289)	(0.8)%	(767)	(0.1)%	-
Result for the year	34,195	4.6%	2,455	0.4%	-

It should be noted that interim results set out in the table were not identified as an accounting measure under the International Accounting Standards and, therefore, they must not be considered a replacement measure for the assessment of the Group's performance and result. In addition, it should be noted that the criterion used by the Group to determine interim results may not be consistent with that adopted by other companies and/or groups in the sector and, consequently, these figures may not be comparable.

Revenues for 2021 amounted to € 742,199 thousand, compared to € 578,789 thousand in 2020, with an overall increase of 28.2% over the previous year.

The breakdown of revenues by operating segment shows a significant increase common to both the Machinery-Systems and Mechatronics segments, recording an increase of 28.2% and 33.7% respectively, compared to 2020. Looking at the turnover by geographical area, the increase concerned all the geographical areas of reference: Western Europe (32.3%), Asia-Oceania (38.5%), Eastern Europe (26.9%), North America (12.2%) and the Rest of the World (28.0%).

Breakdown of revenue by operating segment

	31 December 2021	%	31 December 2020 - restated	%	CHANGE % 2021/2020 restated
<i>Euro 000's</i>					
Machines and Systems Division	676,442	91.1%	527,753	91.2%	28.2%
Mechatronics Division	95,585	12.9%	71,497	12.4%	33.7%
Inter-segment eliminations	(29,828)	-4.0%	(20,461)	(3.5)%	45.8%
Total	742,199	100.0%	578,789	100.0%	28.2%

Breakdown of revenue by geographical area

	31 Dicembre 2021	%	31 Dicembre 2020	%	Var % 2021/2020
<i>Euro 000's</i>					
Western Europe	381,900	51.5%	288,765	49.9%	32.3%
Asia-Pacific	95,906	12.9%	69,251	12.0%	38.5%
Eastern Europe	119,854	16.1%	94,416	16.3%	26.9%
North America	122,399	16.5%	109,066	18.8%	12.2%
Rest of the World	22,140	3.0%	17,292	3.0%	28.0%
Total	742,199	100.0%	578,789	100.0%	28.2%

Value of production amounted to € 770,615 thousand, up 34.3% compared to the figure for 2020 (€ 573,645 thousand).

The following table shows a breakdown of costs as a percentage of the value of production.

	31 December 2021	%	31 December 2020	%
<i>Euro 000's</i>				
Value of production	770,615	100.0%	573,645	100.0%
Raw materials and goods	333,566	43.3%	234,320	40.8%
Other operating costs	124,958	16.2%	92,130	16.1%
Service costs	111,586	14.5%	80,440	14.0%
Use of third party assets	2,330	0.3%	2,153	0.4%
Sundry operating expense	11,042	1.4%	9,538	1.7%
Normalised added value before non recurring	312,091	40.5%	247,194	43.1%

The analysis of consumption and other operating expenses as a proportion of the value of production, rather than of revenue, shows an increased absorption of raw materials (equal to 40.5% against 43.1% at 31 December 2020), due to the increase in raw material costs recorded during 2021 and the different product mix.

Other operating expenses increased in absolute terms (€ 32,828 thousand) but maintained their percentage weight in line with 2020 (from 16.1% to 16.2%). The increase in absolute value is mainly attributable to the item service costs, which went from € 80,440 thousand to € 111,586 thousand (+38.7%). The increase is linked to items related to sales and production (40.6% and 60.9% respectively, with an increase in absolute value of € 20,470 thousand), as well as items such as travel and transfers (up from € 11,601 thousand to € 13,501 thousand (+16.4%)), consultancy costs (+65.7%) and trade fair and advertising costs, up 88.8% compared to 2020.

Finally, it should be noted that added value as at 31 December 2021 was € 312,091 thousand, up by 26.3% compared to the same period in 2020 (€ 247,194 thousand). As a percentage of the value of production, it improved from 43.1% to 40.5%.

As at 31 December 2021, **personnel expense** amounted to € 232,419 thousand, up € 41,210 thousand (+21.6%) compared to the same prior-year period (€ 191,209 thousand). In this regard, it is noted that during 2020 the Group had benefited from various forms of welfare cushions and government grants, aimed at protecting the company's workforce.

As at 31 December 2021, **normalised gross operating profit (adjusted EBITDA)** was € 79,672 thousand (€ 55,985 thousand as at 31 December 2020), up by 42.3%.

Depreciation and amortisation decreased by 0.4% overall (from € 33,384 thousand at 31 December 2020 to € 33,236 thousand at 31 December 2021): the component relating to tangible fixed assets (including rights of use) decreased by € 823 thousand (-4.2%), while that relating to intangible fixed assets increased by € 675 thousand (4.9%).

The item **provisions and impairment** amounted to € 12,372 thousand, and includes provisions for € 8,201 thousand (of which € 3,556 thousand for adjustments to provisions for future risks and charges, against probable legal disputes and agents' retirement benefits, € 2,605 thousand relating to the allowance for impairment, the estimated adjustment of the product guarantee fund, equal to € 2,032 thousand) and impairment losses of € 4,171 thousand, mainly relating to intangible assets, including development costs.

Normalised operating profit (adjusted EBIT) was positive to the tune of € 34,064 thousand, up by 385.7% compared to the previous year (€ 7,014 thousand).

Non-recurring items amounted to € 11,657 thousand. The main phenomenon is represented by the capital gain generated by the sale of the Chinese subsidiary Dongguan Korex Machinery Co. Ltd. for € 17,814 thousand, partially offset by write-downs of intangible assets (€ 5,157 thousand) related to projects deemed no longer strategic or abandoned, as well as the write-down of land and a building for € 1 million.

As regards financial operations, net financial expense amounted to € 2,303 thousand, up compared to 2020 (€ 2,110 thousand).

Exchange risk management resulted in a net loss of € 2,933 thousand, worsening compared to the € 891 thousand loss in the prior-year period.

Pre-tax profit was therefore positive for € 40,484 thousand, a sharp increase compared to 2020 (equal to € 3,222 thousand).

The balance of **tax items** was negative (a charge) to the tune of € 6,289 thousand. The negative balance is determined as a result of the following factors: IRES taxes and other deferred taxes (negative for € 1,095 thousand) and IRAP (negative for € 726 thousand); provisions for income taxes of foreign companies (€ 4,005 thousand) and taxes relating to previous years (negative for € 463 thousand).

Despite the fact that income taxes increased in absolute value by € 5,522 thousand compared to 2020, there was a clear improvement in the tax-rate mainly due to the sale of the stake held in Dongguan Korex Machinery Co. Ltd. (Korex), which generated a capital gain of € 17,814 thousand tax-free.

The Group therefore recorded a **profit for the year** of € 34,195 thousand.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

Statement of financial position as at 31 December 2021

	31 December 2021	31 December 2020
<i>Euro 000's</i>		
Intangible assets	97,989	73,354
Property, plant and equipment	117,203	125,130
Financial assets	4,578	3,277
Non-current assets	219,770	201,761
Inventories	179,417	129,848
Trade receivables and contract assets	125,962	102,875
Trade payables	(186,660)	(132,790)
Contract liabilities	(127,093)	(72,189)
Net operating working capital	(8,375)	27,744
Post-employment benefits	(13,318)	(12,775)
Provision for risk and charges	(24,850)	(19,988)
Other net payables	(63,136)	(45,979)
Net deferred tax assets	14,660	14,508
Other net liabilities	(86,781)	(64,235)
Net invested capital	124,614	165,270
Share capital	27,393	27,393
Result for the previous year and other reserves	186,957	184,099
Result for the year	34,018	2,531
Non-controlling interests	849	790
Equity	249,217	214,812
Bank loans and borrowings and loans and borrowings from other financial backers	29,594	141,989
Other financial assets	(27,098)	(28,107)
Cash and cash equivalents	(127,099)	(163,425)
Net Financial Position	(124,603)	(49,543)
Total sources of funding	124,614	165,270

Net invested capital amounted to € 124,614 thousand, down compared to 31 December 2020 (€ 165,270 thousand).

Compared to 31 December 2020, net assets increased by approximately € 18,009 thousand. Also noted are the increase in intangible fixed assets of € 24,635 thousand, almost entirely due to goodwill, the increase in financial fixed assets of € 1,301 thousand, and the decrease in tangible fixed assets of € 7,927 thousand.

Net operating working capital decreased by € 36,118 thousand compared to 31 December 2020. The change is mainly due to the increase in trade payables (equal to € 53,870 thousand), and contractual liabilities (equal to €

54,904 thousand): as regards inventories, the change is due to the considerable recovery in customer demand during 2021. This trend also determined the increase in contract liabilities for advances received on new orders.

Trade receivables followed the trend in turnover, up by 22.4% compared to 31 December 2020.

Equity amounted to € 249,217 thousand (€ 214,812 thousand as at 31 December 2020).

Net financial position

	31st December 2021	30th September 2021	30th June 2021	31st March 2021	31st December 2020
<i>Euro 000's</i>					
Financial assets:	154,197	143,509	178,143	171,946	191,532
<i>Current financial assets</i>	27,098	27,867	27,682	27,589	28,107
<i>Cash and cash equivalents</i>	127,099	115,641	150,461	144,357	163,425
Short-term financial lease payables	(7,384)	(6,628)	(7,876)	(6,929)	(6,746)
Short-term bank loans and borrowings and loans from other financial ba	(5,998)	(5,539)	(34,996)	(41,101)	(68,763)
Short-term net financial position	140,815	131,343	135,271	123,916	116,023
Medium/Long-term financial lease payables	(15,320)	(16,546)	(21,303)	(22,939)	(23,526)
Medium/Long-term bank loans and borrowings	(680)	(916)	(915)	(40,838)	(42,954)
Trade payables and other medium/long-term payables	(213)	-	-	-	-
Medium/Long-term net financial position	(16,212)	(17,462)	(22,218)	(63,777)	(66,480)
Total net financial position	124,603	113,880	113,053	60,139	49,543

In the NFP statement at 31/12/2021, in application of the new provisions contained in Communication No. 5/21 of 29 April 2021 issued by Consob which refers to the ESMA Recommendations of 4 March 2021, trade payables due beyond one year have been included. For comparative purposes, it should be noted that these payables at the various dates are € 225 thousand at 30 September 2021, € 238 thousand at 30 June 2021, € 249 thousand at 31 March 2021 and € 260 thousand at 31 December 2021.

For the sake of clarity, the fair value of derivatives outstanding at 31/12/2021 have also been excluded from financial assets. For comparative purposes, it should be noted that the fair value asset at the various dates was € 643 thousand at 30 September 2021, € 596 thousand at 30 June 2021, € 557 thousand at 31 March 2021 and € 1,108 thousand at 31 December 2020.

As at 31 December 2021, the Group's Net Financial Position was positive for € 124,603 thousand, a clear improvement compared to the figure for the previous year (positive for € 49,543 thousand), whereas the final balance without the impact of rental and lease payables arising from the application of IFRS 16 transition, would have been positive for € 145,037 thousand. Compared to the same period of the previous year, the indicator improved by € 75,060 thousand. This was due to the good results obtained in terms of operational management, to the positive trend in net working capital and to the postponement of some investment projects.

For the sake of completeness of information, it should be noted that, as these matters are not specifically regulated, the Net Financial Position does not include *i)* the debt of one million euros, discounted to 31 December 2021, related to the exercise of the put/call option on the minority shares of Movetro *ii)* the estimated earn-out liability of € 3 million related to the acquisition of Forvet S.p.A. and due after 12 months, *iii)* the residual debt for the payment of the last instalment, equal to € 1.9 million, both recorded in the financial statements.

At the date of approval of this report, Biesse has credit lines in excess of € 213 million, of which € 88 million revocable with a duration of up to 12 months and € 125 million committed with a duration of more than 12 months. All undrawn credit lines are unsecured and free of any collateral.

MAIN RISKS AND UNCERTAINTIES TO WHICH BIESSE S.P.A. AND THE GROUP ARE EXPOSED

Risk management policy

Effective risk management is a key factor in maintaining the Group's value over time. In this regard, within the framework of the Corporate Governance system, the Group has defined an Internal Control and Risk Management System in compliance with the principles set forth in Art. 7 of the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A. and, more generally, with national and international best practices.

The macroeconomic context, regulatory changes and the complexity of management processes require companies to pay close attention to risk management issues in order to preserve and increase their value. In this sense, the Biesse Group guarantees constant monitoring of company value by continuously monitoring the principal risks, defining strategic actions to manage them and identifying opportunities, evaluating their relative potential.

In particular, the Group considers the Enterprise Risk Management (ERM) process to be a fundamental component of its governance system, as it offers the possibility of obtaining a greater awareness of its risks/opportunities and of the importance of the impacts deriving from them in decision-making moments.

The Board of Directors (BoD) of Biesse S.p.A., with the support of the Control and Risk Committee (CRC), defines the guidelines for the internal control and risk management system in line with company strategies and evaluates, at least once a year, the adequacy of this system in relation to the characteristics of the business and the risk profile assumed, as well as its effectiveness.

The Chief Executive Officer of Biesse S.p.A. is responsible for identifying the principal business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and for submitting them periodically to the review of the Board of Directors; implementing the guidelines defined by the Board of Directors, dealing with the design, implementation and management of the internal control and risk management system and constantly checking its adequacy and effectiveness, as well as adapting it to the dynamics of the operating conditions and the legislative and regulatory framework.

The Control and Risk Committee (CRC) of Biesse S.p.A., in assisting the Board of Directors, examines the content of periodic non-financial information relevant to the internal control and risk management system. It expresses opinions on specific aspects relating to the identification of the main corporate risks and supports the assessments and decisions of the Board of Directors relating to the management of risks arising from prejudicial events of which the latter has become aware. The CRC reports to the Board of Directors, at least on the occasion of the approval of the annual and half-yearly financial reports, on its activities and on the adequacy of the internal control and risk management system.

Coordination of Biesse's ERM process is entrusted to the Innovation, Corporate Social Responsibility & Quality Management function (ERM coordination function) which:

- supports the Chief Executive Officer in implementing the guidelines defined by the Board of Directors;
- supports the company Management in identifying risks/opportunities and assessing them;
- submits the results of assessment of the internal control and risk management system, proposing, where necessary, risk mitigation operations.

The ERM process implemented by Biesse consists of the following activities:

- understanding of the business model adopted by the Group, the governance system and the context in which it operates;
- identification of risks/opportunities, in order to identify the main factors of uncertainty;
- analysis and evaluation of risks/opportunities, which allow the definition of mitigation/maximisation strategies;
- risk/opportunity management, which makes it possible to define and implement the most suitable measures to modify the Group's strategic lines, in line with corporate objectives;
- monitoring of risks/opportunities, improvement and adaptation actions, enabling timely action on the strategic plan.

Below are the main risks for each of the risk families listed above. The order in which they are reported does not imply any classification, neither in terms of the probability of their occurrence, nor in terms of possible impact.

The first level risk families identified on the basis of the Risk Management Policy are as follows:

- Operating risks;
- Financial risks.

OPERATING RISKS

Risks relating to general economic conditions

As it operates in a competitive global market, the Biesse Group's performance, financial position and cash flows are affected by the general conditions and performance of the global economy. Therefore, any economic downturn or political instability in one or more key markets, as well as lending conditions, can have a significant impact on the Group's economic performance and strategies and affect its future prospects in both the short and medium to long term.

Country Risk

In relation to the international footprint, the Group is exposed to country risk, which is however mitigated by the adoption of a policy of business diversification by product and geographic area, which allows for the balancing of this risk at Group level.

Risks related to the level of competitiveness and cyclical nature of the industry

Demand is cyclical and depends on general economic conditions, end customers' propensity to consume, credit availability, and any government stimulus measures. A negative trend in demand, or the Group's inability to adapt effectively to external market conditions, could have a significant negative impact on the Group's business prospects as well as on its results and financial position.

All of the Group's revenues substantially come from the mechanical tool sector, which is a competitive industry. The Group competes in Europe, North America and in the Asia Pacific region with other major international players. These markets are all highly competitive in terms of product quality, innovation, price and customer service.

Risks relating to sales on international markets and exposure to shifting local conditions

A significant part of the Group's production and sales is carried out in countries outside the European Union. The Group is exposed to risks inherent to operating on a global scale, including risks relating to exposure to local economic and political conditions and to the potential implementation of policies restricting imports and/or exports.

In addition, being exposed to compliance with several tax regimes, the Biesse Group is therefore subject to transfer pricing risks.

In particular, the Biesse Group operates in several markets including India, Russia, China and Brazil. The Group's exposure to these countries has gradually increased, so that any adverse political or economic development in these areas could have a negative impact on the Group's prospects and business as well as on its results. With reference to the operations of the Biesse Group in the Russian market, please refer to the following paragraph relating to the significant events that occurred after 31 December 2021.

Risks relating to fluctuations in the prices of raw materials and components

The Group's exposure to increases in the prices of raw materials mainly derives from the purchase of components and semi-finished goods given that the direct purchase of raw materials for production is not significant.

The Group, therefore, does not hedge those risks, but rather tends to transfer their management and economic impact to its own suppliers, agreeing with them, where necessary, purchase prices that ensure stability for periods of at least one quarter.

The high level of competition and fragmentation of the sector in which Biesse operates often makes it difficult to transfer sudden and/or significant increases in purchase prices entirely on to sales prices.

Risks relating to the ability to offer innovative products

The success of the Group's operations depends on its ability to maintain or increase its share of the markets in which it currently operates and/or to expand in new markets by offering innovative, high-quality products that ensure adequate profitability levels. Should the Group fail to develop and offer innovative and competitive products compared to those of its main competitors in terms of, among other things, price, quality and functionality, or should there be any delay in launching new models that are strategic to the Group's business, the Group's market share may decline, negatively affecting its business prospects as well as its results and/or financial position.

Risks relating to the dependence on the Group's key staff

The Group includes some key figures who, thanks to the experience they have gained in the sector and their detailed knowledge of the Group's business, acquired thanks to their long-term relationship with the Group, have made a decisive contribution to its success. The future results of the Group depend, in part, on the know-how and engagement of these key figures. The Group's ability to attract and retain skilled staff is one of the elements contributing to the achievement of certain results. Should one or more key figures break off their collaboration with the Group and the latter were unable to attract further skilled staff, there could be the risk that the Group might not manage to replace them promptly with similarly qualified figures who can ensure the same contribution, also in the short term, with consequent negative impacts on the business and on the Group's results and financial position.

Risks relating to relations with suppliers and potential supply disruption

The Group purchases raw materials, semi-finished goods and components from a large number of suppliers and relies on services and products provided by other companies outside the Group.

Any delays in the delivery of raw materials and semi-finished products by suppliers may in turn lead to delays in the delivery of products to the customer. This does not guarantee the certainty of recovering from the supplier any claim for damages by the customer, with a consequent negative impact on the company's economic result.

Close collaboration between the manufacturer and its suppliers is customary in the sectors in which Biesse Group operates: on the one hand, it can result in economic benefits in terms of cost reduction; on the other, the Group's reliance on these suppliers implies that the difficulties they experience (whether due to internal or external factors) could negatively affect the Group.

Risks relating to offshoring

In recent years, the Group has carried out a process of production delocalisation, particularly in India, which has taken the form of setting up new production plants. As a result, the Group's exposure to the performance of this country has increased in recent years. Political and economic developments in this emerging market, including any situation of crisis or instability, could significantly impact the Group's business prospects in the future.

Risks relating to climate change

The growing focus on the global consequences of climate change and its potential economic, social and environmental impacts now requires companies to also assess the impacts on business which potentially must be faced in the medium term.

For these reasons, the Group is engaged in the constant search for solutions to guarantee responsible use of natural resources, the increased efficiency of energy consumption and the management of atmospheric emissions. Biesse Group has envisaged the implementation of a project aimed at contributing positively to the protection and safeguarding of the environment through the gradual deployment of a structured and continuous monitoring system for energy carriers and the power correction of individual energy-intensive machinery, as well as the rationalisation of water use.

Consistent with its commitment to contributing to a sustainable and decarbonised economy, besides enhancing the energy efficiency measures already in place, for most Italian companies energy was bought from renewable sources with a Guarantee of Origin (GO) certificate, with the aim of significantly reducing Scope 2 market-based CO2 emissions.

Risks relating to cyber security

The growing interrelation between technology and business and the increasing use of networks to share and transfer information entail different and multiple risks linked to the vulnerability of the information systems adopted in business. Potential cyber attacks could regard important data and information held by the company, such as patents, hi-tech projects or strategic plans which have not been disseminated to the market, with consequent economic, financial, regulatory or image damages.

The Group Information & Technology Management Department has equipped itself with adequate Information Security tools and defined the organisational structure and the guidelines for cyber risk management within the scope of IT architectures and corporate processes.

FINANCIAL RISKS

Risks relating to financial requirements

The liquidity risk is normally defined as the risk that the company might be unable to meet its payment obligations due to the difficulty in raising funds (funding liquidity risk) or sell assets on the market (asset liquidity risk). The result is a negative impact on profit or loss should the company be forced to bear additional costs to meet its obligations or, in the worst-case scenario, a situation of insolvency threatening its viability as a going concern.

The Group has a high availability of credit lines – higher than actual needs – hence debt consists almost entirely of residual amounts relating to previous unsecured loans.

Credit risk

The Group is exposed to various concentrations of credit risk in the various markets in which it operates, although credit exposure is divided across a large number of counterparties and customers.

Financial assets are recognised net of impairment losses calculated based on counterparty default risk, taking into account available information on the customer's solvency, historical-statistical data as well as forecast data relating to expected losses.

Risks relating to exchange rate fluctuations

The Biesse Group, as it operates in several markets around the world, is naturally exposed to market risks relating to the fluctuation in interest and exchange rates. The exposure to exchange rate risks is mainly related to the different geographical distribution of its commercial activities, which leads it to have export flows denominated in currencies other than those of the production area. In particular, the Biesse Group is mainly exposed for net exports from the Euro area to other currency areas (mainly the US dollar, Canadian dollar, Australian dollar, British pound, Swiss franc, Indian rupee and Chinese renminbi). In order to be more powerful in the management of exchange rate risks and to give a more and more consistent accounting representation, the Biesse Group adopted an Exchange Rate Risk Management Policy aimed at establishing, among other things, tight rules to deal with and mitigate the risks concerning exchange rate fluctuations. This Policy also determines the instruments through which exchange rate risk can be hedged in both centralised (predominant) and decentralised (limited) form. Nevertheless, sudden fluctuations in exchange rates could have a negative impact on the Group's results.

Risks relating to interest rate fluctuations

The Group, even if it has a positive net financial position, is in any case exposed to an interest rate fluctuation risk. The Group's exposure to interest rate risk mainly arises from the volatility of financial expense related to floating-rate debt partially offset by the remuneration rates (which are also variable) of available assets.

The Group's operating and financial policies are aimed at minimising the impact of such risks on the Group's performance by improving its results and net financial position.

Risks relating to the ability of customers to finance the investments

The Biesse Group, since it operates in the sector of long-term capital goods, is subject to the negative impact of potential tightening of credit standards by financial institutions for customers intending to buy goods using financing (e.g. operating leases, secured credit, etc.).

CORPORATE GOVERNANCE

The Corporate Governance system of Biesse S.p.A. complies with the principles set out in the Corporate Governance Code for Listed Companies and the international best practices. The Board of Directors approved on 14 March 2022 the Corporate Governance and Ownership Structure Report pursuant to Art. 123-bis of the Consolidated Law on Finance, for financial year 2021.

Said Report is published on the Company's website www.biesse.com in the "Investor Relations" section, "Corporate Governance" subsection, and constitutes a reference for legal purposes.

Biesse S.p.A.'s model of management and control is a traditional model (as provided in Italian Law), which calls for Shareholders' Meetings, a Board of Directors, a Board of Statutory Auditors and Independent Auditors. The corporate bodies are appointed by the Shareholders' Meeting and hold office for three years. The representation of Independent Directors, as defined in the Code, and their role in both the Board and the Company's Committees (Internal Control and Risk Management Committee, Related-Party Transactions Committee, Remuneration Committee), are fit for ensuring the interests of all shareholders are balanced and all sides of a discussion are freely aired in the meetings of the Board of Directors.

PERSONNEL

After years of continuous growth, the Group has reached a dimension such that it is essential to manage HR processes in a uniform and organic way, using the most performing tools. Developing and implementing effective staff selection and retention systems is a fundamental strategy for Group's sustainability and a way to guarantee transparency and equality, while completely respecting equal opportunity and enhancing individual skills. The aim is to strengthen all areas of the company, relying on the skills of the most experienced men and women, combined with the enthusiasm of those beginning their professional development. The training of employees is the basis of the continuous innovation, reliability and quality of the products and services the Group offers its customers. For this reason, training is structured in such a way as to ensure a differentiated and inclusive offering, which is oriented towards involving professionals at all levels. It is the Group's belief that the only way growth can remain sound and continuous over time, is through dedicated investment in developing and refining employee skills. The Biesse Group believes that continuous learning is the key to a successful future. For this reason, every year it organises training weeks, both at the Headquarters and online, directed at branch employees and business partners around the world, as well as days dedicated to exploring product innovations and new sales tools. Training for sales staff is regular and ongoing. It tracks technological product developments and innovations being made to services offered by the Group, so that staff are always able to provide added value to customers.

RESEARCH AND DEVELOPMENT ACTIVITIES

As in 2020, the Group's research and development activity continued. At 31 December 2021, research and development costs amounted to € 21 million and represented over 3% of revenues. These costs were mainly borne by the parent company Biesse S.p.A. and to a lesser extent by HSD S.p.A.. Research and development activities mainly include those for technological updating and the regular renewal of standard products. Instead, they do not include expenses for development to order by specific customers, or costs for customising standard products, expenses which are included in the cost of sales and thus invoiced to the customers themselves. The extent of this commitment shows, in concrete terms, the strong orientation to stand as a supplier of solutions, and not just of products, which has always been a feature of the Biesse Group, and which over the years has led it to a position of strong leadership on the market.

RECONCILIATION BETWEEN THE PARENT'S EQUITY AND RESULTS AND CONSOLIDATED EQUITY AND RESULTS

In compliance with Consob Communication No. DEM/6064293 of 28 July 2006, a schedule showing the reconciliation of the parent's equity and results for the year with the consolidated equity and results for the year is shown below.

	Equity 31/12/2021	Result for 2021	Equity 31/12/2020	Result for 2020
<i>Euro 000's</i>				
Equity and result for the year of the parent	193,353	2,142	192,576	5,542
Elimination of carrying amount of consolidated equity investments:				
Difference between carrying amount and amount of equity held	71,417		33,284	
Pro-quota results contributed by investees		43,207		12,816
Derecognition of impairment losses/reversal of impairment losses on equity investments		1,749		(276)
Dividends		(8,513)		(16,436)
Elimination of the effects of transactions between consolidated companies:				
Intercompany losses included in closing inventories	(15,811)	(4,566)	(11,244)	911
Intercompany losses on non-current assets	(591)		(591)	(27)
Equity and result of the year attributable to owners of the parent	248,368	34,018	214,025	2,531
Non-controlling interests	849	177	790	(76)
Total equity	249,217	34,195	214,814	2,455

TRANSACTIONS WITH ASSOCIATES, PARENTS AND THE LATTER'S SUBSIDIARIES

With reference to relations with the parent company Bi.Fin. S.r.l. the following details are noted:

<i>Euro 000's</i>	Revenues		Costs	
	For Year ended 31/12/2021	For Year ended 31/12/2020	For Year ended 31/12/2021	For Year ended 31/12/2020
Parent				
Bi. Fin. S.r.l.	-	-	26	29

<i>Euro 000's</i>	Receivables		Payables	
	For Year ended 31/12/2021	For Year ended 31/12/2020	For Year ended 31/12/2021	For Year ended 31/12/2020
Parent				
Bi. Fin. S.r.l.	-	-	1,235	1,355

It is hereby declared that, pursuant to Art. 2.6.2., paragraph 13 of the Regulations of the Markets Organised and Managed by Borsa Italiana S.p.A., all of the conditions set forth in Art. 37 of Consob Regulation No. 16191/2007 have been complied with.

OTHER RELATED-PARTY TRANSACTIONS

The following companies have been identified as related parties: the Board of Directors, the Board of Statutory Auditors, SEMAR S.r.l., Wirutex S.r.l. and Fincobi S.r.l. (the first related by family relationship with the owner, the second and third subsidiaries of Bi. Fin. S.r.l., the parent company of the Parent).

During the year, transactions with the aforementioned parties were as follows:

Euro 000's	Revenues		Costs	
	For Year ended 31/12/2021	For Year ended 31/12/2020	For Year ended 31/12/2021	For Year ended 31/12/2020
Parent				
Bi. Fin. S.r.l.	-	-	26	29
Other related companies				
Fincobi S.r.l.	1	1		-
Se. Mar. S.r.l.	15	11	3,012	2,066
Wirutex S.r.l.	26	12	1,916	1,053
Altri			2	
Members of the Board of Directors				
Members of the Board of Directors	-	1	3,452	4,733
Members of the Board of Statutory Auditors				
Executives with strategic responsibilities	-	-	103	162
Executives with strategic responsibilities			1,730	1,205
Total	42	25	10,214	9,219
Total	42	25	10,241	9,249

Euro 000's	Receivables		Payables	
	For Year ended 31/12/2021	For Year ended 31/12/2020	For Year ended 31/12/2021	For Year ended 31/12/2020
Parent				
Bi. Fin. S.r.l.	-	-	1,235	1,355
Other related companies				
Fincobi S.r.l.	-	-	12	28
Se. Mar. S.r.l.	1	11	1,295	913
Wirutex S.r.l.	14	0	806	593
Members of the Board of Directors				-
Members of the Board of Directors	-	1	-	-
Members of the Board of Statutory Auditors	-	-	110	36
Total	15	12	2,224	1,570
Total	15	12	3,459	2,924

The transactions disclosed above, which are mainly of a financial nature, were carried out under terms and conditions that were not different from those that would theoretically be applied in arm's length transactions.

BIESSE SPA'S OFFICES AND LOCAL BRANCHES

The venues where the company carries out its activities are indicated below:

Via Toscana, 81 Pesaro (PU) - Italy
Via Toscana, 75 Pesaro (PU) - Italy
Via dell'economia SN Pesaro (PU) - Italy
Piazzale Alfio de Simoni SN Pesaro (PU) - Italy
Via della tecnologia SN Pesaro (PU) - Italy
Via dell'economia, 40 Pesaro (PU) - Italy
Via Giovanni Santi, 30 Gradara (PU) - Italy
Via Giovanni Santi, 22 Gradara (PU) - Italy
Via Urbino, 33/A Tavullia (PU) - Italy
Via Einaudi, 4 Fano (PU) - Italy
Via Zanica, 19K Grassobbio (BG) - Italy
Via Manzoni, 2340 Alzate Brianza (CO) - Italy
Via C. Porta, 67 Seregno (MB) - Italy
Strada Gragnana, 17/O Piacenza (PC) - Italy
Via Marcello Malpighi, 8 Lugo (RA) - Italy
Via Cavour 9/A Codognè (TV) - Italy
Via della Meccanica, 12 Thiene (VI) - Italy
Strada Piovascasso, 46 Volvera (TO) - Italy

The Company has a branch office in Dubai (United Arab Emirates) Port Said, Deira.

INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

Biesse S.p.A. controls, either directly or indirectly, some companies established and regulated by the law of States outside the European Union ("Significant Companies outside the EU" as defined by Consob Regulation No. 16191 of 29 October 2007 as amended).

With reference to these companies, it should be noted that:

- all Significant Companies outside the EU prepare an accounting statement for the purpose of drawing up the Consolidated Financial Statements; the balance sheet and income statement of these companies are made available to the shareholders of Biesse S.p.A. in the times and in the manner provided for by the relevant regulations;
- Biesse S.p.A. obtained the articles of association as well as the composition and powers of the corporate bodies of the Significant Companies outside the EU;
- the Significant Companies outside the EU:
 - provide the independent auditors of the parent with the information required for auditing the annual and interim financial statements of the parent itself;
 - have an administrative and accounting system fit for submitting on a regular basis to the Management and the independent auditors of Biesse S.p.A. the data related to performance, financial position and cash flows required for preparing the Consolidated Financial Statements.

SHARES IN BIESSE AND/OR ITS SUBSIDIARIES, HELD DIRECTLY OR INDIRECTLY BY MEMBERS OF THE BOARD OF DIRECTORS, THE BOARD OF STATUTORY AUDITORS AND THE GENERAL MANAGER, AS WELL AS BY THEIR RESPECTIVE SPOUSES WHERE NOT LEGALLY SEPARATED AND BY THEIR MINOR CHILDREN

	No. of shares held directly and indirectly at 31/12/2020	No. Of shares sold in 2021	No. Of shares purchased in 2021	No. of shares held directly and indirectly at 31/12/2021	% of share capital
Giancarlo Selci (through BI.Fin. S.r.l.) Chairman	13,970,500			13,970,500	51.00%
Roberto Selci 'Managing Director	0			0	0.00%
Massimo Potenza 'Co Managing Director	2,050			2,050	0.01%
Alessandra Baronclani Consigliere non esecutivo	0			0	0.00%
Rossella Schiavini Lead independent Director	0			0	0.00%
Ferruccio Borsani Independent Director	0			0	0.00%
Federica Ricceri Independent Director	0			0	0.00%
Paolo De Mitri Chairman of the Board of Statutory Auditors	0			0	0.00%
Giovanni Ciurlo Member of the Board of Statutory Auditors	0			0	0.00%
Enrica Perusia Member of the Board of Statutory Auditors	0			0	0.00%

"ATYPICAL AND/OR UNUSUAL" TRANSACTIONS CARRIED OUT DURING THE YEAR

In 2021, there were no such transactions.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND OUTLOOK

January 2022

On 21 December 2021, by deed of Notary Luisa Rossi, the subsidiary Bre.Ma. Brenna Macchine S.r.l. was merged into Biesse S.p.A. and the accounting and tax effects of this transaction will start on 1 January 2022, without impacting the consolidated financial statements.

February 2022

On 14 February 2022, by deed of the Notary Luisa Rossi, 40% of the share capital of the subsidiary Montresor S.r.l. was purchased, increasing the shareholding to 100%. The consideration for the purchase of this shareholding is € 1,173 thousand.

Outlook

As is well known, since January 2022, the escalation of tensions between Russia and Ukraine, which led to Russia's declaration of war on Ukraine and the invasion of Ukrainian territory by the Russian army on 24 February, are having repercussions on international markets, both in terms of financial market trends and commodity prices. For the Biesse Group, which operates in Russia through its commercial subsidiary in Moscow, the Russian market represents around 3% of turnover. The machines are invoiced in Euros, so the company is protected from the impact of Ruble fluctuations. Nevertheless, the impact of economic sanctions and geopolitical tensions is likely to have an impact on business development, leading to a reassessment of performance. The evolution of the situation is being continuously monitored by the company's Management, which is committed to guaranteeing the branch's employment level with a view to business continuity.

The reference context is therefore still characterised by significant uncertainties due not only to the spread of COVID-19 variants, but also to the evolution of the international geopolitical context. Nonetheless, the order backlog as at 31 December 2021 and the trend in orders in January and February 2022 are in line with corporate goals. Underlining the difficulties in forecasting in an industry that operates on average with a three-month order backlog (source: Acimall), the Directors of Biesse – on the basis of the most respected macro-economic forecasts and the Group's strategies of product innovation and market penetration – remain confident of being able to achieve the objectives that have been set.

Biesse, on the basis of this scenario, will continue for all of 2022 in implementing with determination the initiatives aimed at containing costs.

The strategy of the Biesse Group for 2022 can be summarised as follows:

Enhancement of the digitalisation process, which started some years ago and will guarantee digital, automated factories that are interconnected to all customers thanks to software solutions and new advanced services through SOPHIA, the IOT platform developed by the Group that sets up customers with a range of services to simplify and rationalise the management of work, optimising the performance and productivity of technologies used by customers.

Product innovation, thanks to investments in Research & Development, accounting for 3% of annual turnover, the Group enhances its product offer by consolidating the technological solutions that are already in use, in the wood, advanced materials, glass and stone and ceramics sectors, continuing the study and development of new solutions that will contribute to improving technological standards in the reference sectors.

Strengthening of the Network with the aim of improving brand awareness in the sectors in which the Group is a recent arrival and has great growth potential, such as advanced materials, structural wood and metal. In addition to the new sectors, the Group plans to strengthen its geographic reach, in line with the path of growth and internationalisation of the last twenty years.

Implementation of the One Company model aimed at rationalising and simplifying the organisational structure of the Biesse Group through a) a better focus on clients, their needs and development prospects; b) speeding up business decisions by implementing a comprehensive and integrated management model based on common processes and tools; c) the evolution of the leadership model towards more collaboration, empowerment of people, ability to manage discontinuity and change.

The Directors of Biesse believe that, due to the financial strength of the Group and the company's forecasts for the foreseeable future, there are no uncertainties (as defined by paragraph 25 of IAS 1) regarding the going concern assumption.

DIRECTORS' REPORT ON OPERATIONS OF BIESSE S.P.A.

By deeds of Notary Luisa Rossi dated 14 June 2021 and 21 December 2021, the subsidiaries Bsoft S.r.l., Viet Italia S.r.l. and Uniteam S.r.l. were merged into Biesse S.p.A. The accounting and tax effects of these transactions were backdated to 1 January 2021 and have no impact on the consolidated financial statements.

The above-mentioned mergers are part of the One Company Group's reorganisation project. Due to the income statement and balance sheet values of the companies merged by incorporation in 2021 into the financial statements of the parent Biesse S.p.A. and their relative incidence on the income statement and balance sheet balances of Biesse S.p.A., no pro-forma statements have been prepared for comparison with the balances for 2020.

The most significant deviations from the values in the financial statements for the year ended 31 December 2020 are commented on in the various sections of the notes to the financial statements.

INCOME STATEMENT HIGHLIGHTS

2021 Income Statement highlighting non-recurring items

	31 December 2021	% of sales	31 December 2020	% of sales	CHANGE %
<i>Euro 000's</i>					
Revenue from sales and services	517,710	100.0%	362,728	100.0%	42.7%
Change in inventories, wip, semi-finished products and finished goods	10,672	2.1%	(6,542)	(1.8)%	-
Other Revenue	6,365	1.2%	5,817	1.6%	9.4%
Value of production	534,747	103.3%	362,003	99.8%	47.7%
Raw materials, consumables, supplies and goods	(298,625)	(57.7)%	(199,659)	(55.0)%	49.6%
Other operating costs	(67,802)	(13.1)%	(46,513)	(12.8)%	45.8%
Normalised added value before non recurring items	168,320	32.5%	115,831	31.9%	45.3%
Personnel expense	(131,968)	25.5%	(95,526)	(26.3)%	38.1%
Normalised gross operating result	36,352	7.0%	20,305	5.6%	79.0%
Depreciation and amortisation	(21,136)	(4.1)%	(19,982)	(5.5)%	5.8%
Provisions	(10,528)	(2.0)%	(7,646)	(2.1)%	37.7%
Normalised operating result before non recurring items	4,688	0.9%	(7,323)	(2.0)%	(164.0)%
Non recurring-items	(6,157)	(1.2)%	(9,293)	(2.6)%	33.7%
Operating result	(1,469)	0.3%	(16,616)	(4.6)%	91.2%
Net financial expense	(595)	(0.1)%	(369)	(0.1)%	61.2%
Net exchange rate losses	(3,798)	(0.7)%	747	0.2%	(608.4)%
Value adjustments to financial assets	(2,429)	(0.5)%	276	0.1%	(980.1)%
Gains / losses on financial assets	-	-	321	0.1%	-
Dividends	8,513	1.6%	16,522	4.6%	(48.5)%
Pre-tax result	222	-	881	0.2%	(74.8)%
Income taxes	1,920	0.4%	4,661	1.3%	(58.8)%
Result for the year	2,142	0.4%	5,542	1.5%	(61.3)%

In 2021, **revenue** from sales and services amounted to € 517,710 thousand, compared to € 362,728 thousand at 31 December 2020, up by 42.7% over the previous year. As already mentioned in the analysis of Group sales, it should be noted that the increase in turnover concerned the entire Machinery and Systems segment. For more detailed information, reference should be made to what has already been said with respect to the Group's sales analysis.

The **value of production** amounted to € 534,747 thousand, compared to € 362,003 thousand as at 31 December 2020, representing an increase of about 47.7 % over the previous year. For a better reading of the Company's margins, below a breakdown of costs as a percentage of the value of production is shown.

	31 December 2021	%	31 December 2020	%
<i>Euro 000's</i>				
Revenue	534,747	100.0%	362,003	100.0%
Raw materials and goods	298,625	55.8%	199,659	55.2%
Other operating costs	67,802	12.7%	46,513	12.8%
Service costs	61,207	11.4%	41,631	11.5%
Use of third party assets	1,034	0.2%	920	0.3%
Sundry operating expense	5,561	1.0%	3,962	1.1%
Added value	168,320	31.5%	115,831	32.0%

The percentage of value added calculated on the value of production decreased slightly compared to 2020. The incidence of consumption was 55.8%, up by 0.6% compared to the previous year. The incidence of other operating expenses amounted to 12.7%, down 0.1% compared to the previous period.

Other operating expenses increased in absolute terms by € 21,289 thousand, mainly due to costs for services with particular reference to costs strictly related to sales (external processing, transport, commissions, etc.), trade fairs, personnel travel and consultancy as a result of the economic recovery after the effects caused by the Covid 19 pandemic in 2020. Costs for the use of third-party assets amounted to € 1,034 thousand (€ 920 thousand in 2020). Other operating costs amounted to € 5,561 thousand (€ 3,962 thousand in 2020). Personnel expense in 2021 was € 131,968 thousand, compared with € 95,526 thousand in 2020, with a € 36,442 thousand decrease in absolute terms. Compared to the previous year, there was an increase of € 27,530 thousand in the fixed component (wages, salaries and related social security contributions net of recoveries and capitalisation of personnel costs), due to both the lower use of the redundancy fund and the lower disposal of holidays accumulated over the years as a result of a strong recovery in sales after the effects in 2020 of the COVID-19 pandemic. There was also an increase in the number of employees, whose average number rose from 1,815 to 1,948. The increase is a consequence of the mergers of Uniteam S.p.A., Viet Italia S.r.l. and Bsoft S.r.l. during 2021. The variable component increased by € 5,140 thousand following the achievement of the 2021 targets.

It should be noted that, as a result of the increase in volumes, the percentage incidence on revenues decreases by approximately 0.8 percentage points from 26.3% in 2020 to 25.5% in the current year.

Normalised gross operating profit (adjusted EBITDA) amounted to € 36,352 thousand (€ 20,305 thousand in 2020).

Depreciation and amortisation amounted to € 21,136 thousand, an increase compared to the previous year (€ 19,982 thousand). Deviations mainly refer to amortisation of intangible assets.

Recurring provisions decreased compared to 2020 (€ 6,196 thousand in 2021 against € 7,646 thousand in 2020). Impairment losses amounting to € 4,332 thousand (not present in 2020) refer to projects capitalised in the past as they were considered strategic for the Company but whose production cycle ended during the year.

Normalised operating profit (adjusted EBIT) was positive for € 4,688 thousand compared to a negative value in 2020 of € 7,323 thousand.

It should be noted that the Company's result also for the current year was negatively affected by "non-recurring events and impairment" for a total of € 6,157 thousand. The Company wrote down € 5,157 thousand of capitalisations related to certain projects no longer deemed strategic and therefore abandoned, and the partial write-down of € 1 million of the carrying value of a building and related land owned by the Company.

Operating profit was negative for € 1,469 thousand, a strong improvement compared to that of 2020, which was negative for € 16,616 thousand.

As regards financial operations, financial expense amounted to € 595 thousand, up compared to the figure for 2020 (€ 369 thousand).

Exchange rate risk management resulted in a positive balance of € 3,798 thousand, compared to a € 747 thousand loss in the prior-year period.

Value adjustments to financial assets, the balance of which was negative for € 2,429 thousand (positive for € 276 thousand in 2020), are the result of impairment tests conducted on certain investments of Group companies. In particular, impairment concerned:

- Biesse Turkey: € 1 million;
- Movetro Srl: € 748 thousand;
- Biesse Gulf: € 681 thousand: this is a share referring to the necessary recapitalisation of the company to bring it back to a positive value, in consideration of the substantial obligation of the Company to meet it.

Dividends totalled € 8,513 thousand, detailed as follows:

- Biesse America: € 4,435 thousand;
- Biesse Deutschland: € 1,500 thousand;
- Biesse Iberica: € 1,500 thousand;
- Biesse UK: € 587 thousand;
- Biesse Canada: € 491 thousand.

Pre-tax profit amounted to € 222 thousand, down compared to € 881 thousand in 2020.

The balance of **tax items** is positive (income) for a total of € 1,920 thousand, as the taxable income is negative due to the non-taxability of 95% of the dividends received from subsidiaries.

The Company therefore reported a positive **result for the year** of € 2,142 thousand (€ 5,542 thousand in 2020).

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	31 December 2021	31 December 2020
<i>Euro 000's</i>		
Intangible assets	36,117	46,722
Property, plant and equipment	63,518	63,887
Financial assets	120,077	99,743
Non-current assets	219,712	210,352
Inventories	91,181	60,510
Trade receivables	133,727	107,643
Trade payables	(217,279)	(143,860)
Net operating working capital	7,629	24,293
Post-employment benefits	(9,813)	(9,722)
Provision for risk and charges	(18,942)	(13,808)
Other net payables/receivables	(39,843)	(13,718)
Net deferred tax assets	11,285	7,845
Other net liabilities	(57,313)	(29,403)
Net invested capital	170,028	205,242
Share capital	27,393	27,393
Result for the previous year and other reserves	163,818	159,641
Result for the year	2,142	5,542
Equity	193,353	192,576
Bank loans and borrowings from banks and other financiers	102,848	194,594
Other financial assets	(33,360)	(53,650)
Cash and cash equivalents	(92,813)	(128,278)
Net financial indebtedness (position)	(23,325)	12,666
Total sources of funding	170,028	205,242

Net intangible assets decreased by some € 10.6 million compared to 2020. During the year, the Company increased its investments by a total of € 9.6 million, including capitalisations on R&D projects in progress (amounting to approximately € 2.9 million), the effects of mergers for a total of € 2.8 million and the increase in goodwill for approximately € 2 million as a result of the merger of the merged companies (Uniteam and Bsoft). The decrease was due to amortisation (€ 12.7 million) and impairment losses (€ 7.9 million) on R&D projects and licences which are being phased out.

As regards property, plant and equipment, the net value decreased by € 369 thousand. The decrease is due to higher depreciation and amortisation compared to the year's purchases despite an increase of € 3.1 million net from mergers.

Financial fixed assets recorded an increase of € 20.3 million as the balance is mainly attributable to the increase of € 41.4 million for the purchase of 100% of Forvet S.p.A. shares, the decrease of € 13.3 million in the value of the investment in Biesse Hong Kong following the reduction in share capital and consequent financial reimbursement, the cancellation of investments due to mergers for a total of € 6.6 million, write-downs of investments for € 1.7 million and the R&D tax credit for the year 2021 for € 0.5 million.

Net working capital, compared with 31 December 2020, showed an overall decrease of approximately € 16.8 million. The change is mainly attributable to the significant increase in trade payables (for € 73.6 million) due to the procurement of materials to cope with production following the positive order intake, only partially offset by the increase, due to the increase in sales volumes, in inventories and trade receivables.

Other net assets/(liabilities), which were negative by € 58.2 million (€ 29.4 million in 2020), include an increase in provisions for risks and charges for disputes with customers and for product warranties, an increase in the debit balance of other net payables/receivables due to a decrease in dividend receivables, and an increase in payables to employees and income tax payables.

Net financial position

	31 December 2021	31 December 2020
€ '000		
Financial assets	126,172	181,928
Financial assets versus third parties	27,098	28,024
Financial assets versus related parties	6,262	25,626
Cash and cash equivalent	92,812	128,278
Short term financial lease liabilities	(2,280)	(2,024)
Bank and other short term financial liabilities	(2,284)	(64,174)
Other short term financial current liabilities versus related parties	(93,745)	(80,886)
Short-term net financial indebtedness (position)	27,863	34,844
Medium/long term financial lease liabilities	(4,326)	(5,423)
Bank and other medium/long term financial liabilities	0	(42,087)
Trade payables and other medium/long term debts	(212)	0
Medium/long-term net financial indebtedness (position)	(4,538)	(47,510)
Net financial indebtedness (position)	23,325	(12,666)

In the NFP statement at 31/12/2021, in application of the new provisions contained in Communication No. 5/21 of 29 April 2021 issued by Consob which refers to the ESMA Recommendations of 4 March 2021, trade payables due beyond one year have been included. For comparative purposes, these payables amounted to € 260 thousand at 31 December 2020.

For the sake of clarity, the fair value of derivatives outstanding at 31/12/2021 have also been excluded from financial assets. For comparative purposes, it should be noted that the fair value asset at 31/12/2020 was € 1,024 thousand.

The Net Financial Position at 31 December 2021 was positive by € 23.3 million, a significant improvement on the previous year's figure, which was negative by € 12.9 million.

It should be noted that, as these matters are not specifically regulated, the Net Financial Position does not include the estimated earn-out liability of € 3 million related to the acquisition of Forvet S.p.A. and due after 12

months, nor the residual debt for the payment of the last instalment, equal to € 1.9 million, both recorded in the financial statements.

RELATED-PARTY TRANSACTIONS

As regards transactions with related parties, reference should be made to the notes to the separate financial statements of Biesse S.p.A.

OTHER INFORMATION

Finally, it should be noted that the Company does not own shares/stakes of parent companies nor did it own or trade them during 2021. There is therefore nothing to disclose for the purposes of Art. 2428, paragraph 2, sections 3 and 4 of the Italian Civil Code. Pursuant to Art. 2497-bis c. 4 of the Italian Civil Code, we note that the Company Bi.Fin. S.r.l., with registered office in Pesaro viale F.lli Rosselli 46, exercises management and coordination over Biesse S.p.A.

EVENTS AFTER THE REPORTING DATE

Please refer to the information under SIGNIFICANT EVENTS AFTER 31 DECEMBER 2021 AND OUTLOOK in the Directors' Report on Operations of the consolidated financial statements.

PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

You are invited to approve the financial statements for the year ended 31 December 2021, with the present Directors' Report on Operations, as they stand.

The Board of Directors proposes the payment of a gross dividend of EUR 0.624 per share. In the past, the Biesse Group has followed the approach of distributing an average of 30% of consolidated net profit. However, in view of the fact that the company deliberately did not distribute dividends during the previous 2 financial years, the proposed dividend for the financial year 2021 represents 50% of the consolidated net profit realised during the year (the last dividend payment was in May 2019 and was EUR 0.48 per share). The total disbursement of the proposed dividends is EUR 17,099,218.03. Detachment date 23 May 2022 record date 24 May 2022 payment value date 25 May 2022. Coupon No.16.

We therefore invite you to resolve to allocate the profit for the year of € 2,141,702.48 to the payment of a dividend of 0.078 euros per share and to take the remaining € 14,957,515.55 from the extraordinary reserve for the payment of a dividend of 0.546 euros per share.

Pesaro, 14/03/2022

The Chairman of the Board of Directors

Giancarlo Selci

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

CONSOLIDATED INCOME STATEMENT

<i>Euro 000's</i>	Note	31 december	
		2021	2020
Revenue	7	742,199	578,789
Other operating income	8	24,820	5,767
Change in inventories of finished goods and work in progress		21,409	(10,911)
Purchase of raw materials and consumables	9	(333,566)	(234,320)
Personnel expense	10	(233,797)	(192,623)
Depreciation, amortisation and impairment	11	(50,188)	(48,434)
Other operating costs	12	(125,157)	(92,045)
Operating result		45,721	6,223
Financial income	13	292	1,080
Financial expense	13	(2,595)	(3,190)
Exchange rate gains (losses)	13	(2,933)	(891)
Pre-tax result		40,484	3,222
Income taxes	27	(6,289)	(767)
Result for the year		34,195	2,455
Attributable to owners of the parent		34,018	2,531
Attributable to non-controlling interests		177	(76)
Earnings per share (Euro)	14	1.24	0.09
Diluted earnings per share (Euro)	14	1.24	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Euro 000's</i>		31 December	
	Note	2021	2020
Result of the period		34,195	2,455
Translation differences of foreign operations	24	1,126	(6,144)
Income/(loses) on financial assets valued at fair value OCI		98	
Taxes on Income/(loses) on financial assets valued at fair value OCI		(24)	
Total items that may be reclassified to profit and loss of the year		1,200	(6,144)
Measurement of defined-benefit plans		(555)	(214)
Income taxes on items that will not be reclassified to profit and loss		108	49
Total items that will not be reclassified to profit or loss		(446)	(165)
Total comprehensive income for the year		34,948	(3,853)
Attributable to:			
Non-controlling interests		169	(68)
Owners of the parent		34,779	(3,785)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION¹

<i>Euro 000's</i>		31 december	31 december
	Note	2021	2020
ASSETS			
Equipment and other items of property, plant and equipment			
Property, plant and equipment	15, 16	117,203	125,130
Goodwill	17	46,694	23,471
Other intangible assets	18	51,296	49,884
Deferred tax assets	27	23,763	17,499
Other financial assets and receivables (including derivatives)	19	4,440	3,277
Other equity investments	21	137	-
Total non current assets		243,533	219,260
Inventories	20	179,417	129,848
Trade receivables	21	125,962	102,875
Other revceivables	22	18,774	14,773
Other financial assets and receivables (including derivatives)	19	27,991	28,107
Cash and cash equivalents	23	127,099	163,425
Total current assets		479,242	439,028
TOTAL ASSETS		722,774	658,288

<i>Euro 000's</i>		31 December	31 December
	Note	2021	2020
EQUITY AND LIABILITIES			
Share capital and reserves		27,393	27,393
Share capital		186,957	184,099
Profit for the year		34,018	2,531
Equity attributable to the owners of the parent	24	248,368	214,022
Non-controlling interests		849	790
TOTAL EQUITY		249,217	214,812
Financial liabilities	16,25	16,000	66,480
Post-employment benefits	26	13,318	12,775
Deferred tax liabilities	27	9,102	2,992
Provisions for risks and charges	28	484	322
Other liabilities	31	4,195	969
Total non current liabilities		43,099	83,538
Financial liabilities	16,25	13,382	75,509
Provisions for risks and charges	28	24,366	19,666
Trade payables	29	186,660	132,790
Contract liabilities	30	127,093	72,189
Other liabilities	31	68,787	55,742
Income tax payables	27	10,170	4,041
Total current liabilities		430,549	359,937
LIABILITIES		473,557	443,476
TOTAL EQUITY AND LIABILITIES		722,774	658,288

1 In accordance with Consob Resolution No. 15519 of 27 July 2006, the effects of related-party transactions and non-recurring transactions on the Statement of Financial Position are shown in the relevant statement in Annex 1

CONSOLIDATED STATEMENT OF CASH FLOWS

Euro 000's

OPERATING ACTIVITIES

	Note	31-dic-21	31-dic-20
Result for the year		34,195	2,455
Change for:			
Income taxes	27	6,289	767
Depreciation and amortisation of current and non-current owned assets		24,859	24,750
Depreciation and amortisation of current assets in leasing		8,376	8,634
Gains/losses from sales of property, plant and equipment	8	(18,297)	(288)
Impairment losses on intangible assets	11	8,751	7,803
Accrual to post-employment benefits		15,148	7,675
Income from investment activities		(80)	(552)
Net Financial expense		3,163	2,497

SUBTOTAL OPERATING ACTIVITIES

		82,404	53,741
Change in trade receivables and contract assets		(22,907)	12,510
Change in inventories		(46,051)	21,409
Change in trade payables and contract liabilities		102,192	7,982
Change in post-employment benefits and in others funds		(2,178)	(4,462)
Other changes in operating assets and liabilities		(695)	4,846

Cash flow Cash flow generated / (absorbed) by operating activities

		112,765	96,025
Tax paid		(6,555)	(5,132)
Interest paid		(2,334)	(2,672)

NET CASH FLOWS FROM OPERATING ACTIVITIES

INVESTING ACTIVITIES

Acquisition of property, plant and equipment		(8,417)	(4,743)
Proceeds from sale of property, plant and equipment		3,205	1,026
Acquisition of intangible assets	18	(5,734)	(10,542)
Investments in other companies		(137)	0
Cash flow from acquisition of business combinations	34	(19,722)	0
Cash flow from sale of business combinations	34	22,454	0
Change in other financial assets		0	(24,670)
Interest received		0	552

NET CASH FLOWS USED IN INVESTING ACTIVITIES

FINANCING ACTIVITIES

Loan refunds	25	(118,895)	(76,180)
New bank loans	25		115,000
Finance lease payments	16,25	(13,212)	(8,600)
Acquisition of additional controlling interest	34	(550)	0
Other changes		6	0

NET CASH FLOWS USED IN FINANCING ACTIVITIES

		(132,652)	30,220
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NET INCREASE IN CASH AND CASH EQUIVALENTS

		(37,128)	80,062
CASH AND CASH EQUIVALENTS AS AT 01/01/2021	23	163,425	86,061
Effect of exchange rate fluctuations on cash held		802	(2,699)
CASH AND CASH EQUIVALENTS AS AT 31/12/2020	23	127,099	163,425

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

'Euro 000's	Note	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT						Non Controlling Interests	TOTAL EQUITY
		Share Capital	Equity reserves	Hedging and translation reserves	Others reserves	Result for the year	Equity attributable to the owners of the parent		
Opening balances at 01/01/2020	24	27,393	36,202	(6,141)	147,335	13,027	217,817	858	218,675
Other comprehensive income				(6,152)	(163)		(6,316)	7	(6,308)
Result for the year						2,531	2,531	(76)	2,455
Total comprehensive income/expense for the year				(6,152)	(163)	2,531	(3,785)	(68)	(3,855)
Allocation of profit for the previous year					13,027	(13,027)			
Other changes					(10)		(10)		(10)
Closing balances at 31/12/2020	24	27,393	36,202	(12,293)	160,190	2,531	214,022	790	214,812

	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT										
'Euro 000's	Note	Share Capital	Equity reserves	Hedging and translation reserves	OCI reserve	Finacial asset OCI reserve	Others reserves	Result for the year	Equity attributable to the owners of the parent	Non Controlling Interests	TOTAL EQUITY
Opening balances at 01/01/2021	24	27,393	36,202	(12,293)	(5,146)		165,336	2,531	214,022	790	214,812
Other comprehensive income				1,132	(443)	75	(2)		761	(8)	754
Result for the year								34,018	34,018	177	34,195
Total comprehensive income/expense for the year				1,132	(443)	75	(2)	34,018	34,779	169	34,948
Allocation of profit for the previous year							2,531	(2,531)			
Transactions with minority shareholders					(8)		(432)		(440)	(110)	(550)
Other changes							6		6		6
Closing balances at 31/12/2021	24	27,393	36,202	(11,162)	(5,597)	75	167,439	34,018	248,368	849	249,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The subject preparing the financial statements

Biesse S.p.A. (hereinafter the "Company" or the "Parent Company") is an Italian company, with registered office in Pesaro, via della Meccanica 16.

The Biesse Group (hereinafter the "Group") operates in the mechanical engineering sector and is fully controlled by BI.Fin. S.r.l., a company active in the production and sale of machinery and systems for working wood, glass and stone. Biesse S.p.A. is listed on the Milan Stock Exchange in the Euronext Star segment.

The Consolidate Financial Statements as at 31 December 2021 incorporate the financial statements of Biesse S.p.A. and subsidiaries which it controls directly or indirectly (hereinafter defined as the "Group") and the amount of its equity investment, in proportion to the percentage held, in associates. The draft consolidated financial statements as at 31 December 2021 were submitted to the Board of Directors on 14 March 2021.

The accompanying consolidated financial statements of Biesse S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

Reporting criteria

The currency in which the Financial Statements are presented is the Euro. Balances are expressed in thousands of Euros, unless otherwise stated. It should also be noted that some differences might be found in tables due to the rounding of values shown in thousands of Euro.

Scope of consolidation

The consolidated statement of financial position and income statement as at 31 December 2021 include the financial statements of the Parent company Biesse S.p.A. and of its subsidiaries, which are listed below.

List of companies consolidated on a line-by-line basis

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
<i>Parent company</i>						
Biesse S.p.A. Via della Meccanica, 16 Chiusa di Ginestreto (PU) - Italy	EUR	27,393,042				
<i>Italian subsidiaries:</i>						
HSD S.p.A. Via della Meccanica, 16 Chiusa di Ginestreto (PU) - Italy	EUR	1,141,490	100%			100%
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, without number Alzate Brianza (CO) - Italy	EUR	70,000	98%			98%
Montresor & Co. S.r.l. Via Francia, 13 Villafranca (VR) - Italy	EUR	1,000,000	60%			60%
Movetro S.r.l. Via Marco Polo, 12 Carmignano di Sant'Urbano (PD) - Italy	EUR	51,000	60%			100% ¹
Forvet S.p.A. Special Machinery Construction Strada Piossasco, 46 Volterra (TO) - Italy	EUR	600,000	100%			100%
Forvet Research & Development S.r.l. Strada Piossasco, 46 Volterra (TO) - Italy	EUR	50,000		100%	Forvet S.p.A. Special Machinery Construction	100%

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
Biesse America Inc. 4110 Meadow Oak Drive – Charlotte, North Carolina – USA	USD	11,500,000	100%			100%
Biesse Canada Inc. 18005 Rue Lapointe – Mirabel (Quebec) – Canada	CAD	180,000	100%			100%
Biesse Group UK Ltd. Lamport Drive – Daventry Northamptonshire – Great Britain	GBP	655,019	100%			100%
Biesse France Sarl 4, Chemin de Moninsable – Brignais – France	EUR	1,244,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 – Elchingen (Ulm) – Germany	EUR	1,432,600	100%			100%
Biesse Schweiz GmbH Luzernerstrasse 26 – 6294 Ermensee – Switzerland	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%
Biesservice Scandinavia AB Maskinvägen 1 – Lindas – Sweden	SEK	200,000	60%			60%
Biesse Iberica Woodworking Machinery s.l. C/De La Imaginació, 14 Poligon Ind. La Marina – Gavà Barcelona – Spain	EUR	699,646	100%			100%
WMP- Woodworking Machinery Portugal, Unipessoal Lda Sintra Business Park, 1, São Pedro de Penaferriim – Sintra – Portugal	EUR	5,000		100%	Biesse Iberica W. M. s.l.	100%
Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park – Sydney – Australia	AUD	15,046,547	100%			100%
Biesse Group New Zealand Ltd. Unit B, 13 Vogler Drive Manukau – Auckland – New Zealand	NZD	3,415,665	100%			100%
Biesse Manufacturing Co. Pvt. Ltd. Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk – Bangalore – India	INR	1,224,518,391	100%			100%
Biesse Asia Pte. Ltd. Zagro Global Hub 5 Woodlands Terr. – Singapore	EUR	1,548,927	100%			100%
Biesse Indonesia Pt. Jl. Kh.Mas Mansyur 121 – Jakarta – Indonesia	IDR	2,500,000,000	10%	90%	Biesse Asia Pte. Ltd.	100%
Biesse Malaysia SDN BHD No. 5, Jalan TPP3 47130 Puchong - Selangor, Malaysia	MYR	7,083,765		100%	Biesse Asia Pte. Ltd.	100%
Biesse Korea LLC Geomdan Industrial Estate, Oryu-Dong, Seo- Gu – Incheon – South Korea	KRW	100,000,000		100%	Biesse Asia Pte. Ltd.	100%
Biesse (HK) Ltd. Room 1530, 15/F, Langham Place, 8 Argyle Street, Mongkok, Kowloon – Hong Kong	HKD	199,952,688	100%			100%
Biesse Trading (Shanghai) Co. Ltd. Room 301, No.228, Jiang Chang No. 3 Road, Zha Bei District, – Shanghai – China	RMB	76,000,000		100%	Biesse (HK) Ltd.	100%

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
Biesse Turkey Makine Ticaret Ve Sanayi A.S. Şerifali Mah. Bayraktar Cad. Nutuk Sokak No:4 Ümraniye, Istanbul – Turkey	TRY	45,500,000	100%			100%
Biesse Group Israel Ltd. 8 Ha-Taas St. Ramat-Gan 5251248, Israel	ILS	100,000	100%			100%
OOO Biesse Group Russia Mosrentgen area, settlement Zavoda Mosrentgen, Geroya Rossii Solomatina street, premises 6, site 6, office 3, 108820, Moscow, Russian Federation	RUB	99,209,440	100%			100%
Biesse Gulf FZE Dubai, free Trade Zone	AED	6,400,000	100%			100%
Biesse Taiwan 6F-5, No. 188, Sec. 5, Nanking E. Rd., Taipei City 105, Taiwan (ROC)	TWD	500,000		100%	Biesse Asia Pte Ltd.	100%
Biesse Japan K.K. C/O Mazars Japan K.K., ATT New Tower 11F, 2-11-7, Akasaka, Minato-ku, Tokyo	JPY	5,000,000		100%	Biesse Asia Pte Ltd.	100%
HSD Mechatronic (Shanghai) Co. Ltd. D2, 1 st floor, 207 Taiguroad, Waigaoqiao Free Trade Zone – Shanghai – China	RMB	2,118,319		100%	Hsd S.p.A.	100%
Hsd Usa Inc. 3764 SW 30 th Avenue – Hollywood, Florida – USA	USD	250,000		100%	Hsd S.p.A.	100%
HSD Mechatronic Korea LLC 414, Tawontakra2, 76, Dongsan-ro, Danwon- gu, Ansan-si 15434, South Korea	KWN	101,270,000		100%	HSD S.p.A.	100%
HSD Deutschland GmbH Brükenstrasse, 2 – Gingen – Germany	EUR	25,000		100%	Hsd S.p.A.	100%

¹ As a reminder, the contract to purchase Movetro S.r.l. provided for a put/call option on non-controlling interests. We have considered the possibility that the old ownership will exercise the put option (on 31 July 2022). We have valued such a transaction at the minimum price provided in the contract (€ 1 million discounted as at today). As a result, the Parent Company is still 100% consolidated even though only 60% of shares are currently held.

Compared with the financial statements for the year ended 31 December 2020, the consolidation scope changed following the establishment of the new commercial branch, Biesse Japan KK, which is a subsidiary of Biesse Asia Pte Ltd and operates in marketing and post-sales assistance for the Group's machinery. The sale of the stake in Dongguan Korex Machinery Co. Ltd. and the purchase of an additional stake in Viet Italia S.r.l. (through which its controlling stake goes from 85% to 100%) should be noted, both transactions completed in April 2021. On 30/06/2021, the merger of the subsidiaries Viet Italia S.r.l. and Bsoft S.r.l. into the parent company Biesse S.p.A. was completed, while the merger of the subsidiary Uniteam S.p.A. was completed in December 2021.

On 11 October 2021 the contract for the acquisition of 100% of the shares in Forvet S.p.A. Costruzione Macchine Speciali, a company based in Volvera (TO) producing special automated machines for glass processing, was signed, while on 2 November 2021 the transfer of the respective shares to Biesse S.p.A. was completed, with consequent inclusion in the consolidation area from that date. For further details, see note 34 on business combinations.

Finally, on 27 December 2021, Biesse Austria GmbH (a subsidiary of Biesse Deutschland Group GmbH) was definitively liquidated and closed.

2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND GENERAL STANDARDS

The consolidated financial statements as at 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as with the implementing provisions issued pursuant to Art. 9 of Italian Law Decree 38/2005 and the Consob regulations and provisions regarding financial statements.

The financial statements have been prepared on the historical cost basis, with the exception of derivative financial instruments, held-for-sale financial assets and financial instruments classified as available for sale, which are measured at fair value; the financial statements have been prepared also on a going concern basis.

This disclosure was prepared in accordance with the provisions of Consob (Commissione Nazionale per le Società e la Borsa – the regulatory authority for the Italian securities' market), with particular reference to resolutions No. 15519 and 15520 of 27 July 2006 and to communication No. DEM6064293 of 28 July 2006. It should be noted that, with reference to said Consob Resolution No. 15519 of 27 July 2006 on the format of financial statements, specific additional statements of income and of financial position were included, highlighting significant related-party transactions, so as to improve the readability of the information. With reference to the consolidated statement of cash flows, transactions with related parties refer to trade receivables and payables, other receivables and payables, and the distribution of dividends. As far as the consolidated statement of comprehensive income is concerned, no transactions with related parties have been identified. In regards to the consolidated statement of changes in equity, transactions with related parties related to the distribution of dividends.

Financial statements

All statements conform to the minimum content requirements set by the International Financial Reporting Standards and the applicable provisions laid down by national legislation and Consob. The statements used are considered adequate for the purpose of fair presentation of the Group's financial position, results of operations and cash flows. In particular, it is believed that the income statements reclassified by nature provide reliable and relevant information for a correct representation of the Group's economic performance. The statements comprising the Financial Statements are:

Consolidated Income Statement

Expenses are classified based on their nature, highlighting interim results with respect to operating and pre-tax profit. Operating profit is calculated as the difference between net revenue from sales and services and operating expense (including non-cash costs relating to depreciation, amortisation and impairment losses on current and non-current assets, net of any reversal of impairment losses) and including capital gains and losses on the sale of non-current assets.

Consolidated Statement of Comprehensive Income

This statement includes the items that make up the profit or loss for the financial year. For each group of categories, it also shows income and expenses that have been recognised directly in equity pursuant to IFRSs.

Consolidated Statement of Financial Position

This statement shows a breakdown of current and non-current assets and liabilities.

An asset/liability is considered to be current when it satisfies any of the following criteria:

- it is expected to be recovered/settled, or intended for sale or consumption, in the Group's normal operating cycle
- it is held primarily for the purpose of being traded
- it is expected to be recovered/settled within 12 months after the reporting date

In the absence of all three conditions, the assets/liabilities are classified as non-current.

Consolidated Statement of Changes in Equity

This statement shows the changes in equity items related to:

- the allocation of the parent company's and subsidiaries' profit/(loss) for the year to non-controlling interests;
- amounts relating to transactions with shareholders (purchase and sale of treasury shares);
- any gains or losses net of any tax effects which, as required by IFRSs, are either recognised directly in equity (gains or losses from trading of treasury shares, actuarial gains or losses arising from the measurement of defined-benefit plans) or have an offsetting entry under equity (share-based payments for stock option plans);

- changes in valuation reserves relating to derivative instruments hedging future cash flows, net of any tax effects.

Consolidated Statement of Cash Flows

The Statement of Cash Flows is prepared using the indirect method, whereby net profit (loss) for the year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents recognised in the statement of cash flows include the balance of this item at the reporting date. Foreign currency cash flows have been translated at the average exchange rate for the period.

Interest and taxes paid are classified within operating activities, while interest and dividends received are presented within investing activities.

3. MEASUREMENT CRITERIA AND USE OF ESTIMATES

The preparation of the financial statements and related notes pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on historical experience and other factors deemed as material. Estimates and assumptions are reviewed on an ongoing basis and the effect of any resulting changes is reflected in the income statement in the reporting period in which the estimates are reviewed if the review affects only that reporting period, or also in subsequent reporting periods if the review affects both the current year and future years.

A summary follows of the critical judgements and the key assumptions made by Management in applying the accounting standards with regard to the future and which may have a significant impact on the amounts recognised in the Group financial statements or have the risk of resulting in material adjustments to the carrying amount of assets and liabilities in the following financial year.

Allowance for impairment

The allowance for impairment reflects Management's estimates of impairment losses on the portfolio of receivables due from end customers and the sales network. The estimate of the allowance for impairment is based on losses expected by the Group, calculated on the basis of past experience for similar receivables, current and historical overdue receivables, losses and collections, the careful monitoring of credit quality, and projections of economic and market conditions, also taking into account uncertainties related to significant events (as in the case of COVID-19) from a forward-looking perspective.

Allowance for inventory write-downs

The allowance for inventory write-downs reflects the Management's estimate of impairment losses expected by the Group and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts, and any losses due to specific activities implemented by the companies included in the scope of consolidation.

Recoverable amount of non-current assets (including goodwill)

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management regularly reviews the carrying amount of non-current assets owned and used and of assets to be disposed of, when events and circumstances call for such review. For goodwill and intangible assets with an indefinite useful life, this analysis is carried out at least once a year and whenever events and circumstances so require. The analysis of the recoverability of non-current assets' carrying amount is generally performed using estimates of cash flows expected from the use or sale of the assets and appropriate discount rates to calculate their present value. When the carrying amount of a non-current asset is impaired, the Group recognises an impairment loss equal to the difference between the carrying amount of the asset and the amount recoverable through its use or sale calculated with reference to the cash flows projections in the Group's latest plans.

Product warranties

When a product is sold, the Group makes a provision for the relevant estimated warranty costs (annual and multi-year). Management establishes the amount of this provision on the basis of historical information regarding the nature, frequency and average cost of repairs under warranty. The Group is working to improve product quality and to minimise the cost of repairs under warranty.

Pension plans and other post-employment benefits

The provisions for employee benefits, the relevant assets, costs and net finance expense are measured with an actuarial method that requires the use of estimates and assumptions for measuring the net value of the liability or asset. The actuarial method considers financial variables such as, for instance, the discount rate or the long-term expected return on plan assets and the growth rates of salaries, and considers the probability that potential future events will occur using demographic variables such as, for instance, mortality rates and employee turnover or retirement rates.

More precisely, the discount rates taken as reference are the rates or rate curves on high-quality corporate bonds (Euro Composite AA interest-rate curve) in the respective reference markets. The expected return on assets is calculated on the basis of the different data provided by experts on long-term expectations of capital market yields, inflation, current yield on bonds, and other variables, and may be adjusted to take account of the asset investment strategies. The rates of future salary increases reflect the Group's long-term expectations for the reference markets and the trend in inflation. Any change in any of these variables may affect future contributions to the provisions.

Commercial, legal and tax disputes

The Group is subject to possible legal and tax cases involving a wide range of issues that are subject to the jurisdiction of different states, as well as possible commercial disputes. Owing to the uncertainties inherent to these issues, it is hard to make a reliable estimate of the outflow of resources that could arise from said disputes. The claims and disputes against the Group frequently arise from complex and difficult legal issues, subject to varying degrees of uncertainty, including the facts and circumstances inherent to each case, as well as the jurisdiction and the different laws applicable to each case. In the normal course of business, Management consults with its legal advisors and experts in legal and tax matters, as well as with the corporate functions most involved in matters of customer disputes. The Group recognises a liability for said disputes when it deems it probable that an outflow of financial resources will be required to settle the obligation and the relevant amount can be measured reliably, also taking into account information related to historical trends. If a financial outlay becomes probable, but its amount cannot be determined, this fact is disclosed in the notes to the financial statements.

4. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA ADOPTED

Main accounting standards adopted

The accounting standards adopted in the consolidated financial statements as at 31 December 2021 were applied in the same way also to the comparative period, except as described in the following section 5.a) "Accounting standards, amendments and IFRS interpretations applied by the Group as from 1 January 2021".

The main accounting standards used to prepare these consolidated financial statements are shown below.

A. CONSOLIDATION CRITERIA

General standards

The consolidated financial statements as at 31 December 2021 include the financial statements of the parent company Biesse S.p.A. and of its subsidiaries. Control exists when the parent is exposed to variable returns deriving from its relationship with the entity, or has rights to such returns, while at the same time having the ability to influence those returns by exercising its power over the entity itself.

Financial statements of subsidiaries are included in the consolidated financial statements from the time when the parent begins to exercise control until the date on which such control ceases.

Where material differences arise, these financial statements are reclassified and adjusted as appropriate to conform to the accounting policies and measurement criteria adopted by the Parent Company. All Group companies end their financial year on 31 December, except for the Indian subsidiary whose financial year ends

on 31 March and which, as a result, is consolidated using specific interim financial statements as at 31 December.

The carrying amount of equity investments in consolidated companies is eliminated to offset the corresponding share of equity of the investees by attributing their fair value at the date of acquisition to the relevant individual assets or liabilities. Any residual difference, if positive, is included in non-current assets and, secondarily, in the goodwill item; if negative, it is recognised in the income statement.

The results of subsidiaries acquired or divested during the year are included in the consolidated income statement from the effective date of acquisition to the effective date of disposal.

Non-controlling interests in the acquiree are initially measured at their proportionate interest in the fair value of reported assets, liabilities and contingent liabilities.

Receivables and payables, income and expense, and gains and losses arising from intra-group transactions are eliminated. Capital gains and losses on intra-group sales of capital goods are eliminated where they are deemed to be material. Any share in net equity and profits attributable to third parties are recorded under the corresponding item of the financial statements.

Translation of foreign currency financial statements

The financial statements of companies whose functional currency is different from the presentation currency of the Consolidated Financial Statements (Euro) and that do not operate in countries with hyperinflationary economies, are translated as follows:

- assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at the closing exchange rate;
- income and expense are translated at the average exchange rate for the year, considered as a reasonable approximation of the exchange rate at the dates of the transactions.

Exchange rate gains (losses) emerging from the conversion process are recorded in other comprehensive income and included under equity in the hedging and translation reserve.

On disposal of the economic entity that gave rise to exchange rate gains (losses), the cumulative amount of exchange differences recognised in a separate component of equity will be recognised in the income statement.

Shown below are the exchange rates used as at 31 December 2021 and 31 December 2020 for converting finance and equity entries in foreign currency (source www.bancaditalia.it):

Currency	31 December 2021		31 December 2020	
	Closing	Final	Closing	Final
US Dollar / Euro	1.1827	1.1326	1.1422	1.2271
Brazilian Real / Euro	6.3779	6.3101	5.8943	6.3735
Canadian Dollar / Euro	1.4826	1.4393	1.5300	1.5633
Pound Sterling / Euro	0.8596	0.8403	0.8897	0.8990
Swedish Krone / Euro	10.1465	10.2503	10.4848	10.0343
Australian Dollar / Euro	1.5749	1.5615	1.6549	1.5896
New Zealand Dollar / Euro	1.6724	1.6579	1.7561	1.6984
Indian Rupee / Euro	87.4392	84.2292	84.6392	89.6605
Chinese Renmimbi Yuan / Euro	7.6282	7.1947	7.8747	8.0225
Swiss Franc / Euro	1.0811	1.0331	1.0705	1.0802
Indonesian Rupiah / Euro	16,920.7200	16,100.4200	16,627.3700	17,240.7600
Hong Kong Dollar /Euro	9.1932	8.8333	8.8587	9.5142
Malaysian Ringgit /Euro	4.9015	4.7184	4.7959	4.9340
South Korean Won /Euro	1,354.0600	1,346.3800	1,345.5800	1,336.0000
Turkish Lira/Euro	10.5124	15.2335	8.0547	9.1131
Russian Rouble/euro	87.1527	85.3004	82.7248	91.4671
UAE Dirham/euro	4.3436	4.1595	4.1947	4.5065
Taiwan Dollar/euro	33.0361	31.3671	33.6227	34.4807
Japanese Yen/euro	129.8767	130.3800	121.8458	126.4900
Israeli Shekel/euro	3.8208	3.5159	3.9258	3.9447

Business combinations

Business combinations are accounted for using the acquisition method. This method requires that the consideration transferred in a business combination be measured at fair value, calculated as the sum of the acquisition-date fair value of the assets transferred and the liabilities assumed and the equity instruments issued by the Group in exchange for control of the acquiree. Transaction-related ancillary charges are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at fair value at the acquisition date. The following items, which are valued in accordance with their reference principle, are an exception:

- deferred tax assets and liabilities;
- employee benefits assets and liabilities;
- liabilities or equity instruments relating to share-based payments of the acquiree or Group-related share-based payments issued in exchange for contracts of the acquiree;
- assets held for sale and Discontinued Operations.

In accordance with IFRS 3 (Business Combinations), goodwill is recognised at the date the Group obtains control of a business, and is measured as the excess of (a) over (b) in the following way:

- a) the aggregate of:
 - the consideration transferred (measured in accordance with IFRS 3, i.e. generally determined on the basis of the acquisition-date fair value);
 - the amount of any non-controlling interest in the acquiree measured in proportion to the non-controlling interest's share in the recognised amounts of the acquiree's identifiable net assets measured at their fair value;
 - in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree;
- b) the fair value of the identifiable assets acquired, net of the identifiable liabilities and contingent liabilities assumed, at the date control is obtained.

IFRS 3 also requires:

- recognition in profit or loss of ancillary costs relating to the business combination;
- in a business combination achieved in stages, the acquirer shall remeasure its previously held equity investment in the acquiree at the acquisition-date fair value, and separately recognise the resulting gain or loss, if any, in profit or loss for the year.

Any considerations subject to conditions set out in the business combination contract are measured at the acquisition-date fair value and included in the consideration paid during the business combination in order to determine goodwill. Any subsequent changes in this fair value, classifiable as measurement period adjustments, are included retrospectively in goodwill. Changes in fair value, classifiable as measurement period adjustments, are those deriving from additional information about facts and circumstances that existed at the acquisition date, obtained during the measurement period (which shall not exceed one year from the date of the business combination).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurred, the Group recognises the provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the amounts of the assets and liabilities recognised as of that date.

As of 1 January 2020, with respect to business combinations and asset acquisitions, the Group applies the new requirements issued by the IASB regarding the definition of a business. In particular, to meet the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

B. FOREIGN CURRENCY TRANSACTIONS

All transactions are accounted for in the functional currency of the primary economic environment in which each company of the Group operates. Transactions denominated in currencies other than the functional currency of the Group's companies are initially translated into the functional currency using the exchange rate at the date of the transaction. Subsequently, monetary assets and liabilities (defined by IAS 21 as assets or liabilities held for collection or payment, where the amount is set in advance or able to be established) are translated using the closing rate; non-monetary assets and liabilities, which are valued at historical cost in foreign currencies, are translated using the exchange rate at the date of the transaction; and non-monetary assets and liabilities, which are measured at fair value in a foreign currency, are translated at the effective exchange rate at the date of determination of fair value.

Exchange rate gains or losses arising from conversion are recognised in profit or loss for the year.

To hedge its exposure to currency risk, the Group has entered into some forward and option contracts (see below the Group's accounting policies relating to these derivative instruments).

C. REVENUE RECOGNITION

Revenue from the sales of goods and services is recognised when the effective transfer of control to the customer takes place. For these purposes, the Group analyses the contracts signed with customers in order to identify the contractual obligations, which may involve the transfer of goods or services, and the possible existence of a number of elements to be recognised separately. In the presence of single contract including a number of services, the Group determines the amount referring to each of the services. The method of recognising revenue from sales of goods and services depends on how the individual services are performed: performance at a given time or performance over time. In the former case, revenue is recognised when the customer obtains control of the good or service, a moment which is influenced by the delivery conditions envisaged by the contract. In the case of performance over time, depending on the characteristics of the underlying service, revenue is recognised either on a straight-line basis over the term of the contract or on a percentage-of-completion basis using the percentage-of-completion method. The latter is determined using the cost-to-cost method, i.e. applying to the total expected revenue the percentage resulting from the ratio of costs incurred to total expected costs.

In reference to the main types of sales realised by the Group, the recognition of revenue takes place on the basis of the following criteria:

- a) Sales of machines and systems: revenue is generally recognised when the machine is delivered to the customer, which normally coincides with the moment when the customer obtains control of the good. The advances obtained from customers before completion of the sale are recorded as advances from customers, under the item Contract liabilities. In the case of machines and systems made to the customer's specific indications, the revenue is recognised over time, on the basis of the progress of the work with a counter-entry under the item Contract assets. The invoices for advances and payments on account issued in compliance with the contractual conditions are recorded as a deduction from contract assets. Should the overall payments on account and advances received exceed the value of the asset realised at that date, a payable due to the customer on orders is recorded under Contract liabilities.
- b) Mechanical and electronic components, and other goods. The related revenue is recognised when the customer obtains control of the good, taking account of the delivery conditions agreed with the customer. Any advances paid by the customer before the sale of the good are recognised as such under Contract liabilities.
- c) Installation of machines and systems for machining wood, stone and marble. These are services generally sold together with the machines and systems as set out in point a) above, the revenue from which is recognised in the income statement over time on the basis of the progress of the service to be provided to the customer.
- d) Other services. These are services provided over time and the related revenue is consequently recognised in the income statement on a straight-line basis over the duration of the contract.

D. GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the entity will comply with all the conditions attaching to the grant and that the grant will be received. Grants are recognised in the income statement over the period in which the entity recognises as expense the related costs which the grants are

intended to compensate.

For accounting purposes, a benefit arising from a government loan granted at a below-market rate of interest is treated as a government grant. This benefit is measured at the inception of the loan as the difference between the initial carrying amount of the loan (fair value plus any costs directly attributable to obtaining it) and the proceeds received, and it is subsequently recognised in the income statement in accordance with the regulations relating to the recognition of government grants.

E. EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are recognised as costs as at the time when the service giving rise to those benefits is provided. The Group recognises a liability for the amount that is expected to be paid when there is a current, legal or implicit obligation to make such payments due to past events, and it is possible to make a reliable estimate of the obligation.

Post-employment benefits

Provisions for post-employment benefits include the severance indemnity ("TFR") provision of the parent company and the pension funds of some foreign subsidiaries. The severance indemnity ("TFR") provision and some pension funds of subsidiaries are recorded in accordance with the arrangements of defined-benefit plans under IAS 19.

Provisions for defined-benefit plans are recorded at the expected future value of the benefits that employees will receive upon termination of employment. This obligation is determined on the basis of actuarial assumptions. The measurement is carried out at least annually, with the support of an independent actuary, and using the projected unit credit method. The actuarial method considers financial variables such as, for instance, the discount rate or the long-term expected return on plan assets and the growth rates of salaries, and considers the probability that potential future events will occur using demographic variables such as, for instance, mortality rates and employee turnover or retirement rates. More precisely, the discount rates taken as reference are the rates or rate curves on high-quality corporate bonds (Euro Composite AA interest-rate curve) in the respective reference markets. The rates of future salary increases reflect the Group's long-term expectations for the reference markets and the trend in inflation.

Actuarial gains and losses that emerge following the revaluation of liabilities for defined-benefit plans are immediately recognised in other comprehensive income, while net interest and other costs relating to defined-benefit plans are recognised in the income statement.

Contributions to defined contribution plans are recognised as an expense in the income statement over the period in which the employees are employed. Contributions paid in advance are recognised as an asset to the extent that the prepayment will result in a reduction in future payments or a refund.

F. COSTS AND CHARGES

The costs relating to the purchase of goods and services are recognised when their amount can be measured reliably. Costs for the purchase of goods are recognised at the time of delivery, which, on the basis of the existing contracts, is the time when all related risks and rewards are transferred. Service costs are recognised on an accrual basis as the services are rendered.

G. FINANCE INCOME AND EXPENSE

Interest income and expenses are recorded in the income statement on an accrual basis, using the effective interest method. The effective interest method is a rate that accurately discounts expected future cash flows, based on the expected life of the financial instrument and the net carrying amount of the financial asset or liability.

H. INCOME TAXES

Taxes are recognised in the income statement, with the exception of those relating to transactions recognised directly in equity, in which case the related effect is also recognised in equity. Income taxes include current tax and deferred tax assets and liabilities.

Current taxes are recognised on the basis of the estimated amount that the Group expects to have to pay, calculated by applying to the tax base of each company in the Group the applicable tax rate at the reporting date in force in the respective countries. Income taxes relating to dividend distribution are recognised when a liability

to pay the dividend is recognised.

Deferred tax assets and liabilities are stated using the liability method, i.e. they are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount for consolidated financial reporting purposes. Deferred tax assets and liabilities are not recognised on goodwill and on assets and liabilities that do not affect tax base.

Deferred tax assets are recognised only if the taxes are considered recoverable in the light of the expected taxable income of future years. The recoverability is assessed at the end of each reporting period, and any amount no longer likely to be recovered is recognised in the income statement.

The tax rates used in recognising deferred tax assets and liabilities are those expected to be in force in the relevant country in the tax period in which the temporary differences are expected to be realised or settled.

Offsetting between deferred tax assets and liabilities is only done for homogeneous positions, and if there is a legal right to offset current tax assets and liabilities; otherwise, assets and liabilities are recognised for such securities.

I. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit or loss attributable to the owners of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing profit or loss attributable to the owners of the Parent by the weighted average number of shares outstanding, taking into account the effects of all potential dilutive ordinary shares.

J. PROPERTY, PLANT AND EQUIPMENT OWNED BY THE GROUP

Recognition and measurement

Items of property, plant and equipment owned by the Group are measured at acquisition or production cost, including ancillary charges, less any subsequent accumulated depreciation and any impairment losses.

Any financial charges incurred in the acquisition or construction of capitalised assets – where a certain period of time typically passes in making the asset ready for use or sale – are capitalised and amortised over the life of the class of assets to which they refer. All other financial charges are recognised in the income statement during the financial year to which they refer.

If an item of property, plant and equipment owned by the Group consists of various items with different useful lives, those items are accounted for separately (if material).

Leasehold improvements are classified under property, plant and equipment in accordance with the nature of the cost incurred. The depreciation period is the shorter of the asset's residual useful life and the residual lease term.

Assets under construction are recorded at cost in "assets under construction" until their construction is complete. Once they become available for use, the cost is reclassified to the corresponding item line and becomes subject to depreciation.

The profit or loss generated by the sale of property, plant, machinery, equipment and other assets is determined as the difference between the net consideration received on disposal and the net residual value of the asset. It is recognised in the income statement for the year in which the sale takes place.

Subsequent costs

Costs incurred after assets are acquired as well as the costs associated with replacing various parts of assets in this category are added to the carrying amount of the item to which they refer and capitalised only when the inherent future economic benefit of the asset increases. In this case, the costs are also depreciated on the basis of the remaining useful life of the asset. All other costs are recognised in the income statement when incurred.

When the cost of replacing asset parts is capitalised, the residual value of the parts being replaced is charged to the income statement.

Depreciation

Depreciation periods start from when the asset is available for use, and end at either the date when the asset is classified as being held for sale in compliance with IFRS 5, or on the date on which useful life of the asset is concluded.

Any changes to the depreciation schedules only apply prospectively. The amount to be depreciated represents the original book value less the net expected disposal value of the asset at the end of its useful life when it is material and can be reasonably determined.

Depreciation amounts are determined by using special financial rates that correspond to the estimated useful life of each individual non-current asset. The annual rates applied by the Group are as follows:

Category	Rate
Property	2% -3%
Plant and machinery	10% -20%
Equipment	12% - 25%
Furniture and fittings	12%
Office machines	20%
Motor Vehicles	25%

K. RIGHT OF USE AND LEASING LIABILITIES

In compliance with the provisions of IFRS 16, the Group identifies as leases those contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has chosen to use the modified retroactive method, therefore the cumulative effect of IFRS 16 has been recognised as an adjustment to the opening balance as at 1 January 2019, date of first adoption of this standard.

For every lease, starting from its commencement date, the Group records an asset (right-of-use asset) against a corresponding financial liability (lease liability), except for the following cases:

- short-term leases, i.e. those whose term is twelve months or less;
- low-value leases applied to situations in which the leased asset has a value of no more than Euro 5 thousand (value as new). The contracts for which the latter exemption has been applied fall mainly within the following categories: computers, phones and tablets, printers, other electronic devices, furniture and furnishings.

Therefore, for short-term and low-value contracts the financial lease liability and the corresponding right-of-use asset are not recognised, but the lease payments are charged to the income statement on a straight-line basis for the duration of their respective contracts.

In the case of a complex contract that includes a lease component, the latter is always managed separately compared to the other services included in the contract.

Lease liabilities

Lease liabilities are shown under Financial liabilities (current and non-current), together with other financial payables of the Group.

On initial recognition, the lease liability is recognised at the present value of the lease payments to be settled determined using the interest rate implicit in the contract (i.e. the interest rate that makes the present value of the sum of the payments and the residual value equal to the sum of the fair value of the underlying asset and the initial direct costs incurred by the Group). Where this rate is not specified in the contract or is not easily determinable, the present value is determined using the incremental borrowing rate, i.e. the incremental interest rate that, in a similar economic context and in order to obtain an amount equal to the value of the right of use, the Group would have recognised for a loan with similar duration and guarantees.

Discounted lease payments include fixed lease payments; fees that are variable due to an index or a rate; the redemption price, if any, and where the Group is reasonably certain to use it; the amount of the payment envisaged in respect of any release of guarantees on the residual value of the asset; the amount of penalties to be paid in the event that early termination options are exercised, where the Group is reasonably certain to exercise them.

After initial recognition, the lease liability is increased to reflect the interest accrued, determined on the basis of

the amortised cost, and is decreased by the lease payments made.

In addition, the lease liability is remeasured to reflect any changes in leases or other situations envisaged by IFRS 16 which entail a change in the amount of the lease payments and/or term. In particular, given situations which entail a change in the estimate of the likelihood of exercise (or non-exercise) of the options for renewal or early termination of the lease or in the possible redemption (or non-redemption) of the asset upon expiry of the lease, the lease liability is remeasured by discounting the new value of the lease payments due on the basis of a new discount rate.

Right-of-use assets

Right-of-use assets are set out under "Property, plant and equipment" together with items of property, plant and equipment owned by the Group, and are broken down by category on the basis of the nature of the asset used through the lease.

At the time of initial recognition of the lease, the right-of-use asset is recognised at a value corresponding to the lease liability, determined as described above, plus the lease payments made in advance and ancillary costs and net of any incentives received. Where applicable, the initial value of the right-of-use asset also includes the related costs for decommissioning and restoring the area.

Situations entailing the remeasurement of the lease liability imply a corresponding change in the value of the right-of-use asset.

After initial recognition, the right-of-use asset is depreciated on a straight-line basis, as from the commencement date of the lease, and subject to write-down in the case of impairment.

Depreciation is provided over the shorter of the lease term and the useful life of the underlying asset. However, if the lease provides for the transfer of ownership, possibly also as a result of the use of redemption options included in the value of the right of use, depreciation is provided over the useful life of the asset.

L. INTANGIBLE ASSETS AND GOODWILL

Goodwill

Goodwill is an intangible asset with an indefinite useful life that arises from business combinations accounted for using the acquisition method. It is recognised as the positive difference between the acquisition cost and the Group's interest, having measured at fair value all other identifiable assets, liabilities and contingent liabilities attributable to both the Group and non-controlling interests (full fair value method) at the acquisition date.

Goodwill is an intangible asset with an indefinite useful life, and is therefore not subject to amortisation. However, it remains subject to impairment test at least once a year, generally at the consolidated financial statements date, in order to verify that there has been no impairment loss, unless market or management indicators identified by the Group suggest that the impairment test is necessary also when preparing interim reports.

Goodwill is measured by identifying the cash-generating units (CGUs) that benefit from the synergies of the acquisition. The cash flows are discounted at the cost of capital in relation to the specific risks of the unit.

Impairment losses are recognised in the income statement whenever the discounted cash flow calculation indicates that the recoverable amount of the CGU is lower than its carrying amount. Losses identified in this way are not subject to any subsequent reversal of impairment.

Development costs and other intangible assets

Intangible assets generated by developing Group products are entered as assets only when the following requirements are met:

- the cost attributable to the asset during its development can be reliably measured;
- the product or process is feasible in both technical and commercial terms;
- future economic benefits are likely;
- the Group has sufficient resources available and intends to complete the asset's development, and to use or sell the asset.

These intangible assets are amortised on a straight-line basis over their useful lives. Whenever the above criteria are not met, development costs are recognised in the income statement for the financial year in which they are incurred.

Capitalised development costs are recognised at cost less accumulated amortisation and/or any accumulated impairment losses.

Research and development costs are recognised in the income statement as incurred.

Other intangible assets including trademarks, patents and licences, which have a finite useful life, are initially recognised at acquisition cost, and are systematically amortised on a straight-line basis over their useful life or over a period not exceeding that established by the underlying licence or purchase contract.

The annual rates applied by the Group are as follows:

Category	Rate
Trademarks	10%
Patents	10% - 33.33%
Know-how	10%
Customer relationship	10%
Development costs	10% - 50%
Software e licences	20% - 25%

Subsequent costs

Subsequent costs are only capitalised when the expected future economic benefit that can be attributed to the corresponding asset increases. All other subsequent costs are recognised in the income statement as incurred.

M. FINANCIAL ASSETS AND LIABILITIES

Recognition and measurement

Trade receivables and issued debt securities are recognised at the time they originate. All other financial assets and liabilities are initially recognised on their trading date, i.e. when the Group becomes a contractual party to the financial instrument.

Except for trade receivables which do not involve a significant financing component, financial assets are initially measured at fair value plus or minus – in the case of financial assets or liabilities not measured at FVTPL – the transaction costs directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables which do not have a significant financing component are measured at their transaction price.

Subsequent classification and measurement

Upon initial recognition, a financial asset is classified according to its valuation: amortised cost; fair value recognised in other comprehensive income (FVOCI) - debt securities; FVOCI – capital stock; or at fair value through profit/(loss) for the year (FVTPL).

Financial assets are not reclassified after their initial recognition unless the Group changes its business model to manage financial assets. In this case, all affected financial assets are reclassified on the first day of the first year following the change of the business model.

A financial asset must be measured at amortised cost if both the following conditions are met and it is not measured at FVTPL:

- the financial asset is held as part of a business model whose objective is the possession of financial assets aimed at collecting the relevant contractual cash flows; and
- the contractual terms of the financial asset include cash flows on certain dates consisting solely of payments of principal and interest on the principal amount to be repaid.

A financial asset must be measured at FVOCI if both the following conditions are met and it is not measured at FVTPL:

- the financial asset is held as part of a business model whose objective is achieved by both collecting the contractual cash flows and by selling the financial assets; and

– the contractual terms of the financial asset include cash flows on certain dates consisting solely of payments of principal and interest on the principal amount to be repaid.

At the time of initial recognition of an equity security not held for trading purposes, the Group can make the irrevocable decision to report subsequent changes in fair value through other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. All derivative financial instruments are included. At the time of initial recognition, the Group can irrevocably report the financial asset as measured at fair value through profit or loss for the year if this eliminates or significantly reduces an accounting mismatch that would otherwise result from the measurement of the financial asset at amortised cost or at FVOCI.

For the purposes of measurement, 'principal' is the fair value of the financial asset at the time of initial recognition while 'interest' is the compensation for the time value of money as well as for the credit risk associated with the amount of principal to be repaid during a given period of time and for other risks and basic costs related to the loan (for example, liquidity risk and administrative costs) as well as for the profit margin.

In assessing whether the contractual cash flows are represented solely by payments of principal and interest, the Group considers the contractual terms of the instrument. Therefore, it evaluates, among other items, whether the financial asset contains a contractual clause that modifies the timing or the amount of the contractual cash flows such as to not satisfy the following condition. For measurement purposes, the Group considers:

- contingent events that would change the timing or amount of financial flows;
- clauses that could adjust the contractual coupon rate, including variable rate items;
- advance payments and extensions; and
- clauses that limit requests for cash flows by the Group from specific activities (for example, items without recourse).

The advance payment element is in line with the criterion of "cash flows represented solely by payments of principal and interest" if the amount of the advance payment substantially consists of principal amounts due and the interest accrued on the principal amount to be repaid, which may include reasonable additional compensation for the early termination of the contract. In addition, in the case of a financial asset acquired with a premium or at a significant discount on the contractual nominal amount, any element that allows or requires an advance payment equal to an amount that substantially represents the nominal contractual amount plus the contractual interest which was accrued (but not paid) (which may include reasonable additional compensation for the early termination of the contract) is recognised in accordance with this criterion if the fair value of the advance payment element is not significant at the time of initial recognition.

Financial liabilities are measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, or is a derivative or is designated as such at the time of initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including payable interest, are recognised in profit/(loss) for the year. Other financial liabilities are subsequently measured at amortised cost by using the effective interest method. Payable interest and exchange rate gains/(losses) are recognised in profit/(loss) for the year, as are any profits or losses deriving from derecognition.

Impairment of financial assets

At the end of each reporting period, the Group recognises an allowance for expected losses on trade receivables, contract assets and other financial assets measured at amortised cost; For these purposes, the Group uses an impairment model based on expected credit losses. Provisions to the allowance for impairment are made on the basis of specific assessments of expired credit positions and positions due to expire, and the amount of the relevant provisions is determined on the basis of the current value of the estimated recoverable flows, after taking into account the related recovery costs and the fair value of any collaterals given to the Group. With respect to other receivables, provisions are determined on the basis of information updated as at the financial statement date, taking account both of past experience and of losses expected over the life of the receivable.

The value of trade receivables, contract assets and other financial assets is shown in the financial statements net of the relevant allowance for impairment, while impairment losses are recognised in the income statement under "Amortisation, depreciation, impairment and provisions".

Derecognition

Financial assets are derecognised from the financial statements when the contractual rights to the cash flows deriving from them expire, or when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and benefits derive from ownership of the financial asset are transferred, or when the Group neither transfers or substantially maintains all the risks and benefits deriving from ownership of the financial asset and does not maintain control of the financial asset.

The Group is involved in transactions that involve the transfer of assets recognised in the statement of financial position, but retains all or substantially all the risks and benefits deriving from the transferred asset. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Group derecognises a financial liability even if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value on the basis of the modified contractual terms.

The difference between the carrying amount of the derecognised financial liability and the amount paid (including assets not represented by transferred liquid funds or assumed liabilities) is recognised in profit/(loss) for the year.

N. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recorded where there are legal or implicit, contractual or otherwise obligations towards third parties, deriving from past events, which are likely to require an outlay of resources whose amount can be reliably estimated.

Whenever it is estimated that these obligations will mature after twelve months and that the related effects will be material, they are discounted at a rate that reflects the time value of money and the risks specific to the recognised liability. In those cases, the increase in the provision due to the passage of time and any effect arising from a change in the discount rate are recognised as a finance expense. Any change in the estimate of provisions is reflected in profit or loss in the reporting period in which they arise.

Commercial, legal and tax disputes

The Group is subject to legal and tax disputes falling under the jurisdiction of several states, in relation to which a liability is ascertained when it is considered probable that a financial outlay will occur, and the amount of the resulting losses can be reasonably estimated. If an outflow of financial resources becomes probable but its amount cannot be determined, this fact is reported in the notes to the financial statements.

In the normal course of business, Management monitors the status of litigation also with the support of its legal advisors and experts in legal and tax matters, as well as with the corporate functions most involved in matters of customer disputes.

Product warranties

The Group allocates provisions to cover the estimated costs of providing warranty services on products sold. The provisions are determined based on a model that uses available historical information regarding the nature, frequency and cost of warranty actions, for the purpose of assigning estimated costs against the corresponding sales revenue.

O. INVENTORIES

Inventories are valued at the lesser of cost (determined using the weighted average cost method) and the net realisable value, namely, the estimated sale price less all estimated costs related to finalising the goods, the cost of sales, and distribution costs that must be incurred in order to finalize the sale.

The cost comprises the cost of direct materials and, where appropriate, direct labour, general production overheads and other costs incurred in bringing the inventories to their present location and condition.

Obsolete and slow moving inventories are written down in relation to the possibility that they can be used or sold.

The allowance for inventory write-downs reflects Management's estimate of impairment losses expected by the Group and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts, and any losses due to specific activities put into place by the Group.

P. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank deposits and cash equivalents that can be liquidated within three months. Items included in cash and cash equivalents are measured at fair value, and any corresponding changes are recognised in profit or loss.

Q. SHARE CAPITAL

Share capital represents subscribed and paid-up capital. Any incremental costs that are directly attributable to issuing ordinary shares are recognised as a decrease in equity. Income tax relating to capital transaction costs are recognised in accordance with IAS 12.

As provided for under IAS 32, any treasury shares are recognised as a reduction in equity. Any consideration received from a subsequent sale or reissue of such treasury shares would then be recognised as an increase in equity. Gains and losses from trading, if any, are recognised under equity, net of tax effects.

R. IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

At each reporting date, the Group assesses whether any events or circumstances occurred that may impair the recoverable amount of property, plant and equipment and intangible assets with a finite useful life, and, if an indication of impairment exists, it estimates the recoverable amount of the assets in order to quantify the extent of to which they are impaired.

Goodwill, other intangible assets with an indefinite useful life and intangible assets in progress are tested for impairment annually and whenever there is any indication of impairment.

The recoverability of the recognised amounts is tested by comparing the carrying amount with the higher of its fair value less costs to sell, where an active market exists, and the value in use. The value in use is determined based on the present value of the future cash flows expected to be derived from continuing use of an asset or group of assets and from its disposal at the end of its useful life.

The Directors determine the recoverable amount of goodwill by calculating the value in use for the cash-generating units to which goodwill is allocated. The Cash Generating Units have been defined as a group of similar assets that generate independent cash inflows through continuing use of the assets attributable to it. In line with the provisions of the relevant accounting standards, and consistent with the changes to the organisational and business control structure that the Group has introduced from 2021, the Biesse Group has identified 2 CGUs. The implementation of the One Company project aimed at rationalising and simplifying the organisational and control structure of the Biesse Group's business has primarily involved a review of the Operating Sectors, given the new methods of monitoring the Group's performance, as well as the aggregation of CGUs in a manner consistent with the two Operating Sectors (Machinery and Systems and Mechatronics), also taking into account the production flexibility of the individual plants.

Management makes several assumptions in calculating the present value of future cash flows, including estimates of future increases in sales, gross operating profit, operating expense, the growth rate of terminal values, investments, changes in working capital and the weighted average cost of capital (discount rate), taking account of the specific risks of the asset or of the cash-generating units. The expected cash flows used in the model are determined during the Group's budgeting and planning processes and represent the best estimate, based on the Group's budget, which is updated annually and reviewed by Strategic Management and approved by the Parent's Board of Directors, and based on the Group's medium/long-term plan, which is updated periodically and also subject to approval.

The carrying amount attributed to the cash-generating unit is determined with reference to the consolidated statement of financial position by direct, where applicable, or indirect allocation criteria.

If the recoverable amount of a tangible or intangible asset (including goodwill) is less than the carrying amount, then the latter is reduced and it is adjusted to match the recoverable amount. This reduction reflects an impairment loss, which will be recognised in profit or loss.

Where there are indications that an impairment loss, recorded in previous years and relating to assets other than goodwill, may no longer exist or may have been reduced, then the recoverable amount of the asset is estimated anew. If the revised value is higher than the net carrying amount, the latter will be increased to match the recoverable amount. The reversal of the impairment loss cannot exceed the carrying amount that would have been determined (net of amortisation, depreciation and write-downs) if no impairment had been recognised in previous years.

The reversal of the impairment loss on an asset other than goodwill is recognised in profit or loss.

5. ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS

a) ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED AS OF 1 JANUARY 2021

The following accounting standards, amendments and interpretations issued by the IASB and endorsed by the European Union have been applied as of 1 January 2021.

- On 31 March 2021, the IASB issued an amendment entitled "***Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)***" extending by one year the period of application of the amendment issued in 2020, which provided lessees with the ability to account for Covid-19 related rent reductions without having to assess, through contract review, whether they met the definition of a lease modification in IFRS 16. Therefore, lessees that applied this option in the 2020 financial year accounted for the effects of rent reductions directly in the income statement at the effective date of the reduction. The 2021 Amendment, which is only available to entities that have already adopted the 2020 Amendment, applies from 1 April 2021 and early adoption is permitted. The adoption of these amendments had no impact on the consolidated financial statements of the Group.
- In light of the reform of interbank interest rates such as IBOR, on 27 August 2020, the IASB issued "**Interest Rate Benchmark Reform—Phase 2**" which contains amendments to the following standards:
 - IFRS 9 *Financial Instruments*;
 - IAS 39 *Financial Instruments: Recognition and Measurement*;
 - IFRS 7 *Financial Instruments: Disclosures*;
 - IFRS 4 *Insurance Contracts*; and
 - IFRS 16 *Leases*.

All amendments became effective 1 January 2021. The adoption of this amendment had no impact on the consolidated financial statements of the Group.

b) ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP AS AT 31 DECEMBER 2021

Amendments endorsed by the European Union but not yet applicable as at 31 December 2021 are the following:

- On 14 May 2020, the IASB issued the following amendments:
 - ***Amendments to IFRS 3 Business Combinations***: the amendments are intended to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the requirements of the standard.
 - ***Amendments to IAS 16 Property, Plant and Equipment***: the amendments are intended to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is testing the asset. Instead, a company will recognise such sales proceeds and the relevant costs in profit or loss.
 - ***Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets***: the amendments specify that when assessing whether a contract will be loss-making a company must consider all costs directly attributable to the contract. Therefore, when assessing whether a contract will be loss-making a company must consider not only incremental costs (such as direct material costs), but also all costs that the company cannot avoid because of the contract's existence (such as the depreciation charge for equipment used to fulfil the contract).

- **Annual Improvements 2018-2020:** the IASB made amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture*, and the *Illustrative Examples of IFRS 16 Leases*.

All amendments will be effective as of 1 January 2022. The Directors do not expect the adoption of these amendments to have a significant impact on the consolidated financial statements of the Group.

c) **ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION**

The amendments issued by the IASB as at 31 December 2021 and not yet endorsed by the European Union are set out below.

- On 23 January 2020, the IASB issued "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**". The document is intended to clarify how to classify debts and other liabilities as current or non-current. The changes will be effective as from 1 January 2023; however, early application is allowed. The Directors do not expect the adoption of this amendment to have a significant impact on the consolidated financial statements of the Group.
- On 12 February 2021, the IASB issued two amendments: "**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2**", and "**Definition of Accounting Estimates—Amendments to IAS 8**". The amendments seek to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements, and help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Directors do not expect the adoption of these amendments to have a significant impact on the consolidated financial statements of the Group.
- On 7 May 2021, the IASB issued "**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**". The document clarifies how companies should account for deferred tax on transactions that could generate assets and liabilities of equal amount, such as leases and decommissioning obligations. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Directors do not expect the adoption of this amendment to have a significant impact on the consolidated financial statements of the Group.
- On 9 December 2021, the IASB published an amendment called "**Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information**". The amendment is a transition option relating to comparative information about financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17. The Directors do not expect a material effect on the Group's consolidated financial statements from the adoption of this amendment.
- On 30 January 2014, the IASB issued **IFRS 14 - Regulatory Deferral Accounts**, which allows an entity that is a first-time adopter of IFRS to continue to account for Rate-Regulated Activities in accordance with the previous accounting standards adopted. Since the Company/Group is not a first-time adopter, this standard is not applicable.

6. REVENUE AND ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHICAL AREA

ANALYSIS BY OPERATING SEGMENT

IFRS 8 - Operating segments - defines an operating segment as an entity:

- that engages in business activities generating both revenues and expenses
- whose operating results are reviewed regularly by the chief decision maker, and
- for which discrete financial information is available

Starting in 2021, the Group has been monitoring the performance of the business on the basis of two Operating Segments (or "Segments"), consistent with the changes to the organisational and control structure of the business introduced during the first months of 2021 as part of the One Company project. Therefore, the segment reporting has been amended accordingly, and comparative figures for the previous year have been restated.

Specifically, the two Operating Segments can be represented as follows:

- Machines and Systems – production, distribution, installation, and after-sales service of wood, glass, stone, and advanced materials processing machines, grinders, tools, components, and systems;
- Mechatronics – production and distribution of industrial mechanical and electronic components.

Revenue

The information relating to the revenues of the aforementioned Operating Segments is as follows:

	31 december 2021	%	31 december 2020	%
<i>Euro 000's</i>				
Machines and Systems Division	676,442	91.1%	527,753	91.2%
Mechatronics Division	95,585	12.9%	71,497	12.4%
Inter-segment eliminations	(29,828)	(4.0)%	(20,461)	(3.5)%
Total	742,199	100.0%	578,789	100.0%

In 2021, net revenue from sales and services amounted to € 742,199 thousand, compared to € 578,789 thousand as at 31 December 2020, up by 28.2% compared to the previous year.

The Machinery and Systems segment is the Group's largest segment, contributing 91.1% of consolidated revenues (91.2% in 2020); sales increased by 28.2%, from € 527,753 thousand at 31 December 2020 to € 676,442 thousand at 31 December 2021. The segment operating result increased significantly, from € -3,577 thousand to € 31,553 thousand, mainly due to the increase in volumes. In terms of revenue, the Mechatronics segment increased by 33.7% (from € 71,497 thousand at 31/12/2020 to € 95,585 thousand), while its contribution to consolidated revenue remained virtually unchanged. The operating result of this segment increased from € 9,800 thousand to € 14,168 thousand.

In light of the revised operating segment structure, the Group presents the following reconciliation table with the comparative information for the previous period:

<i>Euro 000's</i>	31/12/2020	31/12/2020 Restated			
		Machines and systems	Mechatronics	Inter segment eliminations	Total
Wood Division	411,454	411,454			
Glass/Marble Division	103,612	103,612			
Mechatronics Division	71,567	70	71,497		
Tooling Division	12,173	12,173			
Components Division	15,333	15,333			
Intercompany eliminations	(35,350)	(14,889)		(20,461)	
Total	578,789	527,753	71,497	(20,461)	578,789

Operating profit (loss)

The table below summarises the operating result by Segment as at 31 December 2021 and 31 December 2020:

31 december 2021	Machines and systems	Mechatronics	Eliminations	Group Total
<i>€ '000</i>				
Total revenue	676,442	95,585	(29,828)	742,199
Operating profit of segment	31,553	14,168		45,721
Financial income and expenses				(5,236)
Pre-tax profit				40,485
Income taxes				(6,289)
Profit for the year				34,195

31 december 2020	Machines and systems	Mechatronics	Eliminations	Group Total
€ '000				
Total revenue	527,753	71,497	(20,461)	578,789
Operating profit of segment	(3,577)	9,800		6,223
Financial income and expenses				(3,001)
Pre-tax profit				3,222
Income taxes				(767)
Profit for the year				2,455

In light of the revised operating segment structure, the Group presents the following reconciliation table with the comparative information for the previous period:

Euro 000's	31/12/2020	31/12/2020 Restated			
		Machines and systems	Mechatronics	Inter segment eliminations	Total
Wood Division	5,074	5,074			
Glass/Marble Division	2,773	2,773			
Mechatronics Division	9,225	(575)	9,800		
Tooling Division	1,085	1,085			
Components Division	(78)	(78)			
Unallocated common costs	(11,856)	(11,856)			
Total	6,223	(3,577)	9,800	-	6,223

Inventories

The following table shows an inventory breakdown by Operating Segment:

€ '000	Machines and systems	Mechatronics	Group Total
2021	160,373	19,044	179,417
2020	114,300	15,548	129,848

In light of the revised operating segment structure, the Group presents the following reconciliation table with the comparative information for the previous period:

Euro 000's	31/12/2020	31/12/2020 Restated			
		Machines and systems	Mechatronics	Inter segment eliminations	Total
Wood Division	92,428	92,428			
Glass/Marble Division	15,255	15,255			
Mechatronics Division	15,548		15,548		
Tooling Division	2,531	2,531			
Components Division	4,086	4,086			
Total	129,848	114,300	15,548	-	129,848

This level of detail is in line with what is periodically analysed by Management at the level of internal reporting.

BREAKDOWN BY GEOGRAPHICAL AREA

Revenue

€ '000	31 December			
	2021	%	2020	%
Western Europe	381,900	51.5%	288,765	49.9%
Asia - Pacific	95,906	12.9%	69,251	12.0%
Eastern Europe	119,854	16.1%	94,416	16.3%
North America	122,399	16.5%	109,066	18.8%
Rest of the World	22,140	3.0%	17,292	3.0%
Group Total	742,199	100.0%	578,789	100.0%

The analysis of sales by geographical area compared to 2020 shows that the increase concerned all markets, although with different trends: Western Europe (the group's reference market) grew by 32.3%, Asia - Oceania and Eastern Europe by 38.5% and 26.9% respectively. North America rose by 12.2%, while the Rest of the World was up 28.0%.

7. REVENUE

Revenue from the sale of goods and services provided by the Group as at 31 December 2021 are detailed below:

€ '000	31 December 2021	31 December 2020
Sales of goods	676,320	523,917
Revenues from services	64,341	53,169
Other revenues	1,537	1,704
Revenues	742,199	578,789

In 2021, revenue from sales and services amounted to € 742,199 thousand, compared € 578,789 thousand at 31 December 2020, up by 28.2% over the previous year, which was analysed in note 6 above.

In line with the provisions of IFRS 15 and as better explained in note 6 above, the Group considers the sale of the good as a performance obligation separate from ancillary services, which are accounted for separately.

8. OTHER INCOME

An analysis of the Group's other income as at 31 December 2021 is as follows:

€ '000	31 December 2021	31 December 2020
Lease and rental income	198	183
Income-related grants	832	1,222
Gains on sales of assets	18,295	343
Other non-recurring income and prior year income	5,495	4,018
Total other operating income	24,820	5,767

The item "Government grants" mainly refers to the Indian subsidiary Biesse Manufacturing to which, in accordance with the provisions of the local law, export contributions on goods manufactured in India are recognised, provided that the relative payment has been received. The item also includes contributions relating to the purchase of personal protection equipment, tax credits on sanitisation and the share of contributions to be received for training courses held internally by some Group companies.

The item "Capital gains from disposal" contains the capital gain generated by the sale of the Chinese subsidiary Dongguan Korex Machienery Co. Ltd. for € 17,814 thousand.

"Other income and contingent assets" include the share pertaining to the year of the income deriving from the R&D and investment tax credit (formerly hyper- and super-amortisation) amounting to € 2,936 thousand (€ 1,863 thousand at 31 December 2020), mainly attributable to the Parent Company. The remainder refers to smaller amounts dispersed across the Group's subsidiaries.

9. CONSUMPTION OF RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

As at 31 December 2021, this item amounted to € 333,566 thousand, up by 42.4% compared to the previous year (€ 234,320 thousand). This increase is due to the increase in volumes compared to the 2020 financial year, as described above. This item includes all procurement costs related to production, and primarily consists of € 368,428 thousand for the cost of purchasing raw materials and spare parts, € 8,969 thousand for the cost of purchasing finished products – net of € 16,930 thousand for the recovery of raw material costs – and the positive change of € 22,868 thousand in raw material inventories. For further details the change in this item, reference should be made to the Director's Report on Operations.

10. PERSONNEL EXPENSE

Personnel expense, which also includes temporary staff, is detailed below:

€ '000	At 31 December	
	2021	2020
Wages, salaries and social security contributions	224,331	188,146
Accruals to pension plans	8,446	8,226
Other personnel expense	4,229	3,760
Reimbursements and capitalization of personnel costs	(3,209)	(7,510)
Personnel expense	233,797	192,623

Personnel expense increased from € 192,623 thousand as at 31 December 2020 to € 233,797 thousand as at 31 December 2021, up € 41,175 thousand (21.4%) compared to the previous year.

The change is essentially linked to the wages, salaries and related social security contributions component (+19.2% compared to 2020), an increase mainly due to the lower use of the temporary redundancy fund in the current year compared to the previous year. It is also recalled that the last financial year was characterised by a high level of holiday leave due to the drop in turnover as a consequence of the COVID-19 pandemic.

The number of employees decreased from 4,024 as at 31 December 2020 to 4,308 as at 31 December 2021, i.e. an increase of 284 in headcount.

The item "reimbursements and capitalisation of personnel expense" entirely refers to capitalised costs for the development of new products, mainly attributable to the Parent company.

11. AMORTISATION, DEPRECIATION, IMPAIRMENT AND PROVISIONS

€ '000	At 31 December	
	2021	2020
Tangible amortization	18,851	19,674
Intangible amortization	14,385	13,710
Impairment of tangible and intangible assets	8,751	7,778
Provision	8,201	7,272
Amortizations, depreciation and provision	50,188	48,434

The item "Amortisation, depreciation, impairment and provisions" increased from € 48,434 thousand as at 31 December 2020 to € 50,188 thousand as at 31 December 2021, up by € 1,754 thousand compared to the previous year.

The item "Write-downs (Revaluations) of property, plant and equipment and intangible assets" at 31 December 2021, mainly attributable to the Parent Company, refers mainly to the write-down of certain development projects capitalised in previous years, which have already been amortised, are no longer considered strategic and are being replaced with other new products (€ 3,199 thousand), € 2,247 thousand on licences and patents no longer used, € 2,582 thousand on intangible assets in progress due to the abandonment of certain development projects and € 1 million on land and buildings owned, the market value of which is lower than the carrying amount.

Provisions increased from € 7,272 thousand in 2020 to € 8,201 thousand in 2021. At the end of December 2021, the balance was mainly related to the write-down of trade receivables and risks for charges relating to certain disputes with customers.

For further information on allowances for impairment and on the provision for risks and charges, please refer to notes 21 and 28 below, respectively.

12. OTHER OPERATING EXPENSE

The item Other operating expense of the Group as at 31 December 2021 is detailed below:

€ '000	At 31 December	
	2021	2020
Production services	33,581	20,868
Maintenance	5,037	4,393
Sales commissions and transport	22,793	16,213
Consultancy fees	10,718	6,347
Utilities	6,643	5,137
Exhibitions and advertising	5,625	2,979
Insurance	1,779	1,569
Directors, statutory auditors and consultants' remuneration	2,634	3,643
Travel	13,501	11,601
Use of third party assets	2,330	2,153
Vehicle costs	5,520	4,225
Property taxes	1,645	1,429
Other services	13,353	11,487
Other operating costs	125,157	92,045

This item increased by a total of € 33,112 thousand compared to 2020 (+36.0%) mainly due to the effect of the increase in expenses for production services, commissions and transport on sales as well as the combination of the increase in both costs for trade fairs and advertising and personnel travel and transfers, following the partial recovery of travel and participation in trade fair events.

Production services increased by € 12,713 thousand (60.9% compared to last year) mainly due to the increase in outsourced processing and technical services, in line with the increase in production capacity. Commissions and transport on sales increased by € 6,579 thousand (40.6%). Staff travel and subsistence increased by € 1,900 thousand (16.4%) as a result of fewer travel restrictions. The growth in costs for trade fairs and advertising (which increased by € 2,646 thousand) is instead due to greater participation in trade fairs and promotional events, which slowed down significantly last year due to the pandemic.

The decrease in the item remuneration for directors, statutory auditors and collaborators is mainly due to the reduction in remuneration due to directors. It should be noted that on 28 April the Shareholders' Meeting of Biesse S.p.A. appointed the members of the Board of Directors for the three-year period 2021/2023 and determined their remuneration.

The item Costs for the use of third-party assets includes leases pertaining to the year excluded from the application of IFRS 16 because of their short term or low value (€ 2,266 thousand), as further detailed in note 16 below, and other costs for the use of third-party assets (€ 64 thousand).

As required by Art. 149-*duodecies* of the Consob Issuers' Regulations, details of the fees paid to the Independent Auditors, which are included in the item Other operating expense, are provided below:

Type of service	Service Provider	Receiver	2021 Fees
Audit and quarterly reviews	Deloitte & Touche S.p.A.	Biesse S.p.A.	110
	Deloitte & Touche S.p.A.	Subsidiaries	78
	Network Deloitte	Subsidiaries	174
Other certification services			29
Other services			115
Totale			505

13. FINANCE INCOME AND EXPENSES AND EXCHANGE RATE GAINS AND LOSSES

The item "Finance income" is detailed below:

€ '000	At 31 December	
	2021	2020
Bank interest	202	252
Interest from customers	24	18
Interest from others	15	138
Other financial income	50	670
Total financial income	292	1,080

The item Finance expense is detailed below:

€ '000	At 31 December	
	2021	2020
Bank, mortgage and financing interest	514	1,384
Right of Use interest	1,300	1,087
Interest expense to others	22	67
Other financial expense	758	652
Financial expense	2,595	3,190

The item "Other financial income" decreased sharply compared to 2020 because last year's item included, for € 321 thousand, the capital gain realised by the Parent Company from the sale in September of part of the shareholding in Hyperlean S.r.l., a minor company outside the scope of consolidation.

Exchange rate gains and losses include realised and unrealised exchange rate differences, arising both from the conversion into Euro of ordinary transactions and from the adjustment of receivables and payables expressed in foreign currency to the exchange rate at the end of the period.

As at 31 December 2021, the Group had recorded net exchange rate losses of € 2,933 thousand, of which € 2,154 thousand came from realised exchange losses and € 780 thousand from net unrealised exchange losses.

14. BASIC AND DILUTED EARNINGS PER SHARE

The following table shows the calculation of basic net earnings per share (Basic EPS) and diluted net earnings per share (Diluted EPS) as shown in the consolidated income statement:

€ '000	At 31 December	
	2021	2020
Profit for the year	34,018	2,531
Weighted average number of shares used to calculate basic and diluted earnings per share	27,393	27,393
Base and diluted profit for the year (in Euro)	1.24	0.09

€ '000	At 31 December	
	2021	2020
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,393
Effect of treasury shares	-	-
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,393
Dilutive effects	-	-
Weighted average number of outstanding shares – for the calculation of diluted earnings	27,393	27,393

As there were no dilutive effects, the calculation used for Basic EPS is also applicable to Diluted EPS.

Basic EPS as at 31 December 2021 totalled € 1.24 and was calculated by dividing the profit attributable to the owners of the parent, amounting to € 34,018 thousand, by the weighted average number of ordinary shares outstanding during the period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. PROPERTY, PLANT AND EQUIPMENT

€ '000	Land-Property-Right of Use property	Plant and Machinery-Right of Use plant and machinery	Industrial and trade equipment	Other asset- right of Use Cars, Fixtures, Office equipment	Under construction - Right of Use assets under construction	Total
Value at 31/12/2019	128,544	81,969	27,571	43,237	2,730	284,051
Increases	2,657	1,524	1,743	2,112	1,432	9,467
Disposals	(1,446)	(820)	(277)	(1,992)	-	(4,535)
Depreciations	(610)	-	-	-	(73)	(684)
Reclassifications	-	2,604	22	-	(2,626)	-
Exchange diff, reclassification and other changes	(2,349)	(3,949)	(359)	(2,401)	(157)	(9,215)
Value at 31/12/2020	126,795	81,327	28,700	40,956	1,305	279,083
Increases	2,941	2,578	1,577	4,677	2,316	14,090
Disposals	(4,732)	(3,552)	(286)	(3,579)	(5)	(12,154)
Change in the consolidation area	(4,828)	634	209	754	-	(3,232)
Depreciations	(1,000)	-	-	-	-	(1,000)
Exchange diff, reclassification and other changes	1,784	118	196	477	(453)	2,122
Value at 31/12/2021	120,960	81,105	30,397	43,285	3,162	278,909
Depreciation fund						
Value at 31/12/2019	37,614	53,332	23,066	30,326		144,337
Amortisation of the period	7,228	4,491	2,231	5,754	-	19,673
Closing of funds for disposals	(1,384)	(337)	(180)	(1,896)	-	(3,797)
Depreciations	511	11	3	-	-	525
Exchange diff, reclassification and other changes	387	(3,342)	(368)	(2,686)	-	(6,783)
Value at 31/12/2020	43,581	54,153	24,752	31,468		153,954
Ammortisation of the period	6,942	4,331	2,216	5,361	-	18,849
Closing of funds for disposals	(2,402)	(3,550)	(282)	(3,478)	-	(9,712)
Change in the consolidation area	(3,164)	79	199	653	-	(2,233)
Depreciations	-	-	1	-	-	-
Exchange diff, reclassification and other changes	703	(58)	100	103	-	847
Value at 31/12/2021	45,660	54,955	26,986	34,106		161,707
Net book value						
Value at 31/12/2020	83,214	27,174	3,948	9,488	1,305	125,130
Value at 31/12/2021	75,301	26,151	3,410	9,179	3,162	117,203

Compared to 31 December 2020, the fixed assets under review are declining, as depreciation more than offsets the value of new investments.

Changes in the scope of consolidation include increases in property, plant and equipment resulting from the acquisition of Forvet, net of decreases due to the sale of Korex.

New investments amounted to € 14,090 thousand; they include increases relating to leased assets and refer to the routine replacement of work tools, necessary for ordinary production activities, with respect to both owned and leased assets.

During the year, impairment losses of € 1 million were recognised on a building with adjoining land located in Thiene (VC) owned by the Parent Company, as supported by a special appraisal.

For further information on Right-of-use assets, please refer to note 16 below.

Land and buildings owned by the Group are not subject to mortgages.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The following table sets out the breakdown of Right-of-use assets, shown net of the related accumulated depreciation, and the related financial liabilities. As already highlighted, right-of-use assets are included under Property, plant and equipment, separately by category, while lease liabilities are included under current and non-current Financial liabilities.

€ 000's

At 31 December
2021 2020

Non current asset

Right of Use Land and Property	14,926	22,437
Right of Use Vehicles (included in other assets)	4,306	3,953
Right of Use Equipment	4,220	4,902
Total	23,452	31,292

Non current liabilities

Non current lease liabilities	15,320	23,526
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Current Liabilities

Current lease liabilities	7,384	6,746
Total	22,704	30,272

As at 31 December 2021, right-of-use assets recorded a net decrease of € 7,840 thousand.

Increases for the year amounted to € 5,432 thousand, net of net decreases for early repayments of € 12 thousand.

The following tables show the breakdown of the depreciation of right-of-use assets and the amount of the other items relating to leases.

€ 000's

At 31 December
2021 2020

Depreciation of Right of Use :

Right of Use - Property	4,381	4,453
Right of Use - Vehicles	3,344	3,521
Right of Use - Equipment	652	660
Total	8,376	8,634

€ 000's

At 31 December
2021 2020

Other items in Profit & Loss

Interest expense	1,300	1,087
Expense for short term leasing	1,631	1,840
Expense for low value leasing	635	248
Total	3,566	3,175

Interest expense on right-of-use assets is included under Finance expense. The costs relating to short-term or low-value leases, which are excluded from application of IFRS 16, are shown under Other operating expense, as costs for the use of third-party assets.

During 2021, the outflows for payments connected to leases totalled € 16,778 thousand, of which € 13,212 thousand for the repayment of lease payables and the residual amount of € 1,300 thousand for interest payments made on these payables and on short-term or low-value leases.

The breakdown of lease payables by expiry is set out in note 25 below.

17. GOODWILL

Goodwill is allocated to cash-generating units ("CGUs"), where CGUs are identified as the smallest group of assets that generate cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The implementation of the One Company project aimed at rationalising and simplifying the organisational and control structure of the Biesse Group's business has involved a review of the Operating Sectors, given the new methods of monitoring the Group's performance, as well as the aggregation of CGUs in a manner consistent with the two Operating Sectors (Machinery and Systems and Mechatronics), taking into account the production flexibility of the individual plants. It should be noted that this aggregation of CGUs has no impact on the final results of the impairment test described below.

The following table shows the allocation of goodwill to the Group's different CGUs:

<i>(Consolidated figures in thousands of Euro)</i>		
	31 December 2021	31 December 2020
Machines and Systems	41,095	17,872
Mechatronics	5,599	5,599
Total	46,694	23,471

Please note that the contract for the purchase of the company Movetro S.r.l. provides for a put/call option on non-controlling interests (40%). Consideration has been given to the possibility that the previous owner will exercise the put option (on 31 July 2022). We have valued such a transaction at the minimum price provided in the contract (€ 1 million discounted as at the reporting date). The consolidation difference generated by this has been allocated to goodwill in the Machines and Systems segment.

The changes in 2021 are due to a lesser extent to the exchange rate effect suffered by the goodwill of the Australian and American subsidiaries and, for the most part (€ 23,090 thousand), to the portion arising from the completion of the acquisition by Biesse S.p.A. of Forvet S.p.A. Costruzione Macchine Speciali. The amount was determined as the difference between the total purchase price and the fair value of net assets acquired, with consequent allocation to the item Goodwill, allocating it to the Machine and Systems CGU, as better represented in note 34, to which reference should be made for details of the transaction.

As required by accounting standards, at least once a year the Directors determine the recoverable amount of goodwill by calculating the value in use. By its nature, this method requires the Directors to materially assess the performance of operating cash flows during the period being used for the calculation, as well as assessing the discount rate and growth rate for said cash flows.

The recoverable amount of the Cash Generating Unit was verified by determining its value in use, taken as the present value of future cash flows generated by the CGU, and calculated in accordance with the discounted cash flow method.

Assumptions underlying the discounted cash flow method

The primary assumptions used by the Group to estimate future cash flows for the purposes of the impairment test are as follows:

	31 December 2021	2020
WACC	8.0 %	7.5 %
CAGR forecast revenue	2.8 %	4.1 %
Growth rate of the final value	1.5 %	1.5 %

The following factors were considered to determine the discount rate:

- with reference to the yield on risk-free securities, reference was made to the yield curve of 10-year Italian Government bonds (based on a 24-month measurement period);
- the systematic risk coefficient (β) considered was that of Biesse (compared to that of comparable businesses in the machinery sector – Euro Area);

- as for the market risk premium (MRP), it was assumed to be 5.5%;
- as for the additional risk premium, it was assumed to be 2.7%;
- finally, the rate of the gross cost of debt was assumed to be 2%, determined on the basis of the average cost of the Biesse Group's debt that takes into account a Biesse spread applied to the Risk-free Rate.

Finally, it should be noted that the plan estimates and figures to which the aforementioned parameters were applied are calculated by the Group's Management on the basis of past experience and expectations about the trend in the markets in which the Group operates. Therefore, the Management makes judgements and assumptions in calculating the recoverable amount of the cash-generating unit.

Assumptions underlying cash flow estimates

The estimated operating cash flows for future years (five years 2022-2026) have been made by reference to: i) in relation to the year 2022, to the figures shown in the 2022 budget approved on 7 February 2022; ii) in relation to the year 2023, to the business plan for the period 2021-2023 (hereinafter, the "Plan") approved by the Board of Directors on 30 July 2021; iii) in relation to the years 2024-2026, the updated projections of the main economic and balance sheet variables. With reference to this last point, although acknowledging an improvement in the reference scenario compared to the previous year, the Directors have maintained a cautious attitude, in order to take into account the persistence of factors of uncertainty linked to the continuation of the pandemic crisis, together with the problems linked to inflationary pressures and the interruptions suffered by the distribution chain. It should also be noted that the estimate of operating cash flows for future years does not take into consideration the potential effects on the economy of the war in Ukraine, as this event occurs after 31 December 2021 and qualifies as a 'non-adjusting event' under IFRS.

The goodwill impairment test procedure was approved on this day.

The expected future cash flows refer to the individual CGU in its current condition and exclude the estimates of future cash flows that may arise from future restructuring plans or other structural changes.

The primary assumptions underlying the determination of future cash flows are as follows:

	31 December	
	2021	2020
Average incidence of the cost of sales on plan revenue	41.7 %	41.6 %
Average incidence of personnel expense on plan revenue	31.3 %	33.4 %
Average incidence of fixed operating costs on plan revenue	16.4 %	15.4 %

Impairment test results

<i>Consolidated figures in thousands of € (BIESSE GROUP – ALL DIVISIONS)</i>	31 December 2021
CGU carrying amount (CA)	123,722
CGU recoverable amount (RA)	535,340
Impairment	-
<i>Consolidated figures in thousands of € (MACHINES AND SYSTEMS)</i>	31 December 2021
CGU carrying amount (CA)	95,184
CGU recoverable amount (RA)	373,833
Impairment	-
<i>Consolidated figures in thousands of € (MECHATRONICS CGU)</i>	31 December 2021
CGU carrying amount (CA)	27,038
CGU recoverable amount (RA)	161,374
Impairment	-

The above test results did not show the need to impair the Goodwill recorded in the consolidated financial statements as at 31 December 2021.

Breakeven point

In order to write off, at a consolidated level, the excess between value in use (recoverable amount) and carrying amount, with regard to the impairment test carried out for the year ended 31 December 2021, the cost of capital (WACC) should increase by 17.0%. Furthermore, the growth rate of "as is" cash flows, as evidenced in the final value, should be extremely negative, while terminal value EBITDA should be lower than the "as is" plan by more than € 54.6 million.

As regards the breakeven point of the individual CGUs, please see the following table:

	Machines and Systems	Mechatronics
WACC	22.5%	35.5%
Growth rate	-81%	NC
Terminal value EBITDA	-36,962	-18,174

Sensitivity analysis

A sensitivity analysis of the results was also carried out for the CGUs under review: the value in use remains higher than the book value even assuming deteriorating changes in key parameters such as:

- 0.5% increase in the discount rate;
- 0.5% reduction in the growth rate;
- halving of the CAGR on sales revenue.

The following shows the recoverable amounts obtained after modifying the parameters indicated above:

		Machines and Systems	Mechatronics
WACC +0.5%	CGU (CA)	95,184	27,038
	CGU (RA)	344,684	149,449
Growth rate -0.5%	CGU (CA)	95,184	27,038
	CGU (RA)	352,335	152,608
CAGR -50%	CGU (CA)	95,184	27,038
	CGU (RA)	158,704	132,815

18. INTANGIBLE ASSETS

€ '000	Development costs	Patents, brands and other intangible assets	Asset under construction and advances	Total
Value at 31/12/2019	84,985	55,923	19,085	159,993
Increases	13	2,001	8,642	10,656
Disposals	(2,498)	(481)	-	(2,979)
Depreciations	(8,255)	(4,015)	(1,649)	(13,919)
Reclassifications	10,671	2,091	(12,762)	-
Exchange diff, reclassification and other changes	(255)	(175)	-	(430)
Value at 31/12/2020	84,661	55,344	13,316	153,321
Value at 31/12/2020				
Increases	-	2,013	3,727	5,740
Disposals	(7,756)	(2,841)	(9)	(10,406)
Change in the consolidation area	-	20,891	-	20,891
Depreciations	-	-	(2,582)	(2,582)
Reclassifications	6,459	811	(7,270)	-
Exchange diff, reclassification and other changes	(1,199)	(1,326)	9	(2,515)
Value at 31/12/2021	82,366	74,892	7,191	164,448
Depreciation fund				
Value at 31/12/2019	67,845	32,468	-	100,314
Amortisation of the period	8,500	5,211	-	13,711
Amortisation	(2,498)	(152)	-	(2,650)
Changes in the consolidation area	-	-	-	-
Write-downs and reversals	(4,577)	(2,768)	-	(7,345)
Exchange diff, reclassification and other changes	(289)	(303)	-	(592)
Value at 31/12/2020	68,981	34,456	-	103,438
Depreciation fund				
Value at 31/12/2020	68,981	34,456	-	103,438
Amortisation of the period	6,525	7,860	-	14,385
Closing of funds for disposals	(7,556)	(2,834)	-	(10,390)
Changes in the consolidation area	-	2,827	-	2,827
Write-downs and reversals	3,199	2,247	-	5,447
Exchange diff, reclassification and other changes	(1,201)	(1,353)	-	(2,254)
Value at 31/12/2021	69,948	43,205	-	113,153
Net book value				
Value at 31/12/2020	15,680	20,888	13,316	49,884
Value at 31/12/2021	12,417	31,687	7,191	51,296

As at 31 December 2021, the consolidated financial statements include assets that represent new product development costs of € 12.4 million, patents, trademarks and other intangible assets of € 31.6 million, and assets under construction and advances of € 7.2 million, consisting mainly of costs for the current development of products.

Capitalising development costs involves the Directors making estimates, since the recoverability of these costs depends on cash flows from the sale of products marketed by the Biesse Group.

These estimates are characterised both by a complexity of assumptions underlying the revenue and future margin projections, and by strategic industrial choices made by the Directors.

Changes in the scope of consolidation include increases in intangible assets resulting from the acquisition of Forvet, net of decreases due to the sale of Korex. For the intangible assets arising from the acquisition of Forvet and details of the entire transaction, please refer to note 34.

As already highlighted, from the verification of cash flows expected from the sale of products, which incorporate development projects covered by capitalisation, as at 31 December 2021 it was necessary to proceed with an impairment of costs relating to previously capitalised development projects, both to those which are being amortised and to current ones, respectively for € 3,199 thousand and € 2,582 thousand, since they are considered as no longer recoverable and/or strategic, and with an impairment of licences that are no longer used and trademarks for € 2,247 thousand.

Intangible assets are unencumbered.

19. OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

Other current and non-current financial assets are summarised as follows:

€ '000	At 31 December	
	2021	2020
Other financial assets - non-current	4,440	3,277
Other financial assets - current	27,991	28,107

Non-current financial assets mainly relate to guarantee deposits paid by various Group companies and also include receivables from the tax authorities claimed by the Parent company for € 1,876 thousand, up compared to the previous period by around € 512 thousand following recognition of the tax credit on investments (former hyper-/super-amortisation) which in the previous years was used to calculate taxes through tax recoveries.

Current financial assets relate to the fair value of derivative instruments in the amount of € 892 thousand (€ 1,108 thousand at 31 December 2020) and to other financial assets held by the Parent Company in the amount of € 27,098 thousand (€ 27 million at 31 December 2020), consisting of the life policy taken out by the Parent Company during 2019 with the company Generali S.p.A. for the purpose of using cash surpluses in temporary investments of liquidity that can be readily mobilised for short-term financial needs.

20. INVENTORIES

€ '000	At 31 December	
	2021	2020
Raw materials, consumables and suppliers	67,094	42,795
Work in progress and semi-finished goods	26,653	19,163
Finished goods	67,869	51,614
Spare parts	17,801	16,276
Inventories	179,417	129,848

Inventories, amounting to € 179,417 thousand, are net of the allowances for inventory write-downs, amounting to € 6,830 thousand for raw materials (up € 3,078 thousand compared to 2020), € 5,329 thousand for spare parts (up € 397 thousand compared to 2020) and € 7,687 thousand for finished goods (up € 2,184 thousand compared to 2020).

As a percentage of the historical cost of the relevant inventories, the allowance for inventory write-downs of raw materials accounts for 3.8% while the allowance for finished goods accounts for 4.2%.

The Group's inventories increased by € 49,568 thousand compared to the previous year. Specifically, raw material inventories increased by € 24,299 thousand while finished products and goods inventories decreased by € 16,255 thousand.

The allowance for inventory write-downs reflects Management's estimate of impairment losses expected by the Group and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts.

21. TRADE RECEIVABLES

The Group's trade receivables as at 31 December 2021 and 31 December 2020 are detailed below:

€ '000	At 31 December	
	2021	2020
Trade receivables due from third parties	134,669	109,190
Trade receivables due from related parties	19	12
Allowance for impairment	(8,726)	(6,327)
Trade receivables	125,962	102,875

Management believes that the carrying amount of trade receivables is a reasonable approximation of their fair value.

Trade receivables amounting to € 125,962 thousand reflect an increase of € 23,087 thousand as compared to the previous year (€ 102,875 thousand in 2020).

The increase in trade receivables from third parties is mainly attributable to the increase in turnover, which will recover in 2021 compared to a 2020 that was strongly affected by the negative dynamics linked to the COVID-19 pandemic. There are no particular critical points in terms of days to collection, substandard situations or deterioration of credit quality.

Changes in the allowances for impairment are shown below:

€ '000	At 31 December	
	2021	2020
Opening balance	6,327	5,939
Change in the consolidation area	324	-
Accrual for the year	2,921	508
Derecognition of excess provisions	(316)	(9)
Utilised	(613)	-
Exchange rate difference	82	(111)
Closing balance	8,726	6,327

Provisions to the allowance for impairment are made on the grounds of both an assessment of specific credit positions where specific disputes exist (and are generally supported by an accompanying legal opinion) and of general assessments based on historical experience for the other credit positions, also taking into account forward-looking considerations (including the uncertainties generated by the COVID-19 emergency, the evolution and impacts of which are continuously evolving).

The amount of the provisions is calculated on the basis of the present value of estimated recoverable amounts, accounting for the related recovery expenses, if any, and the fair value of the collateral given to the Group, if any.

In any case, the Directors monitor overdue receivables by conducting a periodic analysis of the main positions; receivables that are objectively non-collectable, either partially or totally, are impaired.

For further details on credit management, please see note 33. For an analysis of trade receivables from related parties, please see note 35.

22. OTHER RECEIVABLES

A breakdown of other current receivables as at 31 December 2021 is as follows:

€ '000	At 31 December	
	2021	2020
Consumption tax receivables and other tax receivables	10,417	7,012
Income tax assets	3,962	3,764
Other receivables from third parties	4,395	3,997
Other receivables	18,774	14,773

Consumption tax receivables and other tax receivables of € 10,417 thousand increased by € 3,405 thousand compared to the previous year. This item includes VAT receivables and other receivables from tax authorities, such as the 2021 tax credits for R&D activities and the tax credit on investments (the former super-/hyper-amortisation) claimed by the Parent company and the Italian companies.

"Income tax receivables" mainly include IRES tax receivables and increased by approximately € 198 thousand compared to the previous year.

The Parent Company Biesse S.p.A. participates in the national tax consolidation of the Biesse Group together with its subsidiaries Bre.Ma. Brenna Macchine S.r.l., HSD S.p.A., Montresor S.r.l. and Movetro S.r.l.. In this context, pursuant to articles 117 et seq. of Presidential Decree 917/86, the IRES tax has been determined at an aggregated level by offsetting the positive and negative taxable amounts of the above-mentioned companies. The financial relationships and the mutual responsibilities and obligations between the companies are defined in the regulation governing participation in the Biesse Group's tax consolidation scheme.

The item "Other receivables from third parties" includes deferrals on costs pertaining to subsequent years and sundry receivables, and remained substantially stable compared to the previous year.

Receivables from the parent company Bi.fin S.r.l. were repaid in full during the year. With regard to receivables from related parties, please refer to note 35 below.

23. CASH AND CASH EQUIVALENTS

€ '000	At 31 December	
	2021	2020
Bank deposit	125,440	162,137
Cash and cash equivalents	1,659	1,288
Cash and cash equivalents	127,099	163,425

Cash and cash equivalents include bank deposits of € 125,440 thousand and cash or cash equivalents on hand of € 1,659 thousand, with an overall decrease over the previous year of €36,326 thousand.

For further details on the dynamics affecting Cash and cash equivalents, please refer to the Group Cash Flow Statement; please refer to note 25 for more details on the net financial position.

For the purposes of preparing the Statement of Cash Flows, transactions of a financial and investment nature that have been carried out without changes in cash flows were not included. In particular, increases in right-of-use assets and related lease liabilities (€ 5,432 thousand) were not included in the statement as at 31 December 2021.

No term deposits exist as at the reporting date.

24. CONSOLIDATED EQUITY

The statement of changes in consolidated equity as at 31 December 2021 is shown in the accounting schedules section.

Share capital of € 27,393 thousand was unchanged from the previous financial year, and the number of the Parent company's ordinary shares was 27,393,042, with a nominal value of € 1 each.

As at the date on which these financial statements were approved, there were no treasury shares held.

Hedging and translation reserve

The item wholly consists of the translation reserve, which includes all the exchange rate gains (losses) arising from the conversion of the financial statements in foreign currency, for the part relating to the Group, and was negative for € 11,162 thousand as at 31 December 2021, down compared to the prior year (€ 12,293 thousand in 2020). The change in this reserve is attributable to fluctuations in exchange rates relating in particular to the US dollar, the Turkish lira, the Russian ruble and the Brazilian real.

The "Translation reserve" also includes the exchange rate gains (losses) arising from the consolidation in the Parent company's separate financial statements of the financial statements of the Dubai branch (loss of € 5 thousand).

Share capital reserves

This item consists entirely of the Parent company's share premium reserve, unchanged from the previous year (€ 36,202 thousand).

Other reserves

Other reserves are as follows:

€ '000	At 31 December	
	2021	2020
Legal reserve	5,479	5,479
Extraordinary reserve	125,007	119,465
Retained earnings and other reserves	36,954	40,392
Other reserves	167,439	165,336

The legal reserve includes the Parent company's earnings provision of 5% for each financial year. During this financial year the reserve was not increased, as it had already reached 20% of the total value of the share capital (€ 5,479 thousand).

The extraordinary reserve, amounting to € 125,007 thousand as at 31 December 2021, increased by € 5,542 thousand compared to the previous year due to the allocation of the 2020 result of the Parent Company, amounting to € 5,542 thousand.

Retained earnings and other reserves totalling € 36,954 thousand (€ 40,392 thousand in 2020) decreased by € 3,439 thousand. The item other reserves consists of consolidated undistributed profits and other Parent company's reserves.

For an analysis of the changes in these reserves, please refer to the Statement of changes in equity.

Actuarial gains and losses reserve

The reserve for actuarial gains/losses, negative for € 5,597 thousand, is shown net of the tax effect of € 1,990 thousand.

Non-controlling interests

Non-controlling interests amounted to € 849 thousand as at 31 December 2021 (€ 790 thousand as at 31 December 2020).

25. FINANCIAL LIABILITIES

The following table shows a breakdown of current and non-current financial liabilities as at 31 December 2021 and 31 December 2020.

€ '000	At 31 December	
	2021	2020
Non-current liabilities		
Lease liabilities	15,320	23,526
Other non current financial debt	680	42,954
	16,000	66,480
Current liabilities		
Lease liabilities	7,384	6,746
Payables to bank and financial institutions	375	63,753
Other loans	3,778	4,040
Financial liabilities from derivatives	1,845	971
	13,382	75,509
Financial liabilities	29,382	141,989

Lease liabilities

The breakdown of lease payables by expiry is set out below:

€ '000	At 31 December	
	2021	2020
Leasing Liabilities:		
-due within a year	6,741	7,161
-due over one year, but within five year	13,805	16,103
-due over five year	3,488	10,649
Total	23,982	33,914
After deduction of changes for future financial charges	(1,278)	(3,642)
Present Value of lease liabilities	22,704	30,272
whose:		
Current	7,384	6,746
Non current	15,320	23,526

Payables relating to right-of-use assets include liabilities due to related parties of € 101 thousand (of which € 29 thousand in the short term) and due to parents for € 1,233 thousand (of which € 135 thousand in the short term).

For further information on Lease liabilities, please refer to note 16 below.

Bank overdrafts and other financial liabilities

At 31 December 2021, the Group had credit lines in excess of € 213 million, of which € 88 million revocable with a duration of up to 12 months and € 125 million committed with a duration of more than 12 months. All undrawn credit lines are unsecured and free of any collateral.

As at 31 December 2021, the Group, in compliance with the current Treasury Policy, has financial investments in place in order to optimise liquidity and avoid the imposition of fees on inventories

Derivatives

Liabilities consisting of derivative instruments are equal to the fair value of foreign currency hedging transactions ("forward" contracts) in place as at 31 December 2021, amounting to € 1,845 thousand. The Group has chosen not to adopt hedge accounting policies for recognising this type of instrument.

Net financial position

Below is the detail of the Net Financial Position at 31 December 2021 and 31 December 2020. It should be noted that the Net Financial Position is presented in accordance with the provisions contained in Communication No. 5/21 of 29 April 2021 issued by Consob which refers to the ESMA Recommendations of 4 March 2021.

€ '000	At 31 December	
	2021	2020
Cash	1,659	1,288
Cash and cash equivalents	125,440	162,137
Cash and cash equivalents	127,099	163,425
Financial Assets (including derivative financial instruments)	27,098	28,107
Short-term lease liabilities	(7,384)	(6,746)
Current bank liabilities	(143)	(687)
Short-term loans and current portion of non-current indebtedness	(232)	(63,066)
Other current financial liabilities	(5,623)	(5,011)
(Current financial indebtedness)	(13,382)	(75,509)
(Net current financial indebtedness) / availability	140,815	116,023
Medium/long term lease liabilities	(15,320)	(23,526)
Medium and long term bank debts	(680)	(42,954)
Trade receivables and other medium/long term debts	(213)	-
No current financial indebtedness	(16,212)	(66,480)
Net financial position	124,603	49,543

The incidence of medium/long-term debt shows a significant decrease as a percentage of total debt, from 141,989 in 2020 to 29,594 in 2021.

For the sake of completeness of information, it should be noted that, as these matters are not specifically regulated, the Net Financial Position does not include i) the debt of one million euros, discounted to 31 December 2021, related to the exercise of the put/call option on the minority shares of Movetro ii) the estimated earn-out liability of € 3 million related to the acquisition of Forvet S.p.A. and due after 12 months, iii) the residual debt for the payment of the last instalment, equal to € 1.9 million, related to the acquisition of Forvet S.p.A.

For further details, reference should be made to note 33 below, to the comments in the report on operations concerning the trend in net financial position, and to the analysis in the cash flow statement.

Reconciliation of cash flows

The following table provides details on the changes in financial liabilities, with separate specification of those that generated cash flows and are therefore reported in the statement of cash flows, in the "cash flows from financing activities" section, with respect to other changes that did not have a monetary impact.

€ '000	No cash movements				
	31/12/2020	Cash flow	New leasing	Changes in consolidation area	Other movements
Loans and derivatives	117,717	(118,895)		12,750	1,106
Leasing	30,272	(13,212)	5,432		212
Total	141,989	(132,108)	5,432	12,750	1,318

26. EMPLOYEE BENEFITS

Defined-contribution plans

As a result of the Supplementary Pension Reform, the amounts accruing from 1 January 2007 – and at the discretion of employees – are allocated to supplementary pension schemes or transferred by the company to the treasury fund managed by INPS (the Italian National Social Security Institution), taking the form of defined-contribution plans (no longer subject to actuarial measurement), starting from when the employee's choice has been formalised. These costs are in addition to those incurred by foreign subsidiaries for defined-contribution plans. The total cost of these employee plans amounts to € 8,061 thousand (€ 7,798 thousand in the previous year).

Defined-benefit plans

This item mainly includes the severance indemnity set aside by the Parent company and its Italian subsidiaries in compliance with current Italian legislation, which guarantees a severance indemnity payment to the employee when the employment relationship ends. The item is broken down as follows.

€ '000	At 31 December	
	2021	2020
Defined benefit plans	13,946	13,028
Activities serving the plan	(628)	(252)
Total	13,318	12,775

Changes in defined-benefit plans are as follows:

€ '000	At 31 December	
	2021	2020
Opening balance at 1 January	13,028	13,260
Change in the consolidation area	1,122	
Current services	380	428
Financial (expenses)/ revenues	36	13
Benefits paid out	(1,199)	(809)
Actuarial gain/(losses)	554	214
Exchange differences and other movements	25	(77)
Closing balance at 31 December	13,946	13,028

Changes in defined-benefit plan assets are as follows:

€ '000	At 31 December	
	2021	2020
Opening balance at 1 January	252	227
Increases	336	61
Financial revenue	17	13
Benefit paid out	(14)	(22)
Exchange differences and other movements	36	(27)
Closing balance at 31 December	628	252

The severance indemnity fund of Italian companies represents approximately 90% of defined-benefit plans. The assumptions used for measuring severance indemnity obligations are:

Economic assumptions	31 December	
	2021	2020
Annual rate of inflation	1.75%	0.8%
Annual discount rate	from -0.39% in 2022 to 0.99% in 2036	from -0.38% in 2021 to 0.31% in 2035

Demographic assumptions	31 December	
	2021	2020
Death	RG48 mortality tables published by the Government General Accounting Office	
Disability	INPS tables broken down by age and sex	
Retirement	100% upon reaching the AGO requirements	
Probability of early retirement	3%	3%
Turnover	4%	4%

The pension fund recorded in the financial statements of the Indian subsidiary ("Gratuity Benefit") represents approximately 5% of the defined benefit plans. The main assumptions adopted in the valuation of the related obligation are a discount rate of 6.7%, a wage growth rate of 7%, a probability of utilisation of 5%, equal for all ages. In addition, the mortality tables provided by the Indian Assured Lives Mortality were used.

The effects of the remeasurement of defined-benefit plans were negative to the tune of € 554 thousand as at 31 December 2021, gross of the effects of the taxes calculated on them.

Average number of employees

The average headcount in 2021 was 4,269 (4,065 in 2020).

27. INCOME TAXES

Income taxes recognised in profit or loss

€ '000	At 31 December	
	2021	2020
IRES and other deferred taxes	1,095	(2,385)
Income tax related to foreign subsidiaries	4,032	3,625
Other taxes	(28)	(24)
IRES and other taxes for the year	5,100	1,216
IRAP and other current taxes	726	(173)
Income taxes relating to previous years	463	(276)
Income taxes	6,289	767

IRES and other deferred taxes, negative to the tune of € 1,095 thousand overall (negative to the tune of € 2,385 thousand in 2020), mainly referred to the IRES tax expense for the period (determined by the national tax consolidation scheme), the recognition of deferred taxes and the use of deferred taxes set aside in previous years.

The balance of tax items was negative to the tune of € 6,289 thousand. The negative balance is determined as a result of the following factors: IRES taxes and other deferred taxes (negative for € 1,095 thousand) and IRAP (negative for € 726 thousand); provisions for income taxes of foreign companies (€ 4,004 thousand) and taxes relating to previous years (negative for € 463 thousand).

The provision for taxes of the year can be reconciled with the profit or loss for the year shown in the financial statements as follows:

€ '000	At 31 December		At 31 December	
	2021	%	2020	%
Pre-tax profit	40,484		3,222	
National income tax 24%	(9,716)	24.00%	(773)	24.00%
Tax effect of non-deductible expense/exempt profit in determining income	555	-1.37%	664	-20.62%
Detection and utilisation of losses not previously recognised	862	-2.13%	432	-13.40%
Tax effect on losses unrecognised	(389)	0.96%	(948)	29.41%
Deferred Tax Asset effect unrecognised on previous year	-	0.00%	(512)	15.90%
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	(729)	1.80%	(83)	2.56%
Non-taxable capital gains and other minor effects	4,317	-10.70%	4	-0.10%
Income taxes for the year and effective tax rate	(5,100)	12.60%	(1,216)	37.70%
IRAP and other current taxes	(726)	-1.80%	173	-5.40%
Income taxes relating to previous rate	(463)	-1.10%	276	-8.60%
Income taxes for the year and effective tax rate	(6,289)	15.50%	(767)	23.80%

The decrease in the tax rate is mainly due to the sale of the stake held in Dongguan Korex Machinery Co. Ltd. (Korex), which generated a non-taxable capital gain.

Deferred tax assets/liabilities

Here below are the main items of deferred tax assets and liabilities.

€ '000	At 31 December	
	2021	2020
Accrual to provisions for risks and charges	10,513	7,004
Intercompany profits included in the amount of closing inventories	5,175	3,721
Recoverable tax losses	1,370	1,437
Other	6,705	5,337
Deferred tax assets	23,763	17,499
Amortisation	9,025	2,668
Other	77	324
Deferred tax liabilities	9,102	2,992
Net deferred tax assets	14,661	14,508

As at 31 December 2021, the Group recorded deferred tax assets and liabilities with a net positive balance of € 14,661 thousand (€ 14,508 thousand in 2020). Management recognised such deferred tax assets to the extent they are likely to be recovered. The budget results and forecasts for subsequent years, consistent with those used for impairment testing, were taken into account in determining the items.

Deferred tax assets on past year losses not recognised in the financial statements as at 31 December 2021 were approximately € 4 million.

Income tax payables

Income tax payables amounted to € 10,170 thousand (€ 4,041 thousand as at 31 December 2020) and include income tax payables still to be paid as at the reporting date.

28. PROVISIONS FOR RISKS AND CHARGES

€ '000	Guarantees	Retirement of agents	Restructuring	Legal disputes and Others	Total
Value at 31/12/2020	5,305	1,345	794	12,544	19,988
Provisions	2,032	639	-	2,943	5,614
Reduction of excess funds			-		
Utilised	87	358	(153)	(1,992)	(1,673)
Change of consolidation area	354	2	(64)	366	
Exchange diff, reclassification and other changes	118	-	119	28	265
Value at 31/12/2021	7,896	2,371	695	13,889	24,850
				<i>Current</i>	24,366
				<i>Non current</i>	484

The product warranty provision represents the best estimate made by the Parent company's Directors with respect to the obligations deriving from the warranty on products sold by the Group. The provision derives from estimates based on past experience and on the analysis of the level of reliability of the marketed products.

Due to the nature and complexity of the Group's business, the obligations arising from issues related to the quality of the equipment and the guarantees given on the same, imply a careful, constant and complex evaluation by the Management, which requires the preparation of estimates, which by their nature imply a high degree of judgment.

The provisions for agents' retirement benefits refers to the liabilities related to existing agency agreements.

The balance of provisions for corporate restructuring mainly refers to the afore mentioned review of the Group's strategy in China, in respect to which charges relating to redundant staff and the relocation of the Biesse Trading Shanghai sales subsidiary remain to be incurred.

The increase in the provision for legal disputes is due to the increase in provisions for legal and criminal risks and for disputes with customers. These provisions represent the Directors' best estimate with respect to the probable liability that could arise from outstanding disputes.

29. TRADE PAYABLES

The Group's trade payables as at 31 December 2021 and 31 December 2020 are detailed below:

€ '000	At 31 December	
	2021	2020
Trade payables to suppliers	184,433	131,246
Trade payables to related parties	2,224	1,542
Trade payables to parent company	2	2
Trade payables	186,660	132,790

Trade payables amounted to € 186,660 thousand (€ 132,790 thousand in the previous year), with an increase of € 53,870 thousand. It should be noted that trade payables are due within the next year and it is believed that their carrying amount at the reporting date is a reasonable approximation of their fair value.

For an analysis of trade payables to related parties and the parent, please see note 35.

30. CONTRACT LIABILITIES

Contract liabilities amounted to € 127,093 thousand as at 31 December 2021 (€ 72,189 thousand as at 31 December 2020) and are made up as follows:

€ '000	At 31 December	
	2021	2020
Advances from customers before the sale of the goods	113,755	59,040
Net advances from customers for services	13,337	13,149
Contract liabilities	127,093	72,189

Contract liabilities mainly relate to advances received from customers for products not yet delivered and for which revenue is recognised when the customer obtains control of the asset. For the remaining part, they relate to advances received from customers for services, recognised over time, for the part that exceeds the activities already carried out. The significant increase in these liabilities is in line with the trend in turnover during 2021.

It should be noted that contract liabilities outstanding as at 31 December 2020 were fully reflected in the income statement, under revenue, during 2021.

31. OTHER CURRENT AND NON-CURRENT PAYABLES

Other non-current payables amounted to € 4,195 thousand (€ 969 thousand at 31 December 2020) and refer almost entirely to the debt of € 3 million for the payment of the earn-out relating to the acquisition of Forvet, while € 983 thousand relates to the debt relating to the recording of the Call/Put option for the acquisition of the remaining 40% stake in the subsidiary Movetro S.r.l.

A breakdown of other current payables as at 31 December 2021 is as follows:

€ '000	At 31 December	
	2021	2020
Tax liabilities	15,810	14,338
Social security liabilities	13,404	12,155
Other payables to employees	30,672	21,976
Other payables to third parties	8,901	7,272
Other liabilities to related parties	-	1
Other liabilities	68,787	55,742

Other payables of € 68,787 thousand increased by € 13,045 thousand compared to the previous year, mainly due to the increase in other payables to employees.

Other payables to third parties amounted to € 8,901 thousand, an increase compared to the previous year (€ 7,272 thousand in 2020), consist mainly of deferred income, as well as € 1,900 thousand from the adjustment of the acquisition price of Forvet S.p.A.

32. FINANCIAL ASSETS/LIABILITIES FOR DERIVATIVE INSTRUMENTS

€ '000	31 December 2021		31 December 2020	
	Asset	Liability	Asset	Liability
Currency derivatives	892	1,845	1,108	971
Total	892	1,845	1,108	971

The value of open contracts at year-end (with a negative net balance of € 953 thousand) refers to hedging contracts that are not compatible with the requirements of IFRS 9 for the application of hedge accounting. As from 2016, the Group no longer records financial derivatives with the method envisaged for hedge accounting.

33. FINANCIAL RISK MANAGEMENT

The Group is subject to the following financial risks connected to its operations:

- market risks, consisting primarily of risks relating to fluctuations in exchange and interest rates;
- credit risk, relating specifically to trade receivables and, to a lesser extent, to other financial assets;
- liquidity risk, with reference to the availability of financial resources to meet the obligations related to financial liabilities.

The Group's risk management policies aim to identify and analyse the risks to which the Group is exposed. They also endeavour to establish appropriate limits and controls, and to monitor risk and compliance with these limits. These policies and associated procedures are regularly reviewed in order to reflect any changes to market conditions or Group activities.

With regard to the risk connected with the fluctuation in raw material prices, the Group tends to transfer the relevant management and economic impact to its own suppliers by agreeing fixed purchase costs for three-month periods. The impact of the main raw materials, steel in particular, on the average value of the Group's products is marginal compared to the final production cost.

The following paragraphs use sensitivity analysis to assess the potential impact on actual results that hypothetical fluctuations in benchmarks may cause. As required under IFRS 7, these analyses are based on simplified scenarios being applied to actual data for benchmark periods. By their very nature, these analyses cannot be considered to truly evidence the effect of future changes in the benchmark in view of different financial and equity structures as well as different market conditions. Nor are they able to reflect the interrelations and complexity of the reference markets.

Market risk

Market risk is the risk that the fair value of a financial instrument (or future cash flows from that instrument) will fluctuate as a result of changes in market prices due to changes in exchange rates, interest rates or share prices. The purpose of market risk management is managing and controlling the Group's exposure to that risk within acceptable limits, while at the same time optimising investment returns.

Exchange rate risk

The varied geographical distribution of production and commercial activities brings about an exposure to exchange rate risk, in terms of both transactions and translations.

a) Transaction exchange rate risk

This risk comes about due to the individual companies carrying out commercial and financial transactions in currencies other than their normal operating currency. Exchange rates may fluctuate between the time when the commercial/financial relationship begins and the time when the transaction is completed (collection/payment), thus originating gains or losses.

The Group manages such risk by making use of derivative instrument purchases, such as forward exchange contracts and cross currency swaps. As from 2016, the Group, following Biesse S.p.A. Board of Directors' resolution of 11 March 2016 which approved the new exchange rate risk management policy for the Biesse Group, has put on hold the use of hedge accounting techniques for recognising derivative instruments, since the rules set out in the reference standards were found to be quite stringent to be applied effectively and in full to business operations.

The following table provides a quantitative summary of the Group's exposure to exchange rate risk:

€ '000	Financial asset	Financial liabilities
	31/12/2021	31/12/2021
	2021	2021
Australian Dollar	3,458	612
Canadian Dollar	979	1,968
Pound Sterling	3,372	10,234
Hong Kong Dollar	260	5
Indian Rupee	2,750	14,596
US Dollar	25,065	20,762
Chinese Renmimbi Yuan	4,380	122
Other currencies	9,933	3,221
Total	50,198	51,521

In defining the amount exposed to interest rate risk, the Group also includes foreign currency orders acquired in the period before they become trade receivables (shipping-invoicing).

A sensitivity analysis follows, illustrating the expected impact on the income statement of a +15%/-15% appreciation/depreciation of the Euro.

This analysis assumes that all other variables, in particular interest rates, remain unchanged.

€ '000	Impact on income statement	
	If exchange rate > 15%	If exchange rate < 15%
Australian Dollar	3,007	532
Canadian Dollar	851	1,711
Pound Sterling	2,932	8,899
Hong Kong Dollar	226	4
Indian Rupee	2,391	12,692
US Dollar	21,795	18,054
Chinese Renmimbi Yuan	3,809	106
Total	35,013	42,000

The above amounts are shown gross of hedging.

b) Translation exchange rate risk

The Group holds a controlling interest in companies that prepare their Financial Statements in currencies other than the Euro, which is the currency used for presenting the consolidated financial statements. Therefore this exposes the Group to translation risk, which arises from converting assets and liabilities of these subsidiaries into Euro.

The effects of these changes are accounted for directly under equity in the translation reserve.

The main exposures to translational exchange rate risk are continuously monitored. At the balance sheet date, it was decided not to adopt specific hedging policies for these exposures.

a) Interest rate risk

Interest rate risk represents exposure to changes in the fair value of, or future cash flows from, financial assets or liabilities, due to changes in market interest rates.

The sensitivity analysis aimed at assessing the potential impact of a hypothetical sudden and unfavourable 10% change in short-term interest rates on financial instruments (typically cash and some financial payables) reveals no significant impact on the results or the equity of the Group.

Credit risk

Credit risk represents the Group's exposure to potential financial losses deriving from the failure of commercial and financial counterparties to fulfil their contractual obligations.

The main exposure is towards customers. In order to limit this risk, the Group has implemented procedures for assessing the financial potential and soundness of its customers, monitoring expected cash flows from collections and for any debt collection activities.

These procedures typically provide for sales to be finalised by obtaining advance payments. However, for those customers who are considered strategically important by Management, credit can be provided with limits being established and monitored.

The carrying amount of financial assets, net of any impairment for expected losses, represents the maximum exposure to credit risk.

For more information on how the allowance for impairment was determined and on the characteristics of overdue receivables, please refer to note 19 above on trade receivables.

Shown below is a table, as required by IFRS 9, which reports the allocation of the allowance for impairment by maturity date.

31 December 2021

At december 2021						
€ '000	Current	Overdue by 1 to 30 days	Overdue by 30 to 180 days	Overdue by 180 to 365 days	Overdue more than 365 days	Total
% Estimated loss	0.5%	0.4%	9.4%	14.1%	61.0%	6.5%
Receivables	88,522	14,718	16,001	5,793	9,654	134,688
Estimates credit losses	462	55	1,503	817	5,889	8,726

31 December 2020

At december 2020						
€ '000	Current	Overdue by 1 to 30 days	Overdue by 30 to 180 days	Overdue by 180 to 365 days	Overdue more than 365 days	Total
% Estimated loss	0.6%	0.1%	2.2%	15.5%	58.7%	5.8%
Receivables	69,910	13,673	13,217	3,787	8,615	109,202
Estimates credit losses	358	6	291	588	5,057	6,327

Liquidity risk

Liquidity risk is the risk that available financial resources will be insufficient to meet financial and commercial obligations as and when they fall due.

Negotiation and management of banking relationships are centralised at the Biesse Group level, by virtue of the Cash Pooling agreement, so as to ensure that short and medium-term financial needs will be met at the lowest possible cost. Raising medium and long-term capital funds on the market is also optimised with centralised management.

The type of prudent risk management described above implies maintaining an adequate level of cash and/or easily convertible short-term securities. The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers.

The following table shows the expected flows based on the maturities of financial liabilities other than derivatives. Balances relating to bank overdrafts and bank loans are expressed at their contractual value without being discounted, which includes both principal and interest amounts. Loans and other financial liabilities are classified on the basis of the earliest maturity date, and revocable financial liabilities, as well as other liabilities whose maturities are not available, are considered payable on demand ("worst case scenario").

31 December 2021

At december 2021						
€ '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	After 5 years	Total
Trade and other payables	109,434	115,770	10,571	1,581	63	237,420
Bank loans and borrowings	448	2,878	831	669	11	4,836
Total	109,883	118,648	11,403	2,250	74	242,256

31 December 2020

At december 2020						
€ '000	Less than 30	30-180 days	180 days-	1-5 years	After 5 years	Total
Trade and other payables	70,235	92,981	9,513	1,229	236	174,194
Bank loans and borrowings	20,961	13,680	33,687	43,202	-	111,531
Totale	91,196	106,661	43,200	44,431	236	285,725

The Group monitors liquidity risk by controlling net flows on a daily basis in order to ensure financial resources are managed efficiently.

The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers.

As at 31 December 2021, the Group had lines of credit arranged for the entire Group through the parent company Biesse S.p.A.

Classification of financial instruments

Below are the types of financial instruments included in the financial statements:

	31 December	
	2021	2020
€ '000		
FINANCIAL ASSETS		
<i>Designated at fair value through profit or loss:</i>		
<i>Derivative financial assets</i>	892	1,108
Designated at fair value through OCI:		
<i>- other current financial assets</i>	27,098	27,000
Measured at amortised cost :		
<i>Trade receivables</i>	125,962	102,875
<i>Other assets</i>	4,578	3,277
<i>- other financial assets and non current receivables</i>	4,578	3,277
<i>Cash and cash equivalents</i>	127,099	163,425
FINANCIAL LIABILITIES		
<i>Designated at fair value through profit or loss:</i>		
<i>Derivative financial liabilities</i>	1,845	971
<i>Liabilities for Put Movetro</i>	983	969
Measured at amortised cost :		
<i>Trade payables</i>	186,600	132,528
<i>Other not current liabilities</i>	3,212	
<i>Bank loans, borrowings and lease liabilities</i>	4,833	110,746
<i>Financial leasing liabilities</i>	22,704	30,272
<i>Other current liabilities</i>	47,542	34,677

The carrying amount of the above financial assets and liabilities is equal to or a reasonable approximation of their fair value.

For financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. To this end, IFRS 13 identifies the three levels of FV that have already been indicated in the early part of these financial statements:

Level 1 – input data used in the measurements are represented by quoted prices in active markets for assets or liabilities identical to those being measured;

Level 2 – input data other than quoted prices included within level 1 that are observable in the market, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 3 – input data that are not based on observable market data.

Derivative financial instruments measured at fair value and current financial assets measured at FVOCI are classified under Level 2 (same as in 2020). Put Movetro and other financial liabilities at fair value through profit or loss are classified in Level 3. There were no transfers of Level during the year.

34. BUSINESS COMBINATIONS, ACQUISITION OF NON-CONTROLLING INTERESTS AND SALE OF EQUITY INVESTMENTS

A. Sale of the equity investment in Dongguan Korex Machinery Co. Ltd.

In April 2021, the Group sold its stake in Dongguan Korex Machinery Co. Ltd. (Korex), a Chinese company in which it held full control through its Hong Kong subsidiary Biesse HK Ltd.

The sale price was RMB 183,521 thousand corresponding to Euro 22,767 thousand based on the average exchange rate as at 31 December 2021 and net of related accessory costs; the consideration was fully collected during the year.

The following table shows Korex's assets and liabilities as at the date of the sale.

<i>(figures in thousands of Euro)</i>	
Property, plant and equipment and intangible assets	6,307
Cash sold	314
Net liabilities	(550)
Total net assets sold	6,070

The sale of the investment in Korex resulted in the recognition of a non-recurring gain of € 17,814 thousand recognised in Other revenues, consisting of € 16,697 thousand arising from the difference between the sale price and the value of the net assets sold and € 1,117 thousand from the release to profit and loss of the foreign currency translation reserve relating to the subsidiary at the date of the sale, as required by the relevant IFRS standards.

The sale of Korex resulted in a net inflow of cash amounting to € 22,454 thousand and broken down as follows:

<i>(figures in thousands of Euro)</i>	
Consideration received	22,767
(-) Korex cash as at the date of the sale	(314)
Net cash flow	22,454

B. Acquisition of an additional stake in Viet Italia S.r.l.

In April 2021, the Group acquired an additional stake in Viet Italia S.r.l., increasing its controlling interest in the company from 85% to 100%. The Group paid non-controlling interests € 550 thousand to acquire the additional 15% stake. The consideration was paid in full during the year.

The impacts of this transaction are shown below:

<i>(figures in thousands of Euro)</i>	
Carrying amount of the interest acquired	110
Consideration paid to non-controlling interests	550
Decrease in the Group's equity	440

The decrease in the Group's equity is the result of the €432 thousand reduction in Consolidated undistributed profits, included in Other reserves, and the € 8 thousand reduction in the Actuarial reserve for defined-benefit plans.

On the other hand, there was a decrease in minority interests of € 110 thousand, as shown in the table above. These effects can be seen in the consolidated statement of changes in equity, to which reference should be made.

C. Acquisition of Forvet S.p.A. Costruzione Macchine Speciali

On 11 October 2021 the parent company Biesse S.p.A. acquired 100% of Forvet S.p.A. Costruzioni Macchine Speciali, a company based in Volvera (TO) that manufactures special automated machines for glass processing, and its subsidiary Forvet Research & Development S.r.l.. Subsequently, the transfer of the respective shares to Biesse S.p.A. was finalised on 2 November 2021.

Forvet S.p.A., founded in Volvera, Turin, in 1990, is a unique reference in the market for the production of automated lines that embody a high level of know-how, capable of producing a complete product in a small space, including loading, unloading and intra-logistics operations that can be customised according to the customer's needs.

The total purchase price is detailed below:

<i>(figures in thousands of Euro)</i>	
Basic purchase price	38,400
Deferred and contingent purchase price	3,000
Total purchase price	41,400

From a financial point of view, the acquisition resulted in a net cash outflow of € 19,722 thousand, corresponding to the portion of the consideration paid at the acquisition date equal to € 36,500 thousand net of Forvet's cash and cash equivalents outstanding at 31 October 2021 equal to € 16,778 thousand. In particular, the Group acquired control of the company as of the closing date, 2 November 2021, and therefore the related financial data have been included in the consolidated financial statements as of 1 November 2021.

The Group, in accordance with IFRS 3, has considered in the calculation of the total consideration the estimate of the probable earn-out liability of € 3 million, which will be paid beyond 12 months if certain conditions defined in the acquisition agreement occur. Apart from this estimate, which is considered highly probable, no other clauses have emerged that could lead to variability in the purchase price, except for those related to contractual guarantees.

The following table shows the carrying amount of the net assets acquired in the business combination:

<i>(figures in thousands of Euro)</i>	Total fair value of net assets acquired
Total intangible fixed assets	18,544
Total property, plant and equipment	4,828
Net commercial working capital	4,693
Total other current assets/liabilities	(6,549)
TFR	(1,122)
Net financial position	4,027
Deferred tax assets/liabilities	(6,111)
TOTAL NET IDENTIFIED ASSETS ACQUIRED	18,310
(+) Goodwill	23,090
TOTAL NET ASSETS ACQUIRED	41,400

The estimate of the fair values of the net assets acquired, carried out through the engagement of an independent expert, resulted in the quantification of higher values with respect to the balance sheet data inferred from the accounting situation at the date of acquisition, equal to € 22,775 thousand, gross of the related tax effect. Specifically, these assessments concerned the following cases:

- customer lists, the fair value of which (€ 5,949 thousand) was determined using the residual income method and on the basis of an estimated useful life of 10 years;
- know-how, the fair value of which (€ 5,307 thousand) was determined using the royalty method and on the basis of an estimated useful life of 10 years;
- patents, the fair value of which (€ 5,868 thousand) was determined using the royalty method and on the basis of an estimated average useful life of 7.7 years;
- trademark, the fair value of which (€ 1,202 thousand) was determined using the royalty method and on the basis of an estimated useful life of 10 years;
- higher value attributed to land and buildings (€ 1,265 thousand);
- higher value attributed to plant and machinery (€ 581 thousand);
- higher value attributed to inventories (€ 2,603 thousand) relating to work in progress and finished products.

The deferred tax effect determined in relation to the value adjustments described above amounts to a total of € 6,354 thousand. As mentioned above, the valuations were determined on the basis of a report prepared by an independent expert.

The difference (€ 23,090 thousand) between the total purchase price (€ 41,400 thousand) and the fair value of the net assets acquired (€ 18,310 thousand) is necessarily allocated to goodwill, which in turn is allocated to the "Machinery and Systems" CGU, for which an impairment test was performed.

<i>(figures in thousands of Euro)</i>	
Total purchase price	41,400
(-) Fair value of the net assets being acquired	18,310
Goodwill recognised from purchase price allocation	23,090

35. RELATED-PARTY TRANSACTIONS

Biesse S.p.A. is owned by Bi.Fin. S.r.l.

Set out below are the Group financial and income balances arising from related-party transactions for the years 2021 and 2020. It should be noted that commercial transactions with these entities were carried out at arm's length and that all transactions were in the interest of the Group.

Furthermore, it should be noted that related parties also include companies owned by close relatives of Board of Directors' members.

<i>Euro 000's</i>	Revenues		Costs	
	For Year ended 31/12/2021	For Year ended 31/12/2020	For Year ended 31/12/2021	For Year ended 31/12/2020
Parent				
Bi. Fin. S.r.l.	-	-	26	29
Other related companies				
Fincobi S.r.l.	1	1	-	-
Se. Mar. S.r.l.	15	11	3,012	2,066
Wirutex S.r.l.	26	12	1,916	1,053
Altri			2	
Members of the Board of Directors		1		
Members of the Board of Directors	-	-	3,452	4,733
Members of the Board of Statutory Auditors				
Executives with strategic responsibilities	-	-	103	162
Executives with strategic responsibilities			1,730	1,205
Total	42	25	10,241	9,249

<i>Euro 000's</i>	Receivables		Payables	
	For Year ended 31/12/2021	For Year ended 31/12/2020	For Year ended 31/12/2021	For Year ended 31/12/2020
Parent				
Bi. Fin. S.r.l.	-	-	1,235	1,355
Other related companies				
Fincobi S.r.l.	-	-	12	28
Se. Mar. S.r.l.	1	11	1,295	913
Wirutex S.r.l.	14	0	806	593
Members of the Board of Directors				-
Members of the Board of Directors	-	1	-	-
Members of the Board of Statutory Auditors	-	-	110	36
Total	15	12	3,459	2,924

For all the financial years considered, no guarantee has been given or received. The Group has not accounted for any losses on receivables from related parties in the current or previous financial years. It should be noted that, as of 31 December 2019, payables to the parent company and other related parties include lease payables (€ 1,233 thousand to the parent company Bi.Fin. S.r.l. and € 12 thousand to the related party Fincobi S.r.l., at 31 December 2020).

Directors' fees are proposed by the Board of Directors and approved at the ordinary shareholders' meeting according to the average market remuneration levels. It should be noted that, as regards managers with strategic functions who perform management and coordination activities, their remuneration (including fees and bonuses) is included under personnel expense.

For full details regarding remuneration of Directors and Statutory Auditors, please refer to the Remuneration Report published on the company website www.biesse.com.

The company Biesse S.p.A. is subject to management and coordination by the parent company Bi.Fin. S.r.l. As

required by the Italian Civil Code, the main data from the latest consolidated financial statements of Bi.Fin. S.r.l. filed with the Chamber of Commerce. highlighting that:

- reference should be made to the latest approved financial statements, namely the financial statements as at 31 December 2020;
- given that summary information is required, it was considered appropriate to limit this disclosure to indicating the total amounts for the most material items.

<i>(In thousands of Euro)</i>	31 December 2020	2019
<i>Value of Production</i>	158	431
<i>Production costs</i>	(427)	(547)
<i>Exchange rate gains and losses</i>	81	6,857
<i>Income taxes</i>	0	(17)
<i>Profit (loss) for the year</i>	(188)	6,724

<i>(In thousands of Euro)</i>	31 December 2020	2019
<i>Non-current assets</i>	31,256	31,939
<i>Working capital</i>	24,555	25,230
<i>Total assets</i>	55,811	61,169
<i>Equity</i>		
<i>Share capital</i>	10,569	10,569
<i>Reserves</i>	45,184	42,460
<i>Profit for the year</i>	(188)	6,724
<i>Payables and risk provisions</i>	246	1,416
<i>Total liabilities</i>	55,811	61,169

36. OTHER INFORMATION

Contingent liabilities

Based on the information that is currently available, the Directors of the Company believe that, as at the date these financial statements were approved, the provisions set aside are sufficient to guarantee a correct representation of the financial information.

Commitments and guarantees issued and received

In the course of its commercial activities, the Group issues guarantees to customers for advance payments (advance payment - performance bonds).

Atypical and unusual transactions

No transactions of such nature were reported.

Government grants pursuant to Art. 1, paragraphs 125-129 of Law No. 124/2017

For details on government aid and the de minimis aid which was received – for which there is the obligation to report to the National Registry of Government Aid, in accordance with Art. 52, Law 234/2012 – express reference is made to said register. However, the following details are reported:

Euro/000			
N.	SOGGETTO EROGANTE	CONTRIBUTO RICEVUTO 2021	CAUSALE
1	FONDIMPRESA/FONDIRIGENTI	304	Contributo formazione finanziata
2	COMMISSIONE EUROPEA	112	Contributo progetto europeo
3	M.I.S.E.-FONDO CRESCITA SOSTENIBILE	86	Contributo progetto finanziato
4	Agenzia delle Entrate	92	Credito sanificazione D.L.34/2020 art.125
5	Agenzia delle Entrate	160	Credito imposta R&S anno 2020 L.2019/160 maggiorato ai sensi ex art.244 "Decreto Rilancio"DL 34/2020
6	Agenzia delle Entrate	41	DL 41/2021 Art 1 Decreto sostegni
7	GSE SPA Gestore dei Servizi Energetici	12	Contributo GSE scambio sul posto
		807	

37. EVENTS AFTER THE REPORTING DATE

Please refer to the note in the Directors' Report on Operations.

Pesaro, 14 March 2022

The Chairman of the Board of Directors
Giancarlo Selci

38. ANNEXES

INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006¹

<i>Euro 000's</i>		31 December	Attributable to	% of incidence	31 December	Attributable to	% of incidence
	Note	2021	related parties		2020	related parties	
Revenue	7	742,199		0.0%	578,789		
Other operating income	8	24,820	25	0.1%	5,767	57	1.0%
Change in inventories of finished goods and work in progress		21,409		0.0%	(10,911)		0.0%
Purchase of raw materials and consumables	9	(333,566)		0.0%	(234,320)		0.0%
Personnel expense	10	(233,797)		0.0%	(192,623)		0.0%
Depreciation, amortisation and impairment	11	(50,188)		0.0%	(48,434)		0.0%
Other operating costs	12	(125,157)	9,248	-7.4%	(92,045)	(7,054)	7.7%
Operating profit		45,721	9,273	20.3%	6,223	(6,997)	-112.4%
Financial income	13	11,151		0.0%	11,623		0.0%
Financial expense	13	(16,387)		0.0%	(14,624)		0.0%
Pre-tax profit		40,484	9,273	22.9%	3,222	(6,997)	-217.2%
Income taxes	27	(6,289)		0.0%	(767)		0.0%
Profit for the year		34,195	9,273	27.1%	2,455	(6,997)	-285.0%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006¹

<i>Euro 000's</i>		31 December	Attributable to	% of incidence	31 December	Attributable to	% of incidence
ASSETS	Note	2021	related parties		2020	related parties	
Equipment and other items of property, plant and equipment							
Property, plant and equipment	15, 16	117,203	-	0.0%	125,130	-	0.0%
Goodwill	17	46,694	-	0.0%	23,471	-	0.0%
Other intangible assets	18	51,296	-	0.0%	49,884	-	0.0%
Deferred tax assets	27	23,763	-	0.0%	17,449	-	0.0%
Other financial assets and receivables (including derivati	19	4,440	-	0.0%	3,277	-	0.0%
Total non current assets	21	243,533	-	0.0%	219,260	-	0.0%
Inventories	20	179,417	-	0.0%	129,848	-	0.0%
Trade receivables and contract assets		125,962	-	0.0%	102,875	-	0.0%
Other revceivables	22	18,774	12	0.1%	14,773	994	6.7%
Other financial assets and receivables (including derivati	19	27,991	-	0.0%	28,107	-	0.0%
Cash and cash equivalents	23	127,099	-	0.0%	163,425	-	0.0%
Total current assets		479,242	12	0.0%	439,028	994	0.2%
TOTAL ASSETS		722,774	12	0.0%	658,288	994	0.2%

<i>Euro 000's</i>		31 December	Attributable to	% of incidence	31 December	Attributable to	% of incidence
	Note	2021	related parties		2020	related parties	
<i>EQUITY AND LIABILITIES</i>							
Share capital		27,393	-	0.00%	27,393	-	0.00%
Reserves		186,957	-	0.00%	184,099	-	0.00%
Profit for the year		34,018	-	0.00%	2,531	-	0.00%
Equity attributable to the owners of the parent		248,368	-	0.00%	214,022	-	0.00%
Non-controlling interests		849	-	0.00%	790	-	0.00%
TOTAL EQUITY	24	249,217	-	0.00%	214,812	-	0.00%
Financial liabilities	16, 25	16,212	-	0.00%	66,480	-	0.00%
Post-employment benefits	26	13,318	-	0.00%	12,775	-	0.00%
Deferred tax liabilities	27	9,102	-	0.00%	2,992	-	0.00%
Provisions for risks and charges	28	484	-	0.00%	322	-	0.00%
Other liabilities	31	3,983	-	0.00%	969	-	0.00%
Total non current liabilities		43,099	-	0.00%	83,538	-	0.00%
Financial liabilities	16, 25	13,382	-	0.00%	75,509	-	0.00%
Provisions for risks and charges	28	24,366	-	0.00%	19,666	-	0.00%
Trade payables	29	186,660	2,924	1.57%	132,790	3,013	2.27%
Contract assets	30	127,093	-	0.00%	72,189	-	0.00%
Other liabilities	31	68,787	-	0.00%	55,742	-	0.00%
Liabilities for income tax	27	10,170	-	0.00%	4,041	-	0.00%
Total Current liabilities		430,459	2,924	0.68%	359,937	3,013	0.84%
LIABILITIES		473,557	2,924	0.62%	443,476	3,013	0.68%
TOTAL EQUITY AND LIABILITIES		722,774	2,924	0.40%	658,288	3,013	0.46%

Certification of the consolidated financial statements in accordance with Art. 81-ter of Consob Regulation No. 11971 of 14 May 1999 as subsequently amended and integrated

1. The undersigned Giancarlo Selci and Pierre Giorgio Sallier de La Tour in their capacities as, respectively, Chairman and Manager in charge of the financial reporting of Biesse S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the characteristics of the business and
- the effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2021.

2. The administrative and accounting procedures for preparing the consolidated financial statements as at 31 December 2020 were defined, and their adequacy was assessed, based on the rules and methods established by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission. This is a reference framework for internationally accepted internal control systems.

3. In addition, they also certify that the consolidated financial statements as at 31 December 2021:

- a) are consistent with the entries in accounting books and records;
- b) have been drawn up in accordance with the international accounting standards issued by the International Accounting Standards Board, endorsed by the European Commission with the procedure provided for by Art. 6 of Resolution (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 and pursuant to Art. 9 of the Italian Legislative Decree No. 38/2005; they are capable of providing a true and fair view of the financial position, results of operations and cash flows of the issuer and the group of companies included in the scope of consolidation.

The Directors' Report on Operations includes a reliable analysis of the performance and the results of operations, and the overall position of the issuer and the group of companies included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Pesaro, 14 March 2022

**The Chairman of the Board
in charge**

Giancarlo Selci

**The Manager
of financial reporting**

Pierre Giorgio Sallier de La Tour

**SEPARATE FINANCIAL STATEMENTS AS AT 31
DECEMBER 2021**

Biesse S.p.A.

2021

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021 AND FINANCIAL STATEMENTS

SEPARATE INCOME STATEMENT AS AT 31 DECEMBER 2021

	Notes	31 December 2021	31 December 2020
Revenue	6	517,709,768	362,727,613
Other operating income	6	6,365,073	5,817,479
Change in inventories of finished goods and work in progress		10,672,768	(6,541,895)
Purchase of raw materials and consumables	8	(298,625,272)	(199,659,197)
Personnel expense	9	(133,345,554)	(97,226,211)
Other operating costs	10	(68,001,455)	(47,555,625)
Depreciation and amortisation		(21,135,947)	(19,981,992)
Accruals to provisions		(6,196,168)	(7,645,691)
Impairment	11	(8,912,273)	(6,550,679)
Operating result		(1,469,060)	(16,616,198)
Share of loss of associates	12	(2,429,526)	275,542
Financial income	13	8,090,402	8,834,944
Dividends	14	8,513,149	16,522,237
Financial expense	13	(12,482,861)	(8,135,434)
Result before taxes		222,104	881,091
Income taxes	15	1,919,598	4,660,839
Result for the year		2,141,702	5,541,930

SEPARATE STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021

		31 December 2021	31 December 2020
Result for the year		2,141,702	5,541,930
Actuarial gains/(losses) on defined benefit plans	32	(249,563)	(150,389)
Valuation of financial assets	25	74,509	-
Translation differences on foreign operations	30	3,754	(12,132)
Items that will not be reclassified to profit or loss		(171,300)	(162,521)
Total comprehensive income for the year		1,970,402	5,379,409

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and machineries	16	56,861,141	57,556,731
Equipment and other tangible assets	16	6,656,665	6,330,410
Goodwill	17	8,398,870	6,345,588
Other intangible assets	18	27,717,739	40,376,652
Deferred tax assets	33	13,112,527	9,045,619
Investments in subsidiaries and associates	19	117,821,705	98,228,184
Other financial assets and non-current receivables	20	2,255,881	1,514,629
		232,824,528	219,397,813
Current assets			
Inventories	21	91,180,784	60,510,173
Trade receivables and contract assets	22	69,078,610	53,976,731
Trade receivables and contract assets - related parties	23	64,617,688	53,665,751
Other assets	24	4,614,173	4,829,789
Other assets - related parties	43	6,051,219	13,028,019
Assets for derivative financial instruments	45	892,456	1,024,128
Financial assets	25	27,097,788	26,999,750
Financial assets - related parties	26	6,261,533	25,625,753
Cash and cash equivalents	27	92,812,492	128,277,813
		362,606,743	367,937,907
TOTAL ASSETS		595,431,271	587,335,720

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Share capital	28	27,393,042	27,393,042
Capital reserves	29	36,202,011	36,202,011
Other reserves and retained earnings	30	127,615,976	123,439,144
Result for the year		2,141,702	5,541,930
EQUITY		193,352,731	192,576,127
Non-current liabilities			
Post-employment benefits	32	9,813,430	9,722,367
Deferred tax liabilities	33	1,827,536	1,199,995
Bank loans and borrowings	34	-	42,086,827
Lease liabilities under IFRS 16	35	4,325,978	5,423,576
Other non-current liabilities to third parties	42	3,212,500	-
Total non-current liabilities		19,179,444	58,432,765
Current liabilities			
Trade payables	38	130,326,551	93,348,762
Trade payables - related parties	39	31,207,374	24,578,236
Contract liabilities	40	55,765,063	25,920,345
Contract liabilities - related parties	41	161,878	12,260
Other liabilities	42	43,282,214	30,347,492
Other liabilities - related parties	43	34,413	328,347
Tax liabilities	44	4,871,190	900,000
Lease liabilities under IFRS 16	35	2,280,186	2,023,608
Bank loans and borrowings	34	441,777	63,418,339
Other financial liabilities - related parties	26	93,745,034	80,885,761
Provisions for risks and charges	37	18,941,542	13,807,931
Liabilities for derivative financial instruments	45	1,841,874	755,747
Total current liabilities		382,899,096	336,326,828
LIABILITIES		402,078,540	394,759,593
TOTAL EQUITY AND LIABILITIES		595,431,271	587,335,720

SEPARATE STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2021

	Notes	31 December 2021	31 December 2020
OPERATING ACTIVITY			
+/- Result for the year		2,141,702	5,541,930
+ Amortisations:		21,135,947	19,981,992
Increase/decrease of accruals to:			
+ post employment benefit fund		11,931	17,197
+ provision to funds		6,196,168	7,627,089
+ allowance for impairment of current assets		0	18,602
+/- provision for the write-down of inventory	21	5,771,071	1,992,370
+/- Gains/losses from sales of property, plant and equipment		(416,284)	(159,107)
+ Impairment losses on intangible assets		8,912,273	6,550,679
- Financial income		(8,761,197)	(17,318,852)
+/- Unrealized exchange gains/(losses)	13	1,586,051	(210,312)
+ Income taxes		(1,919,598)	(4,660,839)
+ Financial expenses		840,529	1,165,482
+/- Revaluation/write-off of investments		2,429,526	(275,542)
SUBTOTAL OPERATING ACTIVITIES		37,928,119	20,270,689
- Payment for post employment benefits		(894,722)	(558,079)
- Utilisation of provision for risks and charges		(647,684)	(367,959)
+/- Change in trade receivables	22	(16,248,145)	6,240,793
+/- Change in trade receivables - related parties	23	(10,439,582)	(8,453,759)
+/- Change in other receivables		(211,220)	209,224
+/- Change in other receivables - related parties		(13,434)	1,770,019
+/- Change in inventories	21	(29,128,458)	6,106,636
+/- Change in trade payables	38	31,074,418	(479,253)
+/- Change in trade payables - related parties	39	10,044,684	7,509,426
+/- Change in contract liabilities	40	28,939,136	2,248,973
+/- Change in contract liabilities - related parties		21,286	(2,678,492)
+/- Change in other payables	42	9,514,645	9,787
+/- Change in other payables - related parties		214	2,338
+/- Change in assets/liabilities for derivative financial instruments		267,382	(123,047)
- Tax paid		1,488,515	1,029,636
- Interest paid		(633,371)	(751,789)
NET CASH FLOWS FROM OPERATING ACTIVITIES		61,061,783	31,985,143
INVESTING ACTIVITIES			
Gains/(losses) from shareholdings		0	(321,241)
- Investment in property, plant and equipment		(4,420,119)	(2,658,524)
+ Sale of property, plant and equipment		2,741,650	14,796
- Investment in intangible assets		(5,153,100)	(9,651,569)
+ Sale of intangible assets		9,072	178,413
- Investment/disposal of shareholdings in subsidiaries and associates	19	(23,707,737)	(85,000)
- Investment/disposal of shareholdings in other companies		0	347,049
+ Dividends received	14	16,935,377	5,522,237
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(13,594,857)	(6,653,839)
FINANCING ACTIVITIES			
+/- New long term loans	48	0	115,000,000
+/- Long term loans reimbursement	48	(104,938,566)	(66,359,451)
- Finance lease payments	48	(2,477,280)	(2,422,012)
+/- Increase/decrease of borrowings	48	(217,317)	(76,786)
+/- Increase/decrease of other non-current financial assets		(897,178)	(214,513)
+ Interests received		203,819	731,643
- New loans to related parties	48	0	(3,513,236)
+ Income from loans to related parties	48	13,155,256	7,228,700
+ New loans to related parties	48	13,701,056	39,346,607
- Reimbursement of loans from related parties	48	(1,681,366)	(740,000)
+/- Increase/decrease of other current financial assets		0	(24,776,833)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(83,151,576)	64,204,119
NET INCREASE IN CASH AND CASH EQUIVALENTS		(35,684,650)	89,535,423
CASH AND CASH EQUIVALENTS AS AT 01/01/2021		128,277,813	38,663,731
+/- Effect of exchange rate fluctuations on cash held		114,939	(119,727)
+ Cash and cash equivalents from merger		104,390	198,386
CASH AND CASH EQUIVALENTS AS AT 31/12/2021		92,812,492	128,277,813
Cash and cash equivalents	27		

SEPARATE STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

	Notes	Share capital 28	Capital reserves 29	Other reserves and retained earnings 30	Result for the year	EQUITY
January 1, 2020		27,393,042	36,202,011	118,731,796	4,062,883	186,389,732
Other comprehensive income				(162,521)		(162,521)
Result for the year					5,541,930	5,541,930
Total gains/(losses) recognised in other comprehensive income				(162,521)	5,541,930	5,379,409
Dividends				0		0
Allocation of the profit of the year				4,062,883	(4,062,883)	0
Merge of subsidiaries				806,986		806,986
Other movements				0		0
December 31, 2020		27,393,042	36,202,011	123,439,144	5,541,930	192,576,127

	Notes	Share capital 29	Capital reserves 30	Other reserves and retained earnings 31	Result for the year	EQUITY
January 1, 2021		27,393,042	36,202,011	123,439,144	5,541,930	192,576,127
Other comprehensive income				(171,300)		(171,300)
Result for the year					2,141,702	2,141,702
Total gains/(losses) recognised in other comprehensive income				(171,300)	2,141,702	1,970,402
Dividends				0		0
Allocation of the profit of the year				5,541,930	(5,541,930)	0
Merge of subsidiaries				(1,193,798)		(1,193,798)
Other movements						0
December 31, 2021		27,393,042	36,202,011	127,615,976	2,141,702	193,352,731

NOTES TO THE FINANCIAL STATEMENTS

1. OVERVIEW

Biesse S.p.A. (hereafter also the "Company") is an Italian company, with registered office in Pesaro (Italy), via della Meccanica, 16.

The Company operates in the production and marketing of machinery and systems for processing wood, glass, marble and stone. The company is listed on the Euronext STAR segment of the Milan Stock Exchange.

The currency in which the Financial Statements are presented is the Euro. Balances are expressed in thousands of Euros, unless otherwise stated.

These separate financial statements as at 31 December 2020 were submitted to the Board of Directors on 14 March 2022.

In addition, the Company prepares the consolidated financial statements.

By deeds of Notary Luisa Rossi dated 14 June 2021 and 21 December 2021, the subsidiaries Bsoft S.r.l., Viet Italia S.r.l. and Uniteam S.r.l. were merged into Biesse S.p.A. The accounting and tax effects of these transactions were backdated to 1 January 2021. The most significant deviations from the values in the financial statements for the year 2020 are commented on in the various sections of these notes to the financial statements.

2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Statement of compliance with international financial reporting standards and general standards

The separate financial statements as at 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as with the implementing provisions issued pursuant to Art. 9 of Italian Law Decree 38/2005 and the Consob regulations and provisions regarding financial statements.

The financial statements have been prepared on the historical cost basis, with the exception of derivative financial instruments, held-for-sale financial assets and financial instruments classified as available for sale, which are measured at fair value; the financial statements have been prepared also on a going concern basis.

This disclosure was prepared in accordance with the provisions of Consob (Commissione Nazionale per le Società e la Borsa – the regulatory authority for the Italian securities' market), with particular reference to resolutions No. 15519 and 15520 of 27 July 2006 and to communication No. DEM6064293 of 28 July 2006. It should be noted that, with reference to said Consob Resolution No. 15519 of 27 July 2006 on the format of financial statements, specific additional statements of income and of financial position have been included in the annex, with evidence of the impact of related-party transactions, so as to improve the readability of the information.

The accompanying financial statements of Biesse S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

Financial statements

All statements conform to the minimum content requirements set by the International Financial Reporting Standards and the applicable provisions laid down by national legislation and Consob. The statements used are considered adequate for the purpose of fair presentation of the Company's financial position, results of operations and cash flows. In particular, it is believed that the income statements reclassified by nature provide reliable and relevant information for a correct representation of the Company's economic performance. The statements comprising the Financial Statements are:

Income Statement

Expenses are classified based on their nature, highlighting interim results with respect to operating and pre-tax profit. Operating profit is calculated as the difference between net revenue from sales and services and operating expense (including non-cash costs relating to depreciation, amortisation and impairment losses on current and non-current assets, net of any reversal of impairment losses) and including capital gains and losses on the sale of non-current assets.

Statement of Comprehensive Income

This statement includes the items that make up the profit or loss for the financial year. For each group of categories, it also shows income and expenses that have been recognised directly in equity pursuant to IFRSs.

Statement of Financial Position

This statement shows a breakdown of current and non-current assets and liabilities.

An asset/liability is considered to be current when it satisfies any of the following criteria:

- it is expected to be recovered/settled, or intended for sale or consumption, in the Company's normal operating cycle
- it is held primarily for the purpose of being traded
- it is expected to be recovered/settled within 12 months after the reporting date
- In the absence of all three conditions, the assets/liabilities are classified as non-current.

Statement of Changes in Equity

This statement shows the changes in equity items related to:

- the allocation of the Company's profit (loss) for the year to non-controlling interests;
- amounts relating to transactions with shareholders (purchase and sale of treasury shares);
- any gains or losses net of any tax effects which, as required by IFRSs, are either recognised directly in equity (gains or losses from trading of treasury shares, actuarial gains or losses arising from the measurement of defined-benefit plans, transactions relating to corporate reorganisations), or have an offsetting entry under equity (share-based payments for stock option plans);
- changes in valuation reserves relating to derivative instruments hedging future cash flows, net of any tax effects.

Statement of Cash Flows

The Statement of Cash Flows is prepared using the indirect method, whereby net profit (loss) for the year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Cash and cash equivalents recognised in the statement of cash flows include the balance of this item at the reporting date. Foreign currency cash flows have been translated at the average exchange rate for the period.

Interest and taxes paid are classified within operating activities, while interest and dividends received are presented within investing activities.

In the year under review, it was decided to introduce some non-significant refinements to the structure of the statement of account by restating the previous year's data in a consistent manner.

Other information

The Company has availed itself of the right – granted by Art. 40 of Legislative Decree 127/1991, paragraph 2-bis, for companies required to prepare consolidated financial statements – to prepare both the Directors' Report on Operations concerning the separate financial statements of the Parent Company and that concerning the consolidated financial statements in a single document.

With reference to the operating performance for 2021, reference is made to the Consolidated Directors' Report on Operations.

Biesse S.p.A. owns subsidiaries which it controls directly or indirectly.

During the financial year there were no non-recurring events.

3. MEASUREMENT CRITERIA AND USE OF ESTIMATES

The preparation of the financial statements and related notes pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on historical experience and other factors deemed as material. Estimates and assumptions are reviewed on an

ongoing basis and the effect of any resulting changes is reflected in the income statement in the reporting period in which the estimates are reviewed if the review affects only that reporting period, or also in subsequent reporting periods if the review affects both the current year and future years.

A summary follows of the critical judgements and the key assumptions made by Management in applying the accounting standards with regard to the future and which may have a significant impact on the amounts recognised in the separate financial statements or have the risk of resulting in material adjustments to the carrying amount of assets and liabilities in the following financial year.

Allowance for impairment

The allowance for impairment reflects Management's estimates of impairment losses on the portfolio of receivables due from end customers and the sales network. The estimate of the allowance for impairment is based on losses expected by the Company, calculated on the basis of past experience for similar receivables, current and historical past dues, losses and payments received, the careful monitoring of credit quality, and projections of economic and market conditions, in a forward looking perspective.

Allowance for inventory write-downs

The allowance for inventory write-downs reflects the Management's estimate of impairment losses expected by the Company and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts, and any losses due to specific activities implemented by the Company.

Recoverable amount of non-current assets (including goodwill)

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management regularly reviews the carrying amount of non-current assets owned and used and of assets to be disposed of, when events and circumstances call for such review. For goodwill and intangible assets with an indefinite useful life, this analysis is carried out at least once a year and whenever events and circumstances so require. The analysis of the recoverability of non-current assets' carrying amount is generally performed using estimates of cash flows expected from the use or sale of the assets and appropriate discount rates to calculate their present value. When the carrying amount of a non-current asset is impaired, the Company recognises an impairment loss equal to the difference between the carrying amount of the asset and the amount recoverable through its use or sale calculated with reference to the cash flows projections in the Company's latest plans.

Product warranties

When a product is sold, the Company makes a provision for the relevant estimated warranty costs (annual and multi-year). Management establishes the amount of this provision on the basis of historical information regarding the nature, frequency and average cost of repairs under warranty. The Company is working to improve product quality and to minimise the cost of repairs under warranty.

Commercial, legal and tax disputes

The Company is subject to possible legal and tax cases involving a wide range of issues that are subject to the jurisdiction of different states, as well as possible commercial disputes. Owing to the uncertainties inherent to these issues, it is hard to make a reliable estimate of the outflow of resources that could arise from said disputes. The claims and disputes against the Company frequently arise from complex and difficult legal issues, subject to varying degrees of uncertainty, including the facts and circumstances inherent to each case, as well as the jurisdiction and the different laws applicable to each case. In the normal course of business, Management consults with its legal advisors and experts in legal and tax matters, as well as with the corporate functions most involved in matters of customer disputes. The Company recognises a liability for said disputes when it deems it probable that an outflow of financial resources will be required to settle the obligation and the relevant amount can be measured reliably. If a financial outlay becomes probable, but its amount cannot be determined, this fact is disclosed in the notes to the financial statements.

4. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA ADOPTED

Main accounting standards adopted

The accounting standards adopted in the separate financial statements as at 31 December 2021 were applied in the same way also to the comparative period, except as described in the following section 5.a) "Accounting standards, amendments and IFRS interpretations applied as from 1 January 2021".

A. Foreign currency transactions

All transactions are accounted for in the functional currency of the primary economic environment in which the Company operates. Monetary assets and liabilities (defined by IAS 21 as assets or liabilities held for collection or payment, where the amount is set in advance or able to be established) are translated using the closing rate; non-monetary assets and liabilities, which are valued at historical cost in foreign currencies, are translated using the exchange rate at the date of the transaction; and non-monetary assets and liabilities, which are measured at fair value in a foreign currency, are translated at the effective exchange rate at the date of determination of fair value.

The consolidation of the balances of foreign permanent establishments (branches) expressed in currencies other than the Euro is carried out using the following methodology: balance sheet items are converted into Euros at the exchange rate in force on the closing date of the financial year, while income statement items are converted at the average exchange rate for the year. The resulting translation differences are recognised in equity under the heading 'translation reserve', which is shown under other reserves in the financial statements.

Exchange rate gains or losses arising from conversion are recognised in profit or loss for the year.

To hedge its exposure to currency risk, the Company has entered into some forward and option contracts (see below the Company's accounting policies relating to these derivative instruments).

B. Revenue recognition

Revenue from the sales of goods and services is recognised when the effective transfer of control to the customer takes place. For these purposes, the Company analyses the contracts signed with customers in order to identify the contractual obligations, which may involve the transfer of goods or services, and the possible existence of a number of elements to be recognised separately. In the presence of single contract including a number of services, the Company determines the amount referring to each of the services. The method of recognising revenue from sales of goods and services depends on how the individual services are performed: performance at a given time or performance over time. In the former case, revenue is recognised when the customer obtains control of the good or service, a moment which is influenced by the delivery conditions envisaged by the contract. In the case of performance over time, depending on the characteristics of the underlying service, revenue is recognised either on a straight-line basis over the term of the contract or on a percentage-of-completion basis using the percentage-of-completion method. The latter is determined using the cost-to-cost method, i.e. applying to the total expected revenue the percentage resulting from the ratio of costs incurred to total expected costs.

In reference to the main types of sales realised by the Company, the recognition of revenue takes place on the basis of the following criteria:

- a) Sales of machines and systems: revenue is generally recognised when the machine is delivered to the customer, which normally coincides with the moment when the customer obtains control of the good. The advances obtained from customers before completion of the sale are recorded as advances from customers, under the item Contract liabilities. In the case of machines and systems made to the customer's specific indications, the revenue is recognised over time, on the basis of the progress of the work with a counter-entry under the item Contract assets. Advance and prepayment invoices issued in accordance with the terms of the contract are recognised as trade receivables and result in a reduction in contractual assets. Should the overall payments on account and advances received exceed the value of the asset realised at that date, a payable due to the customer on orders is recorded under Contract liabilities.
- b) Mechanical and electronic components, and other goods. The related revenue is recognised when the customer obtains control of the good, taking account of the delivery conditions agreed with the customer. Any advances paid by the customer before the sale of the good are recognised as such under Contract liabilities.
- c) Installation of machines and systems for machining wood, stone and marble. These are services generally sold together with the machines and systems as set out in point a) above, the revenue from which is

recognised in the income statement over time on the basis of the progress of the service to be provided to the customer.

- d) Other services. These are services provided over time and the related revenue is recognised in the income statement on a straight-line basis over the duration of the contract.

C. Government grants

Government grants are recognised when there is reasonable assurance that the entity will comply with all the conditions attaching to the grant and that the grant will be received. Grants are recognised in the income statement over the period in which the entity recognises as expense the related costs which the grants are intended to compensate.

For accounting purposes, a benefit arising from a government loan granted at a below-market rate of interest is treated as a government grant. This benefit is measured at the inception of the loan as the difference between the initial carrying amount of the loan (fair value plus any costs directly attributable to obtaining it) and the proceeds received, and it is subsequently recognised in the income statement in accordance with the regulations relating to the recognition of government grants.

D. Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised as costs as at the time when the service giving rise to those benefits is provided. The Company recognises a liability for the amount that is expected to be paid when there is a current, legal or implicit obligation to make such payments due to past events, and it is possible to make a reliable estimate of the obligation.

Post-employment benefits

Provisions for employee benefits on termination of employment are represented by the provision for employee severance indemnity. Post-employment benefits are recorded in accordance with the arrangements of defined-benefit plans under IAS 19.

Severance provisions are recorded at the expected future value of employee benefits as at the time when the employment relationship is terminated. This obligation is determined on the basis of actuarial assumptions. The measurement is carried out at least annually, with the support of an independent actuary, and using the projected unit credit method. The actuarial method considers financial variables such as, for instance, the discount rate or the long-term expected return on plan assets and the growth rates of salaries, and considers the probability that potential future events will occur using demographic variables such as, for instance, mortality rates and employee turnover or retirement rates. More precisely, the discount rates taken as reference are the rates or rate curves on high-quality corporate bonds (Euro Composite AA interest-rate curve) in the respective reference markets. The rates of future salary increases reflect the long-term expectation of the Company for the reference markets and inflation.

Actuarial gains and losses that emerge following the revaluation of liabilities for defined-benefit plans are immediately recognised in other comprehensive income, while net interest and other costs relating to defined-benefit plans are recognised in the income statement.

Contributions to defined contribution plans are recognised as an expense in the income statement over the period in which the employees are employed. Contributions paid in advance are recognised as an asset to the extent that the prepayment will result in a reduction in future payments or a refund.

E. Costs and charges

The costs relating to the purchase of goods and services are recognised when their amount can be measured reliably. Costs for the purchase of goods are recognised at the time of delivery, which, on the basis of the existing contracts, is the time when all related risks and rewards are transferred. Service costs are recognised on an accrual basis as the services are rendered.

F. Exchange rate gains and losses

Interest income and expenses are recorded in the income statement on an accrual basis, using the effective interest method. The effective interest method is a rate that accurately discounts expected future cash flows, based on the expected life of the financial instrument and the net carrying amount of the financial asset or liability.

G. Income taxes

Taxes are recognised in the income statement, with the exception of those relating to transactions recognised directly in equity, in which case the related effect is also recognised in equity. Income taxes include current tax and deferred tax assets and liabilities.

Current taxes are recognised on the basis of the estimated amount that the Company expects to have to pay, calculated by applying to the tax base the applicable tax rate at the reporting date in force in the respective countries. Income taxes relating to dividend distribution are recognised when a liability to pay the dividend is recognised.

Deferred tax assets and liabilities are stated using the liability method, i.e. they are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount for separate financial reporting purposes. Deferred tax assets and liabilities are not recognised on goodwill and on assets and liabilities that do not affect tax base.

Deferred tax assets are recognised only if they are considered recoverable in the light of the expected taxable income of future years. The recoverability is assessed at the end of each reporting period, and any amount no longer likely to be recovered is recognised in the income statement.

The tax rates used in recognising deferred tax assets and liabilities are those expected to be in force in the relevant country in the tax period in which the temporary differences are expected to be realised or settled.

Offsetting between deferred tax assets and liabilities is only done for homogeneous positions, and if there is a legal right to offset current tax assets and liabilities; otherwise, assets and liabilities are recognised for such securities.

H. Owned property, plant and equipment

Recognition and measurement

Items of property, plant and equipment owned by the Group are measured at acquisition or production cost, including ancillary charges, less any subsequent accumulated depreciation and any impairment losses.

Any financial charges incurred in the acquisition or construction of capitalised assets – where a certain period of time typically passes in making the asset ready for use or sale – are capitalised and amortised over the life of the class of assets to which they refer. All other financial charges are recognised in the income statement during the financial year to which they refer.

If an item of property, plant and equipment owned by the Group consists of various items with different useful lives, those items are accounted for separately (if material).

Leasehold improvements are classified under property, plant and equipment in accordance with the nature of the cost incurred. The depreciation period is the shorter of the asset's residual useful life and the residual lease term.

Assets under construction are recorded at cost in "assets under construction" until their construction is complete. Once they become available for use, the cost is reclassified to the corresponding item line and becomes subject to depreciation.

The profit or loss generated by the sale of property, plant, machinery, equipment and other assets is determined as the difference between the net consideration received on disposal and the net residual value of the asset. It is recognised in the income statement for the year in which the sale takes place.

Subsequent costs

Costs incurred after assets are acquired as well as the costs associated with replacing various parts of assets in this category are added to the carrying amount of the item to which they refer and capitalised only when the inherent future economic benefit of the asset increases. In this case, the costs are also depreciated on the basis of the remaining useful life of the asset. All other costs are recognised in the income statement when incurred.

When the cost of replacing asset parts is capitalised, the residual value of the parts being replaced is charged to the income statement.

Depreciation

Depreciation periods start from when the asset is available for use, and end at either the date when the asset is classified as being held for sale in compliance with IFRS 5, or on the date on which useful life of the asset is

concluded.

Any changes to the depreciation schedules only apply prospectively. The amount to be depreciated represents the original book value less the net expected disposal value of the asset at the end of its useful life when it is material and can be reasonably determined.

Depreciation amounts are determined by using special financial rates that correspond to the estimated useful life of each individual non-current asset. The annual rates applied by the Company are as follows:

Category	Rate
Property	3%
Plant and machinery	10%
Equipment	12% - 25%
Furniture and fittings	12%
Office machinery	20%
Motor vehicles	25%

I. Right-of-use assets and lease liabilities

In compliance with the provisions of IFRS 16, the Company identifies as leases those contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to use the modified retrospective method, so the cumulative effect of IFRS 16 has been recognised as an adjustment to the opening balance at 1 January 2019.

For every lease, starting from its commencement date, the Company records an asset (right-of-use asset) against a corresponding financial liability (lease liability), except for the following cases:

- short-term leases, i.e. those whose term is twelve months or less;
- low-value leases applied to situations in which the leased asset has a value of no more than Euro 5 thousand (value as new). The contracts for which the latter exemption has been applied fall mainly within the following categories: computers, phones and tablets, printers, other electronic devices, furniture and furnishings.

Therefore, for short-term and low-value contracts the financial lease liability and the corresponding right-of-use asset are not recognised, but the lease payments are charged to the income statement on a straight-line basis for the duration of their respective contracts.

In the case of a complex contract that includes a lease component, the latter is always managed separately compared to the other services included in the contract.

Lease liabilities

Lease liabilities are shown under Financial liabilities (current and non-current), together with other financial payables of the Company.

On initial recognition, the lease liability is recognised at the present value of the lease payments to be settled determined using the interest rate implicit in the contract (i.e. the interest rate that makes the present value of the sum of the payments and the residual value equal to the sum of the fair value of the underlying asset and the initial direct costs incurred by the Company). Where this rate is not specified in the contract or is not easily determinable, the present value is determined using the incremental borrowing rate, i.e. the incremental interest rate that, in a similar economic context and in order to obtain an amount equal to the value of the right of use, the Company would have recognised for a loan with similar duration and guarantees.

Discounted lease payments include fixed lease payments; fees that are variable due to an index or a rate; the redemption price, if any, and where the Company is reasonably certain to use it; the amount of the payment envisaged in respect of any release of guarantees on the residual value of the asset; the amount of penalties to be paid in the event that early termination options are exercised, where the Company is reasonably certain to exercise them.

After initial recognition, the lease liability is increased to reflect the interest accrued, determined on the basis of the amortised cost, and is decreased by the lease payments made.

In addition, the lease liability is remeasured to reflect any changes in leases or other situations envisaged by IFRS 16 which entail a change in the amount of the lease payments and/or term. In particular, given situations which entail a change in the estimate of the likelihood of exercise (or non-exercise) of the options for renewal or early termination of the lease or in the possible redemption (or non-redemption) of the asset upon expiry of the

lease, the lease liability is remeasured by discounting the new value of the lease payments due on the basis of a new discount rate.

Right-of-use assets

Right-of-use assets are set out under "Property, plant and equipment" together with items of property, plant and equipment owned by the Group, and are broken down by category on the basis of the nature of the asset used through the lease. At the time of initial recognition of the lease, the right-of-use asset is recognised at a value corresponding to the lease liability, determined as described above, plus the lease payments made in advance and ancillary costs and net of any incentives received. Where applicable, the initial value of the right-of-use asset also includes the related costs for decommissioning and restoring the area.

Situations entailing the remeasurement of the lease liability imply a corresponding change in the value of the right-of-use asset.

After initial recognition, the right-of-use asset is depreciated on a straight-line basis, as from the commencement date of the lease, and subject to write-down in the case of impairment.

Depreciation is provided over the shorter of the lease term and the useful life of the underlying asset. However, if the lease provides for the transfer of ownership, possibly also as a result of the use of redemption options included in the value of the right of use, depreciation is provided over the useful life of the asset.

J. Intangible assets and Goodwill

Goodwill

Goodwill is an intangible asset with an indefinite useful life that arises from business combinations accounted for using the acquisition method. It is recognised as the positive difference between the acquisition cost and the Company's interest, having measured at fair value all other identifiable assets, liabilities and contingent liabilities, (full fair value method) at the acquisition date.

Goodwill is an intangible asset with an indefinite useful life, and is therefore not subject to amortisation. However, it remains subject to impairment test at least once a year, generally at the separate financial statements date, in order to verify that there has been no impairment loss, unless market or management indicators identified by the Company suggest that the impairment test is necessary also when preparing interim reports.

Goodwill is measured by identifying the cash-generating units (CGUs) that benefit from the synergies of the acquisition. The cash flows are discounted at the cost of capital in relation to the specific risks of the unit.

Impairment losses are recognised in the income statement whenever the discounted cash flow calculation indicates that the recoverable amount of the CGU is lower than its carrying amount. Losses identified in this way are not subject to any subsequent reversal of impairment.

Development costs and other intangible assets

Intangible assets generated by developing Company products are entered as assets only when the following requirements are met:

- the cost attributable to the asset during its development can be reliably measured;
- the product or process is feasible in both technical and commercial terms;
- future economic benefits are likely;
- the Company has sufficient resources available and intends to complete the asset's development, and to use or sell the asset.

These intangible assets are amortised on a straight-line basis over their useful lives.

Whenever the above criteria are not met, development costs are recognised in the income statement for the financial year in which they are incurred.

Capitalised development costs are recognised at cost less accumulated amortisation and/or any accumulated impairment losses.

Research and development costs are recognised in the income statement as incurred.

Other intangible assets including trademarks, patents and licences, which have a finite useful life, are initially recognised at acquisition cost, and are systematically amortised on a straight-line basis over their useful life or

over a period not exceeding that established by the underlying licence or purchase contract.

The annual rates applied by the Company are as follows:

Category	Rate
Trademarks	10%
Patents	33.33%
Development costs	10% - 50%
Software and licences	20% - 25%

Subsequent costs

Subsequent costs are only capitalised when the expected future economic benefit that can be attributed to the corresponding asset increases. All other subsequent costs are recognised in the income statement as incurred.

K. Investments

Investments in subsidiaries, jointly controlled entities and associates not classified as held for sale are accounted for at cost.

At each balance sheet date, the existence of indicators of impairment is assessed. If such indicators exist, the adequacy of the value recognised in the financial statements is verified through a valuation test governed by IAS 36.

An impairment loss is recognised if the recoverable amount of the investment is less than its carrying amount.

If, subsequent to the recognition of an impairment loss, there are indications that the loss does not exist or has decreased, the value of the investment is reversed to reflect the lower impairment loss.

After writing off the cost of the investment, additional losses recognised by the investee are recognised as a liability, if there is a legal or constructive obligation of the investor to cover the increased losses of the investee.

L. Financial assets and liabilities

Trade receivables and issued debt securities are recognised at the time they originate. All other financial assets and liabilities are initially recognised on their trading date, i.e. when the Company becomes a contractual party to the financial instrument.

Except for trade receivables which do not involve a significant financing component, financial assets are initially measured at fair value plus or minus – in the case of financial assets or liabilities not measured at FVTPL – the transaction costs directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables which do not have a significant financing component are measured at their transaction price.

Subsequent classification and measurement

Upon initial recognition, a financial asset is classified according to its valuation: amortised cost; fair value recognised in other comprehensive income (FVOCI) - debt securities; FVOCI – capital stock; or at fair value through profit/(loss) for the year (FVTPL).

Financial assets are not reclassified after their initial recognition unless the Company changes its business model to manage financial assets. In this case, all affected financial assets are reclassified on the first day of the first year following the change of the business model.

A financial asset must be measured at amortised cost if both the following conditions are met and it is not measured at FVTPL:

- the financial asset is held as part of a business model whose objective is the possession of financial assets aimed at collecting the relevant contractual cash flows; and
- the contractual terms of the financial asset include cash flows on certain dates consisting solely of payments of principal and interest on the principal amount to be repaid.

A financial asset must be measured at FVOCI if both the following conditions are met and it is not measured at FVTPL:

- the financial asset is held as part of a business model whose objective is achieved by both collecting the contractual cash flows and by selling the financial assets; and
- the contractual terms of the financial asset include cash flows on certain dates consisting solely of payments of principal and interest on the principal amount to be repaid.

At the time of initial recognition of an equity security not held for trading purposes, the Company can make the irrevocable decision to report subsequent changes in fair value through other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. All derivative financial instruments are included. At the time of initial recognition, the Company can irrevocably report the financial asset as measured at fair value through profit or loss for the year if this eliminates or significantly reduces an accounting mismatch that would otherwise result from the measurement of the financial asset at amortised cost or at FVOCI.

For the purposes of measurement, 'principal' is the fair value of the financial asset at the time of initial recognition while 'interest' is the compensation for the time value of money as well as for the credit risk associated with the amount of principal to be repaid during a given period of time and for other risks and basic costs related to the loan (for example, liquidity risk and administrative costs) as well as for the profit margin.

In assessing whether the contractual cash flows are represented solely by payments of principal and interest, the Company considers the contractual terms of the instrument. Therefore, it evaluates, among other items, whether the financial asset contains a contractual clause that modifies the timing or the amount of the contractual cash flows such as to not satisfy the following condition. For the purposes of the evaluation, the Company considers:

- contingent events that would change the timing or amount of financial flows;
- clauses that could adjust the contractual coupon rate, including variable rate items;
- advance payments and extensions; and
- clauses that limit requests for cash flows by the Company from specific activities (for example, items without recourse).

The advance payment element is in line with the criterion of "cash flows represented solely by payments of principal and interest" if the amount of the advance payment substantially consists of principal amounts due and the interest accrued on the principal amount to be repaid, which may include reasonable additional compensation for the early termination of the contract. In addition, in the case of a financial asset acquired with a premium or at a significant discount on the contractual nominal amount, any element that allows or requires an advance payment equal to an amount that substantially represents the nominal contractual amount plus the contractual interest which was accrued (but not paid) (which may include reasonable additional compensation for the early termination of the contract) is recognised in accordance with this criterion if the fair value of the advance payment element is not significant at the time of initial recognition.

Financial liabilities are measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, or is a derivative or is designated as such at the time of initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including payable interest, are recognised in profit/(loss) for the year. Other financial liabilities are subsequently measured at amortised cost by using the effective interest method. Payable interest and exchange rate gains/(losses) are recognised in profit/(loss) for the year, as are any profits or losses deriving from derecognition.

Impairment of financial assets

At the end of each reporting period, the Company recognises an allowance for expected losses on trade receivables, contract assets and other financial assets measured at amortised cost. For these purposes, the Company adopts an impairment model based on expected credit losses, taking into account objective evidence of the risk of loss on a loan and using a forward-looking, historical experience approach for all other positions.

The value of trade receivables, contract assets and other financial assets is shown in the financial statements net of the relevant allowance for impairment, while impairment losses are recognised in the income statement under "Provisions" and "Impairment losses".

Derecognition

Financial assets are derecognised from the financial statements when the contractual rights to the cash flows deriving from them expire, or when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and benefits derive from ownership of the financial asset are transferred, or when the Company neither transfers or substantially maintains all the risks and benefits deriving from ownership of the financial asset and does not maintain control of the financial asset.

The Company is involved in transactions that involve the transfer of assets recognised in the statement of financial position, but retains all or substantially all the risks and benefits deriving from the transferred asset. In these cases, the transferred assets are not derecognised.

The Company derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Company derecognises a financial liability even if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value on the basis of the modified contractual terms.

The difference between the carrying amount of the derecognised financial liability and the amount paid (including assets not represented by transferred liquid funds or assumed liabilities) is recognised in profit/(loss) for the year.

M. Provisions for risks and charges

Provisions for risks and charges are recorded where there are legal or implicit, contractual or otherwise obligations towards third parties, deriving from past events, which are likely to require an outlay of resources whose amount can be reliably estimated.

Whenever it is estimated that these obligations will mature after twelve months and that the related effects will be material, they are discounted at a rate that reflects the time value of money and the risks specific to the recognised liability. In those cases, the increase in the provision due to the passage of time and any effect arising from a change in the discount rate are recognised as a finance expense. Any change in the estimate of provisions is reflected in profit or loss in the reporting period in which they arise.

Contingent liabilities

The Company is subject to legal and tax disputes falling under the jurisdiction of several states, in relation to which a liability is ascertained when it is considered probable that a financial outlay will occur, and the amount of the resulting losses can be reasonably estimated. If an outflow of financial resources becomes probable but its amount cannot be determined, this fact is reported in the notes to the financial statements.

In the normal course of business, Management monitors the status of litigation also with the support of its legal advisors and experts in legal and tax matters, as well as with the corporate functions most involved in matters of customer disputes.

Product warranties

The Company allocates provisions to cover the estimated costs of providing warranty services on products sold. The provisions are determined based on a model that uses available historical information regarding the nature, frequency and cost of warranty actions, for the purpose of assigning estimated costs against the corresponding sales revenue.

N. Inventories

Inventories are valued at the lesser of cost (determined using the weighted average cost method) and the net realisable value, namely, the estimated sale price less all estimated costs related to finalising the goods, the cost of sales, and distribution costs that must be incurred in order to finalize the sale.

The cost comprises the cost of direct materials and, where appropriate, direct labour, general production overheads and other costs incurred in bringing the inventories to their present location and condition.

Obsolete and slow moving inventories are written down in relation to the possibility that they can be used or sold.

The allowance for inventory write-downs reflects Management's estimate of impairment losses expected by the Company and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts, and any losses due to specific activities put into place by the Company.

O. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and cash equivalents that can be liquidated within three months. Items included in cash and cash equivalents are measured at fair value, and any corresponding changes are recognised in profit or loss.

P. Share capital

Share capital represents subscribed and paid-up capital. Any incremental costs that are directly attributable to issuing ordinary shares are recognised as a decrease in equity. Income tax relating to capital transaction costs are recognised in accordance with IAS 12.

As provided for under IAS 32, any treasury shares are recognised as a reduction in equity. Any consideration received from a subsequent sale or reissue of such treasury shares would then be recognised as an increase in equity. Gains and losses from trading, if any, are recognised under equity, net of tax effects.

Q. Impairment losses on property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the existence of events or circumstances that may cast doubt on the recoverability of the value of property, plant and equipment, intangible assets with finite useful lives and investments. In the presence of loss indicators, the recoverable amount is estimated in order to quantify the extent of any impairment losses.

Goodwill is tested annually and whenever there is an indication of possible impairment.

The recoverability of the recognised amounts is tested by comparing the carrying amount with the higher of its fair value less costs to sell, where an active market exists, and the value in use. The value in use is determined based on the present value of the future cash flows expected to be derived from continuing use of an asset or group of assets and from its disposal at the end of its useful life.

The Directors determine the recoverable amount of goodwill by calculating the value in use for the cash-generating units to which goodwill is allocated. The Cash Generating Units have been defined as a group of similar assets that generate independent cash inflows through continuing use of the assets attributable to it. In line with the provisions of the relevant accounting standards, and consistent with the organisational and business structure, the Biesse Group has identified 2 Cash Generating Units (CGUs).

Management makes several assumptions in calculating the present value of future cash flows, including estimates of future increases in sales, gross operating profit, operating expense, the growth rate of terminal values, investments, changes in working capital and the weighted average cost of capital (discount rate), taking account of the specific risks of the asset or of the cash-generating units. The expected cash flows used in the model are determined during the Company's budgeting and planning processes and represent the best estimate, based on the Group's budget, which is updated annually and reviewed by Strategic Management and approved by the Parent's Board of Directors, and based on the Company's medium/long-term plan, which is updated periodically and also subject to approval. The carrying amount attributed to the cash-generating unit is determined with reference to the statement of financial position by direct, where applicable, or indirect allocation criteria.

If the recoverable amount of a tangible or intangible asset (including goodwill) or of an investment is less than the carrying amount, then the latter is reduced and it is adjusted to match the recoverable amount. This reduction reflects an impairment loss, which will be recognised in profit or loss.

Where there are indications that an impairment loss, recorded in previous years and relating to assets other than goodwill, may no longer exist or may have been reduced, then the recoverable amount of the asset is estimated anew. If the revised value is higher than the net carrying amount, the latter will be increased to match the recoverable amount. The reversal of the impairment loss cannot exceed the carrying amount that would have been determined (net of amortisation, depreciation and write-downs) if no impairment had been recognised in previous years. A reversal of an impairment loss is recognised in profit or loss.

5. Adoption of new accounting standards, amendments and IFRS interpretations

a) ACCOUNTING STANDARDS, AMENDMENT AND IFRS INTERPRETATION APPLIED AS OF 1 JANUARY 2021

The following accounting standards, amendments and IFRS interpretations have been adopted for the first time as from 1 January 2021:

- On 31 March 2021, the IASB issued an amendment entitled "**Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)**" extending by one year the period of application of the amendment issued in 2020, which provided lessees with the ability to account for Covid-19 related rent reductions without having to assess, through contract review, whether they met the definition of a lease modification in IFRS 16. Therefore, lessees that applied this option in the 2020 financial year accounted for the effects of rent reductions directly in the income statement at the effective date of the reduction. The 2021 Amendment, which is only available to entities that have already adopted the 2020 Amendment, applies from 1 April 2021 and early adoption is permitted.
- In light of the reform of interbank interest rates such as IBOR, on 27 August 2020, the IASB issued "**Interest Rate Benchmark Reform—Phase 2**" which contains amendments to the following standards:
 - IFRS 9 Financial Instruments;
 - IAS 39 Financial Instruments: Recognition and Measurement;
 - IFRS 7 Financial Instruments: Disclosures;
 - IFRS 4 Insurance Contracts; and
 - IFRS 16 Leases.

All amendments became effective 1 January 2021. The adoption of these amendments had no impact on the consolidated financial statements of the Company.

b) ACCOUNTING STANDARDS, AMENDMENT AND IFRS INTERPRETATION ENDORSED BY THE EUROPEAN UNION BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY AS AT 31 DECEMBER 2021

Amendments endorsed by the European Union but not yet applicable as at 31 December 2021 are the following:

- On 14 May 2020, the IASB issued the following amendments:
- **Amendments to IFRS 3 Business Combinations:** the amendments are intended to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the requirements of the standard;
- **Amendments to IAS 16 Property, Plant and Equipment:** the amendments are intended to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is testing the asset. Instead, a company will recognise such sales proceeds and the relevant costs in profit or loss;
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendments specify that when assessing whether a contract will be loss-making a company must consider all costs directly attributable to the contract. Therefore, when assessing whether a contract will be loss-making a company must consider not only incremental costs (such as direct material costs), but also all costs that the company cannot avoid because of the contract's existence (such as the depreciation charge for equipment used to fulfil the contract);
- **Annual Improvements 2018-2020:** the IASB made amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and the Illustrative Examples of IFRS 16 Leases.

All amendments will be effective as of 1 January 2022. The Directors do not expect the adoption of these amendments to have a significant impact on the Separate Financial Statements of the Company.

c) ACCOUNTING STANDARDS, AMENDMENT AND IFRS INTERPRETATION NOT YET ENDORSED BY THE EUROPEAN UNION

At the reporting date, the relevant authorities of the European Union have not yet completed the necessary endorsement process for the adoption of the above-mentioned amendments and standards.

- On 23 January 2020, the IASB issued "**Amendments to IAS 1 Presentation of Financial Statements:**

Classification of Liabilities as Current or Non-current". The document is intended to clarify how to classify debts and other liabilities as current or non-current. The changes will be effective as from 1 January 2023; however, early application is allowed. The Directors do not expect the adoption of this amendment to have a significant impact on the Separate Financial Statements of the Company.

- On 12 February 2021, the IASB issued two amendments: **"Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2"** and **"Definition of Accounting Estimates—Amendments to IAS 8"**. The amendments seek to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements, and help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.
- On 7 May 2021, the IASB issued **"Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"**. The document clarifies how companies should account for deferred tax on transactions that could generate assets and liabilities of equal amount, such as leases and decommissioning obligations. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Directors do not expect the adoption of this amendment to have a significant impact on the Separate Financial Statements of the Company.
- On 9 December 2021, the IASB published an amendment called **"Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information"**. The amendment is a transition option relating to comparative information about financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17. The Directors do not expect an effect on the Company's separate financial statements from the adoption of this amendment.
- On 30 January 2014, the IASB issued **IFRS 14 - Regulatory Deferral Accounts**, which allows an entity that is a first-time adopter of IFRS to continue to account for Rate-Regulated Activities in accordance with the previous accounting standards adopted. Since the Company is not a first-time adopter, this standard is not applicable.

6. REVENUE FROM SALES AND SERVICES AND OTHER OPERATING INCOME

The breakdown of revenue from sales and services is as follows:

	31 December 2021	31 December 2020
€ '000		
Revenues from goods	489,082	340,757
Revenues from services	27,356	20,938
Other revenues	1,272	1,033
Revenues	517,710	362,728
Lease and rental income	18	170
Income-related grants	136	277
Gains on sales of assets	417	187
Other income and prior year income	5,794	5,183
Total other operating income	6,365	5,817

Revenues for the 2021 financial year amounted to € 517,710 thousand, compared to € 362,728 thousand in the previous year, with an overall increase of 42.7%. In order to provide an indication of the impact of the mergers, if the mergers had taken place with effect from 1 January 2020, thus allowing the two financial years to have the same scope, the previous year's revenue would have been € 375,863 thousand.

The increase relates to higher sales across all regions compared to a 2020 affected by the Covid 19 pandemic.

As no operations were discontinued, the data above relates exclusively to continuing operations.

Under the item "Other operating income", the most significant figures related to "Other income and contingent assets" for € 5,794 thousand, including € 2,033 thousand (€ 2,377 thousand in 2020) for income deriving from the re-debiting of centralised service costs and consulting services that Biesse S.p.A. provides to Group companies, and € 2,778 thousand (€ 1,497 thousand in 2020) for the share of the year's income deriving from the R&D tax credit and the tax credit on investments (the former hyper-super depreciation).

The item "Income-related grants" includes € 82 thousand for a grant for a research project granted by the European Commission, € 24 thousand for a grant as aid in reference to the COVID 19 pandemic received from the merged company Bsoft S.r.l. and the remainder for the grant for the portion pertaining to financed training courses.

Here below is a breakdown of the item "Revenue from sales and services" to related parties:

	31 December 2021	31 December 2020
€ '000		
Subsidiaries		
Biesse America Inc.	52,061	36,919
Biesse Asia Pte Ltd	3,954	4,760
Biesse Canada Inc.	13,372	9,978
Biesse Deutschland GmbH	21,892	20,695
Biesse France Sarl	30,828	25,778
Biesse Group Australia Pte Ltd	15,791	6,379
Biesse Group New Zealand PTY Ltd	2,666	1,147
Biesse Group Russia LLC	8,290	4,686
Biesse Group UK Ltd	24,903	13,639
Biesse Gulf FZE	2,560	1,526
Biesse Iberica Woodworking Machinery S.L	19,118	11,845
Biesse Indonesia Pt	329	128
Biesse Japan KK	247	
Biesse Korea LLC	174	724
Biesse Malaysia SDN BHD	3,359	2,890
Biesse Manufacturing CO PVT Ltd	751	684
Biesse Schweiz GmbH	4,502	3,356
Biesse Taiwan Ltd.	148	0
Biesse Trading (Shanghai) CO.LTD	5,130	4,040
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	7,518	4,514
Biesservice Scandinavia AB	1,473	962
Bre.ma. Brenna Macchine S.r.l.	1,124	598
HSD S.p.A.	2,234	1,516
Intermac Do Brasil Servicos e Negocios Ltda.	243	682
Montresor & Co. Srl	109	85
Uniteam Spa	0	105
Viet Italia S.r.l.	0	297
WMP-Woodworking Machinery Portugal Unipessoal L	521	1,831
Related parties		
Wirutex S.r.l.	20	6
Total	223,337	159,770

Here below is a breakdown of the item "Other operating income" to related parties:

	31 December 2021	31 December 2020
€ '000		
Subsidiaries		
Biesse Deutschland GmbH	1	-
Biesse Group Australia Pte Ltd	1	1
Biesse Group Russia LLC	-	2
Biesse Group UK Ltd	-	40
Biesse Gulf FZE	-	1
Biesse Manufacturing CO PVT Ltd	350	350
Biesse Schweiz GmbH	1	1
Biesservice Scandinavia AB	-	7
Bre.ma. Brenna Macchine S.r.l.	594	547
Bsoft Srl	-	18
HSD S.p.A.	1,032	864
Montresor & Co. Srl	27	28
Movetro Srl	30	30
Uniteam Spa	-	213
Viet Italia S.r.l.	-	496
Related parties		
Fincobi S.r.l.	1	1
Porcellini Stefano	-	1
Total	2,037	2,600

7. ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHICAL SEGMENT

The Company, in compliance with the provisions of IFRS 8, discloses this information in the Notes to the Consolidated Financial Statements of the Group.

8. CONSUMPTION OF RAW MATERIALS AND CONSUMABLES

Consumption of raw materials and consumables rose from € 199,659 thousand in 2020 (€ 197,688 thousand including merged companies) to € 298,625 thousand, an increase of 49.6% compared to the previous year. This increase is due to the increase in volumes compared to the 2020 financial year, as described above. The percentage impact of this item on the value of production, equal to 55.8%, was unchanged compared to the previous year.

Here below are the amounts due to related parties and referring to the item "Consumption of raw materials and consumables":

€ '000

Subsidiaries

	31 December 2021	31 December 2020
Biesse America Inc.	67	(28)
Biesse Asia Pte Ltd	(15)	(6)
Biesse Canada Inc.	(49)	(17)
Biesse Deutschland GmbH	474	41
Biesse France Sarl	(47)	(13)
Biesse Group Australia Pte Ltd	(3)	252
Biesse Group New Zealand PTY Ltd	(16)	(5)
Biesse Group Russia LLC	(183)	1
Biesse Group UK Ltd	53	(19)
Biesse Gulf FZE	33	56
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	50	705
Biesse Iberica Woodworking Machinery S.L	22	56
Biesse Indonesia Pt	(1)	5
Biesse Korea LLC	(1)	(2)
Biesse Malaysia SDN BHD	9	2
Biesse Manufacturing CO PVT Ltd	25,255	13,384
Biesse Schweiz GmbH	(9)	2
Biesse Taiwan Ltd.	(2)	0
Biesse Trading (Shanghai) CO.LTD	(8)	(11)
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	(1)	16
Biesservice Scandinavia AB	(20)	11
Bre.ma. Brenna Macchine S.r.l.	11,092	4,861
Bsoft Srl	0	369
HSD S.p.A.	26,794	18,163
Intermac Do Brasil Servicos e Negocios Ltda.	(2)	(1)
Montresor & Co. Srl	3,897	1,551
Movetro Srl	1,587	1,104
Uniteam Spa	0	3,512
Viet Italia S.r.l.	0	12,987
Related parties		
Renzoni S.r.l.	2	1
Semar S.r.l.	1,338	839
Wirutex S.r.l.	1,881	1,011
Total	72,197	58,827

9. PERSONNEL EXPENSE

€ '000

	31 December 2021	31 December 2020
Wages, salaries, bonuses and social security contributions	129,973	97,615
Accruals to pension plans	6,554	5,822
Capitalization and recovery of personnel expense	(3,181)	(6,211)
Personnel expense	133,346	97,226

Personnel expense in 2021 was € 133,346 thousand, compared with € 97,226 thousand as at 31 December 2020, with an increase of € 36,120 thousand in absolute terms.

Compared to the previous year, there was an increase of € 32,358 thousand in the "Wages, salaries, performance/ bonuses, other bonuses and related social security contributions" component, mainly due to the lower use of the redundancy fund in the current year compared to the previous year and a high disposal of holidays recorded in the 2020 financial year as a result of the drop in turnover as a consequence of the COVID-19 pandemic.

Recoveries of personnel expense amounting to € 692 thousand (€ 901 thousand in 2020) refer to recharges of personnel seconded to Group companies, while capitalisations of personnel costs for the year amounting to € 2,489 thousand (€ 5,310 thousand in 2020) mainly refer to costs for new product development activities.

The cost for 2020, taking into account the merged companies, would increase from € 97,226 thousand to € 107,224 thousand.

Average number of employees

The average number of staff members in 2021 was 1,948 (1,815 in 2020), broken down as follows:

	31 December 2021	31 December 20120
factory workers	813	722
employees	1,081	1,041
managers	54	52
	1,948	1,815

For the sake of comparative information, it should be noted that the number of employees in 2020 including the figures for the companies merged during the year and rose from 1,815 to 2,003.

10. OTHER OPERATING EXPENSE

The item "Other operating expenses" is detailed as follows:

	31 December 2021	31 December 20120
€ '000		
Production services	17,979	11,074
Maintenance	3,239	2,694
Sales commissions and transport	8,788	6,400
Consultancy fees	7,687	4,089
Utilities	4,464	2,910
Exhibitions and advertising	2,663	1,354
Insurance	990	774
Directors, statutory auditors and consultants' remuneration	1,957	2,472
Travel	4,542	3,451
Other operating expenses	9,097	6,413
Use of third party assets	1,034	920
Other charges	5,561	5,005
Total	68,001	47,556

2020 was affected by the COVID-19 pandemic, which led to a significant reduction not only in revenues but also in all expenditure items. Among the most affected items, in addition to those linked to production such as "Production services", "Commissions and transport" and "Utilities", are those linked to the travel ban "Staff travel and subsistence" and the assembly ban "Trade fairs and advertising". 2021 was characterised by a significant increase in turnover with a consequent increase in operating expenses. The cost of other operating expenses for 2020 considering the merged companies increased from € 47,556 thousand to € 50,898 thousand.

The decrease in the item "Directors, statutory auditors and collaborators" is mainly due to the reduction in remuneration to Directors, on 28 April the Company's Shareholders' Meeting appointed the members of the Board of Directors for the three-year period 2021/2023 and determined their remuneration.

The item Costs for the use of third-party assets includes leases pertaining to the year excluded from the application of IFRS 16 because of their short term or low value (€ 970 thousand), as further detailed in note **Errore. L'origine riferimento non è stata trovata.** below, and other costs for the use of third-party assets (€ 64 thousand).

As required by Art. 149-*duodecies* of the CONSOB Issuers' Regulations, a list of the services provided by the Independent Auditors is shown below:

Service Type	Entity providing the service	Remuneration € '000
Annual and quarterly audit	Deloitte & Touche SpA	114
Other certification services	Deloitte & Touche SpA	35
Other services	Network Deloitte	105
Total		254

With reference to transactions with related parties, here below is a breakdown of the costs of the item "Other operating expense":

€ '000

Subsidiaries

	31 December 2021	31 December 2020
Biesse America Inc.	131	268
Biesse Asia Pte Ltd	322	57
Biesse Canada Inc.	(176)	(118)
Biesse Deutschland GmbH	(669)	(619)
Biesse France Sarl	(1,121)	154
Biesse Group Australia Pte Ltd	(547)	(73)
Biesse Group New Zealand PTY Ltd	(46)	(3)
Biesse Group Russia LLC	(138)	(36)
Biesse Group UK Ltd	(663)	(721)
Biesse Gulf FZE	87	166
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	-	6
Biesse Iberica Woodworking Machinery S.L	(7)	150
Biesse Indonesia Pt	(8)	
Biesse Korea LLC	3	-
Biesse Malaysia SDN BHD	153	212
Biesse Manufacturing CO PVT Ltd	1,177	266
Biesse Schweiz GmbH	(110)	(83)
Biesse Taiwan Ltd.	(2)	(2)
Biesse Trading (Shanghai) CO.LTD	240	391
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	218	233
Biesservice Scandinavia AB	(2)	47
Bre.ma. Brenna Macchine S.r.l.	454	305
Bsoft Srl	-	225
HSD Deutschland GmbH	(2)	(2)
HSD S.p.A.	631	305
Intermac Do Brasil Servicos e Negocios Ltda.	178	242
Korex Dongguan Machinery Co. Ltd.	0	51
Montresor & Co. Srl	146	(13)
Movetro Srl	150	71
Uniteam Spa	-	362
Viet Italia S.r.l.	-	209
WMP-Woodworking Machinery Portugal Unipessoal LDA	86	(40)

	31 December 2021	31 December 2020
Parent company		
Bifin Srl	1	1
Related parties		
Wirutex S.r.l.	34	23
Selci Giancarlo	342	850
Selci Roberto	945	830
Parpajola Alessandra	26	225
Porcellini Stefano	26	100
Potenza Massimo	100	117
Righini Elisabetta	7	27
Chiura Giovanni	7	20
Palazzi Federica	7	27
Vanini Silvia	0	15
Baronciani Alessandra	17	0
Schiavini Rossella	37	0
Borsani Ferruccio	21	0
Ricceri Federica	26	0
De Mitri Paolo	70	71
Cecchini Silvia	15	46
De Rosa Dario	15	46
Perusia Enrica	31	-
Ciurlo Giovanni	32	0
Total	2,244	4,408

The negative amounts concern cost recharges to Group companies.

11. IMPAIRMENT LOSSES

During the year, € 8,912 thousand was recognised for impairment (€ 6,551 thousand in 2020), of which € 5,542 thousand related to development projects capitalised in previous years, € 2,370 thousand to licences and patents no longer used and € 1 million to land and buildings.

For further details, reference should be made to the Directors' Report on Operations and to note **Errore. L'origine riferimento non è stata trovata..**

12. PROFITS/LOSSES OF RELATED COMPANIES

Impairment losses and reversals of impairment losses are detailed below:

	31 December 2021	31 December 2020
€ '000		
Biesse Group New Zealand Ltd.	-	(1,300)
Biesse Group Russia LLC	-	(580)
Biesse Gulf FZE	(681)	(1,019)
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	-	6,100
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	(1,000)	(2,000)
Intermac Do Brasil Servicos e Negocios Ltda.	-	(926)
Movetro	(748)	-
Share of profit/loss of subsidiaries and associates	(2,429)	275

The impairment losses detailed in the table are the result of the valuation of equity investments through the impairment test disciplined by IAS 36. For further details, please refer to note 19, commenting on the item equity investments.

The amount of € 681 thousand of the Biesse Gulf FZE branch refers to a provision for negative equity, in consideration of the Company's substantial obligation to meet it.

13. FINANCE INCOME AND EXPENSE

The item "Finance income" is detailed below:

	31 December 2021	31 December 2020
€ '000		
Revenues from financial assets	85	536
Bank interest	123	99
Interest from customers	24	19
Other financial income	16	464
Exchange rate gains	7,842	7,717
Total financial income	8,090	8,835

The decrease in the item "income from financial receivables" is related to the decrease in loans granted to Group companies.

The item "Other financial income" in 2020 contained, in the amount of € 321 thousand, the capital gain from the sale of the shareholding in the company Hyperlean S.r.l., a minor company outside the scope of consolidation.

The 2020 balance of financial income including the balances of merged companies amounted to € 8,873 thousand.

The amounts due to related parties referring to the item "Finance income" are shown below:

€ '000

Subsidiaries

Biesse Group Australia Pte Ltd
 Biesse Group New Zealand PTY Ltd
 Biesse Group Russia LLC
 Biesse Group UK Ltd
 Biesse Gulf FZE
 Biesse Hong Kong Ltd (ex Centre Gain Ltd)
 Bre.ma. Brenna Macchine S.r.l.
 Montresor & Co. Srl
 Uniteam Spa
 Viet Italia S.r.l.

Total

31 December 2021	31 December 2020
2	74
-	6
17	24
-	5
15	14
27	291
4	17
20	32
-	32
-	41
85	536

Finance expense is detailed below:

€ '000

Bank, mortgage and financing interest
 Interest on right of use assets
 Interest on discounting of bills
 Other interest
 Customer discounts
 Other financial expense
 Exchange rate losses

Total financial expense

31 December 2021	31 December 2020
322	651
105	117
31	44
38	105
339	238
8	10
11,640	6,970
12,483	8,135

"Interest expense on leases" included € 83 thousand (€ 89 thousand in 2020) for financial charges on payables relating to right-of-use assets in application of IFRS 16.

The 2020 balance of financial charges including the balances of merged companies amounted to € 8,221 thousand.

Here below are the amounts due to related parties in relation to the item "Finance expense":

€ '000

Subsidiaries

Biesse America Inc.
 Biesse Group UK Ltd
 HSD S.p.A.

Parent company

Bifin S.r.l.

Related parties

Selci Roberto

Total

31 December 2021	31 December 2020
29	59
2	36
10	11
26	28
1	-
68	134

The balance between the positive and negative exchange rate differences for the year is negative to the tune of € 3,798 thousand (positive to the tune of € 747 thousand in 2020).

Unrealised foreign exchange gains and losses were negative for € 1,586 thousand (positive for € 210 thousand in 2020) and related to the adjustment of receivables and payables denominated in foreign currencies to the period-end exchange rate, as well as to the valuation of forward contracts outstanding at the end of the financial year (negative balance of € 949 thousand in 2021 against a positive balance of € 268 thousand in 2020).

Realised exchange rate differences were negative for € 2,212 thousand (positive for € 537 thousand in 2020).

14. DIVIDENDS

Dividends amounting to € 8,513 thousand refer to the dividends distributed in 2021 by the following companies:

- Biesse America Inc.: € 4,435 thousand (USD 5,000 thousand). This dividend was authorised on 10 December 2021;
- Biesse Group UK Ltd.: € 587 thousand (GBP 500 thousand). This dividend was authorised on 20 December 2021;
- Biesse Canada Inc.: € 491 thousand (CAD 700 thousand). This dividend was authorised on 7 December 2021.
- Biesse Iberica Woodworking Machinery s.l.: € 1,500 thousand. This dividend was authorised on 15 December 2021;
- Biesse Deutschland GmbH: € 1,500 thousand. This dividend was authorised on 15 December 2021.

Only the dividends of Biesse America Inc. and Biesse Iberica Woodworking Machinery s.l. were collected by the balance sheet date. In terms of overall cash flows, the dividends received by the Company in 2021 amount to € 16,935 thousand, also taking into account the receipt of 2020 dividends from HSD Spa for € 10,000 thousand and Biesse Deutschland GmbH for € 1,000 thousand.

15. TAXES

	31 December 2021	31 December 2020
€ '000		
Current taxes IRES	1,128	(1,146)
Deferred taxes IRES	(3,137)	(2,880)
Taxes IRES	(2,009)	(4,026)
Current taxes IRAP	243	13
Deferred taxes IRAP	(227)	(503)
Income taxes relating to previous years	73	(145)
Total taxes of the year	(1,920)	(4,661)

Biesse S.p.A. ended 2021 with a positive balance on total taxes of € 1,920 thousand (positive for € 4,661 thousand in 2020), down on the previous year.

The balance of "IRES taxes", positive for € 2,009 thousand (positive for € 4,026 thousand in 2020), decreased due to the balance of taxable income in profit (taxable income in loss in 2020).

"Current IRES taxes", negative for € 1,128 thousand (positive for € 1,146 thousand in 2020), include € 1,109 thousand for the 24% tax on the taxable income for the year, € 55 thousand for the negative effect of the reclassification of the tax component recognised directly in equity relating to the actuarial adjustment of the severance indemnity (TFR) and the valuation of financial assets, and a positive effect of € 36 thousand for the use of tax credits. In 2021 "IRAP current taxes" (regional business tax) were set aside for € 243 thousand (€ 13 thousand in 2020).

Deferred taxes, overall positive for € 3,364 thousand (positive for € 3,383 thousand in 2020), mainly refer to the change in temporary IRES adjustments; for further details, reference should be made to note **Errore. L'origine riferimento non è stata trovata.**

"Income taxes relating to previous years" were negative to the tune of € 73 thousand (positive to the tune of € 145 thousand in 2020).

The provision for taxes of the year can be reconciled with the profit or loss for the year shown in the financial statements as follows:

	Year ended at 31/12/2021		Year ended at 31/12/2020	
€ '000				
Profit (Loss) before tax	222		881	
Taxes	53	24.00%	211	24.00%
Tax effect of permanent differences	(2,043)	(920.27)%	(4,224)	(479.46)%
Other movements	(19)	(8.56)%	(13)	(1.48)%
Income taxes and effective tax rate	(2,009)	(904.96)%	(4,026)	(456.98)%

The positive impact on the actual IRES tax rate mainly came from the reduced taxation on dividends received and the benefits from investments that fall under the incentives for hyper-/super-depreciation, as well as the R&D tax credit.

16. PROPERTY, PLANT, EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT

	Property, plant and machinery	Equipment and others tangible assets		Total
€ '000		Equipment and others tangible assets	Assets under construction and advances	
Historical cost				
Value at 01/01/2020	118,829	37,664	829	157,322
Increases	974	1,839	1,786	4,599
Disposals	(216)	(925)	-	(1,141)
Reclassification	2,196	21	(2,218)	(1)
Other variations	(469)	0	-	(469)
Merger effect	148	51	50	249
Value at 31/12/2020	121,462	38,650	447	160,559
Increases	1,981	2,455	1,308	5,744
Disposals	(7,105)	(1,431)	0	(8,536)
Reclassification	355	(13)	(342)	-
Other changes	(1,000)	-	-	(1,000)
Merger effect	8,364	2,380	-	10,744
Value at 31/12/2021	124,057	42,041	1,413	167,511
Depreciation Funds				
Value at 01/01/2020	59,469	29,935	-	89,404
Amortisation of the period	4,519	3,667	-	8,186
Disposals	(140)	(877)	-	(1,017)
Merger effect	57	42	-	99
Value at 31/12/2020	63,905	32,767	-	96,672
Amortisation of the period	4,794	3,606	-	8,400
Disposals	(4,777)	(1,425)	-	(6,202)
Merger effect	3,274	1,849	-	5,123
Value at 31/12/2021	67,196	36,797	-	103,993
Net book Value				
Value at 31/12/2020	57,557	5,883	447	63,887
Value at 31/12/2021	56,861	5,244	1,413	63,518

Investments in the reference period amounted to € 5,744 thousand (€ 4,599 thousand in 2020). These investments include € 1,032 thousand for the extraordinary maintenance of a building in Pesaro, € 977 thousand for the supply of rented company cars to replace those expiring, € 832 thousand for the purchase of machinery for the mechanical workshop, and € 236 thousand for the purchase of vertical warehouses for the storage of materials. The remaining amount is related to the normal replacement of work tools, necessary for ordinary production activity.

The item "Disposals" with a net value of € 2,334 thousand includes € 2,327 thousand for the sale of the building and land located in Secchiano (RN) carried out on 26 July by deed of Notary Roberta Cardelli for a sale amount of € 2,700 thousand generating a capital gain of € 373 thousand.

The item "Other changes" includes € 1,000 thousand for the write-down of a building with adjoining land located in Thiene (VC), the market value of which is lower than the carrying amount, as supported by a special appraisal.

The item "Merger effect" contains the entries deriving from the incorporation of the merged companies for the attribution of merger deficits in continuity of values with respect to those expressed in the consolidated financial statements, which generated an increase in the historical cost for € 2,770 thousand and in the accumulated depreciation for € 341 thousand.

As at 31 December 2021, there were no commitments to purchase tangible fixed assets and there were no liens or mortgages on land and buildings.

Right-of-use assets

Right-of-use assets are included in property, plant and equipment separately by category, while lease liabilities are included in "Finance lease liabilities" falling due within and beyond one year.

During 2021, right-of-use assets increased by € 1,323 thousand (€ 1,950 thousand in 2020) and a net decrease due to early closures of lease contracts for € 6 thousand (€ 98 thousand in 2020).

The breakdown of depreciation of leased assets is summarised below:

- Depreciation of Buildings: € 621 thousand (€ 556 thousand in 2020)
- Depreciation of Machinery: € 493 thousand (€ 493 thousand in 2020)
- Depreciation of Motor vehicles: € 1,248 thousand (€ 1,318 thousand in 2020)
- Depreciation of Means of internal transport: € 13 thousand (€ 13 thousand in 2020)

The items relating to leases other than depreciation are summarised below:

- Interest expense: € 105 thousand (€ 117 thousand in 2020), recognised under "Finance expense";
- Costs (fees) relating to short-term leases: € 804 thousand (€ 774 thousand in 2020), recognised under "Other operating expense" in "Use of third-party assets";
- Costs (fees) relating to low-value leases: € 166 thousand (€ 82 thousand in 2020), recognised under "Other operating expense" in "Use of third-party assets".

During 2021, the outflows for payments connected to leases totalled € 3,552 thousand (€ 3,395 thousand in 2020), of which € 2,477 thousand (€ 2,422 thousand in 2020) for the repayment of lease payables and the residual amount for interest payments made on these payables and on short-term or low-value leases.

The breakdown of leases outflows is summarised below:

- Lease repayments – principal amounts: € 2,477 thousand (€ 2,422 thousand in 2020);
- Lease interest paid during the year: € 105 thousand (€ 117 thousand in 2020);
- Payments relating to short-term leases: € 804 thousand (€ 774 thousand in 2020);
- Payments relating to low-value leases: € 166 thousand (€ 82 thousand in 2020).

17. GOODWILL

Goodwill is allocated to cash-generating units ("CGUs"), where CGUs are identified as the smallest group of assets that generate cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. The implementation of the *One Company* project, starting from the early months of 2021, aimed at rationalising and simplifying the organisational and control structure of the Group's business has primarily involved a review of the Operating Sectors, given the new methods of monitoring the Company and Group's performance, as well as the aggregation of CGUs in a manner consistent with the two Operating Sectors (Machinery and Systems and Mechatronics), taking into account the production flexibility of the individual plants.

The performance of the Mechatronics segment relates to the HSD sub-consolidate, led by the subsidiary HSD S.p.A., while the performance of the Machinery and Systems segment relates to the remaining Group companies.

The entire goodwill of Biesse S.p.A. relates to the Machinery and Systems CGU. It should be noted that this aggregation of CGUs has no impact on the final results of the impairment test described below.

The value for 2021 is € 8,399 thousand (€ 6,346 thousand at 31 December 2020) and the increase of € 2,053 thousand relates to the allocation of the merger deficits of the merged companies Uniteam S.r.l. (€ 1,552 thousand), Bsoft S.r.l. (€ 63 thousand) and for the residual amount of € 438 thousand to the amount contributed by the merged company Bsoft S.r.l. for the acquisition of the business unit in 2017. Mergers have been accounted for on a going concern basis, in accordance with best accounting practice, as they are operations under common control.

As required by accounting standards, at least once a year the Directors determine the recoverable amount of goodwill by calculating the value in use. By its nature, this method requires the Directors to materially assess the performance of operating cash flows during the period being used for the calculation, as well as assessing the discount rate and growth rate for said cash flows.

Finally, it should be noted that the plan estimates and figures to which the aforementioned parameters were applied are calculated by the Management on the basis of past experience and expectations about the trend in the markets in which the Group operates. It should be noted that the estimate of the recoverable amount of the cash-generating unit physiologically requires discretion and the use of estimates by Management.

The estimated operating cash flows for future years (five years 2022-2026) have been made by reference to: i) in relation to the year 2022, to the figures shown in the 2022 budget approved on 7 February 2022; ii) in relation to the year 2023, to the business plan for the period 2021-2023 approved by the Board of Directors on 30 July 2021; iii) in relation to the years 2024-2026, the updated projections of the main economic and balance sheet variables. With reference to this last point, although acknowledging an improvement in the reference scenario compared to the previous year, the Directors have maintained a cautious attitude, in order to take into account the persistence of factors of uncertainty linked to the continuation of the pandemic crisis, together with the problems linked to inflationary pressures and the interruptions suffered by the distribution chain. It should also be noted that the estimate of operating cash flows for future years does not take into account the potential effects on the economy of the war in Ukraine, as this event occurred after 31 December 2021 and qualifies as a "non-adjusting event" under IFRS.

The goodwill impairment test procedure was approved on 14 March 2022.

The recoverable amount of the Cash Generating Unit was verified by determining its value in use, taken as the present value of future cash flows generated by the CGU, and calculated in accordance with the discounted cash flow method.

Assumptions underlying the discounted cash flow method

The primary assumptions used by the Company to estimate future cash flows for the purposes of the impairment test are as follows:

	31 December	
	2021	2020
WACC	8.0%	7.5%
CAGR forecast revenue	5.3%	3.2%
Growth rate of the final value	1.5%	1.5%

The following factors were considered in determining the Weighted Average Cost of Capital:

- with reference to the yield on risk-free securities, reference was made to the yield curve of 10-year Italian Government bonds (based on a 24-month measurement period);
- the systematic risk coefficient (β) considered was that of Biesse (compared to that of comparable businesses in the machinery sector – Euro Area);
- as for the market risk premium (MRP), it was assumed to be 5.5%;
- as for the additional risk premium, it was assumed to be 2.7%;
- finally, the rate of the gross cost of debt was assumed to be 2%, determined on the basis of the average cost of the Biesse Group's debt that takes into account a Biesse spread applied to the Risk-free Rate.

Assumptions underlying cash flow estimates

The operating cash flows used in the impairment test for the year 2021 are prepared on the basis of the methodology and precautionary criteria described above. The expected future cash flows refer to the CGU in its

current condition and exclude the estimates of future cash flows that may arise from future restructuring plans or other structural changes.

The primary assumptions underlying the determination of future cash flows are as follows:

	31/12/2021
Average incidence of the cost of sales on plan revenue	42.0%
Average incidence of personnel expense on plan revenue	31.7%
Average incidence of fixed operating costs on revenue	17.2%

Impairment test results

	31/12/2021
CGU carrying amount (CA)	169,136
CGU recoverable amount (RA)	535,340
Impairment	-

The above test results did not show the need to impair the Goodwill recorded in the consolidated financial statements as at 31 December 2021.

Breakeven point

As regards the breakeven point of the individual CGUs, please see the following table:

	31/12/2021
WACC	+11.6%
Growth rate	-41.4%
Terminal value EBITDA	€ -48,575 m

Sensitivity analysis

A sensitivity analysis of the results was also carried out for the CGU under review: the value in use remains higher than the book value even assuming deteriorating changes in key parameters such as:

- 0.5% increase in the discount rate;
- 0.5% reduction in the growth rate;
- halving of the CAGR on sales revenue.

The following shows the recoverable amounts obtained after modifying the parameters indicated above:

		31/12/2021
WACC +0.5%	CGU (CA)	169,136
	CGU (RA)	494,275
Growth rate -0.5%	CGU (CA)	169,136
	CGU (RA)	505,077
CAGR -50%	CGU (CA)	169,136
	CGU (RA)	295,220

18. OTHER INTANGIBLE ASSETS

	Development costs	Patents, trademarks and other intangible assets	Assets under construction and advances	Total
€ '000				
Historical cost				
Value at 01/01/2020	73,924	40,622	16,485	130,401
Increases	-	1,904	7,747	9,651
Disposals	-	(61)	-	(61)
Reclassification	9,147	1,828	(10,974)	1
Other variations	(8,252)	(4,015)	(1,525)	(13,792)
Merger effect	-	39	-	39
Value at 31/12/2020	74,198	40,317	11,733	126,239
Increases	-	1,916	3,237	5,153
Disposals	-	(11)	-	(11)
Reclassification	6,459	768	(7,227)	-
Other changes	(10,298)	(5,077)	(2,573)	(17,948)
Merger effect	3,736	3,358	713	7,807
Value at 31/12/2021	74,086	41,271	5,883	121,240
Depreciation Funds				
Value at 01/01/2020	60,139	21,662	-	81,801
Amortisation of the period	7,375	4,422	-	11,797
Disposals	0	(52)	-	(52)
Other variations	(4,577)	(3,134)	-	(7,711)
Merger effect	0	27	-	27
Value at 31/12/2020	62,937	22,925	-	85,862
Amortisation of the period	5,842	6,895	-	12,737
Disposals	0	(4)	-	(4)
Other variations	(7,206)	(2,830)	-	(10,036)
Merger effect	2,615	2,348	-	4,963
Value at 31/12/2021	64,188	29,334	-	93,522
Net book Value				
Value at 31/12/2020	11,252	17,392	11,733	40,377
Value at 31/12/2021	9,898	11,937	5,883	27,718

The intangible assets shown above have a finite useful life and are amortised accordingly.

The increase of € 5,153 thousand (€ 9,651 thousand in 2020) comprises € 2,957 thousand of capitalised costs for assets under construction relating to development projects not yet completed.

As at 31 December 2021, the separate financial statements included assets that represent new product development costs for € 15,344 thousand (€ 22,079 thousand in 2020), of which € 5,446 thousand recognised under assets under construction and advances.

Capitalising development costs involves the Directors preparing estimates, since the recoverability of those costs depends on cash flows from the sale of products marketed by the Company.

These estimates are characterised both by a complexity of assumptions underlying the revenue and future margin projections, and by strategic industrial choices made by the Directors.

Patents, trademarks and other rights are amortised in relation to their useful life.

The item "Other changes", amounting to € 7,912 thousand (€ 6,081 thousand in 2020), included the impairment loss recorded following the impairment of development projects deemed no longer recoverable and/or strategic and licences no longer used.

As already highlighted, from the verification of cash flows expected from the sale of products, which incorporate development projects covered by capitalisation, as at 31 December 2021 it was necessary to proceed with an impairment of costs relating to development projects, both to those which are being amortised and to current ones, which were previously capitalised for € 5,542 thousand (€ 4,932 thousand in 2020) and with an impairment of licences that are no longer used, for € 2,370 (€ 1,149 thousand in 2020).

19. EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

They totalled € 117,822 thousand (€ 98,228 thousand in 2020), up € 19,504 thousand compared to the previous year.

Changes in the period are detailed below:

	31 December 2021	31 December 2020
€ '000		
Opening balance	98,228	97,963
Acquisitions/Increases	42,165	-
Disposals	(20,823)	(10)
Impairment	(1,748)	275
Closing balance	117,822	98,228

As at 31 December 2021, there were no equity investments in associates.

Transaction details are provided here below:

The increases refer to:

- Purchase of 100% of the share capital of Forvet Costruzione Macchine Speciali S.p.A. for € 41,400 thousand on 2 November; this amount includes the estimated earn-out liability (€ 3 million) discussed in the following note **Errore. L'origine riferimento non è stata trovata.**;
- Purchase of the remaining 15% of the share capital of the company Viet Italia S.r.l. for € 550 thousand on 29 April;
- Incorporation of the company Biesse Group Israel Ltd and payment of 100% of the share capital for € 27 thousand;
- Share capital increase in the subsidiary Biesse Group Russia for € 188 thousand through the conversion of the intercompany loan and part of customer receivables.

The item "Sale/Liquidation" for € 20,823 thousand refers to:

- The cancellation of the investment in the subsidiary Bsoft S.r.l. for € 507 thousand as a result of the merger by incorporation into Biesse S.p.A. by deed of Notary Luisa Rossi dated 14 June 2021;
- The cancellation of the investment in the subsidiary Viet Italia S.r.l. for € 3,005 thousand as a result of the merger by incorporation into Biesse S.p.A. by deed of Notary Luisa Rossi dated 14 June 2021;
- The cancellation of the investment in the subsidiary Uniteam S.r.l. for € 3,942 thousand as a result of the merger by incorporation into Biesse S.p.A. by deed of Notary Luisa Rossi dated 21 December 2021;
- A 60% reduction in the share capital of the subsidiary Biesse Hong Kong Ltd (Ex-Centre Gain Ltd) for € 13,369 thousand.

Cash flows related to equity investments amounted to € 23,708 thousand and referred to:

- Payment of the first tranche of the purchase of the company Forvet Costruzione Macchine Speciali S.p.A. for € 36,500 thousand;
- Payment of 15% of the share capital of the subsidiary Viet Italia S.r.l. for € 550 thousand;
- Payment of 100% share capital of Biesse Group Israel Ltd for € 27 thousand;
- Proceeds relating to the 60% reduction in the share capital of the subsidiary Biesse Hong Kong Ltd (Ex-Centre Gain Ltd) for € 13,369 thousand.

The impairment losses/reversal of impairment losses on the cost of equity investments recognised in the financial statements were implemented after an analysis of their cash generation capacity by applying the same method described above in the explanatory note relating to goodwill, to which reference should be made, with consequent recognition of an impairment loss on the portion considered as no longer recoverable. Details of the companies that, following the impairment test, experienced an impairment/reversal of impairment (as already indicated in note **Errore. L'origine riferimento non è stata trovata.**) are as follows:

- Impairment of the subsidiary Movetro S.r.l. for € 748 thousand
- Impairment of the subsidiary Biesse Turkey Makine Ticaret Ve Sanayi A.S. for € 1,000 thousand

Given that the carrying value of the investment in the subsidiary Biesse Gulf FZE is already zero, a specific provision of € 681 thousand was set aside to cover the negative equity, to which the company is obliged.

Here below is a table comparing the carrying amount of equity investments, already net of the relevant accumulated allowance for impairment, their equity and the result for the year as at 31 December 2021 attributable to the Parent Biesse S.p.A. (Appendix A), converted into Euro:

	Investment value	Equity including net result of the year	Year end result	Difference
€ '000				
Biesse America Inc.	7,580	12,595	2,057	5,015
Biesse Asia Pte Ltd	1,088	1,795	130	707
Biesse Canada Inc	96	1,740	1,555	1,644
Biesse Deutschland GmbH	6,228	2,484	776	(3,744)
Biesse France Sarl	4,879	5,065	1,733	186
Biesse Group Australia Pte Ltd	507	3,806	1,802	3,299
Biesse Group Israel	27	1	(25)	(26)
Biesse Group New Zealand PTY Ltd	506	905	167	399
Biesse Group Russia	188	(265)	(96)	(453)
Biesse Group UK Ltd	1,088	2,754	1,694	1,666
Biesse Gulf FZE	-	(384)	(100)	(384)
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	431	6,635	11,049	6,204
Biesse Iberica Woodworking Machinery Sl	4,448	2,514	1,108	(1,934)
Biesse Indonesia PT.	23	55	7	32
Biesse Manufacturing CO PVT Ltd	17,839	33,962	4,828	16,123
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	2,800	2,731	693	(69)
Biesse Scandinavia AB	13	388	105	375
Bre.Ma. Brenna Macchine Srl	4,147	3,454	1,145	(693)
Forvet Costruzione Macchine Speciali S.p.A.	41,400	5,364	1,371	(36,036)
H.S.D. Spa	21,915	56,802	9,858	34,887
Intermac Do Brasil Servicos e Negocios Ltda.	-	12	(49)	12
Montresor & Co. Srl	619	786	143	167
Movetro Srl	2,000	948	(204)	(1,052)
Total	117,822	144,147	39,747	26,325

The figures relating to equity and the result for the year refer to the financial year.

The Company, at least on an annual basis or more frequently when there is an indication of impairment, analyses the item Equity investments, first identifying the equity investments with a carrying amount higher than the corresponding pro-quota equity and with a negative result for the period, as well as those worthy of particular attention. Such analysis also takes account of the historic performance of the subsidiary, also in reference to the ability to distribute dividends arising from positive results, and to further information relating to the relevant market and/or sector.

With reference to the companies for which this comparison revealed permanent impairment, the company carried out a specific impairment test.

During the current year impairment indicators were identified with reference to the subsidiaries Movetro S.r.l. Biesse Turkey Makine Ticaret Ve Sanayi As, Biesse Russia OOO and Biesse Gulf FZE; moreover, it was decided on a prudential basis to carry out the test also to verify the recoverability of the value of the newly acquired Forvet.

It should be noted that for the subsidiaries Biesse Deutschland GmbH and Biesse Iberica Woodworking machinery, no impairment test has been carried out as the negative difference between the carrying amount of the investments and the pro-quota net equity is due to the distribution of dividends paid by the subsidiaries in previous years.

The estimated operating cash flows for future years (five years 2022-2026) have been made by reference to: i) in relation to the year 2022, to the figures shown in the 2022 budget approved on 7 February 2022; ii) in relation to the year 2023, to the business plan for the period 2021-2023 approved by the Board of Directors on 30 July 2021; iii) in relation to the years 2024-2026, the updated projections of the main economic and balance sheet variables. With reference to this last point, although acknowledging an improvement in the reference scenario compared to the previous year, the Directors have maintained a cautious attitude, in order to take into account the persistence of factors of uncertainty linked to the continuation of the pandemic crisis, together with the problems linked to inflationary pressures and the interruptions suffered by the distribution chain. It should also

be noted that the estimate of operating cash flows for future years does not consider the "non-adjusting event" related to the subsequent event related to the war in Ukraine.

The results of the impairment tests carried out showed the need to proceed with the impairment of the aforementioned equity investments. With reference to Biesse Group Russia, the impairment test did not indicate the need to write down this investment. The evolution of the geopolitical scenario following Russia's declaration of war on Ukraine on 24 February 2022 is being continuously monitored by Management, which is committed to ensuring business continuity.

Assumptions underlying the discounted cash flow method

The primary assumptions used by the Company to estimate future cash flows for the purposes of the impairment test are as follows:

As at 31 December 2021			
	WACC	CAGR forecast revenue	Growth rate of the final value
Biesse Gulf FZE	10.0%	4.0%	1.5%
Biesse Turkey Makine Ticaret Ve Sanayi As	12.5%	2.8%	1.5%
Movetro Srl	10.8%	5.3%	1.5%
Forvet Costruzione Macchine Speciali S.p.A.	10.8%	10.7%	1.5%
Biesse Group Russia	10.5%	3.4%	1.5%

For the purposes of the impairment test, different Weighted Average Costs of Capital were used to take into account the different risk components (country risk, spread risk, interest rate risk, etc.) of the individual companies.

In greater detail, the following factors were considered to determine the discount rate:

- with reference to the yield on risk-free securities, reference was made to the yield curve of 10-year Italian Government bonds (based on a 24-month measurement period);
- the systematic risk coefficient (β) considered was that of Biesse (compared to that of comparable businesses in the machinery sector – Euro Area);
- as for the market risk premium (MRP), a company-specific value was assumed;
- finally, a specific rate for the gross cost of debt was assumed, determined on the basis of the Company's average cost of debt and of a "country" spread.

20. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

The item "Other non-current financial assets and receivables", amounting to € 2,256 thousand (€ 1,515 thousand in 2020), is broken down as follows:

	31 December 2021	31 December 2020
€ '000		
Minority interests in other companies and consortiums	139	139
Other receivables / guarantee deposits	2,117	1,376
Total other financial asset and non current receivable	2,256	1,515

The item "Other receivables / Guarantee deposits – non-current portion" includes € 241 thousand (€ 210 thousand in 2020) guarantee deposits and for € 1,876 thousand (€ 1,165 thousand in 2020) in receivables from the tax authorities. The increase compared to the previous period is due for € 509 thousand to the recognition of R&D and investment tax credits (formerly hyper/super-depreciation) for the year.

21. INVENTORIES

	31 December 2021	31 December 2020
€ '000		
Raw materials, consumables and suppliers	34,395	20,181
Work in progress and semi-finished goods	22,340	14,706
Finished goods	23,224	15,728
Spare parts	11,222	9,895
Total inventories	91,181	60,510

The carrying amount is recorded net of the allowances for inventory write-downs which totalled € 12,340 thousand (€ 6,029 thousand at the end of 2020). These provisions include € 3,842 thousand for the write-downs of raw materials, supplies and consumables (€ 1,840 thousand at the end of 2020), € 548 thousand for the write-downs of work in progress and semi-finished products (zero at the end of 2020), € 5,819 thousand for the write-downs of finished products and goods (€ 1,811 thousand at the end of 2020) and € 2,131 thousand for the write-downs of spare parts (€ 2,378 thousand at the end of 2020). The allowance for inventory write-downs of raw materials, supplies and consumables on the historical cost of the related inventories was 10.0% (8.4% at the end of 2020), that of write-downs of work in progress and semi-finished products was equal to 2.4%, that of the write-downs of finished products and goods was equal to 20.0% (10.3% at the end of 2020), and the one for spare parts was equal to 16.0% (19.4% at the end of 2020).

The total value of the Company's inventories increased by € 30,671 thousand compared to the previous year. In particular, inventories of "Raw, ancillary and consumable materials" increased by € 14,214 thousand, inventories of "Work in progress and semi-finished goods" decreased by € 7,634 thousand, inventories of "Finished products and goods" decreased by € 7,496 thousand and inventories of "Spare parts" decreased by € 1,327 thousand.

The 2020 value of inventories including the balances of the merged companies amounted to € 67,823 thousand net of write-down provisions for € 6,569 thousand.

The cash flow of € 29,129 thousand can be summarised as follows:

	31 December 2020	Cash flow	Non-monetary changes		31 December 2021
			Merger effect	Other	
€ '000					
Inventories	60,510	29,129	7,313	(5,771)	91,181
Total	60,510	29,129	7,313	(5,771)	91,181

The other "Item" refers to the allowance for inventory write-downs.

22. TRADE RECEIVABLES AND CONTRACT ASSETS DUE FROM THIRD PARTIES

	31 December 2021	31 December 2020
€ '000		
Trade receivables within one year	69,318	54,519
Trade receivables beyond one year	3,911	2,285
Allowance for impairment	(4,150)	(2,827)
Total	69,079	53,977

The alignment of the value of receivables to their fair value is implemented through the allowance for impairment; Management believes that the carrying amount of trade receivables is a reasonable approximation of their fair value.

The increase in trade receivables from third parties is mainly due to the increase in revenues compared to 2020, a year strongly influenced by the COVID-19 pandemic. There are no particular critical issues in terms of days to collection, substandard situations or deterioration of credit quality.

Trade receivables are recognised net of the allowance for impairment, which is estimated with reference to both non-performing loans and loans overdue more than 180 days. Receivables that were not yet overdue at the reporting date also include a general impairment loss estimated on the basis of data and past experience with respect to losses on receivables recorded by the Company, adjusted to take account of specific forecast factors relating to debtors and the macroeconomic environment.

The changes in the allowance are summarised in the following table:

	31 December 2021	31 December 2020
€ '000		
Opening balance	2,827	2,970
Allowance/Release	1,818	124
Utilisation	(685)	(267)
Effetto fusioni	190	0
Total	4,150	2,827

Provisions to the allowance for impairment are made on the basis of specific assessments of expired receivables and receivables due to expire. With respect to other receivables, provisions are determined on the basis of information updated as at the financial statement date, taking account both of past experience and of losses expected over the life of the receivable. The amount of the provisions is determined on the basis of the current value of the estimated recoverable flows, after taking into account the related recovery costs and the fair value of any collaterals given to the Company. In particular, specific impairment losses arise mainly from the measurement of receivables subject to specific legal disputes, and the relevant legal opinion is usually provided.

Recognised trade receivables included receivables specifically impaired as individual assets whose net value amounted to € 2,209 thousand, following impairment losses of € 3,967 thousand (in 2020, net receivables amounted to € 1,576 thousand following impairment losses of € 2,644 thousand). Impairment losses recognised in the income statement were recognised indirectly through provisions to the allowance for impairment.

There are no receivables due over 5 years.

The cash flow of € 16,248 thousand can be summarised as follows:

	31 December 2020	Cash flow	Non-monetary changes		31 December 2021
			Merger effect	Other	
€ '000					
Trade receivables and commercial activities towards third parties	53,977	16,248	1,051	(2,197)	69,079
Total	53,977	16,248	1,051	(2,197)	69,079

The "Item" other includes € 1,818 thousand for the allowance for impairment.

23. TRADE RECEIVABLES AND CONTRACT ASSETS DUE FROM RELATED PARTIES

	31 December 2021	31 December 2020
€ '000		
Trade receivables due from related parties	9	1
Trade receivables due from subsidiaries	64,609	53,665
Total	64,618	53,666

The amounts receivable from subsidiaries are trade receivables and refer to transactions undertaken for the sale of goods and/or rendering of services.

Receivables from subsidiaries are detailed here below:

	31 December 2021	31 December 2020
€ '000		
Biesse America Inc.	17,982	15,054
Biesse Asia Pte Ltd	1,227	845
Biesse Canada Inc.	928	1,485
Biesse Deutschland GmbH	5,396	4,856
Biesse France Sarl	6,114	6,195
Biesse Group Australia Pte Ltd	3,292	3,685
Biesse Group New Zealand PTY Ltd	628	650
Biesse Group Russia LLC	3,943	2,074
Biesse Group UK Ltd	3,122	4,047
Biesse Gulf FZE	1,977	913
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	-	39
Biesse Iberica Woodworking Machinery S.L	3,907	2,217
Biesse Indonesia Pt	12	81
Biesse Japan KK	248	-
Biesse Korea LLC	(46)	32
Biesse Malaysia SDN BHD	1,242	479
Biesse Manufacturing CO PVT Ltd	5,903	3,082
Biesse Schweiz GmbH	790	382
Biesse Trading (Shanghai) CO.LTD	1,955	1,359
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	843	199
Biesservice Scandinavia AB	528	323
Bre.ma. Brenna Macchine S.r.l.	660	940
Bsoft Srl	-	35
HSD S.p.A.	2,093	1,567
Intermac Do Brasil Servicos e Negocios Ltda.	1,149	1,023
Montresor & Co. Srl	141	66
Movetro Srl	227	75
Uniteam Spa	-	407
Viet Italia Spa	-	493
WMP-Woodworking Machinery Portugal Unipessoal LDA	348	1,062
Total	64,609	53,665

The cash flow of € 10,440 thousand can be summarised as follows:

€ '000

Trade receivables and commercial activities due from related parties

Total

31 December 2020	Cash flow	Non-monetary changes		31 December 2021
		Merger effect	Other	
53,666	10,440	156	356	64,618
53,666	10,440	156	356	64,618

The "Item" other includes € 330 thousand for the adjustment of foreign currency items at the end-of-period exchange rate.

24. OTHER CURRENT ASSETS DUE FROM THIRD PARTIES

"Other current assets due from third parties" are detailed as follows:

€ '000

Consumption tax receivables and other tax receivables

Income tax assets

Other assets

Total

31 December 2021	31 December 2020
1,309	979
162	1,433
3,143	2,418
4,614	4,830

The item "Consumption tax receivables and other receivables from tax authorities" included € 240 thousand for the recognition of the 2021 tax credits for R&D activities and € 28 thousand for the tax credit on investments (the former super-/hyper-depreciation).

The "income tax receivables" contain IRES credits for withholding taxes of € 98 thousand and an IRAP credit of € 64 thousand as a result of the higher advance payments made in previous years with respect to current taxes due for the year, the decrease was mainly due to the use of IRES and IRAP credits to offset the tax debt for the year.

The Company, as consolidating company, participates in the national tax consolidation of the group together with its subsidiaries Bre.Ma. Brenna Macchine S.r.l., HSD S.p.A., Montresor S.r.l. and Movetro S.r.l.. In this context, pursuant to articles 117 et seq. of Presidential Decree 917/86, the IRES tax has been determined at an aggregated level by offsetting the positive and negative taxable amounts of the above-mentioned companies. The financial relationships and the mutual responsibilities and obligations among the companies are defined in the regulation governing participation in the Group tax consolidation scheme.

The item "Other receivables from third parties" mainly contains deferrals on costs pertaining to future years, mainly related to annual contracts for internet services and software assistance.

25. CURRENT FINANCIAL ASSETS DUE FROM THIRD PARTIES

Current financial assets due from third parties amounted to € 27,098 thousand (€ 27,000 thousand in 2020).

This item contains transactions carried out with the aim of using cash surpluses in temporary liquidity investments that can be quickly converted for short-term financial needs.

The valuation of "Financial Assets, recognised directly in equity net of the tax effect of € 24 thousand, is recognised in the statement of comprehensive income for € 75 thousand.

As at 31 December 2021 the Company, in compliance with the Treasury Policy in force, invested € 27 million of its liquidity in various instruments with a high prudence profile issued by counterparties with a high credit standing (Insurance Policies and Savings Bonds). These instruments have no time restrictions whatsoever and are therefore liquid and collectable.

26. CURRENT FINANCIAL ASSETS AND LIABILITIES DUE FROM RELATED PARTIES

Current financial assets and liabilities due from related parties refer to intercompany treasury activities aimed at optimising cash flows between Biesse S.p.A. and its subsidiaries. Loans granted and received are at floating rate with application of the Libor / Euribor rate and have variable and renewable maturities.

Financial assets are broken down as follows:

	31 December 2021	31 December 2020
€ '000		
Biesse Group Australia Pte Ltd	-	1,101
Biesse Group New Zealand PTY Ltd	-	309
Biesse Group Russia LLC	-	328
Biesse Gulf FZE	2,450	2,450
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	-	11,010
Bre.ma. Brenna Macchine S.r.l.	572	1,191
Montresor & Co. Srl	3,240	3,240
Uniteam Spa	-	2,623
Viet Italia S.r.l.	-	3,374
Total	6,262	25,626

Financial liabilities are broken down as follows:

	31 December 2021	31 December 2020
€ '000		
Biesse America Inc.	17,791	16,421
Biesse Asia Pte. Ltd.	1,340	1,070
Biesse Canada Inc.	1,737	-
Biesse Deutschland GmbH	7,407	6,544
Biesse France Sarl	13,809	9,028
Biesse Group UK Ltd	11,414	12,594
Biesse Gulf FZE	96	-
Biesse Iberica Woodworking Machinery S.L	5,492	4,489
Biesse Schweiz GmbH	1,307	278
Forvet Costruzione Macchine Speciali S.p.A	3,263	-
HSD S.p.A.	30,089	30,462
Total	93,745	80,886

The balances relating to the subsidiaries Biesse France Sarl, Biesse Group UK Ltd, Biesse Iberica Woodworking Machinery S.L, Bre.Ma. Brenna Macchine Srl, HSD S.p.A. and, from 2021, Forvet Costruzione Macchine Speciali S.p.A. derive from the management of the cash pooling rather than intercompany loans.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to € 92,812 thousand (€ 128,278 thousand in 2020), comprising the value of bank deposits of € 91,616 thousand (€ 127,285 thousand in 2020), and cash and cash equivalents of € 1,196 thousand (€ 993 thousand in 2020). The carrying amount of these assets is a reasonable approximation of their fair value.

For further details, reference should be made to the Statement of cash flows.

28. SHARE CAPITAL AND TREASURY SHARES

The share capital amounts to € 27,393 thousand and consists of 27,393,042 ordinary shares, each with a par value of € 1 and dividend rights.

As at the date on which these financial statements were approved, the Company held no treasury shares.

29. SHARE CAPITAL RESERVES

The amount of € 36,202 thousand (unchanged compared to 2020) relates to the share premium reserve.

30. OTHER RESERVES AND RETAINED EARNINGS

The carrying amount was broken down as follows:

	31 December 2021	31 December 2020
€ '000		
Legal reserve	5,479	5,479
Extraordinary reserve	125,007	119,465
Actuarial reserve	(4,894)	(4,576)
Reserves profits/(losses) from the valuation of financial assets	74	-
Translation reserve	(5)	(9)
Other reserves and retained earnings	1,955	3,080
Total other reserves and retained earnings	127,616	123,439

The item "Extraordinary reserve" increased by € 5,542 thousand due to the allocation of the 2020 profit. The amount of the reserve includes € 3,851 thousand of the effects determined by the IAS transition, which to date make this amount unavailable and non-distributable. In addition, non-distributable reserves of € 15,344 thousand are considered to cover the residual amortisable value of development costs.

The item "Severance indemnity actuarial gains (losses) reserve" contains actuarial losses related to defined benefit plans, while the item "Valuation of financial assets gains (losses) reserve" contains gains from the valuation of financial assets.

The "Translation reserve" includes the exchange rate gains (losses) arising from the consolidation of the financial statements of the Dubai branch.

The item "Retained earnings and other reserves" includes:

- the merger surplus arising from the incorporation of the subsidiary ISP Systems S.r.l. occurred in 2009 for € 2,147 thousand;
- the merger surplus arising from the incorporation of the subsidiary Axxembla S.r.l. occurred in 2020 for € 754 thousand;
- the merger deficit arising from the incorporation of the subsidiary Bsoft S.r.l. occurred in 2021 for € 150 thousand;
- the merger deficit arising from the incorporation of the subsidiary Viet Italia S.r.l. occurred in 2021 for € 1,189 thousand;
- the merger deficit arising from the incorporation of the subsidiary Pavit S.r.l. occurred in 2016 for € 63 thousand;
- the merger surplus arising from the incorporation of the subsidiary Uniteam S.r.l. occurred in 2021 for € 199 thousand;
- the establishment of the IAS transition reserve arising from the FTA entries on the balances of the

balance sheet accounts of the merged companies ISP Systems S.r.l., Digipac S.r.l., Axxembla S.r.l., Bsoft S.r.l. and Uniteam S.r.l. for € 257 thousand, the increase for the incorporations in 2021 amounted to € 77 thousand.

The amount of € 1,194 thousand shown in the statement of changes in equity under the item "Merger of companies/subsidiaries" refers to the partial reduction of shareholders' equity of part of the merger deficits – according to the criterion of the so-called operations under common control – of the subsidiaries Bsoft S.r.l. (€ 150 thousand), Viet Italia S.r.l. (€ 1,189 thousand) and Pavit S.r.l. (€ 63 thousand), the latter is present in the financial statements of Viet Italia S.r.l., to the merger surplus of the subsidiary Uniteam S.r.l. for € 199 thousand and for the difference of € 9 thousand to the reserves set aside in reference to the "First Time Adoption" entries of the IAS/IFRS accounting standards of the merged companies.

TYPE/DESCRIPTION	AMOUNT	POSSIBILITY OF USE	AVAILABLE AMOUNT	SUMMARY OF USE IN THE THREE PREVIOUS YEARS	
				To cover losses	For other reasons
€ '000					
Share capital	27,393				
<i>Share capital reserves:</i>					
Share premium reserve	36,202	A,B,C	36,202		
<i>Profit reserves:</i>					
Legal reserve	5,479	B			
Extraordinary reserve	125,007	A,B,C	105,812		
TFR actuarial profit/(loss) reserve	-4,894				
Severance indemnity actuarial gains (losses) reserve	74				
Translation reserve	-5				
Retained earnings and other reservers	1,955	A,B,C	1,766		
Total	191,211		143,780		
Non-distributable amount					
Residual distributable amount			143,780		

Key:

A: for share capital increase

B: to cover losses

C: for distribution to shareholders

With regard to the items under shareholders' equity, these are considered as unavailable and non-distributable reserves: the "Legal reserve", part of the "Extraordinary reserve", the "Severance indemnity actuarial gains (losses) reserve", the "Valuation of financial assets gains (losses) reserve" and the "Translation reserve".

The other reserves recognised in the financial statements can be considered available for distribution.

31. DIVIDENDS

In 2021 no dividends were distributed to Shareholders.

32. POST-EMPLOYMENT BENEFITS

Defined-contribution plans

As a result of the Supplementary Pension Reform, the amounts accruing from 1 January 2007 – and at the discretion of employees – are allocated to supplementary pension schemes or transferred by the company to the treasury fund managed by INPS (the Italian National Social Security Institution), taking the form of defined-contribution plans (no longer subject to actuarial measurement), starting from when the employee's choice has been formalised.

Because of the aforementioned circumstances the total expense provided for at year-end amounted to € 6,553 thousand (€ 5,822 thousand in 2020).

Defined-benefit plans

The present value of the liabilities for post-employment benefits, accrued at the end of the period by company employees and consisting of the severance indemnity provision amounted to € 9,813 thousand (€ 9,722 thousand in 2020).

The amounts recognised in the income statement can be summarised as follows:

	31 December 2021	31 December 2020
€ '000		
Relevance of the period/Provisions	10	31
Financial expenses	2	(14)
Total	12	17

The item "Accrued in the period / provisions" contains the amount set aside by the Dubai Branch. The charge for the year, recorded under financial expenses, was negative at € 2 thousand (positive at € 14 thousand in 2020).

The changes in the year relating to the present value of severance indemnity obligations, are as follows:

	31 December 2021	31 December 2020
€ '000		
Opening balance	9,722	9,955
Current service	10	31
Financial expenses	2	(14)
Payments	(859)	(559)
Actuarial gains/(losses)	328	198
Other movements	3	-
Merge effects	643	111
Closing balance	9,813	9,722

The item "Actuarial gains/losses", recognised directly in equity net of the tax effect of € 79 thousand, is recognised in the statement of comprehensive income for € 249 thousand.

The item "Merger effect" contains the discounted value of the staff severance provision of Bsoft S.r.l., Viet Italia S.r.l. and Uniteam S.r.l. merged in 2021.

The assumptions used for measuring severance indemnity obligations are:

- Annual rate of inflation: 1.75% (0.80% in 2020);
- Annual discount rate: determined by reference to market yields of leading companies bonds as at the measurement date. In this regard, the Euro Composite AA interest-rate curve was used for the actuarial calculation.

The sensitivity analysis of the main valuation parameters is presented below:

	31 December 2021
€ '000	
Turnover rate +1%	9,724
Turnover rate -1%	9,840
Inflation rate +0.25%	9,898
Inflation rate -0.25%	9,663
Actualisation rate +0.25%	9,647
Actualisation rate -0.25%	9,912

33. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
€ '000		
Deferred tax assets	13,113	9,046
Deferred tax liabilities	(1,828)	(1,200)
Net position	11,285	7,846

Overall, deferred tax assets, net of deferred tax liabilities and broken down by type, can be analysed as follows:

	31 December 2021	31 December 2020
€ '000		
Accrual to provision for risks and charges	8,341	5,400
Amortisation	3,456	2,566
Other	1,316	1,080
Deferred tax assets	13,113	9,046
Amortisation	(1,815)	(1,079)
Other	(13)	(121)
Deferred tax liabilities	(1,828)	(1,200)
Net position	11,285	7,846

The allocation of deferred tax assets was implemented by critically assessing the existence of the conditions for future recoverability of these assets on the basis of the Company's business plans.

34. BANK OVERDRAFTS AND LOANS

The table below provides the breakdown of payables relating to bank overdrafts and loans.

	31 December 2021	31 December 2020
€ '000		
Bank loans and borrowings	442	566
Unsecured mortgages	-	62,852
Current liabilities	442	63,418
Unsecured mortgages	-	42,087
Non-current liabilities	-	42,087
Total	442	105,505

The item "Bank overdrafts and loans" includes the amount of € 189 thousand relating to with-recourse effects for which trade receivables were recognised with a balancing entry under the relevant bank payable.

There are no secured mortgages or loans.

The liabilities are payable as follows:

	31 December 2021	31 December 2020
€ '000		
On demand or within one year	442	63,418
Within two years	-	42,087
Total	442	105,505

As at 31 December 2021 the Company had no loans in foreign currency.

At 31 December 2021, total credit lines were 213.4 million, of which 88.4 million within 12 months were revoked. The remaining 125 million committed over 12 months. All lines, both short and over 12 months, are unsecured.

Compared to the financial statements for the year ended 31 December 2020, the Company's financial payables decreased by € 105,063 thousand. In particular, the portion due within 12 months amounted to € 442 thousand (a decrease of € 62,976 thousand), while the portion due beyond 12 months amounted to zero (a decrease of € 42,087 thousand).

There are no covenants on outstanding loans.

35. FINANCE LEASE LIABILITIES

	31 December 2021	31 December 2020
€ '000		
Leasing liabilities		
due within one year	2,363	2,117
due over one year, but within five years	3,626	4,478
due over five years	878	1,186
Total	6,867	7,781
After deduction for future financial charges	(261)	(334)
Actual value for leasing liabilities	6,606	7,447
whose:		
Current	2,280	2,024
Non-current	4,326	5,423

Finance lease liabilities refer both to finance leases on machinery for the mechanical workshop and to rights of use relating to buildings, apartments, vehicles and production equipment according to IFRS 16.

As at 31 December 2021, rights of use impacted on the item "Present value of minimum payments due for leases" for € 4,734 thousand (€ 4,971 thousand in 2020) and for € 4,966 thousand (€ 5,255 thousand in 2020) on the item "Total" of lease liabilities.

It should also be noted that there are payables to related parties for a total of € 1,789 thousand (€ 1,892 thousand in 2020) of which to the parent company Bi.fin. S.r.l. for € 1,233 thousand (€ 1,352 thousand in 2020), HSD S.p.A. for € 455 thousand (€ 513 thousand in 2020) and Fincobi S.r.l. for € 12 thousand (€ 27 thousand in 2020). Finally, in 2021, a new guest house rental contract was signed with Selci Roberto, whose balance of the residual debt at the end of the year is equal to € 89 thousand.

36. NET FINANCIAL POSITION

Below is the detail of the Net Financial Position at 31 December 2021 and 31 December 2020. It should be noted that the Net Financial Position is presented in accordance with ESMA Communication 32-382-1138 of 4 March 2021, which entered into force on 5 May 2021.

	31 December 2021	31 December 2020
€ '000		
Financial assets	126,172	181,928
Financial assets - third parties	27,098	28,024
Financial assets - related parties	6,262	25,626
Cash	92,812	128,278
Financial short term lease liabilities	(2,280)	(2,024)
Financial short term bank and other debts	(2,284)	(64,174)
Other short term current financial liabilities - related parties	(93,745)	(80,886)
Short term net financial position	27,863	34,844
Financial medium/long term lease liabilities	(4,326)	(5,423)
Financial medium/long term bank and other debts	-	(42,087)
Trade and other medium/long term debts	(212)	-
Medium/ long term net financial position	(4,538)	(47,510)
Total net financial position	23,235	(12,666)

In the NFP statement at 31/12/2021, in application of the new provisions contained in Communication No. 5/21 of 29 April 2021 issued by Consob which refers to the ESMA Recommendations of 4 March 2021, trade payables due beyond one year have been included. For comparative purposes, these payables amounted to € 260 thousand at 31 December 2020.

For the sake of clarity, the fair value of derivatives outstanding at 31/12/2021 have also been excluded from financial assets. For comparative purposes, it should be noted that the fair value asset at 31/12/2020 was € 1,024 thousand.

At the end of December 2021, the Company's net financial position improved by approximately € 36.0 million, compared to the value recorded at the end of 2020.

For the sake of completeness of information, it should be noted that, as these matters are not specifically regulated, the Net Financial Position does not include the estimated earn-out liability of € 3 million related to the acquisition of Forvet S.p.A. and due after 12 months, nor the residual debt for the payment of the last instalment, equal to € 1.9 million, both recorded in the financial statements.

In 2020 and 2021 no dividends were distributed.

Credit lines were also negotiated and obtained for the other Italian subsidiaries in 2021.

37. PROVISIONS FOR RISKS AND CHARGES

	Guarantees	Retirement of agents	Legal disputes and Others	Provision for equity investment risks	Total
€ '000					
Value at 31/12/2020	1,783	1,277	10,748	-	13,808
Merger effect	354	2	366	-	722
Provision	1,221	633	7,352	681	9,887
Release	-	0	(4,827)	-	(4,827)
Utilised	-	(6)	(642)	-	(648)
Value at 31/12/2021	3,358	1,906	12,997	681	18,942

Due to the nature of the Group's business, the obligations arising from issues related to the quality of the equipment and the guarantee given on the same, imply a careful, constant and complex evaluation by the Management, which requires the preparation of estimates, which by their nature imply a high degree of judgment.

The warranty provision represents the best estimate made by the Company's Directors with respect to the obligations deriving from the warranty on products sold by the Company. The adjustment derives from estimates based on past experience and on the analysis of the level of reliability of the marketed products. The increase over the previous period is due to the increase in turnover.

The provisions for agents' retirement benefits refers to the liabilities related to existing agency agreements.

The increase in the "Provision for legal disputes and other" derives from the increase in the provisions for legal risks and for penalties with some customers.

The provision for equity investment risks consists of the provision made for negative equity of the subsidiary Biesse Gulf FZE.

There are no disputes/contentious issues highlighting possible liabilities worth mentioning.

38. TRADE PAYABLES TO THIRD PARTIES

Trade payables to third parties, amounting to € 130,327 thousand (€ 93,349 thousand in 2020), refer primarily to payables to suppliers for the Company's ordinary operations.

It should be noted that the discounted value of trade payables due beyond the next financial year was € 212 thousand.

It is believed that their carrying amount at the reporting date is a reasonable approximation of their fair value.

The cash flow of € 31,075 thousand can be summarised as follows:

	31 December 2020	Cash flow	Non-monetary changes		31 December 2021
			Merger effect	Other	
€ '000					
Trade payables to third parties	93,349	31,075	6,115	(212)	130,327
Total	93,349	31,075	6,115	(212)	130,327

39. TRADE PAYABLES TO RELATED PARTIES

Trade payables to related parties are broken down as follows:

€ '000

Trade payables - parent company

Trade payables - subsidiaries

Trade payables - related parties

Total

31 December 2021	31 December 2020
2	2
29,769	23,614
1,436	962
31,207	24,578

The amounts payable to subsidiaries are trade payables and refer to transactions undertaken for the sale of goods and/or rendering of services.

The item "Trade payables to other related parties" includes € 1,326 thousand in payables for the purchase of goods from Semar S.r.l. and Wirutex S.r.l., while the remainder contains the unpaid amount of payables to members of the Board of Statutory Auditors.

The breakdown of the balance of the item "Trade payables to subsidiaries" is as follows:

€ '000

Biesse America Inc.

Biesse Asia Pte Ltd.

Biesse Canada Inc.

Biesse Deutschland GmbH

Biesse France Sarl

Biesse Group Australia Pte Ltd

Biesse Group New Zealand PTY Ltd

Biesse Group Russia LLC

Biesse Group UK Ltd

Biesse Gulf FZE

Biesse Hong Kong Ltd (ex Centre Gain Ltd)

Biesse Iberica Woodworking Machinery S.L

Biesse Korea LLC

Biesse Malaysia SDN BHD

Biesse Manufacturing CO PVT Ltd

Biesse Schweiz GmbH

Biesse Trading (Shanghai) CO.LTD

Biesse Turkey Makine Ticaret Ve Sanayi A.Ş

Biesservice Scandinavia AB

Bre.ma. Brenna Macchine S.r.l.

Bsoft Srl

HSD S.p.A.

Intermac Do Brasil Servicos e Negocios Ltda.

Montresor & Co. Srl

Movetro Srl

Uniteam Spa

Viet Italia S.r.l.

WMP-Woodworking Machinery Portugal Unipessoal LDA

Total

31 December 2021	31 December 2020
275	318
28	-
1	-
24	5
1	23
12	8
16	-
4	9
136	12
230	267
50	8
266	307
3	-
39	32
15,110	8,665
10	11
145	329
70	248
2	32
4,855	1,667
-	120
7,047	6,001
119	81
867	1,183
289	552
-	2,122
-	1,566
170	48
29,769	23,614

The cash flow of € 10,045 thousand can be summarised as follows:

	31 December 2020	Cash flow	Non-monetary changes		31 December 2021
			Merger effect	Other	
€ '000					
Trade payables to related parties	24,578	10,045	(3,649)	233	31,027
Total	24,578	10,045	(3,649)	233	31,027

The item "Merger effect" contains a positive balance of €1,093 thousand for balances arising from the mergers and a negative balance of €4,742 thousand for the elimination of the company's payables with the receivables of the merged companies. The item "Other" includes € 263 thousand for the exchange rate adjustment of foreign currency items.

40. CONTRACT LIABILITIES DUE TO THIRD PARTIES

The item "Contract liabilities due to third parties" amounting to € 55,765 thousand (€ 25,920 thousand in 2020) includes advances, down payments and deposits paid by customers.

The cash flow of € 28,939 thousand can be summarised as follows:

	31 December 2020	Cash flow	Non-monetary changes		31 December 2021
			Merger effect	Other	
€ '000					
Contractual liabilities towards third parties	25,920	28,939	905	1	55,765
Total	25,920	28,939	905	1	55,765

41. CONTRACT LIABILITIES DUE TO RELATED PARTIES

The item "Contract liabilities due to related parties" amounting to € 162 thousand (€ 12 thousand in 2020) includes advances, down payments and deposits paid by the Group's sales branches.

The balance is as follows:

	31 December 2021	31 December 2020
€ '000		
Biesse America Inc.	68	12
Biesse Korea LLC	94	-
Total	162	12

42. OTHER LIABILITIES DUE TO THIRD PARTIES

	31 December 2021	31 December 2020
€ '000		
Other non current liabilities to third parties	3,213	-
Other current liabilities to third parties	43,282	30,347
Total other liabilities to third parties	46,495	30,347

The item "Other non-current liabilities due to third parties" includes € 3,000 thousand for the estimated residual debt related to the earn-out contractually foreseen on this acquisition. The estimate takes into account the expected payment of the maximum amount agreed between the parties.

The balance of "Other current liabilities due to third parties" amounted to € 43,282 thousand (€ 30,347 thousand in 2020). The details are as follows:

	31 December 2021	31 December 2020
€ '000		
Tax liabilities	9,631	6,105
Social security liabilities	9,794	8,140
Other payables to employees	17,973	11,616
Other current liabilities	5,884	4,486
Total current liabilities to third parties	43,282	30,347

The item "Tax payables" includes the VAT debit balance of € 3,791 thousand (€ 722 thousand in 2020).

The increase in "Other payables to employees" is mainly due to the increase in payables for bonuses, performance bonuses and holidays.

The item "Other current liabilities" mainly contains prepaid expenses on revenues accruing in future years. during the year 2021 increased by € 1,900 thousand for the second tranche of the purchase of the company Forvet Costruzione Macchine Speciali S.p.A. still to be paid.

The cash flow of € 9,515 thousand can be summarised as follows:

	31 December 2020	Cash flow	Non-monetary changes		31 December 2021
			Merger effect	Other	
€ '000					
Other current liabilities to third parties	30,347	9,515	2,353	1,067	43,282
Total	30,347	9,515	2,353	1,067	43,282

The item "Other" contains an increase of € 1,900 thousand for the second tranche on the purchase of the subsidiary Forvet Costruzione Macchine Speciali S.p.A. not yet paid, a decrease of € 700 thousand for a contribution payable closed by offsetting and for the difference other minor movements.

43. OTHER CURRENT ASSETS AND LIABILITIES DUE FROM/TO RELATED PARTIES

Other current assets from related parties of € 6,051 thousand (€ 13,028 thousand in 2020) are attributable exclusively to subsidiaries. This item includes € 2,581 thousand receivables from Biesse Canada Inc., Biesse Group UK Ltd. and Biesse Deutschland GmbH for dividends deliberated and not collected and € 3,455 thousand receivables from Italian subsidiaries participating in the national tax consolidation.

Other current liabilities to related parties amounting to € 34 thousand (€ 328 thousand in 2020) almost exclusively contain the liability to the subsidiary Movetro S.r.l. for the national tax consolidation.

44. INCOME TAX PAYABLES

	31 December 2021	31 December 2020
€ '000		
IRES	4,004	-
Provision for tax risks	867	900
Total tax payables	4,871	900

The item "Income tax payables" for € 4,871 thousand (€ 900 thousand in 2020) includes € 4,004 thousand for the balance of the IRES payable resulting from the difference between the provision for the year and the credit balance carried forward from previous years, while the difference refers to provisions for tax risks.

45. FINANCIAL ASSETS AND LIABILITIES FROM DERIVATIVE INSTRUMENTS

	31 December 2021		31 December 2020	
	Asset	Liability	Asset	Liability
€ '000				
Derivatives on exchange rates	893	(1,842)	1,024	(756)
Total	893	(1,842)	1,024	(756)

The value of open contracts at year-end, with a negative balance on the income statement of € 949 thousand (positive balance of € 268 thousand in 2020), refers to hedging contracts that are not compatible with the requirements of IFRS 9 for the application of hedge accounting. As from 2016, the Company no longer records financial derivatives according to the hedge accounting procedures.

Derivative financial instruments and forward contracts outstanding at year-end (amounts in thousands of Euro)

	TYPE OF HEDGED	NOTIONAL AMOUNT		FAIR VALUE OF DERIVATIVES	
		31 DECEMBER 2020	31 DECEMBER 2021	31 DECEMBER 2020	31 DECEMBER 2021
€ '000					
Forward contracts (Australian Dollar)	Currency	10,727	9,229	(238)	(161)
Forward contracts (Canadian Dollar)	Currency	6,184	-	(122)	-
Forward contracts (Swiss Franc)	Currency	1,016	1,361	(23)	(4)
Forward contracts (Chinese Renminbi)	Currency	3,614	-	(103)	-
Forward contracts (Pound Sterling)	Currency	7,735	6,118	(84)	(25)
Forward contracts (Rupia Indiana)	Currency	(9,980)	-	373	-
Forward contracts (New Zealand Dollar)	Currency	1,140	645	-	(15)
Forward contracts (USA Dollar)	Currency	22,382	1,426	(755)	108
Forward contracts (Russian Rouble)	Currency	176	382	3	4
Forward contracts (Hong Kong Dollar)	Currency	-	11,010	-	361
Total		42,994	30,171	(949)	268

The individual effects reported in the table above include positive and negative changes.

46. CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

Contingent liabilities

Biesse S.p.A. is party to various lawsuits and disputes. It is nevertheless believed that the settlement of such disputes will not give rise to further liabilities in addition to those already provided for in a specific provision for risks. Please refer to note **Errore. L'origine riferimento non è stata trovata.** above for details on contingent liabilities relating to tax risks.

Commitments

In relation to purchase commitments, it should be noted that the contract entered into to acquire the controlling interest in Movetro S.r.l. Provides for a Put option in favour of the vendors on the remaining 40% of the share capital of the subsidiary. As at the reporting date, the fair value of the option approximates zero in view of the underlying values and contractual provisions.

Guarantees issued and received

The Company has issued sureties totalling € 14,081 thousand (€ 26,854 thousand 2020). The most relevant components concern: the guarantee in favour of UBI banca for the credit line granted to the subsidiary HSD S.p.A. (€ 6,000 thousand) and the guarantee issued in favour of BPM (€ 3,000 thousand) for credit lines granted to the subsidiary Biesse Turkey. In addition to the above, there are (bank) guarantees in favour of customers for prepayments made – advance payment bonds for € 5,020 thousand and other minor guarantees for € 61 thousand.

As at the reporting date, the Company had issued letters of patronage to subsidiaries for € 4,540 thousand (€ 16,265 thousand in 2020).

47. RISK MANAGEMENT AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Company is exposed to financial risks connected to its operations:

- market risks, consisting primarily of risks relating to fluctuations in exchange and interest rates;
- credit risk, relating specifically to trade receivables and, to a lesser extent, to other financial assets;
- liquidity risk, with reference to the availability of financial resources to meet the obligations related to financial liabilities;

The Company's risk management policies aim to identify and analyse the risks to which the Company is exposed, to establish appropriate limits and controls, and to monitor risk and compliance with these limits. These policies and associated procedures are regularly reviewed in order to reflect any changes to market conditions or Company activities.

With regard to the risk connected with the fluctuation in raw material prices, the Company tends to manage the economic impact by agreeing purchase costs for periods of no less than six months. The impact of the main raw materials, steel in particular, on the average value of the Company's products is marginal compared to the final production cost.

The following paragraphs use sensitivity analysis to assess the potential impact on actual results that hypothetical fluctuations in benchmarks may cause. As required under IFRS 7, these analyses are based on simplified scenarios being applied to actual data for benchmark periods. By their very nature, these analyses cannot be considered to truly evidence the effect of future changes in the benchmark in view of different financial and equity structures as well as different market conditions. Nor are they able to reflect the interrelations and complexity of the reference markets.

Market risk

Market risk is the risk that the fair value of a financial instrument (or future cash flows from that instrument) will fluctuate as a result of changes in market prices due to changes in exchange rates, interest rates or share prices. The purpose of market risk management is managing and controlling the Company's exposure to that risk within acceptable limits, while at the same time optimising investment returns.

Exchange rate risk

The varied geographical distribution of production and commercial activities brings about an exposure to exchange rate risk, in terms of both transactions and translations.

Transaction exchange rate risk

This risk is the result of commercial and financial transactions carried out by the Company in currencies other than the Company's functional currency. Exchange rates may fluctuate between the time when the commercial/financial relationship begins and the time when the transaction is completed (collection/payment), thus originating gains or losses.

The Company manages such risk by making use of derivative instrument purchases, such as forward exchange contracts and cross currency swaps. As from 2016, the Company, following the Board of Directors' resolution of 11 March 2016 which approved the new exchange risk management policy for the Biesse Group, has put on hold the use of hedge accounting techniques for recognising derivative instruments, since the rules set out in IFRS 9 were found to be quite stringent to be applied effectively and in full to business operations.

The following table provides a quantitative summary of the Company's exposure to exchange rate risk:

€ '000	Financial Asset		Financial Liabilities	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
US Dollar	20,004	20,562	19,253	17,349
Canadian Dollar	977	1,490	1,886	-
Pound Sterling	3,353	3,607	10,231	11,979
Australian Dollar	3,331	4,851	282	191
Swiss Franc	543	668	1,370	295
Neozelandese Dollar	640		21	
Indian Rupee	2,750	1	14,596	-
Hong Kong Dollar	70	11,470	-	-
Chinese Renmimbi Yuan	1,956	1,649	110	-
Other currencies	357	1,592	231	209
Total	33,981	45,890	47,980	30,023

In defining the amount exposed to interest rate risk, the Company also includes foreign currency orders acquired in the period before they become trade receivables (shipping invoicing).

Here below is a sensitivity analysis illustrating the impact on profit or loss of a +15%/-15% appreciation/depreciation of the Euro.

This analysis assumes that all other variables, in particular interest rates, remain unchanged.

€ '000	IMPACT ON INCOME STATEMENT	
	if exchange rate	if exchange rate
	> 15%	< 15%
US Dollar	(98)	132
Canadian Dollar	119	(160)
Pound Sterling	897	(1,214)
Australian Dollar	(398)	538
Swiss Franc	108	(146)
Rupia indiana	1,545	(2,091)
Hong Kong Dollar	(9)	12
Chinese Renmimbi Yuan	(241)	326
Total	1,923	(2,603)

The amounts reported above, are shown gross of hedging (which is not material in value).

Interest rate risk

Interest rate risk represents exposure to changes in the fair value of, or future cash flows from, financial assets or liabilities, due to changes in market interest rates.

The Company is exposed to fluctuations in interest rates with reference to finance expense relating to payables to lease companies for fixed assets acquired under finance leases. Considering that the exposure is currently limited and that there is substantial stability in interest rates (for the Eurozone), the company has chosen not to hedge its own debt.

The sensitivity analysis aimed at assessing the potential impact of a hypothetical sudden and unfavourable 10% change in short-term interest rates on financial instruments (typically cash and some financial payables) reveals no significant impact on the results or the equity of the Company.

Credit risk

Credit risk represents the Company's exposure to potential financial losses deriving from the failure of commercial and financial counterparties to fulfil their contractual obligations.

The main exposure is towards customers. In order to limit this risk, the Company has implemented procedures for assessing the financial potential and soundness of its customers, monitoring expected cash flows from collections and for any debt collection activities.

These procedures typically provide for sales to be finalised by obtaining advance payments. However, for those customers who are considered strategically important by Management, credit can be provided with limits being established and monitored.

The carrying amount of financial assets, net of any impairment for expected losses, represents the maximum exposure to credit risk.

For more information on how the allowance for impairment was determined and on the characteristics of overdue receivables, please refer to note **Errore. L'origine riferimento non è stata trovata.** above on trade receivables.

31/12/2021

	31/12/2021					
	Current	Less than 30 days	30-180 days	180 days 1 year	Beyond 1 year	Total
€ '000						
% estimated loss	0.3%	0.2%	44%	16%	65.6%	5.7%
Value of the receivable	62,504	3,350	2,729	644	4,033	73,260
Estimated credit loss	197	4	1,202	103	2,644	4,150

Liquidity risk

Liquidity risk is the risk that available financial resources will be insufficient to meet financial and commercial obligations as and when they fall due.

Negotiation and management of banking relationships are centralised at the Biesse Group level, by virtue of the Cash Pooling agreement, so as to ensure that short and medium-term financial needs will be met at the lowest possible cost. Raising medium and long-term capital funds on the market is also optimised with centralised management.

The type of prudent risk management described above implies maintaining an adequate level of cash and/or easily convertible short-term securities. The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers.

The following table shows the expected flows based on the maturities of financial liabilities other than derivatives. Balances relating to financial lease liabilities, bank overdrafts and bank loans are expressed at their contractual value without being discounted, which includes both principal and interest amounts. Loans and other financial liabilities are classified on the basis of the earliest maturity date, and revocable financial liabilities, as well as other liabilities whose maturities are not available, are considered payable on demand ("worst case scenario").

31/12/2021

	31/12/2021					
	Less than 30 days	30-180 days	180 days - 1 year	1-5 years	Beyond 5 years	Total
€ '000						
Trade and other payables	78,030	78,125	6,863	960	-	163,978
Bank overdrafts and bank/intercompany loans	442	-	-	-	-	442
Total	78,472	78,125	6,863	960	-	164,420

31/12/2020

	31/12/2020					
	Less than 30 days	30-180 days	180 days - 1 year	1-5 years	Beyond 5 years	Total
€ '000						
Trade and other payables	46,360	90,039	5,840	198	61	142,498
Bank overdrafts and bank/intercompany loans	20,724	31,136	32,862	42,336	-	127,058
Total	67,084	121,175	38,702	42,534	61	269,556

The Company monitors liquidity risk by controlling net flows on a daily basis in order to ensure that financial resources are managed efficiently.

The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers.

Classification of financial instruments

Below are the types of financial instruments included in the financial statements:

	31 December 2021	31 December 2020
€ '000		
FINANCIAL ASSETS		
Designated at fair value through profit or loss:		
<i>Derivative financial assets</i>	892	1,024
Designated at fair value through OCI:		
- <i>other current financial assets</i>	27,098	27,000
Measured at amortised cost :		
<i>Trade receivables</i>	133,728	107,642
<i>Other assets</i>	14,569	40,169
- <i>other financial assets and non current receivables</i>	2,256	1,515
- <i>other current financial assets</i>	6,262	25,626
- <i>other current assets</i>	6,051	13,028
<i>Cash and cash equivalents</i>	92,812	128,278
FINANCIAL LIABILITIES		
Designated at fair value through profit or loss:		
<i>Derivative financial liabilities</i>	1,842	756
Measured at amortised cost :		
<i>Trade payables</i>	161,778	117,927
<i>Bank loans, borrowings and lease liabilities</i>	100,793	193,838
<i>Other current liabilities</i>	27,767	20,046

The carrying amount of the above financial assets and liabilities is equal to or a reasonable approximation of their fair value.

For financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are as follows:

Level 1 – quoted prices in an active market for assets or liabilities subject to measurement;

Level 2 – inputs other than quoted prices included within level 1 that are observable in the market, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – inputs that are not based on observable market data.

Derivative financial instruments measured at FVTPL are classified under Level 2 (same as in 2020). During the financial year there were no transfers between Levels.

Other current financial assets measured at FVOCI are classified under Level 2.

48. TRANSACTIONS NOT INVOLVING CHANGES IN CASH FLOWS AND RECONCILIATION OF CASH FLOWS

For the year 2021, the following significant transaction took place, which did not lead to changes in cash flows:

- Signing/closure of lease and rental contracts pursuant to IFRS 16 for € 1,316 thousand.

Reconciliation of cash flows

The following tables provide details on the main changes in financial assets and liabilities, with separate specification of those which generated cash flows (shown in the "Financial assets" section of the statement of cash flows) and other changes that do not have cash flow effects:

	31 December 2020	Cash flow	Non-monetary changes		31 December 2021
			Merger effect	Other	
€ '000					
Bank loans and increase / decrease from banks	105,505	(105,156)	227	(134)	442
Payables for financial leasing	7,447	(2,477)	320	1,316	6,606
Other financial liabilities towards related parties	80,886	12,024	-	835	93,745
Current financial assets with related parties	25,626	(13,155)	(5,997)	(212)	6,262
Total	219,464	(108,764)	(5,450)	1,805	107,055

	31 December 2019	Cash flow	Non-monetary changes		31 December 2021
			Merger effect	Other	
€ '000					
Bank loans and increase / decrease from banks	56,771	48,564	-	170	105,505
Payables for financial leasing	8,027	(2,422)	-	1,842	7,447
Other financial liabilities towards related parties	43,718	38,607	-	(1,439)	80,886
Current financial assets with related parties	30,406	(3,715)	-	(1,065)	25,626
Total	138,922	81,034	-	(492)	219,464

With regard to the reconciliation of the cash flows reported in the Statement of Cash Flows with reference to trade receivables from third and related parties, changes in inventories, trade payables to third and related parties, contractual liabilities and other liabilities to third parties, reference should be made to the relevant paragraphs in the notes to the financial statements.

49. ATYPICAL OR UNUSUAL TRANSACTIONS

In 2021, there were no such transactions.

50. RELATED-PARTY TRANSACTIONS

The Company is directly controlled by Bi. Fin. S.r.l. (operating in Italy) and indirectly by Mr Giancarlo Selci (resident in Italy). Members of the Board of Directors as well as of the Board of Statutory Auditors and companies controlled directly or indirectly or owned by close relatives are also classified as related parties.

The details of transactions between Biesse and other related entities are specified below.

	Costs 2021	Costs 2020	Revenues 2021	Revenues 2020
€ '000				
Subsidiaries				
Subsidiaries	68,881	58,260	233,952	179,334
Parent				
Bifin S.r.l.	167	169	-	-
Other related companies				
Fincobi S.r.l.	15	15	1	1
Semar S.r.l.	1,338	839	-	-
Wirutex S.r.l.	1,915	1,035	20	6
Renzoni S.r.l.	2	1	-	-
Members of the Board of Directors				
Members of the Board of Directors	2,859	4,175	-	1
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	162	162	-	-
Other related companies				
Total transactions with related parties	75,339	64,656	233,973	179,342

€ '000	Receivables 2021	Receivables 2020	Payables 2021	Payables 2020
Subsidiaries				
Subsidiaries	76,921	92,318	124,165	105,353
Parent				
Bifin S.r.l.	-	-	1,235	1,355
Other related companies				
Fincobi S.r.l.	-	-	13	28
Semar S.r.l.	-	-	520	351
Wirutex S.r.l.	9	-	806	574
Members of the Board of Directors				
Members of the Board of Directors	-	1	89	-
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	110	36
Other related companies				
Total transactions with related parties	76,930	92,319	126,938	107,697

The terms and conditions agreed with the above related parties are not considered to differ from those that would have been established between parties at arm's length.

Payables to related parties contain payables for rights of use in accordance with IFRS 16. At 31 December 2021 there were payables to the parent company Bi.fin. S.r.l. in the amount of € 1,202 thousand (€ 1,352 thousand in 2020), HSD Spa in the amount of € 444 thousand (€ 513 thousand in 2020), Fincobi S.r.l. in the amount of € 13 thousand (€ 27 thousand in 2020), during the year 2021 a new lease agreement was signed for a guest house with Selci Roberto as counterparty, the amount of the payable at year-end was € 89 thousand.

The remuneration paid to directors is set by the Remuneration Committee, based on average market remuneration levels. For more details, please refer to the Remuneration Committee report published on the website www.biesse.com.

Pursuant to Art. 2497-bis c. 4 of the Italian Civil Code, we note that the Company Bi.Fin. S.r.l., with registered office in Pesaro viale F.lli Rosselli 46, exercises management and coordination over Biesse S.p.A..

As required by the Italian Civil Code, the main figures (in thousands of Euros) of the latest balance sheet of Bi.Fin. S.r.l. are filed with the Chamber of Commerce. highlighting that:

- reference should be made to the latest approved financial statements, namely the financial statements as at 31 December 2020;
- given that summary information is required, it was considered appropriate to limit this disclosure to total amounts of the items indicated with capital letters in the Statement of Financial Position and the Income Statement, in accordance with the Italian Civil Code.

STATEMENT OF FINANCIAL POSITION

€ '000

ASSETS

- B) Non-current assets
C) Current assets
D) Accruals and deferrals

Total assets

31 December 2020	31 December 2019
31,256	31,938
24,532	29,227
23	4
55,811	61,169

LIABILITIES

- A) Equity:
Share Capital
Reserves
Profit (loss) for the year
B) Fondi rischi e oneri
D) Payables

Total liabilities

10,569	10,569
45,184	42,460
(188)	6,724
60	0
186	1,416
55,811	61,169

INCOME STATEMENT

€ '000

- A) Value of production
B) Costs of production
C) Financial income and expenses
Income taxes for the year

Result of the year

31 December 2020	31 December 2019
158	431
(427)	(547)
81	6,857
-	(17)
(188)	6,724

With regard to commercial and financial relations with the parent company Bi.Fin. S.r.l., please refer to notes **Errore. L'origine riferimento non è stata trovata.** and **Errore. L'origine riferimento non è stata trovata.**

51. OTHER INFORMATION

As required by the Italian Civil Code, it should be noted that:

- the Company has not issued financial instruments (Art. 2427, paragraph 1, No. 19);
- the Company is not financed by shareholders with interest-bearing loans (Art. 2427, paragraph 1, No. 19 bis);
- there are no assets allocated for a specific business (Art. 2427, paragraph 1, No. 20).

52. EVENTS AFTER THE REPORTING DATE

On 21 December 2021, by deed of Notary Luisa Rossi, the subsidiary Bre.Ma. Brenna Macchine S.r.l. was merged into Biesse S.p.A.; the accounting and tax effects of this transaction are effective from 1 January 2022.

On 14 February 2022, by deed of the Notary Luisa Rossi, 40% of the share capital of the subsidiary Montresor S.r.l. was purchased, increasing the shareholding to 100%.

53. GOVERNMENT GRANTS PURSUANT TO ART. 1, PARAGRAPHS 125-129 OF LAW NO. 124/2017

For details on government aid and the de minimis aid which was received – for which there is the obligation to report to the National Registry of Government Aid, in accordance with Art. 52, Law 234/2012 – express reference is made to said register. However, the following details are reported:

N	PROVIDER	GRANT RECEIVED € '000	CAUSAL
1	Fondimpresa	286	Contributo formazione finanziata erogato da Fondimpresa
2	Fondirigenti	10	Contributo formazione finanziata erogato da Fondirigenti
3	GSE SPA Gestore dei Servizi Energetici	12	Contributo GSE scambio sul posto
4	Commissione Europea	82	Contributo progetto di ricerca
5	Agenzia delle Entrate	144	Credito imposta R&S anno 2020 L.2019/160 maggiorato ai sensi ex art.244 "Decreto Rilancio"DL 34/2020
6	Agenzia delle Entrate	28	Credito sanificazione D.L.34/2020 art.125
7	Agenzia delle Entrate	9	Credito imposta R&S anno 2020 L.2019/160 maggiorato ai sensi ex art.244 "Decreto Rilancio"DL 34/2020 (Ricevuto da Viet Italia S.r.l.)
8	Agenzia delle Entrate	7	Credito sanificazione D.L.34/2020 art.125 (Ricevuto da Viet Italia S.r.l.)
9	Agenzia delle Entrate	24	DL 41/2021 Art 1 Decreto sostegni (Ricevuto da Bsoft S.r.l.)
10	Fondimpresa	8	Contributo formazione finanziata erogato da Fondimpresa (Ricevuto da Uniteam S.r.l.)
11	Agenzia delle Entrate	5	Credito sanificazione D.L.34/2020 art.125 (Ricevuto da Uniteam S.r.l.)

54. REMUNERATION OF DIRECTORS, GENERAL MANAGERS, MANAGERS WITH STRATEGIC RESPONSIBILITIES AND MEMBERS OF THE BOARD OF STATUTORY AUDITORS

Description of position			Remuneration			
Thousands of Euro			Fees	Non-monetary benefits	Bonuses and other incentives	Other remuneration
Name	Position	Duration of mandate				
Selci Giancarlo	Chairman of the BoD	28/04/2024	343	6	-	-
Selci Roberto	CEO	28/04/2024	945	29	-	-
Potenza Massimo	Board member** and General Manager	28/04/2024	100	3	681	600
Baroncini Alessandro	Board member*	28/04/2024	17	-	-	-
Schiavini Rossella	Board member*	28/04/2024	17	-	-	20
Ricceri Federica	Board member*	28/04/2024	17	-	-	10
Borsani Ferruccio	Board member*	28/04/2024	17	-	-	4
Parpajola Alessandra	Board member	28/04/2021	26	1	-	-
Porcellini Stefano	Board member	28/04/2021	26	-	-	-
Righini Elisabetta	Board member*	28/04/2021	6	-	-	1
Palazzi Federica	Board member*	28/04/2021	6	-	-	1
Chiura Giovanni	Board member*	28/04/2021	6	-	-	-
Total			1,526	39	681	636
De Mitri Paolo	Chairman of the Board of Statutory Auditors	28/04/2024	70	-	-	-
Ciurlo Giovanni	Statutory auditor	28/04/2024	31	-	-	-
Perusia Enrica	Statutory auditor	28/04/2024	31	-	-	-
Cecchini Silvia	Statutory auditor	28/04/2021	15	-	-	-
De Rosa Dario	Statutory auditor	28/04/2021	15	-	-	-
Total			162			

* Independent Directors.

** Biesse S.p.A.'s managers with strategic responsibilities holding the position of Director.

The Ordinary Shareholders' Meeting of 28 April 2021 appointed the Board of Directors and the Board of Statutory Auditors for the 2021-2024 financial years.

55. PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING

In light of the results achieved, the payment of a gross dividend of EUR 0.624 per share is proposed as a temporary departure from the Company's policy in this regard (30% of consolidated net profit). The proposed dividend represents 50% of the consolidated net profit realised in 2021. The last dividend payment dates back to May 2019 and was EUR 0.48 per share.

The total disbursement of the proposed dividends is EUR 17,099,218.03. Detachment date 23 May 2022 record date 24 May 2022 payment value date 25 May 2022. Coupon No.16.

We therefore invite you to approve the allocation of the profit for the year of €2,141,702.48 to the payment of a dividend of €0.078 per share and to withdraw the remaining €14,957,515.55 from the extraordinary reserve to pay a dividend of €0.546 per share.

Pesaro, 14 March 2022

**The Chairman
of the Board of Directors**

Certification of the separate financial statements in accordance with Art. 81-ter of Consob Regulation No. 11971 of 14 May 1999 as subsequently amended and integrated

1. The undersigned Giancarlo Selci and Pierre Giorgio Sallier De La Tour in their capacities as, respectively, Chairman and Chief Executive Officer and Manager in charge of the financial reporting of Biesse S.p.A., having also taken into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the characteristics of the business and
- the effective implementation of the administrative and accounting procedures for the preparation of the separate financial statements during 2021.

2. The administrative and accounting procedures for preparing the separate financial statements as at 31 December 2021 were defined, and their adequacy was assessed, based on the rules and methods established by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission. This is a reference framework for internationally accepted internal control systems.

3. In addition, they also state that the separate financial statements as at 31 December 2021:

a) are consistent with the entries in accounting ledgers and records;

b) have been drawn up in accordance with the international accounting standards issued by the International Accounting Standards Board, endorsed by the European Commission with the procedure provided for by Art. 6 of Resolution (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 and pursuant to Art. 9 of the Italian Legislative Decree No. 38/2005; they are capable of providing a true and fair view of the financial position, results of operations and cash flows of the issuer.

The Directors' Report on Operations includes a reliable analysis of the performance and the results of operations, and the overall position of the issuer, together with a description of the main risks and uncertainties they are exposed to.

Pesaro, 14 March 2022

The Chairman of the Board of Directors
Giancarlo Selci

The Manager in charge of financial reporting
Pierre Giorgio Sallier De La Tour

APPENDIXES 2021 Financial Statements

APPENDIX "A"

DIRECT AND INDIRECT INVESTMENTS IN SUBSIDIARIES

Name and registered office	Registered office	Currency	Share Capital	Equity including profit/loss for the year	Profit/loss for the year	Share held
Biesse America Inc.	4110 Meadow Oak Drive (28208) – Charlotte - North Carolina – USA	USD	11,500,000	14,264,816	2,432,497	Direct 100%
Biesservice Scandinavia AB	Maskinvägen 1 Lindas - Sweden	SEK	200,000	6,631,218	1,777,317	Direct 60%
Biesse Canada Inc.	18005 Rue Lapointe – Mirabel (Quebec) - Canada	CAD	180,000	2,504,269	2,305,868	Direct 100%
Biesse Asia Pte. Ltd	5 Woodlands terrace – #02-01 Zagro Global Hub – Singapore	EUR	1,548,927	1,795,165	129,824	Direct 100%
Biesse Group UK Ltd	Lamport Drive, Heartlands Business Park – Northamptonshire – United Kingdom	GBP	655,019	2,313,841	1,456,418	Direct 100%
Biesse France Sarl	4, Chemin de Moninsable – Brignais – France	EUR	1,244,000	5,064,611	1,733,223	Direct 100%
Biesse Iberica Woodworking Machinery SL	C/Montserrat Roig, 9 – L'Hospitalet de Llobregat – Barcelona – Spain	EUR	699,646	2,514,226	1,107,839	Direct 100%
Biesse Group Deutschland GmbH	Gewerberstrasse, 6/A – Elchingen (Ulm) – Germany	EUR	1,432,600	2,484,041	775,812	Direct 100%
Biesse Group Australia Pte Ltd	3 Widemere Road – Wetherill Park – Sydney New South Wales – Australia	AUD	15,046,547	5,943,431	2,837,962	Direct 100%

Name and registered office	Registered office	Currency	Share Capital	Equity including profit/loss for the year	Profit/loss for the year	Share held
Biesse Group New Zealand PTY Ltd	UNIT B, 13 Vogler Drive – Manukau – Auckland – New Zealand	NZD	3,415,665	1,499,694	279,773	Direct 100%
H.S.D. S.p.A.	Via della Meccanica, 16 Loc. Chiusa di Ginestreto - (PU) - Italy	EUR	1,141,490	56,801,995	9,858,207	Direct 100%
Bre.ma Brenna macchine Srl	Via Manzoni, 2340 – Alzate Brianza (CO) – Italy	EUR	70,000	3,524,264	1,168,640	Direct 98%
Forvet costruzione macchine speciali S.p.A.	Strada Piossasco, n.46 CAP 10040 - Volvera (TO) - Italy	EUR	600,000	5,363,667	1,371,276	Direct 100%
Forvet research & Development S.r.l.	Strada Piossasco, n.46 CAP 10040 - Volvera (TO) - Italy	EUR	50,000	795,438	(603,095)	Indirect 100%
Movetro Srl	Via Marco Polo, n. 12 CAP 35040 - Carmignano di Sant'Urbano (PD) - Italy	EUR	51,000	1,580,686	(340,641)	Direct 60%
Montresor Srl	Via Francia, 13 CAP 37069 - Villafranca (VR) - Italy	EUR	1,000,000	1,310,731	237,835	Direct 60%
Biesse manufacturing PVT Ltd	Jakkasandra Village, Sondekoppa rd. - Nelamanga Taluk Survey No. 32, No. 469 - Bangalore Rural District, - India	INR	721,932,182	2,860,567,111	422,145,001	Direct 100%
OOO Biesse Group Russia	Ul. Elektrozavodskaya, 27 Moscow, Russian Federation	RUB	99,209,440	(22,630,882)	(8,397,624)	Direct 100%
Biesse FZE	Dubai, free Trade Zone	AED	11,242,857	(1,598,577)	(434,247)	Direct 100%

Name and registered office	Registered office	Currency	Share Capital	Equity including profit/loss for the year	Profit/loss for the year	Share held
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	Room 703, 7/F, Cheong Tai Comm, Bldg., 60 Wing Lok Street, Sheung Wan, Hong Kong	HKD	199,952,688	58,611,409	101,578,280	Direct 100%
Biesse Group Israel Ltd	8 Ha-Taas St. Ramat-Gan 5251248, Israel	ILS	100,000	3,411	(96,589)	Direct 100%
HSD USA Inc	3764 SW 30 th Avenue Hollywood Florida – Usa	USD	250,000	1,742,758	825,892	Indirect 100%
HSD Deutschland Gmbh	Brückenstraße 32 – Göppingen – Germany	EUR	25,000	470,560	210,369	Indirect 100%
HSD Mechatronic (Shanghai) CO.LTD	D2, first floor, 207 Taigu road – Waigaoqiao free trade zone - Shanghai – China	CNY	2,118,319	7,490,944	2,182,646	Indirect 100%
HSD Mechatronic Korea	414, Tawontakra2, 76, Dongsan-ro, Danwon-gu, Ansan-si 15434, South Korea	KRW	101,270,000	188,088,451	23,207,983	Indirect 100%
Biesse Schweiz GmbH	Grabenhofstrasse, 1 Kriens - Switzerland	CHF	100,000	1,088,929	227,657	Indirect 100%
Intermac do Brasil Comercio de Maquinas e Equipamentos Ltda.	Andar Pilotis Sala, 42 Sao Paulo – 2300 Brazil	BRL	12,964,254	77,958	(315,817)	Direct 99.96% Indirect 0.04%
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	Yukari Dudullu Mahallesi Bayraktar CD Nutuk Sock. 4 – Umraniye – Istanbul 34 34775 – Turkey	TRY	45,500,000	41,598,869	7,281,531	Direct 100%

Name and registered office	Registered office	Currency	Share Capital	Equity including profit/loss for the year	Profit/loss for the year	Share held
WMP-Woodworking machinery Portugal Unipessoal LDA	Sintra business park, ED.01 - 1ºQ Sintra - Portugal	EUR	5,000	(1,266,682)	(259,708)	Indirect 100%
Biesse Trading (Shanghai) CO.LTD	Building 10 No.205 Dong Ye Road - Dong Jing Industrial Zone, Song Jiang District - Shanghai - China	CNY	76,000,000	(5,360,980)	(1,903,716)	Indirect 100%
Biesse Indonesia Pt.	Jl. Kh.Mas Mansyur 121 Jakarta, Indonesia	IDR	2,500,000,000	8,900,715,099	1,223,571,706	Direct 10% Indirect 90%
Biesse Malaysia SDN BHD	Dataran Sunway, Kota Damansara – Petaling Jaya, Selangor Darul Ehsan – Malaysia	MYR	7,083,765	9,079,910	550,486	Indirect 100%
Biesse Korea LLC	Geomdan Industrial Estate, Oryu-Dong, Seo-Gu – Incheon – South Korea	KRW	100,000,000	3,569,152	(115,869,229)	Indirect 100%
Biesse Taiwan Ltd	6F-5, No. 188, Sec. 5, Nanking E. Rd., Taipei City 105, Taiwan (ROC)	TWD	500,000	7,208,860	3,140,400	Indirect 100%
Biesse Japan KK	C/O Mazars Japan K.K., ATT New Tower 11F, 2-11-7, Akasaka, Minato-ku, Tokyo	JPY	5,000,000	(37,664,205)	(42,664,205)	Indirect 100%

STATEMENT OF CHANGES IN EQUITY INVESTMENTS

Company	Historical Cost	Impairment previous years	Acquisitions, subscriptions, increases in share capital and capital contributions	Disposal and other movements	Impairment 2021	Value at 31/12/21
€ '000						
Biesse America Inc.	7,580	-	-	-	-	7,580
Biesse Asia Pte Ltd	1,088	-	-	-	-	1,088
Biesse Canada Inc.	96	-	-	-	-	96
Biesse Group Deutschland GmbH	9,719	(3,491)	-	-	-	6,228
Biesse Groupe France Sarl	4,879	-	-	-	-	4,879
Biesse Group Australia Pte Ltd	10,807	(10,300)	-	-	-	507
Biesse Group New Zealand PTY Ltd	1,806	(1,300)	-	-	-	506
Biesse Group Russia	1,580	(1,580)	188	-	-	188
Biesse Group UK Ltd	1,088	-	-	-	-	1,088
Biesse Group Israel Ltd	-	-	27	-	-	27
Biesse Gulf FZE	2,819	(2,819)	-	-	-	-
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	48,860	(35,060)	-	(13,369)	-	431
Biesse Iberica Woodworking Machinery SL	11,793	(7,345)	-	-	-	4,448
Biesse Indonesia PT.	23	-	-	-	-	23
Biesse Manufacturing Co. PVT Ltd	17,839	-	-	-	-	17,839
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	8,800	(5,000)	-	-	(1,000)	2,800
Biesservice Scandinavia AB	13	-	-	-	-	13
Bre.ma Brenna Macchine Srl	10,678	(6,531)	-	-	-	4,147
Bsoft Srl	507	-	-	(507)	-	-
Forvet Costruzione Macchine Speciali S.p.A.	-	-	41,400	-	-	41,400
HSD S.p.A.	21,915	-	-	-	-	21,915
Intermac Do Brasil Servicos e Negocios Ltda.	3,433	(3,433)	-	-	-	-
Montresor Srl	619	-	-	-	-	619
Movetro Srl	2,748	-	-	-	(748)	2,000
Uniteam S.p.A.	3,942	-	-	(3,942)	-	-
Viet Italia Srl	2,455	-	550	(3,005)	-	-
TOTALE	175,087	(76,859)	42,165	(20,823)	(1,748)	117,822

APPENDIX "B"

INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31 December 2021	Related parties	%	31 December 2020	Related parties	%
Revenue	517,709,768	223,337,154	43.14%	362,727,613	159,770,215	44.05%
Other operating income	6,365,073	2,037,237	32.01%	5,817,479	2,599,879	44.69%
Change in inventories of finished goods and work in progress	10,672,768	-	0.00%	(6,541,895)	-	-
Purchase of raw materials and consumables	(298,625,272)	(72,197,166)	24.18%	(199,659,197)	(58,827,727)	29.46%
Personnel expense	(131,967,130)	(591,371)	0.45%	(95,526,295)	277,425	(0.29)%
Personnel expense - non recurring items	(1,378,424)	-	-	(1,699,916)	(1,341,000)	78.89%
Other operating costs	(67,802,539)	(2,244,655)	3.31%	(46,512,922)	(4,408,237)	9.48%
Other operating costs - non recurring items	(198,916)	-	0.00%	(1,042,703)	-	-
Depreciation and amortisation	(21,135,947)	(238,079)	1.13%	(19,981,992)	(222,937)	1.12%
Accruals to provisions	(6,196,168)	-	0.00%	(7,645,691)	-	-
Accruals to provisions - non recurring items	(4,332,508)	-	0.00%	-	-	-
Impairment - non recurring items	(4,579,765)	-	-	(6,550,679)	-	-
Operating result	(1,469,060)			(16,616,198)		
Share of loss of associates	(2,429,526)	(2,429,526)	100.00%	275,542	275,542	100.00%
Financial income	8,090,402	85,326	1.05%	8,834,944	536,076	6.07%
Dividends	8,513,149	8,513,149	100.00%	16,522,237	16,435,754	99.48%
Financial expense	(12,482,861)	(67,766)	0.54%	(8,135,434)	(133,847)	1.65%
Result before taxes	222,104	-	0.00%	881,091	-	-
Income taxes	1,919,598	-	0.00%	4,660,839	-	-
Result for the year	2,141,702	-	0.00%	5,541,930	-	-

STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31 December 2021	Related parties	%	31 December 2020	Related parties	%
ASSETS						
Non-current assets						
Property, plant and machineries	56,861,141	-	-	57,556,731	-	-
Equipment and other tangible assets	6,656,665	-	-	6,330,410	-	-
Goodwill	8,398,870	-	-	6,345,588	-	-
Other intangible assets	27,717,739	-	-	40,376,652	-	-
Deferred tax assets	13,112,527	-	-	9,045,619	-	-
Investments in subsidiaries and associates	117,821,705	117,821,705	100.00%	98,228,184	98,228,184	100.00%
Other financial assets and non-current receivables	2,255,881	-	-	1,514,629	-	-
	232,824,528	117,821,705	50.61%	219,397,813	98,228,184	44.77%
Current assets						
Inventories	91,180,784	-	-	60,510,173	-	-
Trade receivables and contract assets	133,727,524	64,617,688	48.32%	107,642,482	53,665,751	49.86%
Other assets	10,665,393	6,051,129	56.74%	17,857,808	13,028,019	72.95%
Assets for derivative financial instruments	892,456	-	-	1,024,128	-	-
Financial assets	33,359,321	6,261,533	18.77%	52,625,503	25,625,753	48.69%
Cash and cash equivalents	92,812,492	-	-	128,277,813	-	-
	362,637,970	76,930,440	21.21%	367,937,907	92,319,523	25.09%
TOTAL ASSETS	595,462,498	194,752,145	32.71%	587,335,720	190,547,707	32.44%

STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31 December 2021	Related parties	%	31 December 2020	Related parties	%
EQUITY AND LIABILITIES						
Share capital	27,393,042	-	-	27,393,042	-	-
Capital reserves	36,202,011	-	-	36,202,011	-	-
Other reserves and retained earnings	127,615,976	-	-	123,439,144	-	-
Profit for the year	2,141,702	-	-	5,541,930	-	-
EQUITY	193,352,731	-	-	192,576,127	-	-
Non-current liabilities						
Post-employment benefits	9,812,430	-	-	9,722,367	-	-
Deferred tax liabilities	1,827,536	-	-	1,199,995	-	-
Bank loans and borrowings	0	-	-	42,086,827	-	-
Lease liabilities under IFRS 16	4,325,978	1,559,451	36.05%	5,423,576	1,683,003	31.03%
Altre passività verso terzi non correnti	3,212,500	-	-	-	-	-
	19,179,444	1,559,451	0.08%	58,432,765	1,683,003	0.03%
Current liabilities						
Trade payables	161,533,925	31,207,374	19.32%	117,926,998	24,578,236	20.84%
Contract liabilities	55,926,941	161,878	0.29%	25,932,605	12,260	0.05%
Other liabilities	43,316,627	34,413	0.08%	30,675,839	328,347	1.07%
Tax liabilities	4,871,190	-	-	900,000	-	-
Lease liabilities under IFRS 16	2,280,186	229,760	10.08%	2,023,608	209,545	10.36%
Bank loans and borrowings	94,186,811	93,745,034	99.53%	144,304,100	80,885,761	56.05%
Provisions for risks and charges	18,941,542	681,000	3.60%	13,807,931	-	-
Liabilities for derivative financial instruments	1,841,874	-	-	755,747	-	-
	382,899,096	126,059,459	0.33%	336,326,828	106,014,149	0.32%
LIABILITIES	402,078,540	127,618,910	31.74%	394,759,593	107,697,152	27.28%
TOTAL EQUITY AND LIABILITIES	595,431,271	127,618,910	21.43%	587,335,720	107,697,152	18.34%

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Biesse S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Biesse S.p.A. and its subsidiaries ("Biesse Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Biesse Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Biesse S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Forvet S.p.A. and of its subsidiary Forvet R&D S.r.l.

Description of the key audit matter

On October 11, 2021 a contract was signed for the 100% shares' acquisition of Forvet S.p.A., a company producing special automated machines for glass processing and of its subsidiary, Forvet R&D S.r.l.. This acquisition was completed on November 2, 2021 with the transfer of control to Biesse S.p.A. and, consequently, the inclusion in the consolidation perimeter started from the beginning of November.

The acquisition was recognized in the consolidated financial statements according to the purchase method, in accordance with the International Accounting Standard International Financial Reporting Standards 3 - Business combinations, involving the purchase price allocation process ("PPA"), that required Management to evaluate the fair values of the assets acquired and liabilities assumed, also with the support of an independent expert.

The final allocation of values in the PPA process has determined the recognition, at the acquisition date, of intangible assets with a defined useful life for Euro 18.5 million, of tangible assets for Euro 4.8 million, of a higher value of inventories for Euro 2.6 million, of the relative tax effects, and for the residual amount of a goodwill of Euro 23 million.

In consideration of the relevance of this transaction in the context of Biesse Group consolidated financial statements and of the complexity of the assessments required by IFRS 3 accounting standard, which, by nature, imply a high degree of judgment, we considered the acquisition of Forvet S.p.A. and its subsidiary Forvet R&D S.r.l. a key audit matter for the audit of Biesse Group consolidated financial statements.

Note 4 to the consolidated financial statements describes the method for the recognition of Business combinations and note 34 describes the valuation process adopted by Management and the disclosure related to the acquisition.

Audit procedures performed

In the context of our audit we have, among others, carried out the following procedures, also using the support of our network' experts:

- analysis of the agreements related to the acquisition of Forvet S.p.A.'s shares in order to understand its terms and main conditions;
- understanding of the relevant controls designed and implemented by Management on the measurement process of the business combination operation;
- audit procedures on the financial statements of the companies included in the business combination, with reference to the date of acquisition of control;

- analysis of the report prepared by the expert appointed by the Management, and evaluation of his objectivity and professional credentials;
- examination of the criteria and assumptions used by Management, with the support of the expert, for the identification of acquired assets and liabilities assumed, for the estimate of fair values and for the method of determining the residual goodwill.

Finally, we examined the adequacy of the disclosure provided by Biesse Group on business aggregation and its compliance with the provisions of the International Financial Reporting Standards 3.

Goodwill Impairment test

Description of the key audit matter

The consolidated financial statements include a Goodwill of Euro 46.7 million, allocated to the two cash generating units ("CGU") Machines & Systems and Mechatronics.

As described in Note 17, the implementation of the One Company project aimed at rationalizing and simplifying the organizational and control structure of Biesse Group business, is the basis for the Management decision to review the model in which the operating segments are represented, in light of the new ways of monitoring Biesse Group performance, as well as the aggregation of the CGUs in a coherent manner with the two operating segments, taking into account the production flexibility of each plant.

As required by the International Accounting Standard IAS 36, goodwill is not amortized and is subject to impairment test at least annually, by comparing the recoverable amounts of the CGUs identified by Biesse Group, determined according to the value-of-use methodology, and the related accounting values as at December 31, 2021, which take into account both goodwill and other assets allocated to the CGUs.

As a result of the impairment tests, Biesse Group did not detect any impairment losses on goodwill included in the balance sheet.

The evaluation process provided for in IAS 36 is complex and is based on assumptions concerning, inter alia, the forecast of expected CGU cash flows, the definition of an appropriate discount rate (WACC) and of a long-term growth (g-rate). The assumptions underlying the impairment test are, by nature, influenced by future expectations about the evolution of the external market conditions connected also to the business, which determine elements of physiological estimation uncertainty.

The impairment test at December 31, 2021 was carried out by the Management on the basis of economic and financial projections for the period 2022 to 2026; in particular, the estimate of operating cash flows for future periods was made as follows: (i) with reference to the year 2022, the data extracted from the 2022 budget approved on February 7, 2022; (ii) in relation to the year 2023, the industrial plan for the period 2021-2023 approved by the Board of Directors on July 30, 2021; (iii) in relation to the years 2024 to 2026, the updated projections of the main economic and financial variables.

In view of the subjectivity and random nature of the estimates relating to the determination of CGU cash flows and of the key variables of the impairment model, we considered the impairment test a key audit matter for the audit of Biesse Group consolidated financial statements.

The notes to the consolidated financial statements in paragraphs “4.L Intangible assets and Goodwill” and “4.R Impairment losses on property, plant and equipment and intangible assets” describe the valuation process applied by Management; note 17 shows the significant assumptions, as well as the goodwill information, including a sensitivity analysis illustrating the effects of changes in key variables used for impairment tests and the disclosure that the aggregation of CGUs did not lead to changes in the final outcome of these tests.

Audit procedures performed

In the context of our audit we have, among others, carried out the following procedures, also using the support of our network experts:

- understanding of the process and relevant controls designed and implemented by the Management for the preparation and approval of the impairment test;
- analysis of the coherence of the evaluation model with respect to the changes occurred in the perimeter of the CGUs due to the organizational and control rearrangement implemented by the Management;
- analysis of the reasonableness of the main assumptions adopted for the formulation of cash flow forecasts and the information obtained from Management;
- analysis of the actual results compared to the relevant expectations in order to assess the nature of the deviations and the reliability of the planning process of the forecast data;
- assessing the reasonableness of the discount rate (WACC) and long-term growth rate (g-rate) applied, by identifying and observing external sources usually used in practice;
- clerical accuracy’ test of the model used to calculate the value in use for the CGUs;
- test of the accurate determination of the carrying amount of the CGUs;
- sensitivity analysis’ test prepared by the Management.

Finally, we examined the adequacy and compliance of the disclosure provided by the Directors on impairment tests with respect to IAS 36.

Provisions for Risks and Charges

Description of the key audit matter

Provisions for risks and charges amounting to Euro 24,850 thousand (Euro 19,988 thousand as at December 31, 2020) are included in the consolidated financial statements, mainly attributable to the estimation of liabilities related to contractual warranties relating to sales of machinery, as well as disputes and/or litigations that may arise with customers.

Due to the kind of Biesse Group business, the obligations arising with reference to issues related to machinery quality and to warranties' provisions, imply evaluations by the Management, which require the use of estimates that, by nature, are characterized by a significant degree of judgment. Management shall determine the amount of such obligations on the basis of historical information on the nature, frequency and average cost of guarantee interventions.

In addition, in case of disputes and litigations, sometimes associated with complex legal issues, Management makes provisions when it considers that a financial outflow is likely to occur and when the liability can be measured with sufficient reliability, taking into account historical information.

With reference to the degree of judgment and the complexity of the assessments carried out by Management, we considered the estimate of provisions for risks and charges a key audit matter for the audit of the audit of Biesse Group consolidated financial statements.

The explanatory notes to the consolidated financial statements in paragraphs "3. Measurement criteria and use of estimates", "4.N Provisions for risks and charges" describe the evaluation process adopted by the Directors and paragraph "28. Provisions for risks and charges" provides disclosure on the estimation criteria adopted by the Directors and movement of the provisions for risks and charges occurred in the financial year ended as at December 31, 2021.

Audit procedures performed

Within the scope of our audit we have carried out the following procedures:

- understanding of the process for identifying and evaluating obligations related to sales contracts and orders, as well as liabilities for outstanding litigations;
- analysis of the reasonableness of the assumptions on the basis of the evaluations carried out by Management, as well as with the support of experts appointed for this purpose, and examination of the main internal documentation and of the related deeds, technical reports possibly prepared by Management experts, and historical information used by the Company to support the estimates;

- examination of the information obtained from internal and external lawyers and discussions with Management;
- retrospective analysis of the litigations already in place as at December 31, 2020 and concluded as of today, in order to test the reasonableness and reliability of the assessments carried out by Management when preparing the consolidated financial statements for the previous year;
- analysis of events occurred after the financial statements end date, which can provide useful information for the verification of estimates.

Finally, we examined the adequacy of the disclosure provided in the Notes with regard to this account balance.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing Biesse Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, Biesse Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Biesse Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Biesse Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Biesse Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Biesse Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Biesse S.p.A. appointed us on June 20, 2018 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815**

The Directors of Biesse S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Biesse S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Biesse Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Biesse Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Biesse Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree December 30, 2016, no. 254

The Directors of Biesse S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree December 30, 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree December 30, 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Montanari
Partner

Bologna, Italy
March 28, 2022

As disclosed by the Directors on page 44, the accompanying consolidated financial statements of Biesse S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Biesse S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Biesse S.p.A. (the “Company”), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are also described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provisions for Risks and Charges

Description of the key audit matter

Provisions for risks and charges amounting to Euro 18,942 thousand (Euro 13,808 thousand as at December 31, 2020) are included in the statutory financial statements, mainly attributable to the estimation of liabilities related to contractual warranties relating to sales of machinery, as well as disputes and/or litigations that may arise with customers.

Due to the kind of the Company's business, the obligations arising with reference to the issues related to machinery quality and to contractual warranties' provisions, imply evaluations by the Management, which require the use of estimates that, by their nature, are characterized by a significant degree of judgment. Management shall determine the amount of such obligations on the basis of historical information on the nature, frequency and average cost of guarantee interventions.

In addition, in case of disputes and litigations, sometimes associated with complex legal issues, Management makes provisions when it considers that a financial outflow is likely to occur and when the liability can be measured with sufficient reliability, taking into account historical information.

With reference to the degree of judgment and the complexity of the assessments carried out by Management, we considered the estimate of provisions for risks and charges a key audit matter for the audit of the Company's statutory financial statements.

The explanatory notes to the statutory financial statements in paragraphs "3. Measurement criteria and use of estimates" and "4.M Provisions for risks and charges" describe the evaluation process adopted by the Directors and paragraph "37. Provisions for risks and charges" provides disclosure on the estimation criteria adopted by the Directors and movement of the provisions for risks and charges occurred in the financial year ended as at December 31, 2021.

Audit procedures performed

Within the scope of our audit we have carried out the following procedures:

- understanding of the process for identifying and evaluating obligations related to sales contracts and orders, as well as liabilities for outstanding litigations;
- analysis of the reasonableness of the assumptions on the basis of the evaluations carried out by the Management, as well as with the support of experts appointed for this purpose, and examination of the main internal documentation and of the related deeds, technical reports possibly prepared by management experts, and historical information used by the Company to support the estimates;
- examination of the information obtained from internal and external lawyers and discussions with Management;

- retrospective analysis of the litigations already in place as at December 31, 2020 and concluded as of today, in order to test the reasonableness and reliability of the assessments carried out by the Management when preparing the statutory financial statements for the previous year;
- analysis of events occurred after the financial statements end date, which can provide useful information for the verification of estimates.

Finally, we examined the adequacy of the disclosure provided in the Notes with regard to this account balance.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Biesse S.p.A. appointed us on June 20, 2018 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815**

The Directors of Biesse S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Biesse S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Biesse S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Biesse S.p.A. as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Biesse S.p.A. as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Montanari
Partner

Bologna, Italy
March 28, 2022

As disclosed by the Directors on page 109, the accompanying financial statements of Biesse S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

BIESSE S.p.A.
Registered office in Pesaro - Via della
Meccanica 16 Share capital €27,393,042
Court of Pesaro — Tax Code 00113220412

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE
SHAREHOLDERS' MEETING

(pursuant to Art. 153 Italian Legislative Decree No. 58/98 and Art. 2429, paragraph 2, Italian Civil Code)

Dear Shareholders,

The Board of Statutory Auditors, pursuant to Art. 153 of Italian Legislative Decree 58/1998 ("Consolidated Law on Finance [TUF]") and Art. 2429, paragraph 2, of the Italian Civil Code, is called upon to report to the Shareholders' Meeting of BIESSE S.p.A. ("BIESSE" or the "Company"), called to approve the financial statements for the year ended 31 December 2021, on the supervisory activities carried out during the year in fulfilment of its duties, including in its capacity as "internal control and audit committee", on any omissions and reprehensible facts discovered and on the results of the company's financial year. The Board of Statutory Auditors may also make observations and proposals on the Financial Statements, their approval and on the matters for which it is responsible.

In particular, during the year and from the date of its appointment by the Shareholders' Meeting of 28 April 2021, the Board of Statutory Auditors carried out its institutional duties in compliance with the Italian Civil Code, the Consolidated Law on Finance (TUF), the by-laws, the principles of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian accounting association) and in compliance with the provisions issued by the public authorities which carry out supervisory and control activities at a national level, as well as the provisions contained in Art. 19 of Italian Legislative Decree 39/2010. During the year, the Board of Statutory Auditors monitored compliance with the law and the articles of association, respect for the principles of correct administration, the adequacy of the organisational structure as regards the aspects under its responsibility, the procedures for the concrete implementation of the rules of corporate governance, the internal control system and the administrative-accounting system, as well as the reliability of the latter in correctly representing management events, all of which is described in this Report.

This Board of Statutory Auditors was appointed on 28 April 2021, when the Shareholders' Meeting of BIESSE reappointed Board of Statutory Auditors, which had come to the end of its three-year term, appointing its members for the subsequent period and until the approval of the financial statements as at 31 December 2023, in the persons of Paolo De Mitri (Chairman), Enrica Perusia and Giovanni Ciurlo (Standing Auditors). The appointment was made on the basis of two lists submitted respectively by the Majority Shareholder and certain institutional investors, minority shareholders, in accordance with the applicable laws, regulations and by-laws. The Chairman of the Board of Statutory Auditors and an Alternate Auditor were taken from the minority list. The composition of the Board of Statutory Auditors complies with the gender distribution criterion set forth in Art. 148, paragraph 1-bis, of the Consolidated Law on Finance (TUF), as amended by Art. 1, paragraph 303, of Law No. 160 of 27 December 2019, also considering what was clarified in CONSOB Communication No. 1/2020 of 30 January 2020.

The Board's activities are supported by specific Regulations to facilitate its operations, adopted in June 2021.

During the year, the Board of Statutory Auditors acquired information to help it carry out the general supervisory tasks assigned to it, using the system of information flows envisaged within the BIESSE Group (the "BIESSE Group" or simply the "Group") as well as by taking part in Board of Directors' meetings.

The Board of Statutory Auditors held regular meetings with the Control and Risk Committee, the Remuneration Committee, the Related Parties Committee (the "Sub-committees") and with senior management in the persons of the Chairman of the Board of Directors and the Managing Directors. It also met the Supervisory Board set up pursuant to Italian Legislative Decree 231/01. It also held meetings with the boards of auditors of the main Group companies.

The Board had frequent discussions with the manager in charge of financial reporting (hereafter "Financial Reporting Manager") and with the Internal Audit Department.

The Board also held regular meetings with the company appointed to audit the accounts (the "Independent Auditors").

The recommendations and suggestions made by the Board are communicated to the corporate functions concerned during the meetings held or are communicated directly to the management or strategic supervision body and the related Sub-committees, with subsequent monitoring.

Given the above, the information, inter alia, required by CONSOB Communication No. 1025664 of 6 April 2001 as subsequently amended, is hereby provided.

I – INDICATIONS ON THE MAIN INCOME, FINANCIAL AND EQUITY TRANSACTIONS UNDERTAKEN BY BIESSE AND ON SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

The Board of Statutory Auditors carried out specific analyses the BIESSE Group's management on the main income, financial and equity transactions, also progress in achieving the individual objectives set, through constant and profitable discussion within the scope of the respective responsibilities.

As part of the meetings it took part in and the checks carried out, the Board of Statutory Auditors did not become aware of any clearly imprudent or risky transactions or involving a potential conflict of interests, or of any transactions contrary to the resolutions of the Shareholders' Meeting or which compromise the integrity of corporate assets.

The information acquired on the transactions in progress made it possible to ascertain that they complied with Italian Law and the By-laws and were in the Company's interest. It is considered that these transactions, which are fully described in the Directors' Report on Operations, do not require specific comments from the Board.

The main events that affected 2021 include, in particular, the following:

"One Company" Project

During the year, implementation of the rationalisation and simplification project of the organisational structure of the Group, defined as "One Company", continued. This project involves moving from a model focused on divisions and business units to four macro areas: offering, extended supply chain, customer, corporate functions. Implementation of the project involved profound changes to the organisational set-up, some of which are still in progress. The Board of Statutory Auditors, being entrusted, among other things, with the task of overseeing the adequacy of the organisational system, has monitored the project structuring and implementation and, in the course of 2022, will support the appropriate in-depth analysis of the activities still underway.

COVID 19

2021 was still affected, from an economic and social point of view, by the COVID-19 pandemic. The health emergency related to the spread of COVID-19 and the succession of restrictive measures adopted by the Government to protect public health had a significant impact on the management methods adopted by the Company to guarantee business continuity and essential customer services, while at the same time paying particular care and attention to the health and protection of employees, customers and suppliers.

In 2021, restrictive measures put in place by the authorities were less severe than in 2020 and more geographically localised, thanks also to the uptake of vaccinations. The BIESSE Group has drawn up and implemented a plan aimed at ensuring the health and safety of its own people and of those who visit the sites where its activities are carried out.

This situation, together with the significant reversal of the trend in the market in which the BIESSE Group operates, made it possible to deal with the health emergency of the past year without any major problems. In particular, remote collaboration and encouraging the use of videoconferencing enabled the Company to work in a coordinated and integrated way with the Group's subsidiaries and its dealers.

In this setting, the Board of Statutory Auditors checked that a high level of vigilance was maintained on preventive and safety provisions and on the possible impacts of the pandemic on expected performance and business risks.

At the end of the 2021, the BIESSE Group can be said to have weathered the most difficult phase of the COVID-19 pandemic crisis. In particular, it should be noted that the trend in orders was increasingly consolidated during the year, reaching record levels in the Company's history at the end of the period.

FORVET acquisition.

During October, BIESSE acquired 100% of the share capital of Forvet Costruzione Macchine Speciali S.p.A., a company based in Volvera, Turin, which produces special automated lines for glass processing ("FORVET"). The value of the transaction is approximately €41 million. With this transaction, in line with the strategic plan, the Group intended to enhance the offer towards the high end of the market by offering highly automated and customised machines and systems.

Uniteam S.p.A. and Bre.Ma. S.r.l. Mergers

As part of the ONE COMPANY project to rationalise and simplify the organisational structure of the BIESSE Group, on 24 December 2021, the mergers by incorporation of the companies Uniteam S.p.A. and Bre.Ma. S.r.l. into the parent company BIESSE were finalised.

Acquisition of the residual stake in Montresor S.r.l.

Among the most significant events after the end of the year, it should be noted that on 14 February 2022, the Company acquired 40% of the share capital of the subsidiary Montresor S.r.l., thereby increasing its shareholding to 100%.

Impacts of the current geo-political environment on the Group's business

The Board acknowledges that, in its Directors' Report on Operations, the Company has duly reported on the impact of the conflict in Ukraine and related international sanctions adopted on the Group's business.

In particular, for the BIESSE Group, which operates in Russia through its commercial subsidiary in Moscow, the Russian market represents around 3% of consolidated turnover. To the best of the Board's knowledge, the Company has put in place instruments to protect against the impact of the rouble's fluctuation and is monitoring the subsidiary's situation with a view to business continuity. The impact of economic sanctions and geopolitical tensions, the magnitude of which cannot be predicted at the moment, is likely to have an impact on business development in 2022.

II, III – INDICATIONS ON THE EXISTENCE AND ASSESSMENT OF THE ADEQUACY OF DISCLOSURE MADE BY DIRECTORS REGARDING ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRA-GROUP OR RELATED-PARTY TRANSACTIONS.

The Report on Operations drawn up by the Board of Directors, as well as the information acquired by the Board of Statutory Auditors, did not show the existence of atypical and/or unusual transactions with third parties and Group companies or with related parties.

The Board of Statutory Auditors acknowledges that the Company has adopted the regulation envisaged by CONSOB Resolutions nos. 17221/2010 and 17389/2010, which regulate transactions with related parties, and that the Committee envisaged by the aforementioned provisions held 3 meetings. In addition, the Board, where necessary, has requested further information and details.

That being said, it should be noted that information on transactions with connected and related parties is provided in the reports on operations drawn up by the Board of Directors. As far as the Board of Statutory Auditors is aware, these transactions were completed in the interests of the Company and do not require any observations regarding their suitability.

The Board of Statutory Auditors believes that it must positively note that the Board of Directors concluded the process of adapting the procedure for transactions with Related Parties within the timeframe set by the regulations. The procedure has been updated in compliance with CONSOB Resolution No. 21624/2020, with which the entity approved the amendments to the Regulation on Related Party Transactions (RPT), the Issuers' Regulation and the Market Regulation implementing the (EU) Directive 2017/828 on Shareholder Rights (Shareholder Rights Directive 2, SHRD II).

IV - OBSERVATIONS AND PROPOSALS ON FINDINGS AND INFORMATION REQUESTS CONTAINED IN THE INDEPENDENT AUDITORS' REPORT

Pursuant to the combined effect of Italian Legislative Decree No. 39 of 27 January 2010 and Regulation (EU) No. 537/2014, the engagement for the statutory audit of the accounts and the audit of the separate and consolidated financial statements was conferred by the Shareholders' Meeting of 20 June 2018, for the nine-year period 2019-2027, on the Independent Auditors Deloitte & Touche S.p.A., along with the attribution of the judgment on consistency and compliance with the laws as set out in Art. 123-bis, paragraph 4, of the Consolidated Law on Finance (TUF).

On 28 March 2022, the Independent Auditors issued, pursuant to Art. 14 of Italian Legislative Decree No. 39/2010 and Art. 10 of the Regulation (EU), No. 537/2014, the Audit report on the separate financial statements as at 31 December 2021.

In this report, the Independent Auditors:

- expressed a judgment on the basis of which the separate financial statements provide a true and correct representation of the Company's equity and financial situation as at 31 December 2021, the income and cash flows in the year at such date in compliance with the International Reporting Standards adopted by the European Union as well as the measures issued in implementation of Art. 9 of Italian Legislative Decree No. 38/2005;

- declared that the Report on Operations which accompanies the separate financial statements and some specific information contained in the Corporate Governance and Ownership Structure Report indicated in Art. 123-bis, paragraph 4, of the Consolidated Law on Finance (TUF), are consistent with the draft budget and prepared in compliance with the legal provisions.

Therefore, the Independent Auditors' report does not include any information requests, exceptions or findings. In accordance with the new applicable regulatory provisions, the Independent Auditors' report sets out the audit principles applied and indicates the "key aspects" that emerged during the audit, which refer to provisions for risks and charges.

On 28 March 2022, the Independent Auditors also issued the Audit report relating to the consolidated financial statements, which also included no findings or information requests. It contains statements and declarations similar to those set out above also at individual level, and highlights the following key aspects:

- recognition of the acquisition of FORVET (and of its subsidiary Forvet R&D srl);
- impairment test of goodwill;
- provisions for risks and charges.

On the same date, the Independent Auditors also submitted the additional Report envisaged by Art. 11 of Regulation (EU) No. 537/2014 to the Board of Statutory Auditors. This shows no significant failings in the internal control system in relation to the financial disclosure process, which are worthy of being brought to the attention of the managers responsible for governance; this report also states that during the audit no cases of actual or presumed non-compliance with laws and regulations or by-laws were found.

In addition, the Independent Auditors submitted the statement relating to independence to the Board of Statutory Auditors, as required by art. 6 of Regulation (EU) no. 537/2014, from which no situations emerge that may compromise their independence.

The Board also noted the Transparency Report prepared by the Independent Auditors and published on their website pursuant to Art. 18 of Italian Legislative Decree No. 39/2010.

V - INDICATIONS ON ANY COMPLAINTS UNDER ART. 2408 OF THE ITALIAN CIVIL CODE AND INITIATIVES UNDERTAKEN

During the year and up to the date of this report, the Board of Statutory Auditors has not received any complaint pursuant to Art. 2408 of the Italian Civil Code.

VI – INDICATIONS ON ANY SUBMISSION OF PETITIONS AND INITIATIVES UNDERTAKEN

During the year no claims or petitions were received.

VII - INDICATIONS ON ANY FURTHER SUPPLEMENTARY ENGAGEMENTS FOR THE INDEPENDENT AUDITORS AND THE RELATED COSTS

The Independent Auditors received, together with the other companies belonging to its network, in addition to the duties envisaged by the law for listed companies, further engagements which are accessory and/or connected to the statutory audit, the fees for which are set out in the annex to the financial statements, as required by Art. 149-duodecies of the Issuers' Regulation, amount to a total of €136 thousand, broken down as follows:

a) € 10 thousand for the work undertaken to issue the declaration of compliance of the Consolidated Non-Financial Statement (Sustainability Report under Italian Legislative Decree no. 254/2016);

b) € 21 thousand for work connected to confirming the actual expenses incurred for Research & Development;

c) € 105 thousand for activities related to the performance of the financial due diligence relating to FORVET.

The aforementioned engagements other than the statutory audit, where required by the law and not already authorised by the resolutions of the Shareholders' Meeting of 20 June 2018, were, where necessary, approved in advance by the Board of Statutory Auditors pursuant to articles 4 and 5 of Regulation (EU) No. 537/2014. In this regard, BIESSE adopted a "Group Regulation on the process of conferring engagements on Independent Auditors and their network", with the aim of defining the process of conferring engagements by the BIESSE Group on the independent auditors and on subjects connected to them, the roles and responsibilities at Group level, and the related rules and methodologies.

Furthermore, it should be noted that the audit fees recognised by the subsidiaries to Deloitte & Touche S.p.A. and to companies in the Deloitte network for 2021 total €78 thousand, in addition to €8 thousand for certification services.

The Board of Statutory Auditors - having obtained the report on the independence of the Independent Auditors pursuant to Art. 6 of Regulation (EU) No. 2014/537 - does not consider that there are any critical aspects in terms of the independence of the latter or causes of incompatibility pursuant to articles 10, 10-bis and 17 of Italian Legislative Decree no. 39/2010 and the related implementing provisions.

VIII - INDICATIONS ON ANY FURTHER ENGAGEMENTS TO SUBJECTS LINKED TO THE COMPANY ENGAGED FOR THE AUDIT BY ONGOING BUSINESS RELATIONS AND THE RELATED COSTS

During 2021, the BIESSE Group did not confer any collaborative engagement on companies linked by ongoing business relations with the Independent Auditors, also in regard to activities started in previous years.

IX – INDICATIONS ON THE EXISTENCE OF OPINIONS ISSUED DURING 2021 BY THE BOARD OF STATUTORY AUDITORS PURSUANT TO THE LAW

We would like to inform you that during the year, the Board of Statutory Auditors expressed its favourable opinion on the distribution of the remuneration resolved by the Shareholders' Meeting of 28 April 2021, among the members of the Board of Directors as resolved by the latter at its meeting held on 12 May 2021.

X – INDICATIONS ON THE MEETINGS ATTENDED BY THE BOARD OF STATUTORY AUDITORS IN 2021

Since the date of its appointment, the Board of Statutory Auditors has held nine meetings during the 2021 financial year, in addition to the eight meetings held by the previous board. The relevant minutes record the control and supervision activities carried out. During the current year and up to the date of approval of this Report, the Board of Statutory Auditors has held 5 meetings.

The Board of Auditors attended the meetings of the Board of Directors, convened in accordance with the current By-laws; during 2021, since the appointment of the Board of Statutory Auditors, seven meetings have been held, in addition to the five meetings held prior to the appointment of this Board. It also took part in the meetings of the Control and Risk Committee, the Remuneration Committee and the Related Parties Committee which – from the appointment of the new Board of Directors on 28 April 2021 until the end of the year – held six meetings, four meetings and two meetings, respectively, to which must be added one meeting held by each of the aforementioned committees in the period up to 28 April 2021.

XI – OBSERVATIONS ON COMPLIANCE WITH THE PRINCIPLES OF CORRECT ADMINISTRATION

The Board of Statutory Auditors monitored compliance with Italian law, the provisions of the by-laws and the instructions issued by the Supervisory and Control Authorities; acquired knowledge of and monitored, to the extent of its competence, compliance with the principles of proper management.

The Board of Statutory Auditors has acquired knowledge of and supervised, to the extent of its competence, compliance with the fundamental criterion of sound and prudent management of the Company and the more general principle of diligence, on the basis of the documentation and timely information obtained from the Board of Directors or received from the Chief Executive Officer and/or the various management and key functions, relating to the transactions carried out by the Company. In particular, the decision-making process of the Board of Directors appeared to be correctly inspired by respect for the fundamental principle of informed action, implemented following adequate and in-depth analysis and assessment of the relevant matters. Adequate information was provided on the structure of the delegation system and on the exercise of delegated powers, after which the Board of Statutory Auditors also verified the suitability of the system to guarantee current operations and the correct control over the decision-making process. The delegated body acted within the limits of the powers delegated to it. There were no transactions that were unrelated to the corporate purpose, in conflict of interest, manifestly imprudent or risky, such as to compromise the integrity of the company's assets, or aimed at eliminating or modifying the rights attributed by law or the By-laws to shareholders or in conflict with the resolutions adopted by the Shareholders' Meeting and the Board of Directors.

The current Board of Directors was appointed on 28 April 2021, when the Shareholders' Meeting of BIESSE renewed the Board of Directors, which had ceased to hold office for three years, appointing for the following period and until approval of the financial statements for the year ending 31 December 2023 its members Giancarlo Selci, Chairman, Roberto Selci, Chief Executive Officer, Massimo Potenza, Co-Chief Executive Officer, and the newly elected Directors Alessandra Baronciani, Rossella Schiavini, Federica Ricceri and Ferruccio Borsani, the latter selected from the list proposed by the minority shareholders.

On the same date, powers and proxies were granted to the Chairman of the Board of Directors, the Chief Executive Officer and the Co-Chief Executive Officer, also in view of their central role in the management of the company.

In the opinion of this Board of Statutory Auditors, BIESSE is managed in compliance with the law and the company's by-laws.

The Board of Statutory Auditors has monitored and will continue to monitor the adequacy of the structure of powers and proxies during 2022, also as a result of the implementation of the aforementioned "One Company" project and the business plan approved by the Board of Directors.

Overall, the Company's management activities did not give rise to any particular or significant remarks and/or observations either by the Board of Statutory Auditors or – to the best of the Board's knowledge – by any other body invested with specific control functions.

As regards the decision-making processes of the Board of Directors, the Board of Statutory Auditors oversaw, also by taking direct part in their meetings, the compliance of these processes with the law and the By-Laws and verified that the resolutions of the Board of Directors were backed by adequate information, analysis and verification processes.

The Board of Statutory Auditors took note of the statements made pursuant to Art. 2391 of the Italian Civil Code.

It should be noted that the work of the Board saw the involvement, on invitation, of the Chief Executive Officer, the co-Chief Executive Officer, the Financial Reporting Manager and other managers, depending on the specific items on the agenda, to illustrate and analyse the provisions subject to resolution. By drawing on these participants, the Board was able to delve into the transactions proposed and their impact on income and equity.

In particular, during the meetings with the Co-Chief Executive Officer, the Board of Statutory Auditors examined in detail the matters of greatest interest to BIESSE and the Group, including in particular those relating to the “One Company” project, providing its own observations on the matter.

The Board of Statutory Auditors took note of the annual remuneration report approved by the Board of Directors on 14 March 2022, monitoring from the outset the process of amending the remuneration policy, which incorporates the corrective measures suggested by the Supervisory Authority during the discussions it held with both the Company and the Board of Statutory Auditors.

The Company, following the suggestions made by the Board of Statutory Auditors in its report on the 2020 Financial Statements, also carried out a sensitivity analysis on the new Remuneration Policy in relation to two scenarios. The first, assuming timely achievement of the objectives detailed in the three-year plan; the second, assuming a worst-case scenario based on the results, in terms of percentage deviation from forecasts, of 2020, or a more adverse scenario. This analysis was presented to the Board of Statutory Auditors, which considered it clear and exhaustive, as well as useful for assessing the adequacy and consistency of the incentive system.

XII – OBSERVATIONS ON THE ADEQUACY OF THE ORGANISATIONAL STRUCTURE

During the year, the Board of Statutory Auditors held regular meetings with the relevant departments in order to assess the adequacy of the organisational structure.

The Board of Statutory Auditors took note of the changes made to the company's organisational chart and the new policy, approved by the Board of Directors on 15 March 2021, for the issue of new delegated powers by the co-CEO to certain managers of first- and second-level functions in order to implement the progress of the “One Company” project. They focus in particular on the supply chain, offering, customer, service and HR functions and redistribute, in line with the new organisational model, powers relating to current and applicable legislation on employee health and safety, the environment, safety and product liability and, finally, the allocation of powers relating to the management of one's own function, including spending powers.

The Board of Statutory Auditors considers the draft organisational model to be adequate, even though, in light of the unpredictability of the geo-political and economic situation, it has suggested that risk management activities be strengthened with specific reference to the risks that this situation could create for the Group's activities.

XIII - OBSERVATIONS ON THE ADEQUACY OF THE INTERNAL CONTROL SYSTEM

As part of its role of supervising the adequacy of the internal control and risk management system (Art. 149 of the Consolidated Law on Finance (TUF) and Recommendation 32 of the Corporate Governance Code), the Board of Statutory Auditors was able to ascertain that the internal regulatory framework was updated annually, in order to ensure its adequacy also with respect to the evolution of the company's operations and organisational structure.

BIESSE's internal control system is based on first, second and third level controls. The second level controls are carried out by the Compliance, Risk Management and Financial Reporting Manager functions; those of the third level are carried out by the Internal Audit function, which for part of its operational activities

makes recourse to the support of an external advisor. The Company has adopted an appropriate risk management policy, overseen by the Risk Management function, which is described in the Report on Operations.

The Board considers that, in general, the key functions meet the requirements of autonomy and independence and that, together with the other bodies and functions to which a control role is attributed, they cooperate with each other by exchanging all useful information for the performance of their respective tasks, as well as sharing points of attention detected during the verification activities. The Board of Statutory Auditors continuously monitored the issues highlighted by the Internal Audit and Compliance departments, the scope of the activities carried out by them, and the related actions planned to overcome the anomalies detected. In particular, through the Audit function, the Board has requested to be constantly informed on the strengthening measures adopted and those in the process of being adopted, by means of specific in-depth analysis of the audit reports and the status of implementation of the remediations adopted.

Regarding the implementation of the Enterprise Risk Management (ERM) system, the Board notes that the Company has a risk management system that complies with the provisions of the Corporate Governance Code. While noting that in 2021 ERM management continued to be delegated to the internal audit function, the Board positively noted that as of 2022 the role of Risk Manager will be the responsibility of the "Quality" function, with the possible support of the finance function for specific financial risks.

XIV - OBSERVATIONS ON THE ADEQUACY OF THE ADMINISTRATIVE-ACCOUNTING SYSTEM AND ON ITS RELIABILITY IN CORRECTLY REPRESENTING OPERATIONS

The Board of Statutory Auditors oversaw the adequacy of the administrative-accounting system and its reliability in correctly representing operations, by obtaining information from relevant department heads and from the Financial Reporting Manager, examining the most important corporate documents, analysing the results of the work undertaken by the Independent Auditors, by the Financial Reporting Manager, as well as by Internal Audit.

The Board of Statutory Auditors, as the internal control and audit committee, also following the amendments made to our legal system by Italian Legislative Decree No. 135/2016, monitored the process and controlled the effectiveness of the internal control and risk management systems as regards financial disclosure. Financial disclosure is managed by the Financial Reporting Manager by adopting models which refer to market best-practices and which provide reasonable security about the reliability of financial disclosure, the effectiveness and efficiency of operations, compliance with the laws and internal regulations. The processes and controls are periodically reviewed and updated.

The administrative and accounting procedures for drawing up the separate and consolidated financial statements, as for every other financial communication required by law, were prepared under the responsibility of the Financial Reporting Manager who, together with the Chief Executive Officer, confirms their adequacy and effective application.

Given the task assigned to the Board of Statutory Auditors in the context of the financial reporting process, also in its capacity as the Internal Control and Audit Committee pursuant to Art. 19, paragraph 2, letter c., of Italian Legislative Decree 39/2010, the Board of Statutory Auditors maintained close coordination with the Management Administration and Budget (hereafter MAB). In particular, the Board of Statutory Auditors periodically met the MAB to exchange information on the administrative-accounting system, as well as on the reliability of the latter in correctly representing operations.

During these meetings no significant failings in operational and control processes emerged which, due to their importance, may affect the judgment on adequacy and effective application of the administrative-accounting procedures put in place to control correct representation of operations, in compliance with the international accounting standards in force.

However, the Board of Statutory Auditors recommends increasing standardisation of the separate financial reporting processes within the various BIESSE Group subsidiaries, also with a view to simplifying control systems.

The Independent Auditors checked the administrative and accounting procedures without highlighting any findings on their reliability or elements which may affect the internal control system regarding administrative and accounting procedures. In addition, they verified the accuracy of the entries in the accounting records, operations, as well as the completeness of information and the measurement criteria used to prepare the separate and consolidated financial statements, without any findings and/or observations.

Although under Italian Legislative Decree 39/2010 the statutory audit of the accounts is not part of the duties of the Board of Statutory Auditors, since it is entrusted to the Independent Auditors, it is considered, on the basis of the information received from the latter, from the Financial Reporting Manager and from the checks envisaged by articles 2403 et seq. of the Italian Civil Code, that the administrative and accounting system overall is adequate and reliable and that the operations are correctly and promptly recorded.

XV – OBSERVATIONS ON THE ADEQUACY OF ORDERS ISSUED TO SUBSIDIARIES PURSUANT TO ART. 114 OF THE CONSOLIDATED LAW ON FINANCE (TUF)

The Board of Statutory Auditors acquired knowledge of and supervised, to the extent of its competence, the adequacy of the orders issued by the Company to its subsidiaries pursuant to Art. 114, paragraph 2 of Italian Legislative Decree 58/98, ensured by the instructions issued by the Company's management to the other Group companies, also by gathering information from the boards of statutory auditors of subsidiaries and in this regard has no particular observations to report.

XVI – OBSERVATIONS REGARDING RELEVANT ASPECTS THAT EMERGED DURING MEETINGS WITH AUDITORS PURSUANT TO ART. 150 PARAGRAPH 3 OF ITALIAN LEGISLATIVE DECREE 58/1998

In accordance with the provisions of Art. 19 of Italian Legislative Decree No. 39/2010, the Board of Statutory Auditors, identified as the “Internal Control and Audit Committee”, undertook the prescribed supervisory work also on the activities of the Independent Auditors.

During 2021 and up to the date of this Report, the Board monitored the work undertaken by the Independent Auditors, analysing its implications for Financial reporting.

In addition, the Board of Statutory Auditors, also in light of the communications issued by CONSOB, promoted effective and timely communication with the auditors, in order to mutually exchange information useful for the performance of their respective duties, also pursuant to Art. 150, paragraph 3, of the Consolidated Law on Finance (TUF).

During periodic meetings with the Independent Auditors, the main issues and changes in processes and organisation with an impact on the accounting systems and on Financial Disclosure were also discussed.

Particular in-depth analysis was dedicated to the valuation processes in the finance area and to the processes of impairment of equity investments and goodwill, as well as to the information on subsequent events to be provided in the separate and consolidated financial statements relating to transactions concluded between the closing date of the year and the date of approval of the draft financial statements by the Board of Directors.

The Board of Statutory Auditors also informed the Independent Auditors of its activities and reported that no acts or facts deemed reprehensible and/or worthy of note were highlighted.

Overall, relations with the auditors did not reveal any anomalies, critical issues or omissions to be noted in this report.

XVII - ADHERENCE BY THE COMPANY TO THE CORPORATE GOVERNANCE CODE

BIESSE drafted the “Corporate Governance and Ownership Structure Report” drawing heavily on the “Format for Corporate Governance and Ownership Structure Report” prepared by Borsa Italiana S.p.A. and in this regard the Board of Statutory Auditors verified approval of the same by the Company’s Board on 14 March 2022.

Please note that the Company has resolved to adhere to this Code, starting a process of alignment to its recommendations. On the basis of the “comply or explain” principle, the Company, in the Corporate Governance and Ownership Structure Report, reported and motivated any partial non-alignment with the recommendations in the aforementioned Report. In this regard, the Board acknowledges that the Company organised four induction sessions for corporate officers during 2021, which were also attended by members of the Board.

Although there is no specific regulatory obligation, in 2021, the Board of Statutory Auditors deemed it appropriate to carry out a self-assessment of its work, as a stimulus to its continuous strengthening, drawing inspiration from the reference regulations and best practices, as well as from the principles contained in the *Rules of conduct for the Board of Statutory Auditors of listed companies* (2018), of the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian accounting association). The self-assessment did not reveal any substantial inadequacies and the result was positive, particularly with regard to the assessment of the composition, structure and functioning of the Board, as well as the skills of the Auditors.

While attending the meetings of the Board of Directors, the Board of Statutory Auditors also noted that the Board of Directors decided not to carry out a self-assessment of its qualitative and quantitative composition and its functions, in accordance with the provisions of the Corporate Governance Code (Recommendation 22) and in consideration of the fact that it took office on 28 April 2021.

XVIII – FINAL ASSESSMENT REGARDING THE SUPERVISORY WORK UNDERTAKEN AS WELL AS ANY OMISSIONS, REPREHENSIBLE ACTS OR IRREGULARITIES DETECTED DURING THE SUPERVISORY ACTIVITY

The Board of Statutory Auditors carried out its activities in the light of the regulatory framework, as well as carrying out the audits deemed appropriate on the basis of an annual plan. The Board verified the functionality of internal procedures, which were found to be adequate to ensure compliance with the law, regulations and by-laws.

From the supervisory and control work carried out no omissions, reprehensible acts, imprudent transactions or irregularities emerged such as to be reported to you, nor did any significant facts which should be reported to the Supervisory and Control Authorities or be mentioned in this Report. The information acquired on the transactions in progress made it possible to ascertain that they complied with Italian Law and the By-laws and were in the Company's interest.

BIESSE, in compliance with the provisions of Legislative Decree no. 254/2016 implementing Directive 2014/95 / EU, has also prepared the "Consolidated non-financial statement" (hence "NFS") relating to 2021. The NFS, which was approved by the Board of Directors on 14 March 2022 as a separate report under Art. 5 of the aforementioned Decree, will be published on 28 March 2022 together with the draft separate and consolidated financial statements.

The BIESSE Group's NFS, as required by Art. 5, paragraph 3, letter b) of Italian Legislative Decree 254/2016, is a separate report from the Report on Operations and is made available on the institutional website. The NFS must contain environmental and social information as well as information relating to staff, respect of human rights, anti-bribery and anti-corruption, to the extent needed to understand the performance of the company, the situation in which it operates and the impact caused by its business, by considering the material issues identified in the non-financial area through the materiality analysis applied to the issues envisaged by Italian Legislative Decree 254/2016.

Within the scope of the functions attributed by the law to the Board of Statutory Auditors in relation to the NFS, the Board:

- monitored compliance with the relevant legal provisions;
- acquired the certificate issued on 28 March 2022 by the Independent Auditors in which it expresses a judgment of conformity of the NFS pursuant to articles 3 and 4 of Italian Legislative Decree 254/2016.

The Company's income, financial and equity situation, which is set out for you in the draft (separate) financial statements for the year ended on 31 December 2021, shows a net profit for the period of €2,141,702 and equity including the net profit for the year of €193,352,731.

The consolidated financial statements of the BIESSE Group, for the same financial year, show net profit of €34,194,897 and equity including the net profit for the year of €249,216,866.

Both the draft separate financial statements and the consolidated financial statements were prepared on a going concern basis, were drafted without using exemptions in applying the accounting standards and measurement criteria and, as already noted, were certified by the Independent Auditors without making any findings or information requests.

Overall, the year just ended confirmed the good performance of the Company and of the Group.

With regard to the separate and consolidated financial statements for the year ended 31 December 2021, the Board of Auditors notes the following:

- the Board of Statutory Auditors ascertained, through direct checks and information obtained from the Independent Auditors, compliance with the laws governing the preparation and layout of the separate and consolidated financial statements and the Report on Operations, as well as the financial statement formats adopted, certifying the correct use of the accounting principles described in the notes to the financial statements and the Report on Operations;
- in application of CONSOB Resolution No. 15519/2006, the effects of related party transactions are expressly disclosed in the financial statements;
- the financial statements correspond to the facts and information that have come to the knowledge of the Board of Auditors in the exercise of its duties and powers of control and inspection;
- to the best of the Board's knowledge, the Directors in drawing up the financial statements have not departed from the legal provisions set forth in Art. 2423, paragraph 5, of the Italian Civil Code;

- the Chief Executive Officer and the Financial Reporting Manager have issued the certification pursuant to art. 81-ter of Consob Regulation no. 11971/1999, as amended and supplemented, and art. 154-bis of the Consolidated Law on Finance (TUF);
- the Report on Operations meets legal requirements and provides the necessary information on the activities and significant transactions of which the Board has been informed during the year and in the first few months of the following year, on the main risks of the Company and the Group, on intra-group transactions, as well as on the process of adapting the corporate organisation to the governance principles contained in the Corporate Governance Code for Listed Companies.

On the premise that control of the regularity of the bookkeeping and the correct recording of management events in the accounting records, as well as the verification of correspondence between the information in the financial statements and the results in the accounting records and the conformity of the financial statements with the law, is entrusted to the Independent Auditors, the Board of Statutory Auditors acknowledges that it has supervised the general layout of the financial statements, having preliminarily ascertained, through meetings with the heads of the functions concerned and with the Independent Auditors, the absence of violations of the accounting principles applied, as well as the adequacy of the administrative and accounting system to correctly transpose and represent management events and to translate them into reliable data systems for the realisation of external information.

XIX – PROPOSALS TO THE SHAREHOLDERS’ MEETING

In relation to the financial statements for the year ended on 31 December 2021, the Board of Directors proposes to allocate the profit for the year, amounting to €2,141,702.48, to the Extraordinary Reserve and, in consideration of the fact that the Company did not distribute dividends during the two previous years, also proposes the payment of a gross dividend of €0.624 per share, by taking a total of €17,099,218.03 from the Extraordinary Reserve.

With regard to the proposal for the allocation of the profit for the year and the distribution of a dividend, formulated by the Board of Directors, the Board of Statutory Auditors believes that it is based on assumptions that allow capitalisation requirements to be met.

Summarising the supervisory and control work undertaken, the Board of Statutory Auditors does not believe that grounds exist to exercise the option of making proposals to the Shareholders’ Meeting pursuant to Art.153, paragraph 2 of the Consolidated Law on Finance (TUF).

XX – CONCLUSIONS

Dear Shareholders,

In concluding this Report, as a result of the supervisory activities carried out during the year and taking into account all of the above:

a) we note the adequacy of the organisational, administrative and accounting structure adopted by the company and its effective functioning, as well as the efficiency and effectiveness of the system of internal controls, internal audit and risk management;

b) with reference to the financial statements, considering the contents of the audit reports issued by the Independent Auditors and noting the statements jointly issued by the Chief Executive Officer and the Financial Reporting Manager, the Board of Statutory Auditors does not note – to the extent of its responsibilities – any elements that prevent approval of the draft financial statements of BIESSE as at 31 December 2021 accompanied by the Report on Operations and the Notes, in accordance with the text approved by the Board of Directors on 14 March 2022.

Pesaro, 28 march 2022

The Board of Statutory Auditors

Paolo De Mitri [signature]

Enrica Perusia [signature]

Giovanni Ciurlo [signature]