

Annual Report 2022

Biesse S.p.A.

ANNUAL REPORT AS AT 31 DECEMBER 2022

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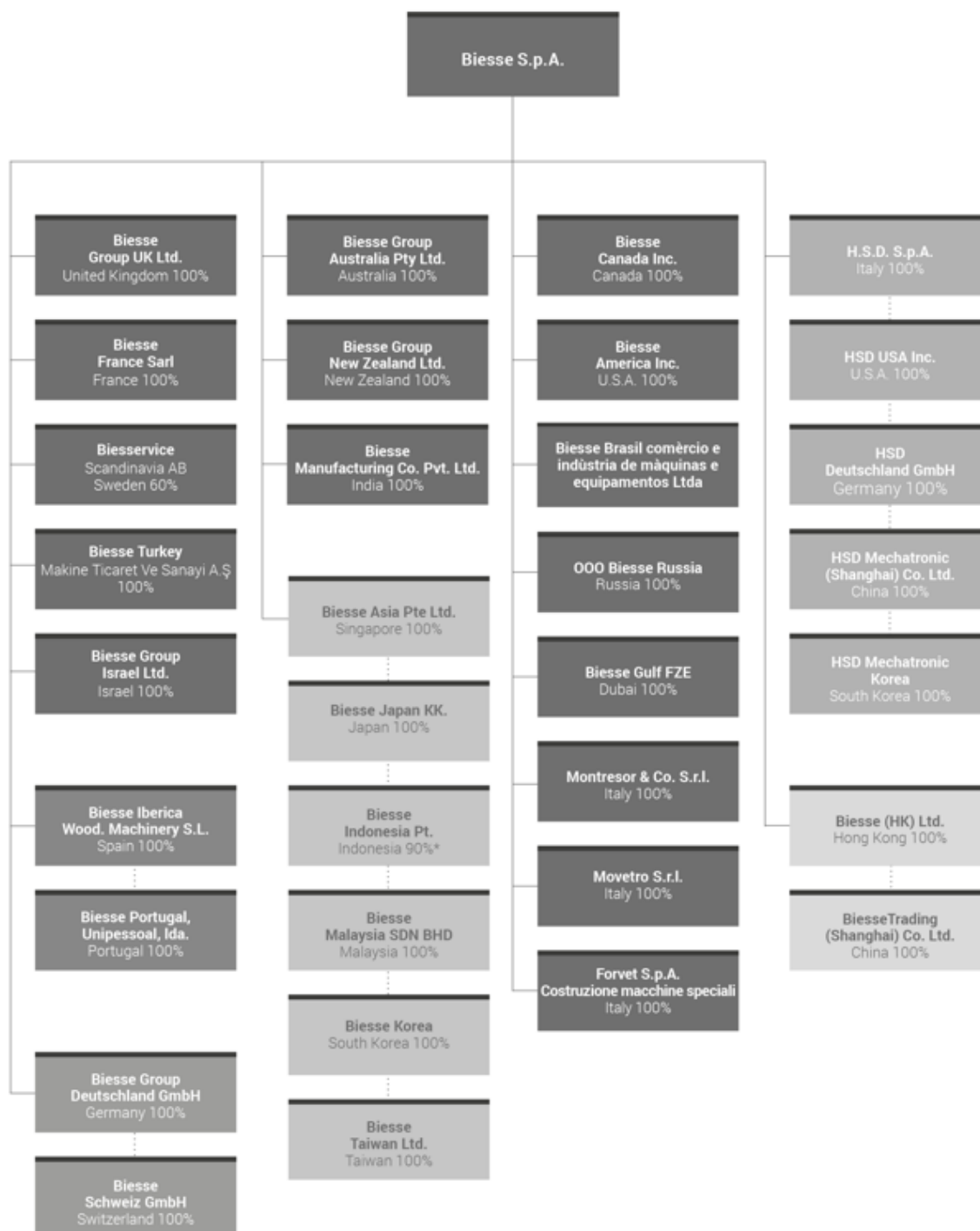
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THE BIESSE GROUP

BIESSE 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

BIESSE GROUP PROFILE

The Biesse Group is a multinational manufacturer of integrated lines and machines for the processing of wood, glass, stone, plastics, composites and future materials. Founded in Italy in 1969 and listed on the Euronext Star segment of the Italian Borsa Italiana stock exchange since June 2001, the Biesse Group supports the business development of its customers in the furniture, housing & construction, automotive and aerospace sectors. Today, more than 75% of its consolidated turnover is generated abroad, thanks to an ever-expanding worldwide network with 4 production sites and over 30 showrooms covering more than 160 countries. Thanks to the expertise of over 4,100 employees, leading companies in their sectors and the most respected names in Italian and international design are inspired to unlock the potential of every material.

With respect to the consolidated financial statements for the year ended 31 December 2021, we note the merger of the subsidiary Bre.Ma. Brenna Macchine S.r.l., previously 98% owned, into the parent company Biesse S.p.A. (effective 1 January 2022). On the other hand, there was a change in the percentage of ownership due to the purchase of an additional shareholding in Montresor S.r.l., through which its controlling interest increased from 60% to 100%, which took place in February 2022. For further details on these transactions, please refer to the section “Scope of Consolidation” in the Notes to the Financial Statements.

Please also note that the purchase of the remaining 40% of the equity investment in Movetro S.r.l. was finalised in May 2022. This transaction had no de facto effect on the consolidated financial statements as the company was already 100% consolidated by virtue of the fact that it was considered possible to exercise the put/call option on the aforementioned minority interest.

Finally, on 1 November 2022 (with effect from 1 January 2022), the process of merging the subsidiary Forvet Research & Development S.r.l. into Forvet S.p.A. Costruzione Macchine Speciali (its parent company and a subsidiary of Biesse S.p.A.) was completed. It should be noted that the aforementioned merger transactions have no impact 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 better assess the Biesse Group's performance. The criterion applied by the Biesse 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 previous year used for comparison.

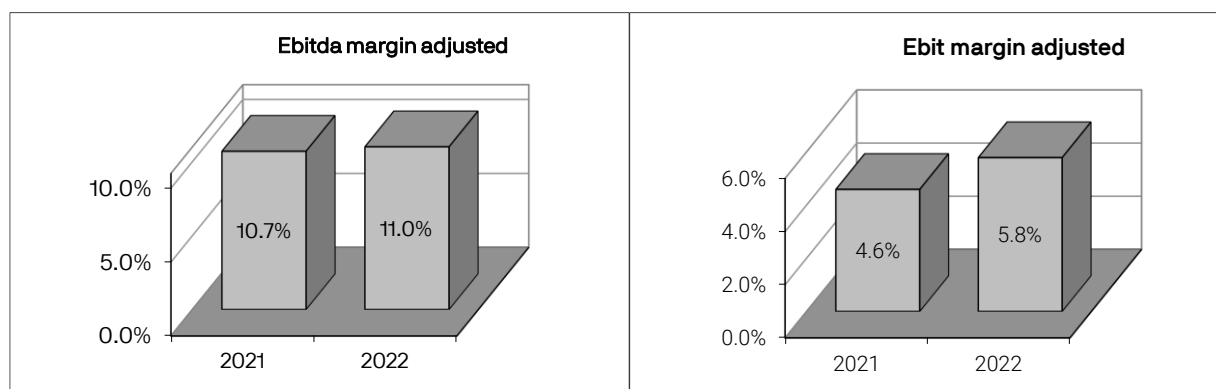
Performance indicators are to be regarded as complementary to and not a substitute for financial data prepared in accordance with IFRS. Hereafter is a description of the main indicators adopted.

- *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 Management considers as non-recurring relative to the Biesse 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 Management considers as non-recurring relative to the Biesse 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 Management considers as non-recurring relative to the Biesse Group's ordinary operations.
- *Operating Profit or EBIT (Earnings Before Interest and Taxes)*: this indicator is defined as Profit (Loss) for the year before income taxes, financial income and expenses, and foreign exchange losses and gains.

- *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 compliance 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

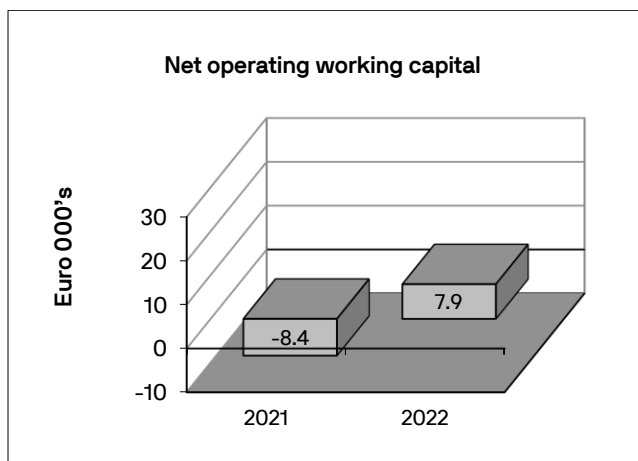
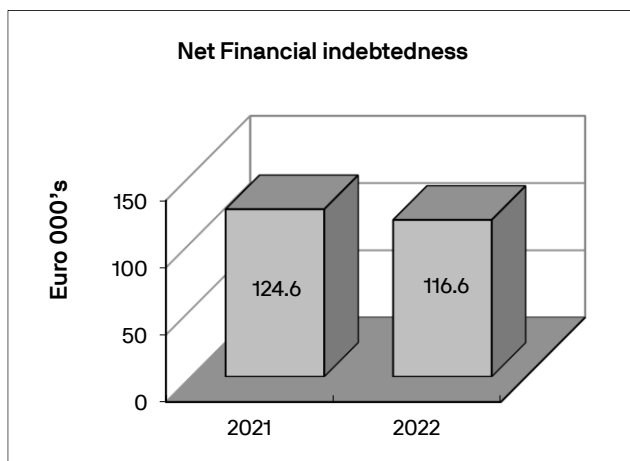
	31 December 2022	% on sales	31 December 2021	% on sales	Change %
<i>Euro 000's</i>					
Revenue from sales and services	822,425	100.0%	742,199	100.0%	10.8%
Normalised Added value (1)	341,983	41.6%	312,091	42.0%	9.6%
Ebitda (Gross operating profit) adjusted(1)	90,559	11.0%	79,672	10.7%	13.7%
Ebit adjusted (1)	47,574	5.8%	34,064	4.6%	39.7%
Ebit (1)	50,749	6.2%	45,721	6.2%	11.0%
Profit/Loss for the period	30,296	3.7%	34,195	4.6%	(11.4)%



Statement of Financial Position

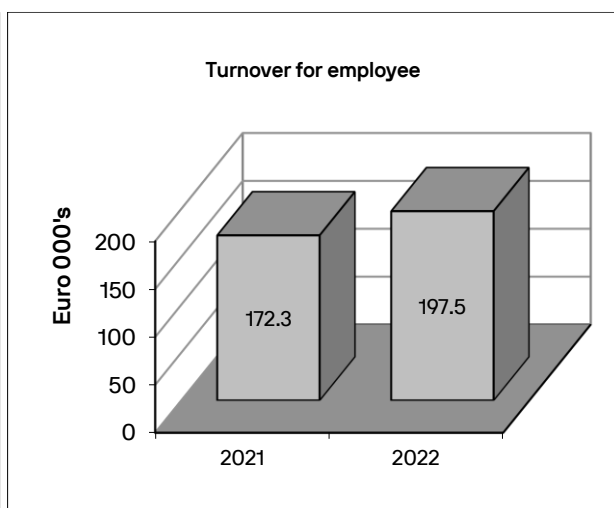
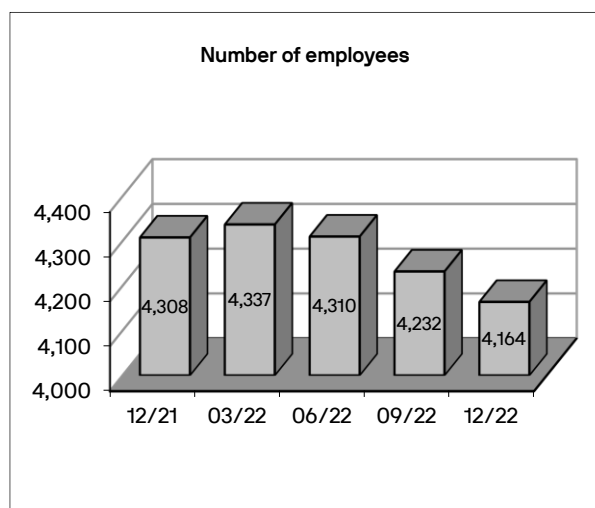
	31 December 2022	31 December 2021
<i>Euro 000's</i>		
Net invested capital (1)	144,147	124,614
Equity	260,793	249,217
Net financial position (1)	116,646	124,603
Net operating working capital (1)	7,908	(8,375)
Order intake	384,659	378,213

(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.



Personnel (*)

	31 December 2022	31 December 2021
Number of employees at year end	4,164	4,308



* includes agency workers.

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 Perusia
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

After robust growth in the third quarter of 2022, survey data signal a weakening of global economic activity at the turn of the year. Worldwide, persistent inflationary pressures are eroding disposable income. The normalisation of bottlenecks along global supply chains continued, although the disruption of economic activity in China could trigger new pressures with global repercussions. World trade dynamics continued to moderate in November, while leading indicators and very short-term forecasts point to a contraction in Q4 2022. Price pressures remain high worldwide, but may have already reached their peak, as overall inflation for the OECD as a whole moderated further in November.

Globally, the outlook is dampened by the slowdown in demand. In December, the world composite Purchasing Managers' Index (PMI) remained below the expansion threshold at 48.7, confirming the slowdown in the international economy around the end of the year. The ECB's index of global activity, based on high-frequency indicators, also points to a further slowdown in economic activity in the final quarter of the year. The weakening of world growth in the fourth quarter followed the strong expansion observed in the previous quarter, in which world GDP had increased by 1.7% over the previous period, driven by the recovery in the US and China. In December, however, the index showed some improvement, thanks to positive data from the labour and financial markets. This indicates a possible gradual recovery in early 2023, which could be further boosted later in the year by the reopening of the Chinese economy. Global supply chains continue to show some resilience, despite the COVID-19-related turmoil in China. In China, with a surge of COVID-19 infections, there were signs of renewed supply-side bottlenecks, which were reflected in the longer delivery times observed in the country according to the specific PMI index in November and December. There is little indication, however, that the longer delivery times recorded in China are being passed on to the rest of the world. Indeed, bottlenecks along global supply chains continued to normalise in the wake of the global demand slowdown. In January, the world PMI index for supplier delivery times continued to improve, approaching the neutral threshold. Global supply-side pressures eased for all items, including textiles and electronic goods.

Nevertheless, worsening bottlenecks in the global supply chain continue to be a downside risk for the international economy in connection with the lifting of COVID-19-related restrictions in China.

UNITED STATES

Economic activity in the US held up better than expected. In the last quarter of 2022, GDP in real terms grew at an annualised rate of 2.9%. The slight deceleration of economic activity compared to the previous quarter reflected the weakening of domestic demand and a sharp decline in net trade, attributable to a sharper drop in exports in real terms than in the previous quarter. However, the stronger growth observed in the second half of 2022 compared to the first half of the year conceals an underlying downward trend in private consumption and investment during the year as a whole.

Despite tense conditions in the labour market, overall inflation is decreasing as energy price pressures ease. Overall 12-month inflation measured by the CPI fell to 6.5% in December, while 12-month inflation excluding the food and energy component fell to 5.7%, reflecting the slowdown in the prices of goods taken into account in the calculation of core inflation, partly offset by the persistently high level of prices of services taken into account. Looking ahead, the growth outlook for the first half of 2023 remains clouded by the expected further deterioration in private residential construction investment, despite easing inflation and robust labour markets.

JAPAN

In Japan, the economic recovery continues against a backdrop of rising inflation. Real GDP is expected to have returned to positive growth in the fourth quarter, although considerable difficulties remain. The recovery of private consumption in real terms so far has been modest, with private spending in real terms on the purchase of goods still below pre-pandemic levels. In the fourth quarter of 2022, manufacturing activity weakened, suffering from the moderation of global demand and a non-rapid loosening of supply-side constraints. In December, overall inflation increased further, to 4%, largely due to higher energy goods prices and, to a lesser extent, food prices. Core inflation increased slightly from 1.5% in November to 1.6% in December. Looking ahead, overall inflation is expected to moderate somewhat in 2023, on the back of lower import cost pressures, a stronger yen and energy-related subsidies.

UNITED KINGDOM

In the UK, the expansionary momentum is expected to weaken further. Although monthly GDP rose unexpectedly in November, with a modest increase due to buoyant activity in services, most short-term indicators point to continued weakness in growth momentum in an environment characterised by households continuing to face falling real wages, tight financial conditions and corrections in the residential property market. The numerous strikes of British civil servants, which took place in December and January, will also put a strain on business.

Twelve-month inflation measured by the CPI in December fell to 10.5%. This decline was again mainly driven by the negative contribution of vehicle fuel prices, only partly offset by higher prices for food, restaurants and hotels. Core inflation held steady at 6.3% in December, driven largely by rising service prices.

CHINA

In China, the sudden end to the zero-COVID policy destabilised economic activity in the short term. The sudden lifting of COVID-19-related restrictions on 7 December, which was announced following protests against the containment measures, came as a surprise. In December, the PMI compiled by China's National Bureau of Statistics, which looked at the latter part of the month (when infections were rising), showed a sharp decline, particularly in service sector activity. This slump in demand is also reflected in the QuantCube high-frequency index of consumption in China. Daily mobility indicators in Chinese cities also reported a sharp decline in December, although this was followed by a hint of partial recovery in January. Consistent with these trends, GDP fell to 2.9% in the fourth quarter of 2022 over the corresponding period. Inflationary pressures were contained, in line with the weakness of economic activity. In December, inflation measured by the producer price index remained negative for the third consecutive month, while 12-month inflation measured by the CPI has remained below 2% since October.

EUROZONE

Economic growth in the eurozone slowed in the second half of 2022. After a strong performance in the first half of 2022, economic growth slowed considerably, to 0.3% in the third quarter and then fell to 0.1% in the last quarter of last year. While the previous strong growth was driven by a pick-up in demand for contact-intensive services, following the reopening of the economy after the lifting of pandemic-related restrictions in the first half of the year, soaring energy prices in the second half of the year started to dampen spending and production. The eurozone also felt the impact of weakening global demand and the tightening of monetary policy in many major economies. Although a breakdown of growth is not yet available, short-term indicators and published national statistics suggest that domestic demand and changes in inventories made a negative contribution to growth in Q4, compared to a positive contribution from net trade. According to an initial 12-month growth estimate for 2022, based on seasonally and calendar-adjusted quarterly data, GDP increased by 3.5%.

Despite the continued weakness, recent economic indicators provide mixed signals regarding GDP growth at the beginning of the year. In January 2023, the composite PMI for Euro area output stood at 50.2, above the average for the fourth quarter and in line with a broadly stagnating level of output. While manufacturing PMI continues to show a contraction in Q1 2023, services PMI is now at a level slightly above 50, indicating slow but positive growth. Although the outlook for both sectors improved slightly in January, developments were still affected by the improving but still present disruptions in supply chains, as well as by high commodity prices and the resulting high levels of overall uncertainty. In the latest Survey of Professional Forecasters (SPF), conducted by the ECB in early January, respondents forecast negative growth in the first quarter, with a return to positive territory in the following quarter. As the effects of the Russian invasion of Ukraine fade, including protracted high inflation rates, still high uncertainty and weak foreign demand, a gradual recovery is expected thanks to the resilience of the labour market and budgetary support measures.

ITALY

In the summer months, GDP in Italy increased by 0.5% over the previous quarter, exceeding the value before the pandemic by almost 2 percentage points. Growth was supported by domestic demand. The strong expansion of household consumption continued; gross fixed capital formation increased, albeit to a lesser extent than in the previous period, due to the contraction of the construction component, observed for the first time since the beginning of 2020. By contrast, foreign trade subtracted 1.3 percentage points from GDP growth; exports stagnated against a marked increase in imports. On the supply side, value added increased in services, particularly in those related to leisure and tourism, while it decreased in industry. According to model estimates by the Bank of Italy, economic activity weakened in the fourth quarter compared to the previous period; the effects of persistently high energy prices and the dampening of the recovery of the sectors most affected by the pandemic, such as trade, transport and accommodation services, would have influenced this. By 2022 as a whole, GDP would have increased by almost 4%. Based

on Bank of Italy estimates, which take into account both the most recent high-frequency data on electricity and gas consumption and motorway traffic, as well as assessments published by companies in December - industrial production declined in the fourth quarter. Since the beginning of the summer, those sectors with the most intensive use of energy inputs have declined most. The opinions expressed by manufacturing companies in the average of the fourth quarter indicate a downturn in activity, as revealed by both the PMI index and the ISTAT surveys. Historically high energy price levels and uncertainty related to the conflict in Ukraine continue to weigh heavily. In services, confidence indicators show a more favourable picture overall, reflecting trends in the trade sector. Looking ahead, less unfavourable indications come from the Bank of Italy's surveys conducted between November and December, according to which companies' assessments of their own operational situation became less negative compared to the previous quarter. There are signs of recovery in demand expectations for the coming months, but almost half of the manufacturing companies and around a third of the service companies are still saying that the difficulties related to the cost of energy are similar or greater when compared to the summer months. Problems with the supply of raw materials and intermediate inputs affected about 30% of the companies in industry in the narrow sense and the tertiary sector, and approximately half of those in the construction sector, a decrease from the previous survey.

BUSINESS SECTOR REVIEW

UCIMU – SISTEMI PER PRODURRE (SYSTEMS TO PRODUCE)

In the fourth quarter of 2022, the machine tool order index compiled by the UCIMU-SISTEMI PER PRODURRE Research & Business Culture Centre showed an increase of 3.5% compared to the period October-December 2021. The absolute value of the index was 133.6 (base value of 100 in 2015). This is the new record value for the quarter. 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 2.4% compared to the same period last year. The absolute value of the index stood at 103.9. On the domestic front, orders collected increased by 5.4%, for an absolute index value of 257, a new all-time high. Barbara Colombo, Chair of UCIMU-SISTEMI PER PRODURRE, said: "this performance, which is really satisfactory because it compares favourably with the already exceptional result in Q4 2021, is largely the result of the acceleration of purchase decisions by users who wanted to complete their investments by 2022 to benefit from the 40% tax credit, knowing – given the government announcements – that the rate would be halved from January 2023.

On a year-on-year basis, the order index, on the other hand, fell by -7.8% to an absolute value of 120.1. The drop is attributable to the reduction in order intake on the Italian market (-20.8%) for an absolute value of 144.7. On the other hand, orders from abroad grew (+2.8%), for an absolute value of 115.9.

Barbara Colombo, Chair of UCIMU-SISTEMI PER PRODURRE, stated: "if we look at the order intake result for the entire year, it is clear that the sharp increase in the fourth quarter still failed to lift the decline recorded in the previous quarters, which was mainly due to the downsizing of order intake by manufacturers in the Italian market, which is however comparable with the boom recorded in the four quarters of 2021". "On the other hand," continued UCIMU-SISTEMI PER PRODURRE President Barbara Colombo, "we expected this trend for both the annual index and the last quarterly. In particular, with reference to the 12 months, the drop on the domestic side is physiological: we cannot assume that the Italian market will continue to grow at the rate recorded in the last two years. That said, the demand expressed in our country remains lively as the digital transformation process is in full swing". "This is why," continued Barbara Colombo, "we need to ensure continuity for the 4.0 measures, which have been in place for more than five years, and must continue and, if possible, be improved. While we understand the government's decision to prioritise measures to reduce the impact of high energy prices on the entire population, businesses and individuals, we reiterate the need to confirm the operability of the 4.0 measures under the planned conditions until 2022." "In detail," continued the UCIMU president, "with respect to the 'Transition 4.0' measures, we are asking for the 40% rate to be maintained also in the tax credit calculation for 2023. If no adjustments are made, the rate will be halved from January 2023; this will only cool the propensity of Italian users to invest in new production technologies. This is a risk we cannot take because the upgrade of Officina Italia has certainly begun but much remains to be done. At the same time, we request a three-month shift, from 30 September to 31 December 2023, of the delivery time for machinery ordered by 31 December 2022 (for which a down payment of 20% was made), in order to absorb the delays in the delivery of electrical and electronic components suffered by manufacturers during production." "In the medium to long term, we then think," concluded Barbara Colombo, "that, in addition to the tax credit for new investments in digital and interconnected technologies, a further measure should be envisaged, to be used also in a cumulative manner, which could take the form of a tax credit for sustainability. This measure, in our opinion, should support actions that lead to the integrated development of new generations of products, also taking into account the impact in terms of environmental footprint."

ACIMALL – ITALIAN WOODWORKING TECHNOLOGY ASSOCIATION

The year 2022 ends with another positive sign for the world of machinery, equipment, tools for the woodworking and furniture industry. According to data compiled by the Studies Office of Acimall, the confederation of industry associations representing the sector's companies, total production reached a value of € 2,646 million, 4.6% more than the record set in 2021. Signs of substantial resilience on the export front, which came in at € 1,757 million (up 1% compared to 2021), with domestic sales thus standing at € 889 million, a good 12.1% more than last year's excellent results, which were also a record for these items. Imports grew (€ 257 million, plus 5.3% over 2021), bringing the trade balance to a positive balance of € 1,500 million, essentially the same value as in 2021, on which the increase was 0.2%. The apparent consumption in Italy thus stands at € 1,146 million, a good 10.8% more than last year. The data speaks for itself: in 2022, companies in the sector maintained the successes of the previous two years, albeit with lower percentage growth. On the other hand, it would have been impossible to do better, both because, as has been noted, the reference point is the record indicators of 2021, and because in 2022 the effects of the pandemic were compounded by the Russian invasion of Ukraine, the rise in energy costs, the closure of many markets and the continuing difficulties in the supply of components and raw materials. Factors that made themselves felt more strongly in the last quarter of 2022, with results that undoubtedly impacted the final annual results. On the other hand, Italian "customer" companies continued to invest at a sustained rate, undoubtedly driven by strong incentives from the central authorities to renew their machinery on a large scale and in a comprehensive manner. Never before has it been so difficult to make a forecast for 2023: the well-discussed global complexities, the general economic climate that seems destined not to stimulate household consumption or encourage new mortgages for property purchases or renovations, and the strong technological push of companies in recent years undoubtedly give rise to cautious optimism that could lead to a substantial confirmation of the levels reached this year.

2022 TREND

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, have had repercussions on international markets, both in terms of financial market trends and commodity prices.

In this rather unstable environment, the Biesse Group, which operates in Russia through its commercial subsidiary Biesse Russia in Moscow, continued to work on maintaining the operations and employment level of its subsidiary. It is also noted that invoicing in Euro on the Russian market protected the subsidiary from the impact of rouble fluctuations.

Regarding the direct impact of the conflict on the Biesse Group, please note that as of 31 December 2022 the credit exposure to the Russian market was € 1 million and the cash held in roubles was € 3.8 million. Inventories at the Russian subsidiary amounted to € 0.7 million as at 31 December 2022.

The reference context was therefore characterised by significant uncertainties due to the evolution of the international geopolitical context with consequent repercussions on energy supplies, the inflation of the costs of materials and the divergent policies against the spread of COVID-19, which particularly affected the Chinese market.

At the end of 2022, the Biesse Group's portfolio stood at € 384,659 thousand, slightly up from December 2021.

This performance was made possible thanks to the Biesse Group's extensive distribution network, which made it possible to counter the uncertainties in certain geographical areas.

In this context, Biesse Group's revenue from sales and services in 2022 was € 822,425 thousand, up 10.8% on 2021. The increase was noted in all the geographical areas of reference: Western Europe (12.9%), Asia-Oceania (4.5%), North America (28.5%). Eastern Europe and the Rest of the World, on the other hand, recorded decreases of (5.6%) and (7.1%) respectively.

Western Europe was once again the Biesse Group's largest market, generating € 431,136 thousand in turnover, i.e. 52.4% of the total. A breakdown of revenues by operating segment shows that Machine-Systems and Mechatronics increased by 10.7% and 10.0% respectively in 2021.

The above-mentioned rise in volumes was reflected in the operating result for the period, as indicated by Adjusted EBITDA, which, gross of non-recurring charges, amounted to € 90,559 thousand, up by 13.7%. Normalised operating profit (Adjusted EBIT) improved as well (€ 47,574 thousand in 2022 compared to € 34,064 thousand in 2021), with a positive delta of € 13,510 thousand and an impact on revenue that moved to 5.8% from 4.6%.

It should be noted that the Biesse Group's economic result for the current year was positively impacted by "non-recurring events" amounting to € 3,175 thousand, solely as a result of the COVID-19 grant received during the year from the US subsidiary Biesse America Inc.

Notwithstanding the positive trend in economic performance (with revenues and margins growing) described so far, financial performance was instead affected by the dynamics of net operating working capital, which increased by € 16,283 thousand compared to December 2021 (with a consequent contraction in cash generation). This is mainly attributable to the growth in inventories of € 36,171 thousand (20.2%) compared to the previous year, confirming the deliberate strategy pursued by the Biesse Group aimed at minimising the impact of uncertainties relating to the supply of materials that characterised 2022, thus providing itself with substantial warehouse coverage, necessary to meet the sales prospects positively supported by the order backlog. Trade payables showed a decrease of € 4,664 thousand, where the persistent criticalities in the supply chain, which were particularly evident in the first nine months of the year, temporarily resulted in greater bargaining power in favour of strategic suppliers, with a consequent decrease in average payment days (DPO), which then realigned at year-end.

Remaining on the subject of changes in net working capital, the trends in inventories and trade payables were partially offset by the € 13,449 thousand (10.6%) decrease in trade receivables, as a result of the reduction in average collection days, also due to the Italian tax relief policy – specifically the 40% rate in the calculation of the tax credit relating to Industry 4.0. – which manifested itself with particular vigour in the last quarter of the year, and with positive repercussions also on the increase in contractual liabilities, which rose by € 11,104 thousand, linked to the trend of order intake.

The Net Financial Position (hereinafter also "NFP") of the Biesse Group at 31 December 2022 was positive at € 116,646 thousand, a decrease of € 7,957 thousand compared to the figure at 31 December 2021 (6.3%). The change is mainly influenced by the distribution of dividends in the first half of 2022 (amounting to € 17.1 million) and the aforementioned trend in net working capital, despite the positive results obtained at the operating level during the year.

The scenario described so far confirms that throughout 2022 the Biesse Group has focused its attention on inflationary dynamics through targeted actions aimed at preserving margins, albeit in the presence of a prudent stock management policy that has led to a reduction in cash flows attributable to operations.

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 2022 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.

2022 MAIN EVENTS

RUSSIA-UKRAINE CONFLICT

The year 2022 was characterised by the war conflict between Russia and Ukraine, where ongoing geopolitical tensions and the evolution of the war had repercussions on international markets, both in terms of financial market trends and commodity prices. Added to this were the impacts of the economic sanctions, which led Management to focus on monitoring the Russian subsidiary's economic-financial performance, which took this into account in its assessments of the recoverability of trade receivables and inventories, while maintaining the operations and employment levels of the sales subsidiary.

In consideration of the measures implemented by the Biesse 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

Fairs and events are part of the Biesse Group's marketing strategy, as they are an opportunity to present itself to customers and prospects, giving them the chance to find out more about the Group, the latest technological solutions and the services it offers.

In recent years, in response to the changing international scenario and the travel habits of its customers, the Biesse Group has rethought and implemented new strategies to maintain relationships with customers and prospects in a constantly evolving scenario, offering them new content and new ways of interacting, including online, thanks to the introduction of digital content discovery platforms, webinars and live demos.

PARTICIPATION IN THE PAN-EUROPEAN SMALL MID CAP CONFERENCE

Biesse remotely participated in the conference organised by J.P. Morgan-Cazenove for European Mid/Small Cap companies. During the event, the CEO Roberto Selci outlined the main features of the Biesse Group, the short-term industrial objectives and the impact of recent events in the international arena.

PARTICIPATION IN THE EURONEXT STAR CONFERENCE 2022

Biesse took part, virtually, in the conference organised by Borsa Italiana Euronext Star Conference 2022, reserved for companies in the Star segment. During the event, the Biesse Group management had the opportunity to share its strategies and activities with Italian and foreign investors and analysts. In particular, concerning the ongoing conflict in Ukraine, the management clarified that the Biesse Group has limited exposure to countries involved in the war and/or affected by EU sanctions, namely Ukraine, Russia and Belarus. Together, these three countries make up a tiny percentage of the Biesse Group's order book (sales only). Although there are currently no tangible economic or financial impacts, the Company is constantly monitoring any developments that may potentially affect its business.

BIESSE PARTICIPATES IN THE 2022 ITALIAN EXCELLENCES CONFERENCE OCTOBER-PARIS

Biesse took part in the 2022 Italian Excellences - Mid Corporate Conference event held in Paris last October. During the event, the company's management met with the international financial community, sharing their views on the current environment and commenting on the results achieved.

DIRECTORS' REPORT ON OPERATIONS OF THE BIESSE GROUP

As indicated in the Notes to the Consolidated Financial Statements, the accounting principles adopted in the consolidated financial statements as at 31 December 2022 are the same as those adopted in the previous year.

INCOME STATEMENT HIGHLIGHTS

Income Statement as at 31 December 2022 highlighting non-recurring items

	31 December 2022	% on sales	31 December 2021	% on sales	CHANGE %
<i>Euro 000's</i>					
Revenue from sales and services	822,425	100.0%	742,199	100.0%	10.8%
Change in inventories, wip, semi-finished products and finished products	30,791	3.7%	21,409	2.9%	43.8%
Other revenues	8,421	1.0%	7,007	0.9%	20.2%
Value of production	861,638	104.8%	770,615	103.8%	11.8%
Raw materials, consumables, supplies and goods	(363,363)	(44.2)%	(333,566)	(44.9)%	8.9%
Other operating costs	(156,292)	(19.0)%	(124,958)	(16.8)%	25.1%
Personnel expense	(251,423)	(30.6)%	(232,419)	(31.3)%	8.2%
Gross operating result before non recurring items	90,559	11.0%	79,672	10.7%	13.7%
Depreciation and amortisation	(32,496)	(4.0)%	(33,236)	(4.5)%	(2.2)%
Provisions	(10,489)	(1.3)%	(12,372)	(1.7)%	(15.2)%
Operating results before non recurring items	47,574	5.8%	34,064	4.6%	39.7%
Non recurring-items	3,175	0.4%	11,657	1.6%	(72.8)%
Operating result	50,749	6.2%	45,721	6.2%	11.0%
Net financial income	868	0.1%	292	0.0%	-
Net financial expenses	(2,014)	(0.2)%	(2,595)	(0.3)%	(22.4)%
Net exchange rate losses	(7,969)	(1.0)%	(2,933)	(0.4)%	-
Pre-tax result	41,634	5.1%	40,484	5.5%	2.8%
Income taxes	(11,338)	(1.4)%	(6,289)	(0.8)%	80.3%
Result for the year	30,296	3.7%	34,195	4.6%	(11.4)%

Please note that interim results set out in the table were not identified as an accounting measure under the International Accounting Standards; therefore, they must not be considered a replacement measure for assessing the Biesse Group's performance and result. In addition, please note that the criterion used by the Biesse 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 2022 amounted to € 822,425 thousand, compared to € 742,199 thousand in 2021, with an overall increase of 10.8% over the previous year. This increase is attributable not only to the general positive sales trend, but also to the weight of turnover for the 12 months of the 2022 financial year of the subsidiary Forvet S.p.A. compared to the 2 months of the 2021 financial year, as it was acquired by the Biesse Group with effect from 1 November 2021.

The breakdown of revenues by operating segment remains substantially unchanged (with the Machine-Systems segment accounting for approximately 91.0% of Biesse Group revenues), while both segments show an increase of 10.7% for Machine-Systems and 10.0% for Mechatronics, respectively. Looking at the turnover by geographical area, the increase concerned all the following geographical areas of reference: Western Europe (12.9%), Asia-Oceania (4.5%), North America (28.5%). Eastern Europe and the Rest of the World, on the other hand, recorded decreases of (5.6%) and (7.1%) respectively.

Breakdown of revenue by operating segment

	31 December 2022	%	31 December 2021	%	Change % 2022/2021
<i>Euro 000's</i>					
Machines and Systems Division	748,804	91.0%	676,442	91.1%	10.7%
Mechatronics Division	105,165	12.8%	95,585	12.9%	10.0%
Inter-segment eliminations	(31,544)	(3.8)%	(29,828)	(4.0)%	5.8%
Total	822,425	100.0%	742,199	100.0%	10.8%

Breakdown of revenue by geographical area

	31 December 2022	%	31 December 2021	%	Change % 2022/2021
<i>Euro 000's</i>					
Western Europe	431,136	52.4%	381,900	51.5%	12.9%
Asia-Pacific	100,257	12.2%	95,906	12.9%	4.5%
Eastern Europe	113,120	13.8%	119,854	16.1%	(5.6)%
North America	157,334	19.1%	122,399	16.5%	28.5%
Rest of the World	20,578	2.5%	22,140	3.0%	(7.1)%
Total	822,425	100.0%	742,199	100.0%	10.8%

Value of production amounted to € 861,638 thousand, up 11.8% compared to the figure for 2021 (€ 770,615 thousand).

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

	31 December 2022	%	31 December 2021	%
<i>Euro 000's</i>				
Value of production	861,638	100.0%	770,615	100.0%
Raw materials and goods	363,363	42.2%	333,566	43.3%
Other operating costs	156,292	18.1%	124,958	16.2%
<i>Service costs</i>	<i>140,178</i>	<i>16.3%</i>	<i>111,586</i>	<i>14.5%</i>
<i>Use of third party assets</i>	<i>4,465</i>	<i>0.5%</i>	<i>2,330</i>	<i>0.3%</i>
<i>Sundry operating expense</i>	<i>11,649</i>	<i>1.4%</i>	<i>11,042</i>	<i>1.4%</i>
Normalised added value before non recurring items	341,983	39.7%	312,091	40.5%

The analysis of the percentage incidences of consumption and other operating expenses, calculated on the value of production, rather than on revenue, shows that the absorption of raw materials decreased slightly (42.2% compared to 43.3% as at 31 December 2021), attributable to the increase in sales prices from 2021 onwards, which gradually manifested itself during 2022, with greater evidence in the last quarter of the year. Other operating expenses increased in absolute terms (€ 31,334 thousand), increasing their percentage weight compared to the previous year (from 16.2% to 18.1%). This phenomenon is mainly attributable to service costs, which rose from € 111,586 thousand to € 140,178 thousand, an increase of 25.6%. The change is mainly due, also taking into account the acquisition of the subsidiary Forvet S.p.A. with accounting effects as of 1 November 2021, to higher costs for production services, including external processing and transport on acquisitions (up by € 2,087 thousand) and technical services (up by € 3,145 thousand), consultancy expenses (up by € 4,422 thousand), commissions payable and transport on

sales (up by € 5,437 thousand), costs related to participation in trade fairs and events (up by € 2,213 thousand). In addition to the above-mentioned cost increases, there were also increases for travel expenses (up by € 4,071 thousand) and utilities (up by € 2,515 thousand) due to the increase in energy and heating costs.

Finally, it should be noted that added value as at 31 December 2022 was € 341,983 thousand, up by 9.6% compared to the same period in 2021 (€ 312,091 thousand). As a percentage of the value of production, it improved from 40.5% to 39.7%.

Personnel expenses as at 31 December 2022 amounted to € 251,423 thousand and recorded an increase in value of € 19,004 thousand compared to the figure for 2021 (€ 232,419 thousand, +8.2% on the same period of 2021), of which approximately € 2.8 million was attributable to the different weight of personnel expenses attributable to the subsidiary Forvet S.p.A. acquired at the end of 2021. In this regard, it is noted that during 2021 the Biesse Group had benefited from various forms of welfare cushions and government grants, aimed at protecting the company's workforce.

Adjusted EBITDA for the financial year 2022 was positive at € 90,559 thousand, while in 2021 it was positive at € 79,672 thousand, an increase of 13.7%.

Depreciation and amortisation decreased by 2.2% overall (from € 33,236 thousand at 31 December 2021 to € 32,496 thousand at 31 December 2022): The component relating to tangible fixed assets (including rights of use) increased by € 562 thousand (+3%), while that relating to intangible fixed assets fell by € 1,301 thousand (-9.0%).

Provisions and impairment amounted to € 10,489 thousand, and included provisions of € 7,725 thousand (mainly attributable to € 3,619 thousand for adjustments to provisions for future risks and charges, € 3,064 thousand for provisions for restructuring, € 466 thousand for legal disputes and finally € 671 thousand for the provision for agents' termination indemnity) and write-downs for impairment of € 2,762 thousand, relating to intangible assets, including development costs and trademark write-downs as a result of the Biesse Group's *visual identity* project

Adjusted EBIT was positive at € 47,574 thousand, up 39.7% from the previous year (at € 34,064 thousand).

Non-recurring items showed a positive value of € 3,175 thousand, represented solely by the COVID-19 grant received from subsidiary Biesse America Inc.

With reference to **financial operations**, net expenses of € 1,145 thousand were recorded, down from the figure for December 2021 (net expenses of € 2,303 thousand).

Exchange risk management resulted in a net loss of € 7,969 thousand, worsening compared to the € 2,933 thousand loss in the prior-year period.

Pre-tax profit was therefore positive for € 41,634 thousand, a sharp increase compared to 2021 (equal to € 40,484 thousand).

The balance of **tax items** was negative (a charge) for € 11,338 thousand. The negative balance is determined as a result of the following factors: IRES taxes and other deferred taxes (negative for € 4,374 thousand) and IRAP (negative for € 1,503 thousand); provisions for income taxes of foreign companies (€ 5,328 thousand) and taxes relating to previous years (negative for € 133 thousand).

The tax rate therefore stands at 27.2%, up from the figure recorded in 2021. It should be noted, however, that the previous year's tax rate was affected mainly by the positive effect of the sale of the investment held in Dongguan Korex Machinery Co. Ltd., which had generated a capital gain of € 17,814 thousand that was not taxable for tax purposes.

The Biesse Group, therefore, recorded a **profit for the year** of € 30,296 thousand.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

Statement of financial position as at 31 December 2022

	31 December 2022	31 December 2021
<i>Euro 000's</i>		
Intangible assets	88,177	97,989
Property, plant and equipment	117,625	117,203
Financial assets	4,688	4,578
Non-current assets	210,489	219,770
Inventories	215,588	179,417
Trade receivables and contract assets	112,513	125,962
Trade payables	(181,996)	(186,660)
Contract liabilities	(138,197)	(127,093)
Net operating working capital	7,908	(8,375)
Post-employment benefits	(10,567)	(13,318)
Provision for risk and charges	(25,015)	(24,850)
Other net payables	(54,629)	(63,274)
Net deferred tax assets	15,961	14,660
Other net liabilities	(74,249)	(86,781)
Net invested capital	144,147	124,614
Share capital	27,403	27,393
Result for the previous year and other reserves	202,898	186,957
Result for the year	30,248	34,018
Non-controlling interests	245	849
Equity	260,793	249,217
Bank loans and borrowings and loans and borrowings from other financial backers	28,937	29,594
Other financial assets	(20,544)	(27,098)
Cash and cash equivalents	(125,039)	(127,099)
Net Financial Position	(116,646)	(124,603)
Total sources of funding	144,147	124,614

Net invested capital amounted to € 144,147 thousand, up compared to 31 December 2021 (€ 124,614 thousand).

Compared to 31 December 2021, net fixed assets decreased by € 9,281 thousand due to the fact that depreciation and amortisation are higher than new investments for the period.

Net operating working capital increased by € 16,283 thousand compared to 31 December 2021. The change is mainly due to the increase in inventories (of € 36,171 thousand), above all due to the strategy to minimise the impact of uncertainties related to the supply of materials in 2022. On the other hand, trade payables decreased by € 4,664 thousand, where the persistent criticalities in the supply chain, which were particularly evident in the first nine months of the year, temporarily resulted in greater bargaining power in favour of strategic suppliers, with a consequent decrease in average payment days (DPO), which then realigned at year-end.

Trade receivables decreased by € 13,449 thousand (10.6%), as a result of the reduction in average collection days, also due to Italy's tax relief policy – specifically the 40% rate in the calculation of the tax credit relating to Industry 4.0. – which manifested itself with particular vigour in the last quarter of the year, and with positive repercussions also on the increase in contractual liabilities, which rose by € 11,104 thousand, linked to the trend in order intake.

Equity amounted to € 260,793 thousand (€ 249,217 thousand as at 31 December 2021).

Net financial position

	31st December 2022	30th September 2022	30th June 2022	31st March 2022	31st December 2021
<i>Euro 000's</i>					
Financial assets:	145,583	108,061	117,201	136,539	154,197
<i>Current financial assets</i>	20,544	7,157	7,266	27,141	27,098
<i>Cash and cash equivalents</i>	125,039	100,903	109,935	109,398	127,099
Short-term financial lease payables	(7,504)	(7,983)	(8,524)	(7,194)	(7,384)
Short-term bank loans and borrowings and loans from other	(4,222)	(4,761)	(7,493)	(5,826)	(5,998)
Short-term net financial position	133,858	95,317	101,185	123,520	140,815
Medium/Long-term financial lease payables	(16,496)	(14,997)	(15,508)	(15,179)	(15,320)
Medium/Long-term bank loans and borrowings	(561)	(573)	(525)	(395)	(680)
Trade payables and other medium/long-term payables	(155)	(171)	(185)	(285)	(213)
Medium/Long-term net financial position	(17,212)	(15,740)	(16,218)	(15,859)	(16,212)
Total net financial position	116,646	79,577	84,965	107,661	124,603

In the NFP statement at 31/12/2022, 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 the sake of clarity, the fair value of derivatives have also been excluded from financial assets.

The Net Financial Position of the Biesse Group at 31 December 2022 was positive at € 116,646 thousand, down on the figure for the previous year (positive at € 124,603 thousand), while the final figure, without considering the effects of payables for rent and leasing deriving from the application of IFRS 16, would have been positive at € 139,387 thousand (positive at € 146,014 thousand at 31 December 2021). Compared to year-end 2021, the indicator decreased by € 7,957 thousand, mainly influenced by the distribution of dividends in the first half of 2022 and the trend in net working capital as commented above, despite the positive results obtained at the operating level.

For the sake of completeness, please note that, since this case is not specifically regulated, the estimated earn-out liability of € 3 million related to the acquisition of Forvet S.p.A. and due within 12 months does not appear in the Net Financial Position.

At the date of approval of this report, the Biesse Group has credit lines in excess of € 215.7 million, of which € 90.7 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 BIESSE GROUP ARE EXPOSED

Risk management policy

Effective risk management and the Enterprise Risk Management (ERM) process contribute to a company's sustainable success, maximising its value while complying with applicable regulations. The Biesse Group has, therefore, defined an Enterprise Risk Management Policy and a procedure to assess and quantify business risks. The model is inspired by the international standards "Enterprise Risk Management - Integrated with Strategy and Performance" (as updated in 2017 by the Committee of Sponsoring Organisation (CoSO) of the Treadway Organisation) and the UNI 31000:2018 Standard, "Risk Management - Principles and guidelines". Furthermore, as part of the risk assessment phase during the ERM process, aspects of integrating environmental, social and governance-related risks (so-called ESG) were considered on the basis of the guidance provided in the guide "Enterprise Risk Management - Applying enterprise risk management to environmental, social and governance-related risks" (Guide prepared by the CoSO in partnership with the World Business Council for Sustainable Development (WBCSD). The new model applies to Biesse S.p.A. and all Biesse Group companies. In particular, the new policy is addressed to the corporate bodies, employees and associates who operate within the Biesse Group and who are involved in various ways in the ERM process.

Governance and organisational structure for risk management

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.

The Control and Risk Committee (CRC) of Biesse S.p.A., in assisting the Board of Directors, examines the content of periodic information relevant to the Internal Control and Risk Management System. In addition, 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 Risk Management function has the task of coordinating the ERM process and systematically supporting, as a methodological watchdog, the Chief Executive Officer in implementing the guidelines defined by the Board of Directors, and the company management (risk owners) in identifying risks, assessing them and drawing up the relevant treatment plans

Risk Management Process

The risk management model ("ERM model") provides an integrated and systemic view of activities to achieve improvements in efficiency, effectiveness and cost effectiveness. It involves the following stages:

Context definition: analysis of the internal and external context in which the Biesse Group operates and its evolution over time. This analysis is carried out in cooperation with the key Organisational Departments/Functions of the Biesse Group.

Risk identification: identification, description and assessment of risks. To this end, the Risk Management function, together with the Risk Owners, analyses the risk components of activities and processes. The risks identified are classified on the basis of a specific categorisation model, the Biesse Group Risk Model, which represents a constant point of reference for integrated risk management, control and reporting for the Risk Management function and the Board of Directors. Biesse's risk model does not have a category of risks classified as ESG, but each risk has been assessed according to its impact on social, environmental and governance sustainability issues (ESG related).

Assessment of existing risks and controls: for each identified risk, the Risk Owner, with the support of the Risk Management function, makes an assessment based on the probability, impact, interconnectivity and speed. The latter two items provide a dynamic view of the risk that supports the identification of its causes, effects and speed of occurrence, also facilitating the optimisation of mitigation actions. Interconnectivity refers to the analysis that identifies, qualifies and quantifies the relationships between risks. Speed refers to the rate of onset or the time it takes for a risk event to occur.

Risk management: the Biesse Board of Directors has the task of defining the acceptable level of risk in relation to the factors that have emerged and been analysed. Following the residual risk assessment, the directives to be undertaken are established by implementing the most appropriate measures to minimise risks and maximise opportunities.

Monitoring and reporting: The monitoring and reporting phase is designed to ensure the detection and analysis of trends in the main risks that have emerged.

Risk model

The risk model developed by Biesse allows for a common definition of Biesse Group risks. It also provides an overview of the main business risks and supports the analysis of the main risks for better understanding.

It proposes a classification of risks on the basis of two main macro-areas:

- External Risks (also including climate change/natural events and energy transition risks);
- Internal Risks.

The latter are in turn subdivided into:

- Strategic,
- Operational,

- HR,
- Financial,
- Compliance,
- ICT

The Internal Risk categories in turn are subdivided into further subcategories that allow for a more detailed analysis.

The Risk Management function is responsible for ensuring that the Risk Model is periodically updated.

Below are the main risks identified and the response developed by the Biesse Group in this regard for their appropriate management, with particular reference to risks related to climate change, external risks and internal risks.

Risks relating to climate change

The growing focus on the consequences of climate change worldwide and the potential, real and actual economic, social and environmental impacts, nowadays requires companies to also assess the impacts that climate risks can potentially have on business and that they will have to cope with in the medium term. The analysis conducted also identified risks generated by climate change. They are the risks that the company has to manage but can also generate an opportunity in the transition to a low-emission economy. The analysis of climate change risks is assessed similarly to other business risks in terms of probability of occurrence per impact. Specifically, these risks are physical risks, originating from the physical effects of climate change (acute and chronic) and transition risks, originating from the transition to a low-emission economy.

The guidelines defined by the Task Force on Climate-related Financial Disclosures (TCFD) were followed in the assessment, which includes reporting on the governance model, the analysis and monitoring strategy and the preparation of specific KPIs for each risk.

The risk analysis conducted allowed the Biesse Group to:

- raise awareness among key internal stakeholders of the potential risks and opportunities related to climate change;
- integrate climate change risks into the overall ERM framework;
- Identify the main risks and opportunities related to climate change and assess their possible impacts on business.

The ERM analysis carried out during 2022 did not highlight any significant or material climate change risks that have a direct impact on the Biesse Group's business performance in the short to medium term, while at the same time it did not reveal any significant impacts in financial terms that need to be taken into account.

INTERNAL RISKS

Change Management

With the changes and uncertainty taking place in the global economic landscape came the need for the Biesse Group to operate with a leaner organisational model in order to develop the ability to adapt to different contexts with speed and competitiveness. For this reason, starting in 2020, the Biesse Group has embarked on a project to reorganise its internal and international structure. The new organisational model was made possible through the involvement of the entire management team, the redefinition of internal processes and the inclusion of new and specialised roles. This path of change could jeopardise the achievement of corporate objectives due to inertia and thus slow adoption of the new model.

Development of the offer portfolio

The success of the Biesse 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 Biesse 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 Biesse Group's business, the Biesse Group's market share may decline, negatively affecting its business prospects as well as its results and/or financial position.

Talent attraction & retention

Difficulties in managing the turnover of key personnel, loss of employee engagement and/or retaining and attracting specialised skills and know-how (with reference to branches and installation technicians, but also managerial type roles).

Absence of backup for strategic single sourcer

The Biesse 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 Biesse 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 Biesse Group's reliance on these suppliers implies that the difficulties they experience (whether due to internal or external factors) could negatively affect the Biesse Group.

Transformation of the current customer care model

The current customer care model, still too closely linked to a central control model, is no longer adequate to maintain an effective relationship with customers distributed worldwide, to take care of their needs throughout the customer journey, also given the lack of an omnichannel approach to service delivery.

ESG Transformation

The failure/delay to identify "ESG transformation" opportunities in corporate strategy, due to lack of knowledge and awareness related to new legislation and emerging trends in energy, environmental and social issues and a not fully effective stakeholder engagement management process;

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 Biesse 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.

EXTERNAL RISKS

Recession

Demand is cyclical and depends on general economic conditions, end customers' propensity to consume, credit availability, and any government stimulus measures. 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 can have a significant impact on the Biesse Group's economic performance and strategies and affect its future prospects in both the short and medium to long term. More specifically, this would lead to reduced productivity levels, compared to those that could reasonably be achieved by fully and efficiently using all available production factors, due to a contraction in demand.

Continued inflation

The Biesse Group's exposure to the risk of an increase in raw material prices derives mainly from the purchase of components and semi-finished products, as well as from the increase in the cost of energy due to the geopolitical situation.

This risk could also manifest itself as an increase in labour costs, in the countries where the Biesse Group operates, due to the need to compensate for inflationary trends and the loss of purchasing power of wages and salaries, as well as the need to address individual retention or collective claims.

In this context, the Biesse Group, despite the high level of competition and fragmentation in the sector, has implemented mitigation actions such as increasing list prices to the end customer to preserve margins, defining medium-long-term contracts with defined quantities in order to mitigate the risk of unexpected price changes, and identifying strategic suppliers and collaboration methods through which to govern cost dynamics as well.

Supply shortages/disruptions

The post-COVID economic recovery has triggered a strong demand for raw materials and semi-finished products, which is difficult to satisfy. Indeed, the pandemic caused a slowdown in the production of goods,

so much so that stocks were reduced to a minimum. The situation has become so critical that it has brought entire production chains to a halt and put the entire supply chain in crisis, resulting in longer delivery lead times due to the dependence of supplies on countries subject to political instability, the extraordinary measures to close some markets to cope with the risk of pandemic and the geopolitical situation related to the Russia-Ukraine conflict.

However, this was less of an impact in the second half of 2022 than predicted at the beginning of the year, with a positive trend for the beginning of 2023.

Technological developments in the field of industry competitiveness

The Biesse Group's revenues are generated in the mechanical engineering sector. The Biesse Group competes in Europe, North America and in the Asia Pacific region with other major international players. In these markets, there is a risk associated with not being able to keep up with the technological evolution of the market, particularly with regard to the possibility that the technology currently offered (product and process) is obsolete compared to the competition.

This risk also includes the possibility of failing to exploit opportunities arising from changes in the competitive environment, including new areas such as robotics, artificial intelligence, the circular economy, etc., or catching them too late.

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 2023 the Corporate Governance and Ownership Structure Report pursuant to Art. 123-bis of the Consolidated Law on Finance, for financial year 2022.

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 RELATIONS

The greatest factor in corporate competitiveness is the human capital of the women and men who make up the company's workforce.

For some time now, the Biesse Group has been managing its major HR processes in an organised way. However, 2022 was an important starting point for redesigning and transforming these processes, structuring them in an organic and complete way, according to an integrated viewpoint that sees the rules, policies and in some cases procedures defined at HQ level, they must be structured and implemented globally both at the level of the Italian legal entities of the Biesse Group and at the level of production companies, branches and foreign clusters.

Progressively defining and becoming aware of the values that must inspire the strategic initiatives, management objectives, and operational actions of all company employees represents the logical process to be pursued in the strategic planning of Human Resources management.

The year 2022 has been marked by the development of the Biesse Group through the sharing of its values, with the aim of highlighting the principles that have distinguished our people throughout the years, have given strength to the Biesse Group and will remain central in the future.

Six core values for the corporate culture have been identified and will be strengthened in the coming years:

1. Internationalisation of personnel

Belonging without borders that values the uniqueness of individuals.

2. Introspective curiosity

A constant desire for discovery, which turns into insight.

3. Craftsmanship and know-how

The original “savoir-faire”, the fruit of genuine tradition.

4. Transparency, honesty and integrity

The honesty of people, the integrity of the company.

5. Sincere commitment

Commitment to a common project, practised and strengthened on a daily basis.

6. Being respectful

Concern for the environment, society, people.

RESEARCH AND DEVELOPMENT ACTIVITIES

As in 2021, the Biesse Group’s research and development activity continued. At 31 December 2022, research and development costs amounted to € 23.1 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 31/12/2022	Result for 2022	Equity 31/12/2021	Result for 2021
<i>Euro 000's</i>				
Equity and result for the year of the parent	197,640	19,843	193,353	2,142
Elimination of carrying amount of consolidated equity investments:				
Difference between carrying amount and amount of equity held	80,659		71,417	
Pro-quota results contributed by investees		27,986		43,207
Derecognition of impairment losses/reversal of impairment losses on equity investments		(2,448)		1,749
Dividends		(13,785)		(8,513)
Elimination of the effects of transactions between consolidated companies:				
Intercompany losses included in closing inventories	(17,159)	(1,348)	(15,811)	(4,566)
Intercompany losses on non-current assets	(591)		(591)	
Equity and result of the year attributable to owners of the parent	260,548	30,248	248,368	34,018
Non-controlling interests	245	48	849	177
Total equity	260,793	30,296	249,217	34,195

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 31/12/2022	For Year ended 31/12/2021	For Year ended 31/12/2022	For Year ended 31/12/2021
Parent				
Bi. Fin. S.r.l.	-	-	24	26

<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.	-	-	1,156	1,235

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 31/12/2022	For Year ended 31/12/2021	For Year ended 31/12/2022	For Year ended 31/12/2021
Parent				
Bi. Fin. S.r.l.	-	-	24	26
Other related companies				
Fincobi S.r.l.	1	1	-	-
Se. Mar. S.r.l.	9	15	2,539	3,012
Wirutex S.r.l.	16	26	1,647	1,916
Others	-	-	3	2
Members of the Board of Directors	-	-	3,246	3,452
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	166	103
Executives with strategic responsibilities				
Executives with strategic responsibilities	-	-	1,781	1,730
Total	26	42	9,406	10,241

Euro 000's	Receivables		Payables	
	For Year ended 31/12/2022	For Year ended 31/12/2021	For Year ended 31/12/2022	For Year ended 31/12/2021
Parent				
Bi. Fin. S.r.l.	-	-	1,156	1,235
Other related companies				
Fincobi S.r.l.	-	-	-	12
Se. Mar. S.r.l.	2	1	882	1,295
Wirutex S.r.l.	-	14	508	806
Others	-	-	1	-
Members of the Board of Directors				
Members of the Board of Directors	-	-	133	89
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	119	110
Total	2	15	2,800	3,548

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 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 Chitarrara, 910 Montescudo-Monte Colombo (RN) - Italy
Strada Piossasco, 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 31/12/2021	No. Of shares sold in 2022	No. Of shares purchased in 2022	No. of shares held directly and indirectly at 31/12/2022	% of share capital
Giancarlo Selci (through Bi.Fin. S.r.l.) Chairman	13,970,500			13,970,500	50.98%
Roberto Selci 'Managing Director					
Massimo Potenza 'Co Managing Director	2,050			2,050	0.01%
Alessandra Baronciani 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 2022, there were no such transactions.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND OUTLOOK

February 2023

On 27 February 2023, the project to merge the companies Montresor & Co S.r.l., with sole shareholder, into Biesse S.p.A. was approved.

Outlook for 2023

To date, the reference context remains characterised by significant uncertainties due to the evolving international geopolitical environment.

However, the backlog as at 31 December 2022 allows the new year to be approached with a reasonable level of confidence in achieving the company's targets, despite a lower-than-expected order intake in the first two months of 2023. Underlining the difficulties in forecasting in an industry that continues to operate on average with a three-month order backlog (source: Acimall), the Directors of Biesse – based on the most respected macro-economic forecasts and the Biesse Group's strategies of product innovation and market penetration, will work resolutely in pursuit of the set objectives.

Based on this scenario, the Biesse Group will continue for all of 2023 to implement with determination the initiatives aimed at containing costs.

The strategy of the Biesse Group for 2023 can be summarised as follows:

Visual identity: Over the past two years, the Biesse Group has embarked on a profound reform process to become faster and more innovative.

This journey has allowed the company to reorganise itself with an approach that will have an impact on the way we work and how we meet our customers' needs. It is a project that involves the rationalisation of the corporate structure and an internal and international reorganisation, with the ultimate aim of making the Biesse Group increasingly lean and efficient, simplifying its processes, and capable of adapting quickly to changing global contexts.

A cross-cutting process logic has been introduced, which will facilitate the implementation of development projects. This path will also involve the international offices, with the aim of strengthening the company's international network through more effective structures.

The new visual identity was identified, necessary to align the group's positioning and brands, making explicit the new values and identity traits of the Biesse Group, while maintaining the distinctive features of the various sectors in which it operates.

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

Strengthening of the implementation of the One Company model aimed at further 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, and ability to manage discontinuity and change.

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

The most significant deviations from the values in the financial statements for the year ended 31 December 2021 are commented on in the various sections of the notes to the financial statements.

INCOME STATEMENT HIGHLIGHTS

2022 Income Statement highlighting non-recurring items

	31 December 2022	% of sales	31 December 2021	% of sales	Change %
<i>Euro 000's</i>					
Revenue from sales and services	573,548	100.0%	517,710	100.0%	10.8%
Change in inventories, wip, semi-finished products and finished goods	15,586	2.7%	10,672	2.1%	46.0%
Other Revenue	7,530	1.3%	6,365	1.2%	18.3%
Value of production	596,664	104.0%	534,747	103.3%	11.6%
Raw materials, consumables, supplies and goods	(331,490)	(57.8)%	(298,625)	(57.7)%	11.0%
Other operating costs	(87,170)	(15.2)%	(67,802)	(13.1)%	28.6%
Normalised added value before non recurring items	178,004	31.0%	168,320	32.5%	5.8%
Personnel expense	(140,607)	(24.5)%	(131,968)	(25.5)%	6.5%
Normalised gross operating result	37,397	6.5%	36,352	7.0%	2.9%
Depreciation and amortisation	(18,720)	(3.3)%	(21,136)	(4.1)%	(11.4)%
Provisions	(4,663)	(0.8)%	(10,528)	(2.0)%	(55.7)%
Normalised operating result before non recurring items	14,014	2.4%	4,688	0.9%	198.9%
Non recurring-items	-	-	(6,157)	(1.2)%	(100.0)%
Operating result	14,014	2.4%	(1,469)	(0.3)%	(1054.0)%
Net financial expense	(1,130)	(0.2)%	(595)	(0.1)%	89.9%
Net exchange rate losses	(6,944)	(1.2)%	(3,798)	(0.7)%	82.8%
Value adjustments to financial assets	2,882	0.5%	(2,429)	(0.5)%	(218.6)%
Dividends	13,785	2.4%	8,513	1.6%	61.9%
Pre-tax result	22,607	3.9%	222	-	10083.3%
Income taxes	(2,764)	(0.5)%	1,920	0.4%	(244.0)%
Result for the year	19,843	3.5%	2,142	0.4%	826.4%

In 2022, **revenue** from sales and services amounted to € 573,548 thousand, compared to € 517,710 thousand at 31 December 2021, up by 10.8% over the previous year. For more information on the increase in sales, please refer to the Biesse Group's sales analysis.

The **value of production** amounted to € 596,664 thousand, compared to € 534,747 thousand as at 31 December 2021, representing an increase of about 11.6% 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 2022	%	31 December 2021	%
<i>Euro 000's</i>				
Revenue	596,664	100.0%	534,747	100.0%
Raw materials and goods	331,490	55.6%	298,625	55.8%
Other operating costs	87,170	14.6%	67,802	12.7%
<i>Service costs</i>	<i>78,860</i>	<i>13.2%</i>	<i>61,207</i>	<i>11.4%</i>
<i>Use of third party assets</i>	<i>1,740</i>	<i>0.3%</i>	<i>1,034</i>	<i>0.2%</i>
<i>Sundry operating expense</i>	<i>6,570</i>	<i>1.1%</i>	<i>5,561</i>	<i>1.0%</i>
Added value	178,004	29.8%	168,320	31.5%

Value added as a percentage of production value decreased by 1.7% compared to 2021, mainly due to the increase in service costs. The incidence of consumption was 55.6%, up slightly by 0.2% compared to the previous year. The incidence of other operating expenses amounted to 14.6%, up 1.9% compared to the previous period.

Other operating expenses increased in absolute terms by € 19,368 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 positive sales trend for the period. Costs for the use of third-party assets amounted to € 1,740 thousand (€ 1,034 thousand in 2021). Other operating costs amounted to € 6,570 thousand (€ 5,561 thousand in 2021). Personnel expense in 2022 was € 140,607 thousand, compared with € 131,968 thousand in 2021, with a € 8,639 thousand decrease in absolute terms. There was a decrease in the number of employees, whose average number fell from 1,948 to 1,935.

It should be noted that, as a result of the increase in volumes, the percentage incidence on revenues decreases by approximately 1 percentage point from 25.5% in 2021 to 24.5% in the current year.

Normalised gross operating profit (adjusted EBITDA) amounted to € 37,397 thousand (€ 36,352 thousand in 2021).

Depreciation and amortisation amounted to € 18,720 thousand, a decrease compared to the previous year (€ 21,136 thousand). Deviations mainly refer to amortisation of intangible assets.

Recurring provisions decreased compared to 2021 (€ 2,922 thousand in 2022 against € 6,196 thousand in 2021). Impairment losses amounting to € 1,740 thousand (€ 4,332 thousand in 2021) 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 € 14,014 thousand compared to € 4,688 thousand in 2021.

There were no “non-recurring events and impairment” for the year 2022, on the other hand, present in 2021 for a total of € 6,157 thousand.

Operating profit was positive for € 14,014 thousand, a strong improvement compared to that of 2021, which was negative for € 1,469 thousand.

As regards financial operations, financial expense amounted to € 1,130 thousand, up compared to the figure for 2021 (€ 595 thousand).

Exchange rate risk management resulted in a negative balance of € 6,944 thousand, compared to a negative balance of € 3,798 thousand in the previous year.

Value adjustments to financial assets, the balance of which was positive for € 2,882 thousand (negative for € 2,429 thousand in 2021), are the result of impairment tests conducted on certain investments of Biesse Group companies. In particular, we note the following reversal of impairment losses:

- Biesse Group Australia for € 5 million;
- Biesse Hong Kong for € 2,906 thousand;
- Biesse Group New Zealand for € 700 thousand;

and write-downs:

- Movetro S.r.l. for € 2,100 thousand;
- Montresor & Co. S.r.l. for € 1,567 thousand;
- Biesse Brasil for € 950 thousand;
- Biesse Group Russia LLC € 888 thousand;
- Biesse Gulf: € 219 thousand.

Dividends totalled € 13,785 thousand, detailed as follows:

- Biesse France: € 3,500 thousand;
- Hsd S.p.A.: € 2,957 thousand;
- Biesse America: € 2,361 thousand;
- Biesse UK: € 1,744 thousand;
- Biesse Iberica: € 1,500 thousand;
- Biesse Deutschland: € 1,000 thousand;
- Biesse Canada: € 722 thousand.

Pre-tax profit amounted to € 22,607 thousand, up sharply compared to € 222 thousand in 2021.

The balance of **tax items** was negative to the tune of € 2,764 thousand.

The Company therefore reported a positive **result for the year** of € 19,843 thousand (€ 2,142 thousand in 2021).

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	31 December 2022	31 December 2021
<i>Euro 000's</i>		
Intangible assets	31,369	36,117
Property, plant and equipment	67,210	63,518
Financial assets	121,449	120,077
Non-current assets	220,028	219,712
Inventories	117,125	91,181
Trade receivables	130,358	133,727
Trade payables	(215,922)	(217,279)
Net operating working capital	31,561	7,629
Post-employment benefits	(8,049)	(9,813)
Provision for risk and charges	(18,432)	(18,942)
Other net payables/receivables	(34,945)	(39,843)
Net deferred tax assets	9,547	11,285
Other net liabilities	(51,879)	(57,313)
Net invested capital	199,710	170,028
Share capital	27,402	27,393
Result for the previous year and other reserves	150,395	163,818
Result for the year	19,843	2,142
Equity	197,640	193,353
Bank loans and borrowings from banks and other financiers	109,924	102,848
Other financial assets	(26,094)	(33,360)
Cash and cash equivalents	(81,760)	(92,813)
Net financial indebtiness (position)	2,070	(23,325)
Total sources of funding	199,710	170,028

Net intangible assets decreased by some € 4.7 million compared to 2021. During the year, the company recognised increases totalling € 5 million, including those referring to capitalisations on R&D projects in progress (amounting to about € 1.8 million), the effects of the merger for a total of € 0.6 million, and the increase in goodwill for about € 1.6 million as a result of the merger of the merged company Brema S.r.l. The decrease was due to amortisation (€ 10 million), write-downs (€ 1.7 million) on R&D projects and licences in phase-out, and the write-down of a trademark.

As regards property, plant and equipment, the net value rose by € 3.7 million. Investments in the reference period amounted to € 14,124 thousand (€ 5,744 thousand in 2021). These investments mainly concern € 4,661 thousand for buildings due to the signing of new lease and extraordinary maintenance contracts, € 1,133 thousand for the purchase of a machine for the mechanical workshop, € 906 thousand for the supply of rented company cars, and € 503 thousand for the purchase of an automatic storage system; The remaining amount is related to the normal replacement of work tools, necessary for ordinary production activity.

During the year, disposals were also recorded for a net value of € 3,930 thousand, which included € 3,835 thousand for the sale of a plot of land in Thiene (VI) on 7 September by deed of Notary Giuseppe Muraro for a sale amount of € 4.3 million, generating a capital gain of € 465 thousand.

Changes in tangible fixed assets also include the effect of merger entries arising from the incorporation of Brema S.r.l., which generated an increase in historical cost in the amount of € 3,502 thousand and in the depreciation reserve in the amount of € 1,473 thousand.

Financial fixed assets recorded an increase of € 1.4 million as the balance is mainly attributable to write-backs of the value of some subsidiaries for a total of € 8.6 million, the increase due to the purchase of the remaining 40% from minority shareholders of Movetro S.r.l. and Montresor S.r.l. (for € 2.4 million), the increase in the share capital of Biesse Brasil for € 950 thousand and decreases mainly due to the cancellation of the investment in the subsidiary Bre.Ma. Brenna Macchine S.r.l. for € 4,147 thousand due to the merger by incorporation, to the reduction in the share capital of the subsidiary Biesse Hong Kong Ltd with the return of liquidity for € 2,906 thousand and to write-downs of some subsidiaries for a total of € 3.8 million.

Net working capital, compared with 31 December 2021, showed an increase of approximately € 23.9 million. The change is mainly attributable to the significant increase in closing stock as a result of the increase in sales and orders during the year.

Other net assets/(liabilities), negative by € 51.8 million (€ 57.3 million in 2021), showed a decrease in the total liability mainly due to the IRES tax of € 4.9 million due to the payment of the balance on 2021 income and the credit for advance payments made in 2022 in excess of the liability accrued in the year of reference.

Net financial position

	31 December 2022	31 December 2021
€ '000		
Financial assets	107,854	126,172
Financial assets versus third parties	20,544	27,098
Financial assets versus related parties	5,550	6,262
Cash and cash equivalent	81,760	92,812
Short term financial lease liabilities	(2,596)	(2,280)
Bank and other short term financial liabilities	(3,295)	(2,284)
Other short term financial current liabilities versus related parties	(96,396)	(93,745)
Short-term net financial indebtness (position)	5,567	27,863
Medium/long term financial lease liabilities	(7,458)	(4,326)
Bank and other medium/long term financial liabilities	(24)	-
Trade payables and other medium/long term debts	(155)	(212)
Medium/long-term net financial indebtness (position)	(7,637)	(4,538)
Net financial indebtness (position)	(2,070)	23,325

In the NFP statement at 31/12/2022, 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.

The Net Financial Position as at 31 December 2022 was negative by € 2 million, worsening compared to the previous year's figure, which was positive by € 23.3 million, mainly due to the increase in inventories (amounting to € 25,944 thousand), more than anything else attributable to the strategy aimed at minimising the impact of uncertainties relating to the supply of materials that characterised 2022.

Please note that, since this case is not specifically regulated, the estimated earn-out liability of € 3 million related to the acquisition of Forvet S.p.A. and due within 12 months does not appear in the Net Financial Position.

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 2022. 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 2022 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 2022, with the present Directors' Report on Operations, as they stand.

The Board of Directors, having acknowledged the positive economic and financial results achieved in the 2022 financial year, proposes to assign dividends to Shareholders to be taken from net profit at the rate of € 0.33 for each of the entitled shares, for a total amount of € 9,042,855.69, with an ex-dividend date set for 8 May 2023.

Therefore, you are invited to resolve on the allocation of the profit for the year of € 19,842,879.18 with the following distribution:

- allocation of € 9,042,855.69 to dividends;
- allocation of the remaining profit of € 10,800,023.49 to the Extraordinary Reserve;

Coupons will be paid in one lump sum as of 10 May 2023 (with ex-dividend date as of 8 May 2023 and record date 9 May 2023) through authorised financial intermediaries.

Pesaro, 14/03/2023

The Chairman of the Board of Directors

Giancarlo Selci

Consolidated Financial Statements as at 31 December 2022

Biesse S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

CONSOLIDATED INCOME STATEMENT

<i>Euro 000's</i>	Note	31 December	
		2022	2021
Revenue	7	822,425	742,199
Other operating income	8	11,596	24,820
Change in inventories of finished goods and work in progress		30,791	21,409
Purchase of raw materials and consumables	9	(363,363)	(333,566)
Personnel expense	10	(251,423)	(233,797)
Depreciation, amortisation and impairment	11	(42,985)	(50,188)
Other operating costs	12	(156,292)	(125,157)
Operating result		50,749	45,721
Financial income	13	868	292
Financial expense	13	(2,014)	(2,595)
Exchange rate gains (losses)	13	(7,969)	(2,933)
Pre-tax result		41,634	40,484
Income taxes	27	(11,338)	(6,289)
Result for the year		30,296	34,195
Attributable to owners of the parent		30,248	34,018
Attributable to non-controlling interests		48	177
Earnings per share (Euro)	14	1.10	1.24
Diluted earnings per share (Euro)	14	1.10	1.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Euro 000's</i>	Note	31 December	
		2022	2021
Result of the period		30,296	34,195
Translation differences of foreign operations	24	(1,655)	1,126
Income/(loses) on financial assets valuated at fair value OCI		(363)	98
Taxes on Income/(loses) on financial assets valuated at fair value OCI		87	(24)
Total items that may be reclassified to profit and loss of the year		(1,931)	1,200
Measurement of defined-benefit plans		1,742	(555)
Income taxes on items that will not be reclassified to profit and loss		(399)	108
Total items that will not be reclassified to profit or loss		1,343	(447)
Total comprehensive income for the year		29,708	34,948
Attributable to:			
Non-controlling interests		29	169
Owners of the parent		29,679	34,779

CONSOLIDATED STATEMENT OF FINANCIAL POSITION¹

<i>Euro 000's</i>		31 december 2022	31 december 2021
	Note		
ASSETS			
Equipment and other items of property, plant and equipment			
Property, plant and equipment	15, 16	115,105	117,203
Goodwill	17	46,800	46,694
Other intangible assets	18	41,377	51,296
Deferred tax assets	27	24,387	23,763
Other financial assets and receivables (including derivatives)	19	4,575	4,440
Other equity investments		113	137
Total non current assets		232,357	243,533
Inventories	20	215,588	179,417
Trade receivables	21	112,513	125,962
Other revceables	22	15,912	18,774
Other financial assets and receivables (including derivatives)	19	23,203	27,991
Cash and cash equivalents	23	125,039	127,099
Total current assets		492,255	479,242
Total assets available for sale	15, 16	2,520	-
TOTAL ASSETS		727,132	722,774

<i>Euro 000's</i>		31 December 2022	31 December 2021
	Note		
EQUITY AND LIABILITIES			
Share capital and reserves		27,403	27,393
Share capital		202,898	186,957
Profit for the year		30,248	34,018
Equity attributable to the owners of the parent	24	260,549	248,368
Non-controlling interests		245	849
TOTAL EQUITY		260,794	249,217
Financial liabilities	16, 25	17,057	16,000
Post-employment benefits	26	10,567	13,318
Deferred tax liabilities	27	8,426	9,102
Provisions for risks and charges	28	-	484
Other liabilities	31	155	4,195
Total non current liabilities		36,205	43,099
Financial liabilities	16,25	11,725	13,382
Provisions for risks and charges	28	25,015	24,366
Trade payables	29	181,996	186,660
Contract liabilities	30	138,197	127,093
Other liabilities	31	69,487	68,787
Income tax payables	27	3,713	10,170
Total current liabilities		430,133	430,459
LIABILITIES		466,338	473,557
TOTAL EQUITY AND LIABILITIES		727,132	722,774

¹ Under 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

	Note	31-dic-22	31-dic-21
<i>Euro 000's</i>			
OPERATING ACTIVITY			
Result for the year		30,296	34,195
Change for:			
Income taxes	27	11,338	6,289
Depreciation and amortisation of current and non-current owned assets		23,727	24,859
Depreciation and amortisation of current assets in leasing		8,769	8,376
Gains/losses from sales of property, plant and equipment	8	(446)	(18,297)
Impairment losses on intangible assets	11	2,764	8,751
Accrual to post-employment benefits		9,901	15,148
Income from investment activities		(344)	(80)
Net Financial expense		3,853	3,163
SUBTOTAL OPERATING ACTIVITIES		89,858	82,404
Change in trade receivables and contract assets		11,053	(22,907)
Change in inventories		(37,895)	(46,051)
Change in trade payables and contract liabilities		3,830	102,192
Change in post-employment benefits and in others funds		(9,208)	(2,178)
Other changes in operating assets and liabilities		1,218	(695)
Cash flow generated / (absorbed) by operating activities		58,856	112,765
Tax paid		(18,590)	(6,555)
Interest paid		(620)	(2,334)
NET CASH FLOWS FROM OPERATING ACTIVITIES		39,646	103,876
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	15	(13,586)	(8,417)
Proceeds from sale of property, plant and equipment		5,152	3,205
Acquisition of intangible assets	18	(5,967)	(5,734)
Proceeds from sale of intangible assets		22	
Investments in other companies		25	(137)
Cash flow from acquisition of business combinations	34	(3,310)	(19,722)
Cash flow from sale of business combinations	34	0	22,454
Change in other financial assets		6,191	(0)
Interest received		418	0
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(11,055)	(8,352)
FINANCING ACTIVITIES			
Loan refunds	25	(2,720)	(118,895)
New bank loans	25		
Finance lease payments	16, 25	(9,285)	(13,212)
Acquisition of additional controlling interest	34	(1,173)	(550)
Other changes		6	6
Dividend paid		(17,056)	0
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(30,228)	(132,652)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,639)	(37,128)
CASH AND CASH EQUIVALENTS AS AT 1st January	23	127,099	163,425
Effect of exchange rate fluctuations on cash held		(421)	802
CASH AND CASH EQUIVALENTS AS AT 31th December	23	125,039	127,099

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	Actuarial reserve	Financial asset OCI reserve	Others reserves	Result for the year	Equity attributable to the owners of the parent		
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

'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	Actuarial reserve	Financial asset OCI reserve	Others reserves	Result for the year	Equity attributable to the owners of the parent		
Opening balances at 01/01/2022	24	27,393	36,202	(11,162)	(5,597)	75	167,439	34,018	248,368	849	249,217
Other comprehensive income				(1,635)	1,343	(276)			(569)	(19)	(588)
Result for the year								30,248	30,248	48	30,296
Total comprehensive income/expense for the year				(1,635)	1,343	(276)		30,248	29,679	29	29,708
Dividends distribution							(14,958)	(2,142)	(17,099)		(17,099)
Allocation of profit for the previous year							31,876	(31,876)			
Transactions with minority shareholders		10			(10)		(539)		(540)	(633)	(1,173)
Other changes							140		140		140
Closing balances at 31/12/2022	24	27,403	36,202	(12,797)	(4,265)	(202)	167,439	34,018	260,548	245	260,793

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 Consolidated Financial Statements at 31 December 2022 include the financial statements of Biesse S.p.A. and its subsidiaries, over which it directly or indirectly exercises control (hereinafter the “Group”). The draft consolidated financial statements as at 31 December 2022 were submitted to the Board of Directors on 14 March 2023.

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 2022 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	27,402,593				
<i>Italian subsidiaries:</i>						
HSD S.p.A. Via della Meccanica, 16 Chiusa di Ginestreto (PU) - Italy	EUR	1,141,490	100%			100%
Montresor & Co. S.r.l. Via Francia, 13 Villafranca (VR) - Italy	EUR	1,000,000	100%			100%
Movetro S.r.l. Via Marco Polo, 12 Carmignano di Sant’Urbano (PD) - Italy	EUR	51,000	100%			100%
Forvet S.p.A. Special Machinery Construction Strada Piossasco, 46 Volvera (TO) - Italy	EUR	500,000	100%			100%
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%

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda Rua Liege 122 - Vila Vermelha - Sao Paulo - Brazil	BRL	18,017,304	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 Maskinvagen 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%
Biesse Portugal, Unipessoal, Ida. Sintra Business Park, 1, São Pedro de Penaferrim – 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	92,244,240		100%	Biesse (HK) Ltd.	100%
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%

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
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	11,242,857	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%

With respect to the consolidated financial statements for the year ended 31 December 2021, the merger of the subsidiary Bre.Ma. Brenna Macchine S.r.l., previously 98% owned, into the parent company Biesse S.p.A. (effective 1 January 2022) took place. On the other hand, there was a change in the percentage of ownership due to the purchase of an additional shareholding in Montresor S.r.l., through which its controlling interest increased from 60% to 100%, which took place in February 2022. For further details on these transactions, please refer to the section “Scope of Consolidation” in the Notes to the Financial Statements.

Please also note that the purchase of the remaining 40% of the equity investment in Movetro S.r.l. was finalised in May 2022. This transaction did not entail any changes as the Company was still consolidated at 100% because it was considered possible to exercise the put/call option on the aforementioned minority interest.

Finally, on 1 November 2022 (with effect from 1 January 2022), the process of merging the subsidiary Forvet Research & Development S.r.l. into Forvet S.p.A. Costruzione Macchine Speciali (its parent company and a subsidiary of Biesse S.p.A.) was completed. It should be noted that the aforementioned merger transactions have no impact on the consolidated financial statements.

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

The consolidated financial statements as at 31 December 2022 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 Directors believe that, due to the financial strength of the Biesse 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.

This disclosure was prepared in compliance 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 fair presentation of the Biesse 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 Biesse 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. Specifically, this operating result is defined as Profit (Loss) for the year before income taxes, financial income and expenses, and foreign exchange losses and gains. This indicator is not identified as an accounting measure under IFRS (NON-GAAP measures) and the determination criteria applied by the Biesse Group may not be consistent with those adopted by other groups.

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 Biesse Group's normal operating cycle
- it is held primarily to be 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 Biesse 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 Biesse 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 Biesse 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. When events and circumstances call for such review, management regularly reviews the carrying amount of non-current assets owned and used and of assets to be disposed of. 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 Biesse 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 Biesse Group's latest plans.

Product Warranties

When a product is sold, the Biesse Group provides for the relevant estimated warranty costs (annual and multi-year). Management establishes the amount of this provision based on historical information regarding the nature, frequency and average cost of repairs under warranty. The Biesse 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 expenses are measured with an actuarial method that uses 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 based on the different data provided by experts on long-term expectations of capital market yields, inflation, current yield on bonds, and other variables. It may be adjusted to take account of the asset investment strategies. The rates of future salary increases reflect the Biesse Group's long-term expectations for the reference markets and the trend in inflation. Any change in these variables may affect future contributions to the provisions.

Commercial, legal and tax disputes

The Biesse Group is subject to possible legal and tax cases involving a wide range of issues that are subject to the jurisdiction of different states and possible commercial disputes. Owing to the uncertainties inherent to these issues, it is hard to estimate the outflow of resources that could arise from said disputes. The claims and disputes against the Biesse Group frequently arise from complex and difficult legal issues, subject to varying degrees of uncertainty, including the facts and circumstances inherent to each case and the jurisdiction and the different laws applicable to each case. In the ordinary 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 cases of customer disputes. The Biesse Group recognises a liability for said disputes when it seems probable that an outflow of financial resources will be required to settle the obligation, and the appropriate amount can be measured reliably, 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 for the year ended 31 December 2022 have also been consistently applied to the comparative period, as the changes described in section 5.a) below "IFRS accounting standards, amendments and interpretations applied for the first time by the Biesse Group as of 1 January 2022" had no effect.

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 2022 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 Biesse 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.

It should be noted that with reference to the Turkish subsidiary, which operates in a country with a hyper-inflationary economy, the Biesse Group has proceeded to translate income statement balances at the average exchange rate and balance sheet balances at the year-end spot exchange rate in consideration of the insignificance of the Turkish subsidiary's economic contribution to the Biesse Group's income statement.

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 2022 and 31 December 2021 for converting finance and equity entries in foreign currency (source www.bancaditalia.it). It should be noted that with reference to the Russian rouble, for which the conversion of income statement and balance sheet items as at 31 December 2022 was made by applying the final exchange rate as at 31 December 2022, the source of the exchange rate used is II Sole 24 Ore.

Currency	31 December 2022		31 December 2021	
	Closing	Final	Closing	Final
Dollaro USA / euro	1.0530	1.0666	1.1827	1.1326
Real Brasiliano / euro	5.4399	5.6386	6.3779	6.3101
Dollaro canadese / euro	1.3695	1.4440	1.4826	1.4393
Lira sterlina / euro	0.8528	0.8869	0.8596	0.8403
Corona svedese / euro	10.6296	11.1218	10.1465	10.2503
Dollaro australiano / euro	1.5167	1.5693	1.5749	1.5615
Dollaro neozelandese / euro	1.6582	1.6798	1.6724	1.6579
Rupia indiana / euro	82.6864	88.1710	87.4392	84.2292
Renmimbi Yuan cinese / euro	7.0788	7.4133	7.6282	7.1947
Franco svizzero / euro	1.0047	0.9847	1.0811	1.0331
Rupia indonesiana / euro	15,625.2500	16,519.8200	16,920.7200	16,100.4200
Dollaro Hong Kong/euro	8.2451	8.3163	9.1932	8.8333
Ringgit malese/euro	4.6279	4.6984	4.9015	4.7184
Won sudcoreano/euro	1,358.0700	1,344.0900	1,354.0600	1,346.3800
Lira Turca/euro	17.4088	19.9649	10.5124	15.2335
Rublo Russo/euro	76.5854	76.5854	87.1527	85.3004
Dirham Emirati Arabi/euro	3.8673	3.9171	4.3436	4.1595
Dollaro Taiwan/euro	31.3223	32.7603	33.0361	31.3671
Yen Giapponese/euro	138.0274	140.6600	129.8767	130.3800
Shekel Israeliano/euro	3.5345	3.7554	3.8208	3.5159

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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse Group operates. Transactions denominated in currencies other than the functional currency of the Biesse 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 Biesse Group has entered into some forward and option contracts (see below the Biesse 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 Biesse 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 Biesse 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 Biesse 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.
- 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 Biesse 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 Biesse 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 Biesse Group expects to have to pay, calculated by applying to the tax base of each company in the Biesse 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 Biesse Group are as follows:

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

K. RIGHT OF USE AND LEASING LIABILITIES

In compliance with the provisions of IFRS 16, the Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse Group's interest, having measured at fair value all other identifiable assets, liabilities and contingent liabilities attributable to both the Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse Group are as follows:

Category	Rate
Trademarks	10%
Patents	10% - 33.33%
Know-how	10%
Customer relationship	10%
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.

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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse Group recognises an allowance for expected losses on trade receivables, contract assets and other financial assets measured at amortised cost; For these purposes, the Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse Group derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 Biesse 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 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 reference accounting principles, and consistent with the business and organisational structure control methods, the Biesse Group has identified 2 CGUs that correspond to the two Operating Sectors (Machinery and Systems and Mechatronics), consistently with the 2021 financial year.

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 Biesse Group's budgeting and planning processes and represent the best estimate, based on the Biesse 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 Biesse 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.

S. DIVIDENDS

Dividend and Interest Income

Dividend and interest income are recognised respectively:

- dividends, when the right to receive payment is determined (with credit at the time of the distribution resolution);
- interest, applying the effective interest rate method.

Dividends distributed

Dividends are recognised when the shareholders' right to receive payment arises, which normally corresponds to the date of the annual shareholders' meeting that resolves on the distribution of dividends.

Dividends distributable to Biesse Group Shareholders are recognised as a movement in equity in the year

in which they are approved by the Shareholders' Meeting.

T. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Biesse Group classifies non-current assets held for sale as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through their continuing use. These non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Selling costs are the additional costs directly attributable to the sale, excluding financial charges and taxes.

The condition for classifying an asset as held for sale is deemed to be met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The actions required to conclude the sale should indicate that significant changes in the sale are unlikely to occur or that the sale will be cancelled. Management must be committed

to the sale, which should be completed within one year from the date of classification.

Depreciation of property, plant and equipment and intangible assets ceases when they are classified as available for sale.

Assets and liabilities classified as held for sale are presented separately under current items in the balance sheet.

The profit and loss components relating to assets held for sale and discontinued operations, when related to significant business lines or geographic areas of activity, are excluded from the results of continuing operations and are presented in the income statement as a single line item as net profit/(loss) from discontinued or discontinued operations net of the related tax effect.

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

a) ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED AS OF 1 JANUARY 2022

The following accounting standards, amendments and interpretations issued by the IASB and endorsed by the European Union have been applied as of 1 January 2022.

- 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 standard's requirements.
 - ***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.

The adoption of these amendments did not have any impact on the Biesse Group's consolidated financial statements, also with reference to the amendment to IAS 37, Management believes there is no impact on the Biesse Group's financial statements due to the insignificance of indirect costs related to warranty work.

b) **ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE BIESSE GROUP AS AT 31 DECEMBER 2022**

Amendments endorsed by the European Union but not yet applicable as at 31 December 2022 are the following:

- On 18 May 2017, the IASB issued *IFRS 17 – Insurance Contracts*, which will replace *IFRS 4 – Insurance Contracts*. The new standard aims to guarantee that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued. The IASB developed the Standard to eliminate inconsistencies and weaknesses in existing accounting practices by providing a single principle-based framework to account for all insurance contracts, including an insurer's reinsurance contracts. The Standard also specifies presentation and disclosure requirements to enhance comparability between entities in this industry. The new standard measures an insurance contract under either the General Model or a simplified version, called the Premium Allocation Approach ("PAA"). The main features of the General Model are:
 - estimates and assumptions of future cash flows are always current;
 - measurement reflects the time value of money;
 - estimates make maximum use of observable market consistent information;
 - there is a current and explicit measurement of risk;
 - expected profit is deferred and aggregated in groups of insurance contracts at initial recognition; and,
 - expected profit is recognised over the coverage period after adjustments from changes in the cash flow assumptions related to each Group of contracts.

Under PAA, an entity may measure the liability for remaining coverage of a group of insurance contracts on the condition that, at initial recognition, the entity reasonably expects that this liability will be an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications derived from applying the PAA approach do not apply to the valuation of liabilities for outstanding claims, which are measured with the General Model. However, there is no need to discount those cash flows if the balance is expected to be paid or received in one year or less from the date the claims are incurred.

An entity shall apply the Standard to issued insurance contracts, including reinsurance contracts issued, reinsurance contracts held, and also to investment contracts with a discretionary participation feature (DPF).

The standard is applicable from 1 January 2023, but early adoption is permitted only for entities that apply *IFRS 9 – Financial Instruments* and *IFRS 15 – Revenue from Contracts with Customers*. The directors do not expect the adoption of this standard to have a significant impact on the consolidated financial statements of the Biesse 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 the initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities and thus improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, with the application of IFRS 17. The Directors do not expect a material effect on the Biesse Group's consolidated financial statements from adopting this amendment.
- 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 Biesse 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.

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

The amendments issued by the IASB as at 31 December 2022 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”*** and on 31 October 2022 published an amendment entitled ***“Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”***. The document is intended to clarify how to classify debts and other liabilities as current or non-current. The changes will be effective from 1 January 2024; 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 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 the initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities and thus improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, with the application of IFRS 17. The Directors do not expect a material effect on the Biesse Group’s consolidated financial statements from adopting this amendment.
- On 22 September 2022, the IASB published an amendment ***“Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback”***. The document requires the seller-lessee to measure the lease liability arising from a sale and leaseback transaction so as not to recognise an income or loss that relates to the retained right of use. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024, 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 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 compliance with the previous accounting standards adopted. Since the Biesse 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.

In particular, the Biesse Group monitors the business's performance in the following two Operating Segments, as it did in the same period last year:

- 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 Operating Segments mentioned above is as follows:

<i>Euro 000's</i>	Al 31 Dicembre			
	2022	%	2021	%
Machines and Systems Division	748,804	91.0%	676,442	91.1%
Mechatronics Division	105,165	12.8%	95,585	12.9%
Inter-segment eliminations	(31,544)	(3.84)%	(29,828)	(4.02)%
Total	822,425	100.0%	742,199	100.0%

In 2022, net revenue from sales and services amounted to € 822,425 thousand, compared to € 742,199 thousand as at 31 December 2021, up by 10.8% compared to the previous year.

The Machinery and Systems segment is the Biesse Group's largest segment, contributing 91.0% of consolidated revenues (91.1% in 2021); sales increased by 10.7%, from € 676,442 thousand at 31 December 2021 to € 748,804 thousand at 31 December 2022. The segment operating result increased significantly, from € 31,553 thousand to € 34,963 thousand, mainly due to the increase in volumes. In terms of revenue, the Mechatronics segment increased by 10.0% (from € 95,585 thousand at 31/12/2021 to € 105,165 thousand), while its contribution to consolidated revenue remained virtually unchanged. The operating result of this segment increased from € 14,168 thousand to € 15,786 thousand.

Operating profit (loss)

The table below summarises the operating result by Segment as at 31 December 2022 and 31 December 2021:

31 december 2022	Machines and systems	Mechatronics	Eliminations	Group Total
€ '000				
Total revenue	748,804	105,165	(31,544)	822,425
Operating profit of segment	34,963	15,786		50,749
Financial income and expenses				(9,115)
Pre-tax profit				41,634
Income taxes				(11,338)
Profit for the year				30,296

31 december 2021				
€ '000	Machines and systems	Mechatronics	Eliminations	Group Total
Total revenue	676,442	95,585	(29,828)	742,199
Operating profit of segment	31,553	14,168		45,721
Financial income and expenses				(5,237)
Pre-tax profit				40,484
Income taxes				(6,289)
Profit for the year				34,195

Inventories

The following table shows an inventory breakdown by Operating Segment:

€ '000	Machines and systems	Mechatronics	Group Total
2022	193,860	21,728	215,588
2021	160,373	19,044	179,417

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			
	2022	%	2021	%
Western Europe	431,136	52.4%	381,900	51.5%
Asia - Pacific	100,257	12.2%	95,906	12.9%
Eastern Europe	113,120	13.8%	119,854	16.1%
North America	157,334	19.1%	122,399	16.5%
Rest of the World	20,578	2.5%	22,140	3.0%
Group Total	822,425	100.0%	742,199	100.0%

The analysis of sales by geographic area compared to 2021 shows an increase in all the following areas: Western Europe (12.9%), Asia-Oceania (4.5%), North America (28.5%). Eastern Europe and the Rest of the World, on the other hand, recorded decreases of (-5.6%) and (-7.1%) respectively.

7. REVENUE

Revenue from the sale of goods and services provided by the Biesse Group as at 31 December 2022 are detailed below:

€ '000	31 December 2022	31 December 2021
Sales of goods	747,318	676,320
Revenues from services	73,529	64,341
Other revenues	1,578	1,537
Revenues	822,425	742,199

In 2022, revenue from sales and services amounted to € 822,425 thousand, compared € 742,199 thousand at 31 December 2021, up by 10.8% over the previous year, which was analysed in note 6 above.

In line with the provisions of IFRS 15, the Biesse 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 Biesse Group's other income as at 31 December 2022 is as follows:

€ '000	31 December 2022	31 December 2021
Lease and rental income	177	198
Income-related grants	3,834	832
Gains on sales of assets	805	18,295
Other non-recurring income and prior year income	6,780	5,495
Total other operating income	11,596	24,820

The item "Public Grants" mainly refers to the non-repayable grant for COVID-19 received from the US subsidiary Biesse America Inc. amounting to € 3,175 thousand. The remaining share relates to grants for research projects granted by the European Commission and other bodies, as well as grants for the share pertaining to funded training courses.

The item "Capital gains on disposals" is mainly attributable to the capital gain of € 465 thousand from the sale of land in Thiene (VI) on 7 September by deed of Notary Giuseppe Muraro. On the other hand, it should be noted that last year, this item contained the capital gain generated by the sale of the Chinese subsidiary Dongguan Korex Machinery 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 € 2,239 thousand (€ 2,936 thousand at 31 December 2021), mainly attributable to the Parent Company. The remainder refers to smaller amounts dispersed across the Biesse Group's subsidiaries.

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

As at 31 December 2022, this item amounted to € 363,363 thousand, up by 8.9% compared to the previous year (€ 333,566 thousand). This increase is due to the increase in volumes compared to the 2021 financial year, as described above. This item includes all procurement costs related to production, and primarily consists of € 399,880 thousand for the cost of purchasing raw materials and spare parts, € 6,076 thousand for the cost of purchasing finished products – net of € 21,282 thousand for the recovery of raw material costs – and spare parts in the amount of € 2,699 thousand and € 2,238 thousand, respectively. 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	
	2022	2021
Wages, salaries and social security contributions	239,833	224,331
Accruals to pension plans	8,589	8,446
Other personnel expense	5,161	4,229
Reimbursements and capitalization of personnel costs	(2,159)	(3,209)
Personnel expense	251,423	233,797

Personnel expense increased from € 233,797 thousand as at 31 December 2021 to € 251,423 thousand as at 31 December 2022, up € 17,626 thousand (7.5%) compared to the previous year.

The change is substantially related to the wages, salaries and related social security charges component (+6.9% compared to 2021) and is also affected by both the acquisition of the subsidiary Forvet S.p.A. effective 1 November 2021 and the fact that during 2021 the Biesse Group had benefited from various forms of social shock absorbers and government grants, aimed at protecting the company's human capital.

The number of employees decreased from 4,308 as at 31 December 2021 to 4,164 as at 31 December 2022, i.e. a fall of 144 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	
	2022	2021
Tangible amortization	19,412	18,851
Intangible amortization	13,084	14,385
Impairment of tangible and intangible assets	2,762	8,751
Provision	7,725	8,201
Amortizations, depreciation and provision	42,983	50,188

The item "Amortisation, depreciation, impairment and provisions" increased from € 50,188 thousand as at 31 December 2021 to € 42,983 thousand as at 31 December 2022, down by € 7,205 thousand compared to the previous year.

The item "Write-downs (Impairment losses) of tangible and intangible fixed assets" as at 31 December 2022, mainly refers to the write-down of trademarks as a result of the Biesse Group's visual identity project for the re-branding of its identity (€ 1,484 thousand). While the remainder, attributable to the Parent Company, relates to the write-down of certain development projects capitalised in previous years, already entered into amortisation, no longer considered strategic and being replaced with other new products (€ 342 thousand) and € 885 thousand on licences and patents no longer used.

Provisions decreased from € 8,201 thousand in 2021 to € 7,725 thousand in 2022. At the end of December 2022, the balance is mainly related to the adjustment of provisions for future risks and charges and the provision for restructuring.

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 Biesse Group as at 31 December 2022 is detailed below:

€ '000	At 31 December	
	2022	2021
Production services	38,516	33,581
Maintenance	6,016	5,037
Sales commissions and transport	28,230	22,793
Consultancy fees	15,140	10,718
Utilities	9,157	6,643
Exhibitions and advertising	8,554	5,625
Insurance	2,123	1,779
Directors, statutory auditors and consultants' remuneration	2,054	2,634
Travel	17,572	13,501
Use of third party assets	4,465	2,330
Vehicle costs	6,441	5,520
Property taxes	1,473	1,645
Other services	16,549	13,353
Other operating costs	156,292	125,157

This item increased by a total of € 31,135 thousand compared to 2021 (+24.9%), an effect attributable to a generalised increase in most of the items making up these costs. It should also be noted that the increase in turnover in 2022 consequently impacted the increase in variable production costs such as production services and energy, commissions and transport on sales

Production services increased by € 4,935 thousand (+14.7% 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 € 5,437 thousand (+23.9%). Consulting increased by € 4,422 thousand (+41.3%), an increase mainly due to the implementation of new IT tools, company organisational processes and technical department designs. Utilities recorded an increase of € 2,514 thousand (+37.9%), attributable to the inflation of energy costs in 2022. The growth in costs for trade fairs and advertising (which increased by € 2,930 thousand) is instead due to greater participation in trade fairs and promotional events, which have returned to full swing after the slowdown in previous years due to the pandemic. Staff travel and subsistence increased by € 4,071 thousand (+30.2%) as a result of the full resumption of travel.

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 (€ 4,445 thousand), as further detailed in note 16 below, and other costs for the use of third-party assets (€ 24 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	2022 Fees
Audit and quarterly reviews	Deloitte & Touche S.p.A.	Biesse S.p.A.	138
	Deloitte & Touche S.p.A.	Subsidiaries	112
	Network Deloitte	Subsidiaries	59
Other certification services			25
Other services			20
Totale			353

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

The item "Finance income" is detailed below:

€ '000	At 31 December	
	2022	2021
Bank interest	360	202
Interest from customers	39	24
Interest from others	37	15
Other financial income	432	50
Total financial income	868	292

The item Finance expense is detailed below:

€ '000	At 31 December	
	2022	2021
Bank, mortgage and financing interest	312	514
Right of Use interest	484	1,300
Interest expense to others	25	22
Other financial expense	1,190	758
Financial expense	2,014	2,595

Financial income increased by € 576 thousand compared to the previous year, where the item “Other financial income” includes, for € 208 thousand, the capital gain from the sale of the shareholding in the company Hyperlean S.r.l., a minor company for the Biesse Group and outside the consolidation perimeter.

Financial expenses decreased by € 582 thousand compared to 2021. Overall, net financial income and expenses thus decreased by € 1,158 thousand compared to the previous year.

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 2022, the Biesse Group had recorded net exchange rate losses of € 7,969 thousand, of which € 5,607 thousand came from realised exchange losses and € 2,362 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	
	2022	2021
Profit for the year	30,248	34,018
Weighted average number of shares used to calculate basic and diluted earnings per share	27,403	27,393
Base and diluted profit for the year (in Euro)	1.10	1.24

€ '000	At 31 December	
	2022	2021
Weighted average number of outstanding shares – for the calculation of basic earnings	27,403	27,393
Effect of treasury shares	-	-
Weighted average number of outstanding shares – for the calculation of basic earnings	27,403	27,393
Dilutive effects	-	-
Weighted average number of outstanding shares – for the calculation of diluted earnings	27,403	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 2022 totalled € 1.10 and was calculated by dividing the profit attributable to the owners of the parent, amounting to € 30,248 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 31/12/2020	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
Increases	10,341	1,574	2,201	6,120	4,220	24,456
Disposals	(5,132)	(1,511)	(451)	(3,937)	(96)	(11,128)
Reclassifications by assets held for sale	(3,129)	(570)	-	(124)	-	(3,823)
Exchange diff, reclassification and other changes	2,201	3,396	(766)	469	(5,385)	(86)
Value at 31/12/2022	125,241	84,564	31,381	45,937	1,900	288,329
Depreciation fund						
Value at 31/12/2020	43,581	54,153	24,752	31,468	-	153,954
Amortisation 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	-	-	1
Exchange diff, reclassification and other changes	703	(58)	100	103	-	848
Value at 31/12/2021	45,660	54,955	26,986	34,106	-	161,707
Amortisation of the period	7,866	4,567	1,845	5,135	-	19,412
Closing of funds for disposals	(1,493)	(720)	(418)	(3,360)	-	(5,991)
Depreciations	-	-	1	-	-	1
Reclassifications by assets held for sale	(695)	(499)	-	(109)	-	(1,303)
Exchange diff, reclassification and other changes	(290)	(396)	9	79	-	(598)
Value at 31/12/2022	51,048	57,907	28,422	35,851	-	173,228
	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
€ '000						
Assets held for sale	3,129	570	-	124	-	3,823
Value at 31/12/2022	3,129	570	-	124	-	3,823
Fondi ammortamento						
Assets held for sale	695	499	-	109	-	1,303
Value at 31/12/2022	695	499	-	109	-	1,303
Net book value						
Value at 31/12/2022	2,434	71	-	15	-	2,520

Compared to 31 December 2021, these fixed assets remain virtually unchanged.

New investments amounted to € 24,456 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.

No write-downs for impairment losses were made during the year.

We also note the reclassification of an amount of € 2,520 thousand to the item “Assets available for sale” relating to a building with appurtenant land, equipment and furnishings for which a preliminary purchase and sale agreement was signed on 20 September. The sale was finalised on 2 February 2023 by deed of Notary Giuseppe Fietta.

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

Land and buildings owned by the Biesse 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	
	2022	2021
Non current asset		
Right of Use Land and Property	17,708	14,926
Right of Use Vehicles (included in other assets)	3,936	4,306
Right of Use Equipment (included under Plant and machinery)	3,620	4,220
Total	25,264	23,452
Non current liabilities		
Non current lease liabilities	16,496	15,320
Current Liabilities		
Current lease liabilities	7,504	7,384
Total	24,000	22,704

As at 31 December 2022, right-of-use assets recorded a net increase of € 1,812 thousand.

Increases for the year amounted to € 10,624 thousand, net of net decreases for early repayments of € 440 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	
	2022	2021
Depreciation of Right of Use :		
Right of Use - Property	5,051	4,381
Right of Use - Vehicles	3,078	3,344
Right of Use - Equipment	640	652
Total	8,769	8,376

€ 000's	At 31 December	
	2022	2021
Other items in Profit & Loss		
Interest expense	484	1,300
Expense for short term leasing	3,557	1,631
Expense for low value leasing	888	635
Total	4,929	3,566

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 2022, the outflows for payments connected to leases totalled € 14,214 thousand, of which € 9,285 thousand for the repayment of lease payables and the residual amount of € 4,929 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. In line with the provisions of the reference accounting principles, and consistent with the business and organisational structure control methods, the Biesse Group has identified 2 CGUs that correspond to the two Operating Sectors (Machinery and Systems and Mechatronics), with no changes to the approach adopted in the previous year.

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

<i>('000)</i>	31 December 2022	31 December 2021
Machines and Systems	41,201	41,095
Mechatronics	5,599	5,599
Total	46,800	46,694

Changes in 2022 are due to the exchange rate effect suffered by the goodwill of the Australian and American branches and the acquisition of the TMAC S.r.l. business unit.

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 Biesse Group to estimate future cash flows for the purposes of the impairment test are as follows:

	As at 31 December 2022	2021
WACC	10.6%	8.0%
CAGR forecast revenue	0.6%	2.8%
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 6-month measurement period);
- the systematic risk coefficient (β) considered was that of the Biesse Group (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 2.1%;

- finally, the rate of the gross cost of debt was assumed to be 3.6%, 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 Biesse Group's Management on the basis of past experience and expectations about the trend in the markets in which the Biesse 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 2023-2027) have been made by reference to: i) in relation to the year 2023, to the figures shown in the 2023 budget approved on 19 December 2022; ii) in relation to the years 2024-2027, projecting the growth indicated by the composite index, developed by the Company on the basis of a basket of macroeconomic and sectoral indicators, and the updated projections of the main economic and equity variables.

With reference to this last point, the Directors have maintained an attitude of prudence, to take into account the persistence of factors of uncertainty linked to the evolution of the international geopolitical context, with specific reference to the economic effects deriving from the war in Ukraine, to which are added the problems linked to inflationary dynamics impacting both raw materials and energy costs. It should also be noted that the ERM analysis did not reveal any significant or material climate change-related risks that would have a direct impact on the company's performance in the short to medium term, as there are no significant impacts in financial terms that need to be taken into account or that affect the estimated operating cash flows in future years.

The goodwill impairment test was approved on 27 February 2023.

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:

	As at 31 December	
	2022	2021
Average incidence of the cost of sales on plan revenue	40.0%	41.7%
Average incidence of personnel expense on plan revenue	32.7%	31.3%
Average incidence of fixed operating costs on plan revenue	18.7%	16.4%

Impairment test results

<i>€ '000 (BIESSE GROUP – ALL DIVISIONS)</i>	As at 31 December 2022
Carrying amount of the Biesse Group (CA)	144,148
Recoverable amount of the Biesse Group (RA)	285,089
Impairment	-
<i>€ '000 (MACHINES AND SYSTEMS CGU)</i>	As at 31 December 2022
CGU carrying amount (CA)	106,421
CGU recoverable amount (RA)	176,273
Impairment	-
<i>€ '000 (MECHATRONICS CGU)</i>	As at 31 December 2022
CGU carrying amount (CA)	36,283
CGU recoverable amount (RA)	108,374
Impairment	-

The above test results did not show the need to impair the Goodwill values recorded in the consolidated financial statements as at 31 December 2022.

Breakeven point

In order to write off, at the Biesse Group 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 2022, the cost of capital (WACC) should increase by 6.9%. Furthermore, the growth rate of “as is” cash flows, as evidenced in the final value, should be significantly negative, while terminal value EBITDA should be lower than the “as is” plan by more than € 29.6 million.

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

	Machines and Systems	Mechatronics
Wacc	14.9%	28.14%
Growth rate	(7.9)%	NC*
Terminal value EBITDA	48,548	3,009

* to reach the breakeven point, the growth rate would have to be significantly negative

Sensitivity analysis

A sensitivity analysis of the results was also carried out for the CGUs under review: the value in use remains significantly higher than the carrying amount 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)	106,421	36,283
	CGU (RA)	165,069	102,643
Growth rate -0.5%	CGU (CA)	106,421	36,283
	CGU (RA)	169,152	104,619
CAGR -50%	CGU (CA)	106,421	36,283
	CGU (RA)	147,829	97,709

18. INTANGIBLE ASSETS

€ '000	Development costs	Patents, brands and other intangible assets	Asset under construction and advances	Total
Value at 31/12/2020	84,661	55,344	13,316	153,321
Increases	-	2,013	3,727	5,740
Disposals	(7,556)	(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 and other changes	(1,199)	(1,326)	9	(2,515)
Value at 31/12/2021	82,366	74,892	7,191	164,448
Increases	-	1,247	4,719	5,966
Disposals and Closing of funds for disposals	-	(9,160)	-	(9,160)
Change in the consolidation area	-	130	-	130
Depreciations	-	-	(635)	(635)
Reclassifications	1,022	(199)	(1,723)	(899)
Exchange diff and other changes	-	128	-	128
Value at 31/12/2022	83,388	67,039	9,552	159,979
Depreciation fund				
Value at 31/12/2020	68,981	34,456	-	103,437
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	(0)	2,827	-	2,827
Write-downs and reversals	3,199	2,247	-	5,447
Exchange diff, reclassification and other changes	(1,201)	(1,353)	-	(2,554)
	69,948	43,205	-	113,153
Value at 31/12/2021	69,948	43,205	-	113,153
Amortisation of the period	4,506	8,578	-	13,084
Closing of funds for disposals	-	(9,137)	-	(9,137)
Write-downs and reversals	-	2,127	-	2,127
Reclassifications	-	(755)	-	(755)
Exchange diff and other changes	-	131	-	131
Value at 31/12/2022	74,454	44,147	-	118,602
Net book value				
Value at 31/12/2021	12,417	31,687	7,191	51,296
Value at 31/12/2022	8,933	22,891	9,552	41,377

As at 31 December 2022, the consolidated financial statements include assets that represent new product development costs of € 8.9 million, patents, trademarks and other intangible assets of € 22.9 million, and assets under construction and advances of € 9.6 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.

As already mentioned, the verification of the cash flows expected from the sale of products, which incorporate the development projects subject to capitalisation, revealed the need to make write-downs for a total of € 2,762 thousand as at 31 December 2022, of which € 342 thousand for development projects capitalised in previous years, € 935 thousand on licences and patents no longer used, and trademarks for € 1,485 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	
	2022	2021
Other financial assets - non-current	4,575	4,440
Other financial assets - current	23,203	27,991

Non-current financial assets substantially relate to security deposits paid by the various Biesse Group companies and also include tax receivables claimed by the Parent Company for € 2,164 thousand.

Current financial assets relate to the fair value of derivative instruments in the amount of € 2,659 thousand (€ 892 thousand as of 31 December 2021), to investments in administered securities deposits in the amount of € 13,380 thousand and € 7,164 thousand to life insurance policies taken out by the Parent Company with the insurance companies Generali S.p.A. and Axa S.p.A. These investments were made with the aim of utilising cash surpluses in temporary uses of readily liquid assets for short-term financial needs.

20. INVENTORIES

€ '000	At 31 December	
	2022	2021
Raw materials, consumables and suppliers	69,545	67,094
Work in progress and semi-finished goods	30,705	26,653
Finished goods	95,879	67,869
Spare parts	19,458	17,801
Inventories	215,588	179,417

Inventories, amounting to € 215,588 thousand, are net of the allowances for inventory write-downs, amounting to € 6,342 thousand for raw materials (-€ 488 thousand compared to 2021), € 5,333 thousand for spare parts (practically unchanged compared to 2021) and € 10,184 thousand (+€ 2,497 thousand compared to 2021) for finished goods.

As a percentage of the historical cost of the relevant inventories, the allowance for inventory write-downs of raw materials accounts for 8.4% while the allowance for finished goods accounts for 9.6%.

The Biesse Group's inventories increased by € 36,171 thousand compared to the previous year. Specifically, although the increase affected all categories of inventories, the most significant was in finished goods and merchandise inventories for € 28,010 thousand.

The allowance for inventory write-downs reflects Management's estimate of impairment losses expected by the Biesse 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 Biesse Group's trade receivables as at 31 December 2022 and 31 December 2021 are detailed below:

€ '000	At 31 December	
	2022	2021
Trade receivables due from third parties	118,581	134,669
Trade receivables due from related parties	(70)	19
Allowance for impairment	(5,998)	(8,726)
Trade receivables	112,513	125,962

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

Trade receivables amounting to € 112,513 thousand reflect a decrease of € 13,449 thousand as compared to the previous year (€ 125,962 thousand in 2021).

The decrease in trade receivables from third parties is mainly attributable to a decrease in average collection days, also due to the Italian tax relief policy related to Industry 4.0. There are no particular critical issues in terms of impaired positions or deterioration of credit quality.

Changes in the allowances for impairment are shown below:

€ '000	At 31 December	
	2022	2021
Opening balance	8,726	6,327
Change in the consolidation area		324
Accrual for the year	938	2,921
Derecognition of excess provisions	(1,051)	(316)
Utilised	(2,639)	(613)
Exchange rate difference	24	82
Closing balance	5,998	8,726

Provisions to the allowance for impairment are made on the basis of both an assessment of specific credit positions where specific disputes exist (and are generally supported by an accompanying legal opinion) and of general, well-founded assessments of historical experience related to other credit positions, also taking into account forward-looking considerations.

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 Biesse 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 2022 is as follows:

€ '000	At 31 December	
	2022	2021
Consumption tax receivables and other tax receivables	8,710	10,417
Income tax assets	3,102	3,962
Other receivables from third parties	4,100	4,395
Other receivables	15,912	18,774

Consumption tax receivables and other tax receivables of € 8,710 thousand decreased by € 1,706 thousand compared to the previous year. This item includes VAT receivables and other receivables from tax authorities, such as the 2022 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 decreased by approximately € 860 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 HSD S.p.A., Montresor S.r.l., Movetro S.r.l. and from 2022, Forvet Costruzione Macchine Speciali S.p.A.. 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	
	2022	2021
Bank deposit	123,556	125,440
Cash and cash equivalents	1,483	1,659
Cash and cash equivalents	125,039	127,099

Cash and cash equivalents include bank deposits of € 123,556 thousand and cash or cash equivalents on hand of € 1,483 thousand, with an overall decrease over the previous year of € 2,060 thousand.

For further details on the dynamics affecting Cash and cash equivalents, please refer to the Biesse 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.

No term deposits exist as at the reporting date.

24. CONSOLIDATED EQUITY

The statement of changes in consolidated equity as at 31 December 2022 is shown in the accounting schedules section.

Share capital of € 27,403 thousand, which increased by € 9,551 thousand compared to the previous year, and the number of the Parent company's ordinary shares was 27,402,593, with a nominal value of € 1 each. This change is due to the issue of 9,551 new shares in exchange for 2% of the share capital of the subsidiary Bre.Ma. Brenna Macchine S.r.l. owned by minority shareholders following the merger by incorporation.

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

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 Biesse Group, and was negative for € 12,797 thousand as at 31 December 2022, down compared to the prior year (€ 11,162 thousand in 2021). The change in this reserve is attributable to fluctuations in exchange rates relating in particular to the US dollar, the Turkish lira and the Russian rouble.

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 € 2 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	
	2022	2021
Legal reserve	5,479	5,479
Extraordinary reserve	110,049	125,007
Retained earnings and other reserves	68,431	36,954
Other reserves	183,959	167,439

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 € 110,049 thousand as at 31 December 2022, decreased by € 14,958 thousand compared to the previous year due to the distribution of dividends.

Retained earnings and other reserves totalling € 68,431 thousand (€ 36,954 thousand in 2021) increased by € 31,477 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 € 4,265 thousand, is shown net of the tax effect of € 1,593 thousand.

Non-controlling interests

Non-controlling interests amounted to € 245 thousand as at 31 December 2022 (€ 849 thousand as at 31 December 2021).

25. FINANCIAL LIABILITIES

The following table shows a breakdown of current and non-current financial liabilities as at 31 December 2022 and 31 December 2021.

€ '000	At 31 December	
	2022	2021
Non-current liabilities		
Lease liabilities	16,496	15,320
Other non current financial debt	561	680
	17,057	16,000
Current liabilities		
Lease liabilities	7,504	7,384
Payables to bank and financial institutions	1,776	375
Other loans	-	3,778
Financial liabilities from derivatives	2,445	1,845
	11,725	13,382
Financial liabilities	28,782	29,382

Lease liabilities

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

€ '000	At 31 December	
	2022	2021
Leasing Liabilities:		
-due within a year	8,145	6,741
-due over one year, but within five year	13,956	13,805
-due over five year	3,705	3,488
Total	25,807	23,982
After deduction of changes for future financial charges	(1,807)	(1,278)
Present Value of lease liabilities	24,000	22,704
whose:		
Current	7,504	7,384
Non current	16,496	15,320

Payables relating to right-of-use assets include liabilities due to related parties of € 133 thousand (of which € 33 thousand in the short term) and due to parents for € 1,154 thousand (of which € 145 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 2022, the Biesse Group had credit lines in excess of € 215.7 million, of which € 90.7 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 2022, the Biesse 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 2022, amounting to € 2,445 thousand. The Biesse Group has chosen not to adopt hedge accounting policies to recognise this instrument.

Net financial position

Below is the detail of the Net Financial Position at 31 December 2022 and 31 December 2021. 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	
	2022	2021
Cash	1,483	1,659
Cash and cash equivalents	123,556	125,440
Cash and cash equivalents	125,039	127,099
Financial Assets (including derivative financial instruments)	20,544	27,098
Short-term lease liabilities	(7,504)	(7,384)
Current bank liabilities	(1,488)	(143)
Short-term loans and current portion of non-current indebtedness	(288)	(232)
Other current financial liabilities	(2,445)	(5,623)
(Current financial indebtedness)	(11,725)	(13,382)
(Net current financial indebtedness) / availability	133,857	140,815
Medium/long term lease liabilities	(16,496)	(15,320)
Medium and long term bank debts	(561)	(680)
Trade receivables and other medium/long term debts	(155)	(213)
No current financial indebtedness	(17,212)	(16,212)
Net financial position	116,646	124,603

The Biesse Group's Net Financial Position as at 31 December 2022 was positive at € 116,646 thousand, down from the figure for the previous year (positive at € 124,603 thousand). Compared to year-end 2021, the indicator decreased by € 7,957 thousand, mainly influenced by the distribution of dividends during the first half of 2022 and the dynamics of net working capital, despite the promising results at operating level.

The incidence of medium/long-term debt shows an increase as a percentage of total debt, from 29,594 in 2021 to 28,937 in 2022.

For the sake of completeness, please note that, since this case is not specifically regulated, the estimated earn-out liability of € 3 million related to the acquisition of Forvet S.p.A. and due within 12 months does not appear in the Net Financial Position.

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					31/12/2022
	31/12/2021	Cash flow	New leasing	Changes in consolidation area	Other movements	
Loans and derivatives	6,678	(2,720)			825	4,782
Leasing	22,704	(9,285)	10,617		(36)	24,000
Total	29,382	(12,006)	10,617		789	28,782

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 € 8,589 thousand (€ 8,061 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	
	2022	2021
Defined benefit plans	11,428	13,946
Activities serving the plan	(861)	(628)
Total	10,567	13,318

Changes in defined-benefit plans are as follows:

€ '000	At 31 December	
	2022	2021
Opening balance at 1 January	13,946	13,028
Change in the consolidation area	-	1,122
Current services	386	380
Financial (expenses)/ revenues	213	36
Benefits paid out	(1,330)	(1,199)
Actuarial gain/(losses)	(1,742)	554
Exchange differences and other movements	(45)	25
Closing balance at 31 December	11,428	13,946

Changes in defined-benefit plan assets are as follows:

€ '000	At 31 December	
	2022	2021
Opening balance at 1 January	628	252
Increases	269	336
Financial revenue	44	17
Benefit paid out	(38)	(14)
Exchange differences and other movements	(41)	36
Closing balance at 31 December	861	628

The severance indemnity fund of Italian companies represents approximately 86% of defined-benefit plans. The assumptions used for measuring severance indemnity obligations are:

Economic assumptions	As at 31 December	
	2022	2021

Annual rate of inflation	2.10%	1.75%
Annual discount rate	from -3.25% in 2023 to 3.13% in 2036	from -0.39% in 2022 to 0.99% in 2036

Demographic assumptions	As at 31 December	
	2022	2021
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 6% of the defined benefit plans. The main assumptions adopted in the valuation of the relevant obligation are a discount rate of 7.55% (6.7% in 2021), a salary growth rate of 7%, in line with the previous year, and a probability of utilisation of 5%, equal for all ages and in line with the previous year. In addition, the mortality tables provided by the Indian Assured Lives Mortality were used.

The effects of the remeasurement of defined-benefit plans were positive to the tune of € 1,746 thousand as at 31 December 2022, gross of the effects of the taxes calculated on them.

Average number of employees

The average headcount in 2022 was 4,272 (4,269 in 2021).

27. INCOME TAXES

Income taxes recognised in profit or loss

€ '000	At 31 December	
	2022	2021
IRES and other deferred taxes	4,374	1,095
Income tax related to foreign subsidiaries	5,355	4,032
Other taxes	(26)	(28)
IRES and other taxes for the year	9,702	5,100
IRAP and other current taxes	1,503	726
Income taxes relating to previous years	133	463
Income taxes	11,338	6,289

IRES and other deferred taxes, negative to the tune of € 4,374 thousand overall (€ 1,095 thousand in 2021), 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 € 11,338 thousand. The negative balance is determined as a result of the following factors: IRES taxes and other deferred taxes (negative for € 4,374 thousand) and IRAP (negative for € 1,503 thousand); provisions for income taxes of foreign companies (negative for € 5,329 thousand) and taxes relating to previous years (negative for € 133 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			
	2022	%	2021	%
Pre-tax profit	41,634		40,484	
National income tax 24%	(9,992)	24.0%	(9,716)	24.0%
Tax effect of non-deductible expense/exempt profit in determining income	910	(2.19)%	555	(1.37)%
Detection and utilisation of losses not previously recognised	855	(2.05)%	862	(2.13)%
Tax effect on losses unrecognised	(1,568)	3.77%	(389)	0.96%
Deferred Tax Asset effect unrecognised on previous year	839	(2.02)%	-	0.00%
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	(644)	1.55%	(729)	1.80%
Non-taxable capital gains and other minor effects	102	0.24%	4,317	(10.66)%
Income taxes for the year and effective tax rate	(9,702)	23.3%	(5,100)	12.6%
IRAP and other current taxes	(1,503)	3.61%	(726)	1.79%
Income taxes relating to previous rate	(133)	0.32%	(463)	1.14%
Income taxes for the year and effective tax rate	(11,338)	27.2%	(6,289)	15.5%

The tax rate therefore stands at 27.2%, up from the figure recorded in 2021. It should be noted that the previous year's tax rate was affected mainly by the positive effect of the sale of the investment held in Dongguan Korex Machinery Co. Ltd., which had generated a capital gain of € 17,814 thousand that was not taxable for tax purposes and was classified in the 2021 financial year under the item "other consolidation effects".

Deferred tax assets/liabilities

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

€ '000	At 31 December	
	2022	2021
Accrual to provisions for risks and charges	10,538	10,513
Intercompany profits included in the amount of closing inventories	5,722	5,175
Recoverable tax losses	1,486	1,370
Other	6,641	6,705
Deferred tax assets	24,387	23,763
Amortisation	8,299	9,025
Other	127	77
Deferred tax liabilities	8,426	9,102
Net deferred tax assets	15,961	14,661

As at 31 December 2022, the Biesse Group recorded deferred tax assets and liabilities with a net positive balance of € 15,961 thousand (€ 14,661 thousand in 2021). 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 2022 were approximately € 4 million.

Income tax payables

Income tax payables amounted to € 3,713 thousand (€ 10,170 thousand as at 31 December 2021) 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 31/12/2021	7,896	2,371	695	13,889	24,850
Provisions	12	671	3,064	4,084	7,831
Reduction of excess funds	-	-	-	(1,195)	(1,195)
Utilised	(572)	(543)	-	(5,348)	(6,463)
Change of consolidation area	-	-	-	-	-
Exchange diff, reclassification and other changes	51	-	(61)	2	(8)
Value at 31/12/2022	7,386	2,499	3,697	11,433	25,015
				Current	25,015
				Non current	-

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 Biesse 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 Biesse Group's business, the obligations arising from problems 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 judgement.

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

The balance of provisions for corporate restructuring represents the Directors' best estimate of charges related to ongoing corporate restructuring processes.

The decrease in the provision for legal disputes resulted from the positive balance between openings and closures of legal risks and for penalties and customer disputes.

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 2022 and 31 December 2021 are detailed below:

€ '000	At 31 December	
	2022	2021
Trade payables to suppliers	180,604	184,433
Trade payables to related parties	1,392	2,224
Trade payables to parent company	1	2
Trade payables	181,996	186,660

Trade payables amounted to € 181,996 thousand (€ 186,660 thousand in the previous year), with a decrease of € 4,664 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 € 138,197 thousand as at 31 December 2022 (€ 127,093 thousand as at 31 December 2021) and are made up as follows:

€ '000	At 31 December	
	2022	2021
Advances from customers before the sale of the goods	122,616	113,755
Net advances from customers for services	15,581	13,337
Contract liabilities	138,197	127,093

Contract liabilities mainly relate to customer advances 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 2022.

31. OTHER CURRENT AND NON-CURRENT PAYABLES

Other non-current payables decreased by € 3,828 thousand as a result of the reclassification of the € 3 million liability for the earn-out payment related to the purchase of Forvet under the item "Other payables to third parties" and the finalisation of the purchase of the remaining 40% of the equity investment in Movetro S.r.l., which in previous years led to the recognition of a € 983 thousand liability related to the Call/Put option. Non-current payables as at 31 December 2022 in the amount of € 155 thousand represent the present value of certain trade payables due after one year in the Parent Company.

A breakdown of other current payables as at 31 December 2022 is as follows:

€ '000	At 31 December	
	2022	2021
Tax liabilities	11,307	15,810
Social security liabilities	13,723	13,404
Other payables to employees	34,299	30,672
Other payables to third parties	10,276	8,901
Other liabilities to related parties	(118)	-
Other liabilities	69,487	68,787

Other payables of € 69,487 thousand increased by € 700 thousand compared to the previous year, mainly due to the increase in other payables to employees, almost entirely offset by the decrease in tax payables.

Other payables to third parties in the amount of € 10,276 thousand, which increased compared to the previous year (€ 8,901 thousand in 2021), mainly consist of deferred income for revenues accruing in the following year, as well as € 3 million for the payment of the earn-out of the acquisition of Forvet S.p.A..

32. FINANCIAL ASSETS/LIABILITIES FOR DERIVATIVE INSTRUMENTS

€ '000	31 December 2022		31 December 2021	
	Asset	Liability	Asset	Liability
Currency derivatives	2,659	2,445	892	1,845
Total	2,659	2,445	892	1,845

The value of open contracts at year-end (with a positive net balance of € 214 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 Biesse Group no longer records financial derivatives with the method envisaged for hedge accounting.

33. FINANCIAL RISK MANAGEMENT

The Biesse 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 Biesse Group's risk management policies aim to identify and analyse the risks to which the Biesse 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 Biesse Group activities.

With regard to the risk connected with the fluctuation in raw material prices, the Biesse 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 Biesse 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 Biesse 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 Biesse Group manages such risk by making use of derivative instrument purchases, such as forward exchange contracts and cross currency swaps. As from 2016, the Biesse 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 Biesse Group's exposure to exchange rate risk:

€ '000	Financial asset 31/12/2022	Financial liabilities 31/12/2022
Australian Dollar	912	349
Canadian Dollar	4,894	457
Pound Sterling	6,721	14,579
Hong Kong Dollar	2,575	10,417
US Dollar	30,448	23,381
Chinese Renmimbi Yuan	4,447	79
Other currencies	11,285	18,746
Total	61,281	68,007

In defining the amount exposed to interest rate risk, the Biesse 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	(73)	99
Canadian Dollar	(579)	783
Pound Sterling	1,025	(1,387)
Indian Rupee	1,870	(2,539)
US Dollar	(922)	1,247
Chinese Renmimbi Yuan	(570)	771
Total	751	(1,016)

The above amounts are shown gross of hedging.

b) Translation exchange rate risk

The Biesse 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 Biesse 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.

c) 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 Biesse Group.

Credit risk

Credit risk represents the Biesse 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 Biesse 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 2022

At december 2022						
€ '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	0.4%	0.0%	4.4%	27.3%	92.4%	4.7%
Receivables	78,024	20,810	11,888	3,358	4,204	118,284
Estimates credit losses	274	7	518	915	3,884	5,598

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

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 2022

At december 2022						
€ '000	Less than 30 days	30-180 days	180 days-1year	1-5 years	After 5 years	Total
Trade and other payables	107,845	115,579	13,917	2,299	216	239,856
Bank loans and borrowings	1,415	158	59	553	7	2,190
Total	109,260	115,737	13,976	2,852	223	242,047

31 December 2021

€ '000	At december 2021					
	Less than 30 days	30-180 days	180 days-1year	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
Totale	109,882	118,648	11,402	2,250	74	242,256

The Biesse 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 2022, the Biesse Group had lines of credit arranged for the entire Biesse 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:

€ '000	31 December	
	2022	2021
FINANCIAL ASSETS		
Designated at fair value through profit or loss:		
<i>Derivative financial assets</i>	2,659	892
Designated at fair value through OCI:		
<i>- other current financial assets</i>	20,544	27,098
Measured at amortised cost :		
<i>Trade receivables</i>	112,513	125,962
<i>Other assets</i>	4,688	4,578
<i>- other financial assets and non current receivables</i>	4,688	4,578
<i>- other current assets</i>	-	-
<i>Cash and cash equivalents</i>	125,039	127,099
FINANCIAL LIABILITIES		
Designated at fair value through profit or loss:		
<i>Derivative financial liabilities</i>	2,445	1,845
<i>Liabilities for Put Movetro</i>	-	983
Measured at amortised cost :		
<i>Trade payables</i>	181,702	186,398
<i>Bank loans, borrowings and lease liabilities</i>	2,337	4,833
<i>Financial leasing liabilities</i>	24,000	22,704
<i>Other liabilities</i>	52,786	50,754
<i>Other current liabilities</i>	52,631	47,542
<i>Other not current liabilities</i>	155	3,212

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 2021). 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. ACQUISITION OF MINORITY INTERESTS

A. Acquisition of an additional stake in Montresor & Co S.r.l.

In February 2022, the Biesse Group acquired an additional stake in Montresor & Co S.r.l., increasing its controlling interest in the Company from 60% to 100%. The Group paid non-controlling interests € 1,173 thousand to acquire the additional 40% stake. The consideration was paid in full during the year.

The impacts of this transaction are shown below:

('000)	
Book value of acquired interest	608
Price paid to minority shareholders	1,173
Decrease in Group Equity	565

The decrease in the Biesse Group's equity results from the € 558 thousand reduction in Consolidated undistributed profits, included in Other reserves, and the € 7 thousand reduction in the Actuarial reserve for defined-benefit plans.

On the other hand, there was a decrease in minority interests of € 608 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.

35. RELATED-PARTY TRANSACTIONS

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

Set out below are the Biesse Group financial and income balances arising from related-party transactions for the years 2022 and 2021. 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 Biesse Group.

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

Euro 000's

	Revenues		Costs	
	For Year ended 31/12/2022	For Year ended 31/12/2021	For Year ended 31/12/2022	For Year ended 31/12/2021
Parent				
Bi. Fin. S.r.l.	-	-	24	26
Other related companies				
Fincobi S.r.l.	1	1		
Se. Mar. S.r.l.	9	15	2,539	3,012
Wirutex S.r.l.	16	26	1,647	1,916
Altri			3	2
Members of the Board of Directors			3,246	3,452
Selci Giancarlo	-	-	123	365
Selci Roberto			1,130	1,053
Potenza Massimo			1,536	1,832
Parpajola Alessandra			-	41
Porcellini Stefano			-	30
Righini Elisabetta			-	9
Chiura Giovanni			-	8
Palazzi Federica			-	9
Baroncini Alessandra			25	17
Ricceri Federica			45	31
Borsani Ferruccio			31	21
Schiavini Rossella			55	37
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	166	103
Executives with strategic responsibilities			1,781	1,730
Total	26	42	9,406	10,241

Euro 000's

	Receivables		Payables	
	For Year ended 31/12/2022	For Year ended 31/12/2021	For Year ended 31/12/2022	For Year ended 31/12/2021
Parent				
Bi. Fin. S.r.l.	-	-	1,156	1,235
Other related companies				
Fincobi S.r.l.	-	-	-	12
Se. Mar. S.r.l.	2	1	882	1,295
Wirutex S.r.l.	-	14	508	806
Others	-	-	1	-
Members of the Board of Directors				
Members of the Board of Directors	-	-	133	89
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	119	110
Total	2	15	2,800	3,548

For all the financial years considered, no guarantee has been given or received. The Biesse 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 (€ 1,154 thousand to the parent company Bi.Fin. S.r.l. and € 133 thousand to members of the Board of Directors).

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 2021;
- given that summary information is required, it was considered appropriate to limit this disclosure to indicating the total amounts for the most material items.

€ '000	At 31 December	
	2021	2020
<i>Value of Production</i>	745,168	580,899
<i>Production costs</i>	(695,200)	(521,122)
<i>Financial income and expenses</i>	(2,207)	(1,956)
<i>Income taxes</i>	6,374	(650)
<i>Profit (loss) for the period</i>	34,436	2,444

€ '000	At 31 December	
	2021	2020
<i>Non current assets</i>	244,523	219,935
<i>Working capital</i>	501,679	464,731
<i>Total assets</i>	746,202	684,666
<i>Equity</i>		
<i>Share capital</i>	10,569	10,569
<i>Reserves</i>	121,286	123,914
<i>Profit for the year</i>	17368	1,213
<i>Current Liabilities</i>	43151	83,374
<i>Non Current Liabilities</i>	431926	360,805
<i>Total liabilities</i>	746,202	684,666

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 Biesse 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 2022	CAUSALE
1	FONDIMPRESA/FONDIRIGENTI	33	Contributo formazione finanziata
2	COMMISSIONE EUROPEA	198	Contributo progetto europeo
3	M.I.S.E.-FONDO CRESCITA SOSTENIBILE /SIMEST	409	Contributo progetto finanziato
4	Agenzia delle Entrate	305	Credito d'imposta energia art 3 DL 21/2022, art 6 DL 115/2022
5	Agenzia delle Entrate	161	Credito imposta R&S anno 2020 L.2019/160 maggiorato ai sensi ex art.244 "Decreto Rilancio"DL 34/2020
6	GSE SPA Gestore dei Servizi Energetici	8	Contributo GSE scambio sul posto
		1.114	

37. EVENTS AFTER THE REPORTING DATE

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

Pesaro, 14 March 2023

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	2022	related parties		2021	related parties	
Revenue	7	822,425		0.0%	742,199		
Other operating income	8	11,596	25	0.2%	24,820	42	0.2%
Change in inventories of finished goods and work in progress		30,791		0.0%	21,409		0.0%
Purchase of raw materials and consumables	9	(363,363)		0.0%	(333,566)		0.0%
Personnel expense	10	(251,423)		0.0%	(233,797)		0.0%
Depreciation, amortisation and impairment	11	(42,985)		0.0%	(50,188)		0.0%
Other operating costs	12	(156,292)	9,406	(6.0)%	(125,157)	10,241	(8.2)%
Operating profit		50,749	9,432	18.6%	45,721	10,282	22.5%
Financial income	13	21,155		0.0%	11,151		0.0%
Financial expense	13	(30,269)		0.0%	(16,387)		0.0%
Pre-tax profit		41,634	9,432	22.7%	40,484	10,282	25.4%
Income taxes	27	(11,338)		0.0%	(6,289)		0.0%
Profit for the year		30,296	9,432	31.1%	34,195	10,282	30.1%

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	2022	related parties		2021	related parties	
Equipment and other items of property, plant and equipment							
Property, plant and equipment	15, 16	115,105	-	0.0%	117,203	-	0.00%
Goodwill	17	46,800	-	0.0%	46,694	-	0.00%
Other intangible assets	18	41,377	-	0.0%	51,296	-	0.00%
Deferred tax assets	27	24,387	-	0.0%	23,763	-	0.00%
Other financial assets and receivables (including d	19	4,575	-	0.0%	4,440	-	0.00%
Other receivables	19	113	-	0.0%	137	-	0.00%
Total non current assets		232,357	-	0.0%	243,533	-	0.00%
Inventories	20	215,588	-	0.0%	179,417	-	0.00%
Trade receivables and contract assets		112,513	-	0.0%	125,962	-	0.00%
Other receivables	22	15,912	2	0.0%	18,774	15	0.10%
Other financial assets and receivables (including d	19	23,203	-	0.0%	27,991	-	0.00%
Cash and cash equivalents	23	125,039	-	0.0%	127,099	-	0.00%
Total current assets		492,255	2	0.0%	479,242	15	0.00%
Total assets available for sale	15, 16	2,520	-	0.0%			
TOTAL ASSETS		727,131	2	0.0%	722,774	15	0.00%

<i>Euro 000's</i>		31 December	Attributable to	% of incidence	31 December	Attributable to	% of incidence
	Note	2022	related parties		2021	related parties	
EQUITY AND LIABILITIES							
Share capital		27,403	-	0%	27,393	-	0%
Reserves		202,898	-	0%	186,957	-	0%
Profit for the year		30,248	-	0%	34,018	-	0%
Equity attributable to the owners of the parent		260,548	-	0%	248,368	-	0%
Non-controlling interests		245	-	0%	849	-	0%
TOTAL EQUITY	24	260,793	-	0%	249,217	-	0%
Financial liabilities	16, 25	17,212	-	0%	16,212	-	0%
Post-employment benefits	26	10,567	-	0%	13,318	-	0%
Deferred tax liabilities	27	8,426	-	0%	9,102	-	0%
Provisions for risks and charges	28	0	-	0%	484	-	0%
Other liabilities	31	(0)	-	0%	3,983	-	0%
Total non current liabilities		36,205	-	0%	43,099	-	0%
Financial liabilities	16, 25	11,725	-	0%	13,382	-	0%
Provisions for risks and charges	28	25,015	-	0%	24,366	-	0%
Trade payables	29	181,996	2,800	1.54%	186,660	3,459	1.85%
Contract assets	30	138,197	-	0%	127,093	-	0%
Other liabilities	31	69,487	-	0%	68,787	-	0%
Liabilities for income tax	27	3,713	-	0%	10,170	-	0%
Total Current liabilities		430,133	2,800	0,65%	430,459	3,459	0.80%
LIABILITIES		466,338	2,800	0,60%	473,557	3,459	0.73%
TOTAL EQUITY AND LIABILITIES		727,131	2,800	0,39%	722,774	3,459	0.48%

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 2022.

2. The administrative and accounting procedures for preparing the consolidated financial statements as at 31 December 2022 were defined, and their adequacy was assessed, based on the rules and methods established by the Biesse Group 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 2022:

- 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 2023

**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 2022

Biesse S.p.A.

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

SEPARATE INCOME STATEMENT AS AT 31 DECEMBER 2022

	Notes	31 December 2022	31 December 2021
Revenue	6	573,548,120	517,709,768
Other operating income	6	7,530,421	6,365,073
Change in inventories of finished goods and work in progress		15,585,725	10,672,768
Purchase of raw materials and consumables	8	(331,490,114)	(298,625,272)
Personnel expense	9	(140,606,679)	(133,345,554)
Other operating costs	10	(87,170,563)	(68,001,455)
Depreciation and amortisation		(18,720,078)	(21,135,947)
Accruals to provisions		(2,921,720)	(6,196,168)
Impairment	11	(1,740,757)	(8,912,273)
Operating result		14,014,355	(1,469,060)
Share of loss of associates	12	2,882,038	(2,429,526)
Financial income	13	17,930,839	8,090,402
Dividends	14	13,785,404	8,513,149
Financial expense	13	(26,005,492)	(12,482,861)
Result before taxes		22,607,144	222,104
Income taxes	15	(2,764,265)	1,919,598
Result for the year		19,842,879	2,141,702

SEPARATE STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2022

		31 December 2022	31 December 2021
Result for the year		19,842,879	2,141,702
Actuarial gains/(losses) on defined benefit plans	32	933,713	(249,563)
Valuation of financial assets	25	(276,212)	74,509
Translation differences on foreign operations	30	(2,085)	3,754
Items that will not be reclassified to profit or loss		655,416	(171,300)
Total comprehensive income for the year		20,498,295	1,970,402

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and machineries	16	58,011,114	56,861,141
Equipment and other tangible assets	16	6,679,660	6,656,665
Goodwill	17	9,974,870	8,398,870
Other intangible assets	18	21,394,434	27,717,739
Deferred tax assets	33	11,466,518	13,112,527
Investments in subsidiaries and associates	19	118,893,796	117,821,705
Other financial assets and non-current receivables	20	2,554,780	2,255,881
		228,975,172	232,824,528
Current assets			
Inventories	21	117,125,456	91,180,784
Trade receivables and contract assets	22	61,494,994	69,078,610
Trade receivables and contract assets - related parties	23	68,862,992	64,617,688
Other assets	24	7,521,221	4,614,173
Other assets - related parties	43	1,323,445	6,051,219
Assets for derivative financial instruments	45	2,624,795	892,456
Financial assets	25	20,543,623	27,097,788
Financial assets - related parties	26	5,550,000	6,261,533
Cash and cash equivalents	27	81,760,613	92,812,492
Total current assets		366,807,139	362,606,743
Assets available for sale			
Property, plant and equipment	16	2,505,195	-
Equipment and other tangible fixed assets	16	14,507	-
Total Assets available for sale		2,519,702	-
TOTAL ASSETS		598,302,013	595,431,271

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Share capital	28	27,402,593	27,393,042
Capital reserves	29	36,202,011	36,202,011
Other reserves and retained earnings	30	114,192,782	127,615,976
Result for the year		19,842,879	2,141,702
EQUITY		197,640,265	193,352,731
Non-current liabilities			
Post-employment benefits	32	8,049,549	9,813,430
Deferred tax liabilities	33	1,919,650	1,827,536
Bank loans and borrowings	34	23,958	-
Lease liabilities under IFRS 16	35	7,458,021	4,325,978
Other non-current liabilities to third parties	42	154,932	3,212,500
Total non-current liabilities		17,606,110	19,179,444
Current liabilities			
Trade payables	38	134,298,167	130,326,551
Trade payables - related parties	39	23,780,084	31,207,374
Contract liabilities	40	57,674,197	55,765,063
Contract liabilities - related parties	41	170,000	161,878
Other liabilities	42	45,312,860	43,282,214
Other liabilities - related parties	43	213,837	34,413
Tax liabilities	44	887,720	4,871,190
Lease liabilities under IFRS 16	35	2,595,847	2,280,186
Bank loans and borrowings	34	853,075	441,777
Other financial liabilities - related parties	26	96,396,194	93,745,034
Provisions for risks and charges	37	18,431,737	18,941,542
Liabilities for derivative financial instruments	45	2,441,920	1,841,874
Total current liabilities		383,055,638	382,899,096
LIABILITIES		400,661,748	402,078,540
TOTAL EQUITY AND LIABILITIES		598,302,013	595,431,271

SEPARATE STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2022

	Notes	31 December 2022	31 December 2021
OPERATING ACTIVITY			
+/- Result for the year		19,842,879	2,141,702
+ Amortisations:		18,720,078	21,135,947
Increase/decrease of accruals to:			
+ post employment benefit fund	32	143,912	11,931
+ provision to funds		2,921,719	6,196,168
+ allowance for impairment of current assets			
+/- provision for the write-down of inventory	21	418,126	5,771,071
+/- Gains/losses from sales of property, plant and equipment		(480,147)	(416,284)
+ Impairment losses on intangible assets		1,740,757	8,912,273
- Financial income		(14,285,444)	(8,761,197)
+/- Unrealized exchange gains/(losses)	13	2,220,538	1,586,051
+ Income taxes		2,764,265	(1,919,598)
+ Financial expenses		1,523,670	840,529
+/- Revaluation/write-off of investments		(2,882,038)	2,429,526
SUBTOTAL OPERATING ACTIVITIES		32,648,315	37,928,119
- Payment for post employment benefits	32	(853,631)	(894,722)
- Utilisation of provision for risks and charges	37	(6,618,866)	(647,684)
+/- Change in trade receivables	22	8,517,409	(16,248,145)
+/- Change in trade receivables - related parties	23	(5,131,364)	(10,439,582)
+/- Change in other receivables		(3,117,543)	(211,220)
+/- Change in other receivables - related parties		5,026	(13,434)
+/- Change in inventories	21	(22,363,799)	(29,128,458)
+/- Change in trade payables	38	(699,035)	31,074,418
+/- Change in trade payables - related parties	39	(3,179,891)	10,044,684
+/- Change in contract liabilities	40	1,482,371	28,939,136
+/- Change in contract liabilities - related parties		8,122	21,286
+/- Change in other payables	42	340,215	9,514,645
+/- Change in other payables - related parties		(2)	214
+/- Change in assets/liabilities for derivative financial instruments	45	(949,418)	267,382
- Tax paid		(1,383,612)	1,488,515
- Interest paid		(1,096,064)	(633,371)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(2,391,767)	61,061,783
INVESTING ACTIVITIES			
Gains/(losses) from shareholdings	16	(9,295,429)	(4,420,119)
- Investment in property, plant and equipment	16	4,344,436	2,741,650
+ Sale of property, plant and equipment	18	(5,021,764)	(5,153,100)
- Investment in intangible assets	18	11,666	9,072
+ Sale of intangible assets	19	(2,368,053)	(23,707,737)
- Investment/disposal of shareholdings in subsidiaries and associates		232,663	-
- Investment/disposal of shareholdings in other companies	14	16,363,177	16,935,377
+ Dividends received		4,266,696	(13,594,857)
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
+/- New long term loans	48	39,930	-
+/- Long term loans reimbursement	48	0	(104,938,566)
- Finance lease payments	48	(3,082,896)	(2,477,280)
- Finance lease payments	48	378,762	(217,317)
+/- Increase/decrease of borrowings		(1,144,679)	(897,178)
+/- Increase/decrease of other non-current financial assets		248,480	203,819
+ Interests received	48	140,137	13,155,256
- New loans to related parties	48	6,667,521	13,701,056
+ Income from loans to related parties	48	(5,353,910)	(1,681,366)
+ New loans to related parties		6,620,230	-
- Reimbursement of loans from related parties	32	(17,056,497)	-
+/- Increase/decrease of other current financial assets		(12,542,922)	(83,151,576)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(10,667,993)	(35,684,650)
NET INCREASE IN CASH AND CASH EQUIVALENTS		92,812,492	128,277,813
CASH AND CASH EQUIVALENTS AS AT January,1st		(2,254)	114,939
+/- Effect of exchange rate fluctuations on cash held		(429,503)	-
+ Cash and cash equivalents from merger		47,871	104,390
CASH AND CASH EQUIVALENTS AS AT December,31th			
Cash and cash equivalents	27	81,760,613	92,812,492

SEPARATE STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2022

	Notes	Share capital 28	Capital reserves 29	Other reserves and retained earnings 30	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
Allocation of the profit of the year				5,541,930	(5,541,930)	-
Merge of subsidiaries				(1,193,798)		(1,193,798)
December 31, 2021		27,393,042	36,202,011	127,615,976	2,141,702	193,352,731
January 1, 2022		27,393,042	36,202,011	127,615,976	2,141,702	193,352,731
Other comprehensive income				655,416		655,416
Result for the year					19,842,879	19,842,879
Total gains/(losses) recognised in other comprehensive income				655,416	19,842,879	20,498,295
Dividends				(14,957,516)	(2,141,702)	(17,099,218)
Merge of subsidiaries		9,551		878,906		888,457
Other movements						0
December 31, 2022		27,402,593	36,202,011	114,192,782	19,842,879	197,640,265

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 were submitted to the Board of Directors on 14 March 2023.

In addition, the Company prepares the consolidated financial statements.

By deed of Notary Luisa Rossi dated 21 December 2021, the subsidiary company Bre.ma. Brenna Macchine S.r.l. has been incorporated into Biesse S.p.A.. The accounting and tax effects of this transaction are back dated to 1 January 2022. The most significant deviations from the values in the financial statements for the year 2021 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 2022 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. In particular, operating profit is defined as profit (loss) for the year before income taxes, financial income and expenses, foreign exchange gains and losses, dividends and profits and losses of subsidiaries. This indicator is not identified as an accounting measure under IFRS (NON-GAAP measures) and the determination criteria applied by the Biesse S.p.A. may not be consistent with those adopted by other Companies.

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 to be 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.

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 2022, 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. When events and circumstances call for such review, management regularly reviews the carrying amount of non-current assets owned and used and of assets to be disposed of. 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 estimate 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 2022 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 2022".

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.
- 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. 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.

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 finalise 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.

R. DIVIDENDS

Dividend and Interest Income

Dividend and interest income are recognised respectively:

- dividends, when the right to receive payment is determined (with credit at the time of the distribution resolution);
- interest, applying the effective interest rate method.

Dividends distributed

Dividends are recognised when the shareholders' right to receive payment arises, which normally corresponds to the date of the annual shareholders' meeting that resolves on the distribution of dividends.

Dividends distributable to Group Shareholders are recognised as a movement in equity in the year in which they are approved by the Shareholders' Meeting.

S. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies non-current assets held for sale as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through their continuing use. These non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Selling costs are the additional costs directly attributable to the sale, excluding financial charges and taxes.

The condition for classifying an asset as held for sale is deemed to be met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The actions required to conclude the sale should indicate that significant changes in the sale are unlikely to occur or that the sale will be cancelled. Management must be committed

to the sale, which should be completed within one year from the date of classification.

Depreciation of property, plant and equipment and intangible assets ceases when they are classified as available for sale.

Assets and liabilities classified as held for sale are presented separately under current items in the balance sheet.

The profit and loss components relating to assets held for sale and discontinued operations, when related to significant business lines or geographic areas of activity, are excluded from the results of continuing operations and are presented in the income statement as a single line item as net profit/(loss) from discontinued or discontinued operations net of the related tax effect.

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

a) ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED AS OF 1 JANUARY 2022

The following accounting standards, amendments and IFRS interpretations have been adopted for the first time as from 1 January 2022:

- **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.

The adoption of these amendments did not have any impact on the Company's financial statements, also with reference to the amendment to IAS 37, management believes there is no impact on the Company's financial statements due to the insignificance of indirect costs related to warranty work.

b) ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY AS AT 31 DECEMBER 2022

Amendments endorsed by the European Union but not yet applicable as at 31 December 2022 are the following:

- On 18 May 2017, the IASB issued **IFRS 17 – Insurance Contracts**, which will replace IFRS 4 – Insurance Contracts.

The new standard aims to guarantee that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued. The IASB developed the Standard to eliminate inconsistencies and weaknesses in existing accounting practices by providing a single principle-based framework to account for all insurance contracts, including an insurer's reinsurance contracts.

The Standard also specifies presentation and disclosure requirements to enhance comparability between entities in this industry.

The new standard measures an insurance contract under either the General Model or a simplified version, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

- estimates and assumptions of future cash flows are always current;
- measurement reflects the time value of money;
- estimates make maximum use of observable market consistent information;
- there is a current and explicit measurement of risk;
- expected profit is deferred and aggregated in groups of insurance contracts at initial recognition; and,
- expected profit is recognised over the coverage period after adjustments from changes in the cash flow assumptions related to each Group of contracts.

Under PAA, an entity may measure the liability for remaining coverage of a group of insurance contracts on the condition that, at initial recognition, the entity reasonably expects that this liability will be an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications derived from applying the PAA approach do not apply to the valuation of liabilities for outstanding claims, which are measured with the General Model. However, there is no need to discount those cash flows if the balance is expected to be paid or received in one year or less from the date the claims are incurred.

An entity shall apply the Standard to issued insurance contracts, including reinsurance contracts issued, reinsurance contracts held, and also to investment contracts with a discretionary participation feature (DPF).

The standard is applicable from 1 January 2023, but early adoption is permitted only for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The Directors do not expect the adoption of this standard 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 the initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities and thus 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 significant effect on the Company’s financial statements from the adoption of this amendment.
- 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 to provide more helpful 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 Financial Statements of the Company.
- 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 amounts, 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.

c) **ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS 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 amendments and standards mentioned above.

- On 23 January 2020, the IASB issued **“Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”** and on 31 October 2022 published an amendment entitled **“Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”**. The document is intended to clarify how to classify debts and other liabilities as current or non-current. The changes will be effective from 1 January 2024; 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 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 the initial application of IFRS 17. The amendment is intended to avoid

temporary accounting mismatches between financial assets and insurance contract liabilities and thus 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 significant effect on the Company's financial statements from the adoption of this amendment.

- On 22 September 2022, the IASB published an amendment **"Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback"**. The document requires the seller-lessee to measure the lease liability arising from a sale and leaseback transaction so as not to recognise an income or loss that relates to the retained right of use. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024, 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 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 2022	31 December 2021
€ '000		
Revenues from goods	542,027	489,082
Revenues from services	30,131	27,356
Other revenues	1,390	1,272
Revenues	573,548	517,710
Lease and rental income	17	18
Income-related grants	245	136
Gains on sales of assets	490	417
Other income and prior year income	6,778	5,794
Total other operating income	7,530	6,365

Revenues for the 2022 financial year amounted to € 573,548 thousand, compared to € 517,710 thousand in the previous year, with an overall increase of 10.8%. In order to provide an indication of the impact of the merger of Bre.Ma. Brenna Macchine S.r.l., if it had occurred with effect on 1 January 2021, thus allowing the two financial years to have the same perimeter, the revenues of the previous year would have amounted to € 525,282 thousand, therefore, the increase for the 2022 financial year would be 9.2%.

The increase relates to higher sales, especially with reference to the Italian market.

As no operations were discontinued, the data above relates exclusively to continuing operations.

Among the “Other operating income”, the most significant values refer to “Other income and contingent assets” for € 6,778 thousand, attributable for € 1,959 thousand to income deriving from the recharging of centralised service and consulting costs that Biesse S.p.A. provides to Group companies and for € 1,961 thousand to the remit for the financial year of income from R&D tax credit and investment tax credit (the former hyper-super depreciation), and the residual € 2,858 thousand to contingent assets and other income of small and fragmented amounts. Revenues for 2021 including the merger effect would rise from € 5,794 thousand to € 5,808 thousand.

The item “Capital gains from disposals” with a value of € 490 thousand includes € 465 thousand for the capital gain arising from the sale of land in Thiene (VI) on 7 September by deed of Notary Giuseppe Muraro.

The item “Income-related grants” includes € 160 thousand for a grant for a research project granted by the European Commission, € 32 thousand for a grant disbursed by SIMEST for participation in international trade fairs and for the remainder the contribution 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 2022	31 December 2021
€ '000		
Subsidiaries		
Biesse America Inc.	68,254	52,061
Biesse Asia Pte Ltd	2,571	3,954
Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda	1,027	243
Biesse Canada Inc.	16,921	13,372
Biesse Deutschland GmbH	20,627	21,892
Biesse France Sarl	35,553	30,828
Biesse Group Australia Pte Ltd	16,330	15,791
Biesse Group New Zealand PTY Ltd	3,126	2,666
Biesse Group Russia LLC	1,211	8,290
Biesse Group UK Ltd	20,338	24,903
Biesse Gulf FZE	3,776	2,560
Biesse Iberica Woodworking Machinery S.L	18,677	19,118
Biesse Indonesia Pt	244	329
Biesse Japan KK	1,785	247
Biesse Korea LLC	785	194
Biesse Malaysia SDN BHD	2,916	3,359
Biesse Manufacturing CO PVT Ltd	858	751
Biesse Schweiz GmbH	4,307	4,502
Biesse Taiwan Ltd.	16	148
Biesse Trading (Shanghai) CO.LTD	3,319	5,130
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	10,784	7,518
Biesservice Scandinavia AB	1,419	1,473
Bre.ma. Brenna Macchine S.r.l.	-	1,124
Forvet Costruzione Macchine Speciali S.p.A.	1	-
HSD S.p.A.	2,138	2,234
Montresor & Co. Srl	146	109
Movetro Srl	53	-
WMP-Woodworking Machinery Portugal Unipessoal LDA	1,063	521
Related parties		
Wirutex S.r.l.	12	20
Total	238,257	223,337

Here below is a breakdown of the item “Other operating income” to related parties:

	31 December 2022	31 December 2021
€ '000		
Subsidiaries		
Biesse America Inc.	5	-
Biesse Deutschland GmbH	-	1
Biesse Group Australia Pte Ltd	-	1
Biesse Group UK Ltd	2	-
Biesse Malaysia SDN BHD	29	-
Biesse Manufacturing CO PVT Ltd	366	350
Biesse Schweiz GmbH	-	1
Bre.ma. Brenna Macchine S.r.l.	-	594
Forvet Costruzione Macchine Speciali S.p.A.	46	1
HSD S.p.A.	1,471	1,032
Montesor & Co. Srl	49	27
Movetro Srl	42	30
Related parties		
Fincobi S.r.l.	1	1
Total	2,011	2,038

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 € 298,625 thousand in 2021 to € 331,490 thousand, an increase of 11.0% over the previous year, attributable to the increase in volumes as described above. At 55.6%, this item as a percentage of the value of production improved slightly (by 0.2%) compared to the previous year.

In order to provide an indication of the impact of the merger, if it had taken place with effect from 1 January 2021, consumption costs would have been a total of € 296,450 thousand lower than the 2021 value of Biesse S.p.A. due to the elimination of purchases of machinery produced by the merged company.

Here below are the amounts due to related parties and referring to the item "Consumption of raw materials and consumables":

€ '000

Subsidiaries

	31 December 2022	31 December 2021
Biesse America Inc.	589	67
Biesse Asia Pte Ltd	(10)	(15)
Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda	(3)	(2)
Biesse Canada Inc.	(51)	(49)
Biesse Deutschland GmbH	400	474
Biesse France Sarl	(91)	(47)
Biesse Group Australia Pte Ltd	-	(3)
Biesse Group New Zealand PTY Ltd	115	(16)
Biesse Group Russia LLC	2	(183)
Biesse Group UK Ltd	(36)	53
Biesse Gulf FZE	73	33
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	-	50
Biesse Iberica Woodworking Machinery S.L	(45)	22
Biesse Indonesia Pt	-	(1)
Biesse Japan KK	(1)	-
Biesse Korea LLC	(1)	(1)
Biesse Malaysia SDN BHD	56	9
Biesse Manufacturing CO PVT Ltd	29,004	25,255
Biesse Schweiz GmbH	3	(9)
Biesse Taiwan Ltd.	(1)	(2)
Biesse Trading (Shanghai) CO.LTD	149	(8)
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	(13)	(1)
Biesservice Scandinavia AB	117	(20)
Bre.ma. Brenna Macchine S.r.l.	-	11,092
Forvet Costruzione Macchine Speciali S.p.A.	5,351	-
HSD S.p.A.	30,904	26,794
Montresor & Co. Srl	2,547	3,897
Movetro Srl	2,444	1,587
Woodworking Machinery Portugal, Unipessoal Lda	(3)	-
Related parties		
Renzoni S.r.l.	2	2
Semar S.r.l.	1,370	1,338
Wirutex S.r.l.	1,624	1,881
Total	74,495	72,197

9. PERSONNEL EXPENSE

€ '000

	31 December 2022	31 December 2021
Wages, salaries, bonuses and social security contributions	136,478	129,973
Accruals to pension plans	6,702	6,554
Capitalization and recovery of personnel expense	(2,573)	(3,181)
Personnel expense	140,607	133,346

Personnel expense in 2022 was € 140,607 thousand, compared with € 133,346 thousand as at 31 December 2021, with an increase of € 7,261 thousand in absolute terms. The value of 2021 including the balance of the merged company would be equal to € 138,307 thousand.

Recharges of personnel expense amounting to € 713 thousand (€ 692 thousand in 2021) refer to recharges of personnel seconded to Group companies, while capitalisations of personnel costs for the year amounting to € 1,860 thousand (€ 2,489 thousand in 2021) mainly refer to costs for new product development activities.

Average number of employees

The average number of staff members in 2022 was 1,935 (1,948 in 2021), broken down as follows:

	31 December 2022	31 December 2021
Workers	814	813
Employees	1,064	1,081
Directors	57	54
Total	1,935	1,948

For the sake of comparative information, it should be noted that the number of employees in 2021 including the figures for the companies merged during the year and rose from 1,948 to 2,023.

10. OTHER OPERATING EXPENSES

The item “Other operating expenses” is detailed as follows:

	31 December 2022	31 December 2021
€ '000		
Production services	21,323	17,979
Maintenance	3,912	3,239
Sales commissions and transport	10,318	8,788
Consultancy fees	11,291	7,687
Utilities	6,661	4,464
Exhibitions and advertising	3,501	2,663
Insurance	1,171	990
Directors, statutory auditors and consultants' remuneration	1,604	1,957
Travel	5,710	4,542
Other operating expenses	13,369	9,097
Use of third party assets	1,740	1,034
Other charges	6,571	5,561
Total	87,171	68,001

2022 was characterised by an increase in turnover with a consequent increase in operating expenses. Production-related costs such as “Services to production”, “Commissions and transport on sales”, “Utilities” and “Personnel travel and transfers” showed a higher percentage increase than the increase in revenue mainly due to the increase in the costs of external processing, transport, commissions and energy.

There was a significant increase in the item “Consulting” mainly due to the implementation of new IT tools, company organisational processes and technical department designs.

The decrease in the item “Directors, statutory auditors and collaborators” is mainly due to the reduction in remuneration to Directors, on 28 April 2021 the Company’s Shareholders’ Meeting appointed the members of the Board of Directors for the three-year period 2021/2023 and determined their new 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 (€ 1,719 thousand), as further detailed in note 16 below, and other costs for the use of third-party assets (€ 21 thousand). The increase is mainly due to the item concerning software.

The cost of other operating expenses for 2021 considering the merged companies increased from € 68,001 thousand to € 69,980 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	138
Other certification services	Deloitte & Touche SpA	32
Total		170

With reference to transactions with related parties, here below is a breakdown of the costs of the item "Other operating expense":

	31 December 2022	31 December 2021
€ '000		
Subsidiaries		
Biesse America Inc.	650	131
Biesse Asia Pte Ltd	424	322
Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda	304	178
Biesse Canada Inc.	(179)	(176)
Biesse Deutschland GmbH	(182)	(669)
Biesse France Sarl	(381)	(1,121)
Biesse Group Australia Pte Ltd	(783)	(547)
Biesse Group New Zealand PTY Ltd	(165)	(46)
Biesse Group Russia LLC	(26)	(138)
Biesse Group UK Ltd	(804)	(663)
Biesse Gulf FZE	(89)	87
Biesse Iberica Woodworking Machinery S.L	(209)	(7)
Biesse Indonesia Pt	(9)	(8)
Biesse Korea LLC	-	3
Biesse Malaysia SDN BHD	80	153
Biesse Manufacturing CO PVT Ltd	1,098	1,177
Biesse Schweiz GmbH	(113)	(110)
Biesse Taiwan Ltd.	-	(2)
Biesse Trading (Shanghai) CO.LTD	286	240
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	503	218
Biesservice Scandinavia AB	(101)	(2)
Bre.ma. Brenna Macchine S.r.l.	-	454
Forvet Costruzione Macchine Speciali S.p.A.	(361)	-
HSD Deutschland GmbH	(3)	(2)
HSD S.p.A.	545	631
Montresor & Co. Srl	(15)	146
Movetro Srl	1	150
WMP-Woodworking Machinery Portugal Unipessoal LDA	(51)	86

	31 December 2022	31 December 2021
Parent company		
Bifin Srl	1	1
Related parties		
Renzoni S.r.l.	1	-
Semar S.r.l.	-	-
Wirutex S.r.l.	24	34
Selci Giancarlo	100	342
Selci Roberto	1,000	945
Parpajola Alessandra	-	26
Porcellini Stefano	-	26
Potenza Massimo	100	100
Righini Elisabetta	-	7
Chiura Giovanni	-	7
Palazzi Federica	-	7
Baronciani Alessandra	25	17
Schiavini Rossella	55	37
Borsani Ferruccio	31	21
Ricceri Federica	39	26
De Mitri Paolo	71	70
Cecchini Silvia	-	15
De Rosa Dario	-	15
Perusia Enrica	47	31
Sanchioni Claudio	-	-
Ciurlo Giovanni	48	32
Total	1,962	2,244

The negative amounts concern cost recharges to Group companies.

11. IMPAIRMENT LOSSES

During the year, € 1,741 thousand was recognised for impairment (€ 8,912 thousand in 2021), of which € 885 thousand on licences and patents no longer used, € 514 thousand on a trademark and € 342 thousand on development projects capitalised in previous years.

For further details, reference should be made to the Directors' Report on Operations and to note 18.

12. PROFITS/LOSSES OF RELATED COMPANIES

Impairment losses and reversals of impairment losses are detailed below:

	31 December 2022	31 December 2021
€ '000		
Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda	(950)	-
Biesse Group Australia Pty Ltd.	5,000	-
Biesse Group New Zealand Ltd.	700	-
Biesse Group Russia LLC	(888)	-
Biesse Gulf FZE	(219)	(681)
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	2,906	-
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş.	-	(1,000)
Montresor & Co. Srl	(1,567)	-
Movetro Srl	(2,100)	(748)
Share of profit/loss of subsidiaries and associates	2,882	(2,429)

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. With reference to the reversals of impairment losses relating to the investments of Biesse Group Australia Pty Ltd, Biesse Hong Kong Ltd and Biesse Group New Zealand Ltd. please refer to note 19.

For the amount of € 219 thousand of the subsidiary Biesse Gulf FZE, € 950 thousand of the subsidiary Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda, and € 700 thousand of the subsidiary Biesse Group Russia LLC, the write-down was made through a provision for negative equity, in consideration of the Company's substantial obligation to cover it.

13. FINANCE INCOME AND EXPENSE

The item "Finance income" is detailed below:

	31 December 2022	31 December 2021
€ '000		
Revenues from financial assets	166	85
Bank interest	75	123
Interest from customers	39	24
Other financial income	243	16
Exchange rate gains	17,408	7,842
Total financial income	17,931	8,090

The increase in the item "income from financial receivables" is related to the increase in interest rates on loans granted to Group companies.

The item "Other financial income" includes, for € 208 thousand, the capital gain from the sale of the shareholding in Hyperlean S.r.l., a minor company for the Group and outside the scope of consolidation.

The 2021 balance of financial income including the balance of the merged company amounted to € 8,147 thousand.

The amounts due to related parties referring to the item "Finance income" are shown below:

	31 December 2022	31 December 2021
€ '000		
Subsidiaries		
Biesse Group Australia Pte Ltd	-	2
Biesse Group Russia LLC	-	17
Biesse Gulf FZE	22	15
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	-	27
Bre.ma. Brenna Macchine S.r.l.	-	4
Montesor & Co. Srl	29	20
Total	51	85

Finance expense is detailed below:

	31 December 2022	31 December 2021
€ '000		
Bank, mortgage and financing interest	-	322
Interest on right of use assets	131	105
Interest on discounting of bills	21	31
Other interest	956	38
Customer discounts	324	339
Other financial expense	220	8
Exchange rate losses	24,353	11,640
Total financial expense	26,005	12,483

“Interest expense on leases” included € 115 thousand (€ 83 thousand in 2021) for financial charges on payables relating to right-of-use assets in application of IFRS 16.

The item “Other Interest Expense” mainly includes interest expenses to Group companies for intercompany loans or cash pooling balances; the increase is due to the change in interest rates.

The item “Other financial expenses” contains the interest cost arising from the actuarial valuation of the staff severance fund in the amount of € 129, thousand and discounting charges in the amount of € 87 thousand.

The 2021 balance of financial charges including the balances of the merged company amounted to € 12,556 thousand.

Here below are the amounts due to related parties in relation to the item “Finance expense”:

	31 December 2022	31 December 2021
€ '000		
Subsidiaries		
Biesse America Inc.	347	29
Biesse Asia Pte Ltd	7	-
Biesse Canada Inc.	23	-
Biesse France Sarl	96	-
Biesse Group UK Ltd	254	2
Biesse Iberica Woodworking Machinery S.L	36	-
Forvet Costruzione Macchine Speciali S.p.A.	13	-
HSD S.p.A.	187	10
Parent company		
Bifin S.r.l.	24	26
Related parties		
Selci Roberto	1	1
Total	988	68

The balance of positive and negative exchange rate differences showed a negative amount of € 6,944 thousand (positive € 3,798 thousand in 2021).

Unrealised foreign exchange gains and losses gave a negative balance of € 2,220 thousand (negative balance of € 1,586 thousand in 2021) due to the adjustment to the period-end exchange rate of credit and debit items denominated in foreign currencies, in addition to the valuation of forward contracts outstanding at the end of the financial year (positive balance of € 183 thousand in 2022 against a negative balance of € 949 thousand in 2021).

As for realised exchange rate differences, they were negative at € 4,724 thousand (negative at € 2,212 thousand in 2021).

14. DIVIDENDS

Dividends amounting to € 13,785 thousand refer to the dividends distributed in 2022 by the following companies:

- Biesse France Sarl: € 3,500 thousand. This dividend was authorised on 5 December 2022.
- HSD S.p.A.: € 2,957 thousand. This dividend was authorised on 28 November 2022.
- Biesse America Inc.: € 2,361 thousand (USD 2,500 thousand). This dividend was authorised on 5 December 2022;
- Biesse Group UK Ltd.: € 1,744 thousand (GBP 1,500 thousand). This dividend was authorised on 12 December 2022;
- Biesse Iberica Woodworking Machinery s.l.: € 1,500 thousand. This dividend was authorised on 15 November 2022;
- Biesse Deutschland GmbH: € 1,000 thousand. This dividend was authorised on 24 November 2022.
- Biesse Canada Inc.: € 723 thousand (CAD 1,000 thousand). This dividend was authorised on 18 November 2022.

All dividends listed above were collected during the financial year. In terms of overall cash flows, dividends received by the Company in 2022 amounted to € 16,363 thousand (€ 16,935 thousand in 2021) thousand also taking into account the receipt of dividends pertaining to 2021 from Biesse Canada Inc. for € 491 thousand (CAD 700 thousand), Biesse Group UK Ltd for € 587 thousand (GBP 500 thousand) and Biesse Deutschland GmbH for € 1,500 thousand.

15. TAXES

	31 December 2022	31 December 2021
€ '000		
Current taxes IRES	(453)	1,128
Deferred taxes IRES	1,837	(3,137)
Taxes IRES	1,384	(2,009)
Current taxes IRAP	647	243
Deferred taxes IRAP	317	(227)
Taxes IRAP	964	16
Income taxes relating to previous years	416	73
Total taxes of the year	2,764	(1,920)

Biesse S.p.A. closed the 2022 financial year with a total negative tax value of € 2,764 thousand (positive for € 1,920 thousand in 2021).

The balance of "IRES Taxes" was negative by € 1,384 thousand (positive for € 2,009 thousand in 2021).

"Current IRES taxes" were positive in the amount of € 453 thousand (negative in the amount of € 1,128 thousand in 2021) as a result of negative taxable income (positive in 2021), and consisted of € 197 thousand from the calculation of 24% tax on taxable income for the year, and € 207 thousand from the positive effect of the reclassification of the tax component recognised directly in equity referring to the actuarial adjustment of the termination indemnity and the valuation of financial assets; lastly, a positive effect of € 49 thousand was recorded for deductions related to the use of tax credits.

In 2022, "Current IRAP taxes" in the amount of € 647 thousand (€ 243 thousand in 2021) were set aside, the increase is due to the increase in taxable income.

Deferred IRES and IRAP taxes, negative in the amount of € 2,154 thousand (positive in the amount of € 3,364 thousand in 2021), refer to the movement of temporary reversals, for details of which please refer to note 33.

“Income taxes relating to previous years” were negative in the amount of € 416 thousand (negative in the amount of € 73 thousand in 2021) as a result of the final calculations in the tax return.

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 31/12/2022		Year ended at 31/12/2021	
€ '000				
Profit (Loss) before tax	22,607		222	
Taxes	5,426	24.00%	53	24.00%
Tax effect of permanent differences	(4,113)	(18.19)%	(2,043)	(920.27)%
Other movements	71	0.31%	(19)	(8.56)%
Income taxes and effective tax rate	1,384	6.12%	(2,009)	(904.96)%

A positive influence on the effective tax rate is mainly due to the reduced taxation of received dividends, benefits from investments under the Industria 4.0 plan, R&D tax credit and patent box benefits.

16. PROPERTY, PLANT, EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT AND ASSETS AVAILABLE FOR SALE

	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 01/01/2021	121,931	38,650	447	161,028
Increases	1,981	2,455	1,308	5,744
Disposals	(7,105)	(1,431)	-	(8,536)
Reclassification	355	(13)	(342)	0
Merger effect	8,364	2,380	-	10,744
Value at 31/12/2021	125,526	42,041	1,413	168,980
Increases	6,869	3,245	4,010	14,124
Disposals	(3,949)	(402)	(86)	(4,437)
Reclassification	3,275	(562)	(3,724)	(1,011)
Reclassifications of assets held for sale	(3,699)	(124)	-	(3,823)
Merger effect	2,916	881	-	3,797
Value at 31/12/2022	130,938	45,079	1,613	177,630
Depreciation Funds				
Value at 01/01/2021	64,374	32,767	-	97,141
Amortisation of the period	4,794	3,606	-	8,400
Disposals	(4,777)	(1,425)	-	(6,202)
Other Variations	1,000	-	-	1,000
Merger effect	3,274	1,849	-	5,123
Value at 31/12/2021	68,665	36,797	-	105,462
Amortisation of the period	5,609	3,064	-	8,673
Disposals	(134)	(373)	-	(507)
Reclassification	(1,011)	-	-	(1,011)
Reclassifications of assets held for sale	(1,194)	(109)	-	(1,303)
Merger effect	992	633	-	1,625
Value at 31/12/2022	72,927	40,012	-	112,939
Net book Value				
Value at 31/12/2021	56,861	5,244	1,413	63,518
Value at 31/12/2022	58,011	5,067	1,613	64,691

The above table of changes takes into account, for a total of € 2,520 thousand, the assets reclassified to “Assets available for sale” relating to a building (with appurtenant land), including plant and furnishings, for which a preliminary sale agreement was signed on 20 September. The sale was finalised on 2 February 2023 by deed of Notary Giuseppe Fietta.

Below are the changes in “Assets available for sale”:

	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 31/12/2021	-	-	-	-
Reclassifications of assets held for sale	3,699	124	-	3,823
Value at 31/12/2022	3,699	124	0	3,823
Depreciation Funds				
Value at 31/12/2021	-	-	-	-
Reclassifications of assets held for sale	1,194	109	-	1,303
Value at 31/12/2022	1,194	109	-	1,303
Net book Value				
Value at 31/12/2021	-	-	-	-
Value at 31/12/2022	2,505	15	0	2,520

In the reporting period, capital expenditure of € 14,124 thousand was made (€ 5,744 thousand in 2021), of which € 9,295 thousand related to investments in owned assets and € 4,829 thousand related to new rights-of-use contracts (IFRS 16). These investments concern, for € 3,334 thousand, the signing of two new rental contracts relating to buildings located in the province of Pesaro and in the province of Rimini, for € 1,327 thousand due to the increase in value following extraordinary maintenance on a building located in Pesaro, for € 1,133 thousand for the purchase of machinery for the mechanical garage, € 906 thousand for the signing of new contracts to rent company cars to replace those expiring, € 503 thousand for the purchase of an automatic storage system, and € 257 thousand for the purchase of vertical warehouses to store materials. The residual amount is attributable to the physiological replacement of work tools, which are necessary for ordinary production activity.

The item “Disposals” with a net value of € 3,930 thousand includes € 3,835 thousand for the sale of a plot of land located in Thiene (VI) executed on 7 September by deed of Notary Giuseppe Muraro for a sale amount of € 4.3 million, generating a capital gain of € 465 thousand.

The item “Merger effect” contains the entries arising from the merger of the merged company and the first time adoption entries according to IAS principles in continuity with the values expressed in the consolidated financial statements; this generated an increase in the historical cost for € 3,502 thousand and in the depreciation provision for € 1,473 thousand. The prevailing value refers to the building rented for € 1,656 thousand.

As at 31 December 2022, 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 2022, right-of-use assets increased by € 4,830 thousand (€ 1,323 thousand in 2021) and a net decrease due to early closures of lease contracts for € 64 thousand (€ 6 thousand in 2021).

The breakdown of depreciation of leased assets is summarised below:

- Depreciation of Buildings: € 1,229 thousand (€ 621 thousand in 2021)
- Depreciation of Machinery: € 493 thousand (€ 493 thousand in 2021)
- Depreciation of Motor vehicles: € 1,042 thousand (€ 1,248 thousand in 2021)
- Depreciation of Means of internal transport: € 14 thousand (€ 13 thousand in 2021)

The items relating to leases other than depreciation are summarised below:

- Interest expense: € 131 thousand (€ 105 thousand in 2021), recognised under “Finance expense”;
- Costs (fees) relating to short-term leases: € 1,490 thousand (€ 804 thousand in 2021), recognised under “Other operating expense” in “Use of third-party assets”;
- Costs (fees) relating to low-value leases: € 229 thousand (€ 166 thousand in 2021), recognised

under “Other operating expense” in “Use of third-party assets”.

In 2022, outflows for payments related to leases amounted to € 4,933 thousand (€ 3,552 thousand in 2021), of which € 3,083 thousand (€ 2,477 thousand in 2021) was for the repayment of lease debts and the remainder for payments made as interest on debts in addition to payments for short-term, low-value leases.

The breakdown of leases outflows is summarised below:

- Lease repayments – principal amounts: € 3,083 thousand (€ 2,477 thousand in 2021);
- Lease interest paid during the year: € 131 thousand (€ 105 thousand in 2021);
- Payments relating to short-term leases: € 1,490 thousand (€ 804 thousand in 2021);
- Payments relating to low-value leases: € 229 thousand (€ 166 thousand in 2021).

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 methods for monitoring the performance of the Company and the Group are carried out through the two operating segments (Machinery and Systems and Mechatronics), to which the respective CGUs correspond, in line with the 2021 financial year.

The entire goodwill of Biesse S.p.A. relates to the Machinery and Systems CGU.

The value for 2022 is € 9,975 thousand (€ 8,399 thousand as at 31 December 2021); the increase of € 1,576 thousand relates for € 1,546 thousand to the increase from the allocation of the merger deficit of the merged company Bre.ma. Brenna Macchine S.r.l. and for the remainder from the acquisition of the TMAC S.r.l. company branch. The merger was accounted for in accordance with the criterion of continuity of values with respect to the consolidated financial statements, following the best accounting practices on the matter, as these are transactions 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 2023-2027) have been made by reference to: i) in relation to the year 2023, to the figures shown in the 2023 budget approved on 19 December 2022; ii) projecting the growth indicated by the composite index, developed by the Company on the basis of a basket of macro-economic and sectoral indicators, and the updated projections of the main economic and equity variables. With reference to this last point, the Directors have maintained an attitude of prudence, to take into account the persistence of factors of uncertainty linked to the evolution of the international geopolitical context, with specific reference to the economic effects deriving from the war in Ukraine, to which are added the problems linked to inflationary dynamics impacting both raw materials and energy costs. It should also be noted that the ERM analysis did not reveal any significant or material climate change-related risks that would have a direct impact on the company’s performance in the short to medium term, as there are no significant impacts in financial terms that need to be taken into account or that affect the estimated operating cash flows in future years.

The goodwill impairment test was approved on 27 February 2023.

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	
	2022	2021
WACC	10.6%	8.0%
CAGR forecast revenue	0.6%	5.3%
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 6-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 2.1%;
- finally, the rate of the gross cost of debt was assumed to be 3.6%, 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 2022 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:

	31/12/2022
Average incidence of the cost of sales on plan revenue	40.0%
Average incidence of personnel expense on plan revenue	32.7%
Average incidence of fixed operating costs on revenue	18.7%

Impairment test results

	31/12/2022
CGU carrying amount (CA)	106,421
CGU recoverable amount (RA)	176,273
Impairment	-

The above test results did not show the need to impair the Goodwill recorded in the consolidated financial statements as at 31 December 2022.

Breakeven point

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

	31/12/2022
WACC	+14.9%
Growth rate	-7.9%
Terminal value EBITDA	48,548

18. OTHER INTANGIBLE ASSETS

	Development costs	Patents, trademarks and other intangible assets	Assets under construction and advances	Total
€ '000				
Historical cost				
Value at 01/01/2021	74,189	40,317	11,733	126,239
Increases	-	1,916	3,237	5,153
Disposals	-	(11)	-	(11)
Reclassification	6,459	768	(7,227)	-
Other variations	(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
Increases	-	1,023	3,968	4,991
Disposals	-	(2,918)	-	(2,918)
Reclassification	416	680	(1,096)	-
Other changes	-	(1,156)	(584)	(1,740)
Merger effect	1,819	112	61	1,992
Value at 31/12/2022	76,321	39,012	8,232	123,565
Depreciation Funds				
Value at 01/01/2021	62,937	22,925	-	85,862
Amortisation of the period	5,842	6,895	-	12,737
Disposals	-	(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
Amortisation of the period	4,074	5,972	-	10,046
Disposals	-	(2,909)	-	(2,909)
Merger effect	1,434	77	-	1,511
Value at 31/12/2022	69,696	32,474	-	102,170
Net book Value				
Value at 31/12/2021	9,898	11,937	5,883	27,718
Value at 31/12/2022	6,625	6,538	8,232	21,395

The intangible assets shown above have a finite useful life and are amortised accordingly.

The overall increase in the financial year of € 4,991 thousand (€ 5,153 thousand in 2021) consisted of € 1,804 thousand of capitalised costs for assets under construction relating to development projects not yet completed.

As at 31 December 2022, the separate financial statements included assets that represent new product development costs for € 13,595 thousand (€ 15,344 thousand in 2021), of which € 6,970 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", with a net value of € 1,740 thousand (€ 7,912 thousand in 2021), contains the impairment loss recorded following impairment on development projects deemed no longer recoverable and/or strategic, licences and patents no longer used and a trademark following the Group's new visual identity that redefined the structure of the brands also identifying products.

As already mentioned, the verification of cash flows expected from the sale of products, which incorporate the development projects subject to capitalisation, showed the need to write-down, as of 31 December 2022, costs related to development projects in progress previously capitalised for € 341 thousand (€ 5,542 thousand in 2021), a write-down of licences and patents no longer used for € 885 thousand (€ 2,370

thousand in 2021) and a write-down of previously registered trademarks in the process of being disposed of for € 514 thousand.

19. EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

They amounted to a total of € 118,894 thousand (€ 117,822 thousand as at 31 December 2021), an increase of € 1,072 thousand over the previous year.

Changes in the period are detailed below:

	31 December 2022	31 December 2021
€ '000		
Opening balance	117,822	98,228
Acquisitions/Increases	3,374	42,165
Disposals	(7,053)	(20,823)
Impairment	4,751	(1,748)
Closing balance	118,894	117,822

As at 31 December 2022, there were no equity investments in associates.

Transaction details are provided here below:

The increases refer to:

- Purchase of the remaining 40% of the share capital of Montresor & Co. S.r.l. for € 1,173 thousand on 14 February by deed of Notary Luisa Rossi;
- Purchase of the remaining 40% of the share capital of Movetro S.r.l. for € 1,250 thousand on 19 May by deed of Notary Luisa Rossi;
- Share capital increase in the subsidiary Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda (formerly Intermac Do Brasil Servicos e Negocios Ltda) for € 950 thousand;
- Purchase by subsidiary HSD S.p.A. of the remaining 1% of the share capital of Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda (formerly Intermac Do Brasil Servicos e Negocios Ltda) for € 1 thousand.

The item "Sale/Liquidation/Mergers" for € 7,053 thousand refers to:

- The cancellation of the investment in the subsidiary Bre.Ma. Brenna Macchine S.r.l. for € 4,147 thousand as a result of the merger by incorporation into Biesse S.p.A. by deed of Notary Luisa Rossi dated 21 December 2021;
- The reduction of the share capital of the subsidiary Biesse Hong Kong Ltd (formerly Centre Gain Ltd) for € 2,906 thousand, which resulted in a cash flow as partial repayment of the investment.

Cash flows related to equity investments amounted to € 2,368 thousand representing the balance between:

- proceeds from the subsidiary Biesse Hong Kong Ltd (formerly Centre Gain Ltd) of € 2,906 thousand following the reduction of share capital;
- payment of the second tranche of the purchase of the company Forvet Costruzione Macchine Speciali S.p.A. for € 1,900 thousand;
- payment for the purchase of 40% of the share capital of the subsidiary Montresor & Co. S.r.l. for € 1,173 thousand;
- payment for the purchase of 40% of the share capital of the subsidiary Movetro S.r.l. for € 1,250 thousand;
- payment for the increase in the share capital of Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda (formerly Intermac Do Brasil Servicos e Negocios Ltda) for € 950 thousand;
- payment for the purchase of 1% of the share capital of the subsidiary Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda (formerly Intermac Do Brasil Servicos e Negocios Ltda) for € 1 thousand.

Below is a table comparing the carrying amount of equity investments, already net of the write-downs/write-backs discussed below, their equity and the result for the year as at 31 December 2022 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	19,573	8,709	11,993
Biesse Asia Pte Ltd	1,088	1,578	(257)	490
Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda	951	(241)	(1,028)	(1,192)
Biesse Canada Inc	96	1,640	1,424	1,544
Biesse Deutschland GmbH	6,228	2,696	1,212	(3,532)
Biesse France Sarl	4,879	4,168	2,603	(711)
Biesse Group Australia Pte Ltd	5,507	6,449	2,835	942
Biesse Group Israel Ltd	27	(21)	(17)	(48)
Biesse Group New Zealand PTY Ltd	1,206	1,295	408	89
Biesse Group Russia	-	(1,459)	(1,233)	(1,459)
Biesse Group UK Ltd	1,088	2,827	1,986	1,739
Biesse Gulf FZE	-	(816)	(345)	(816)
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	431	1,529	(2,645)	1,098
Biesse Iberica Woodworking Machinery SI	4,448	2,451	1,413	(1,997)
Biesse Indonesia PT.	23	57	4	34
Biesse Manufacturing CO PVT Ltd	17,839	37,631	5,454	19,792
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	2,800	2,081	183	(719)
Biesservice Scandinavia AB	13	372	73	359
Forvet Costruzione Macchine Speciali S.p.A.	41,400	8,344	3,263	(33,056)
H.S.D. Spa	21,915	65,535	11,646	43,620
Montresor & Co. Srl	225	465	(846)	240
Movetro Srl	1,150	1,427	(154)	277
Total	118,894	157,581	34,688	38,687

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. In this regard, it should be noted that no impairment test was performed on the subsidiary Forvet S.p.A. acquired in 2021 as this company reported better 2022 results than the forecasts contained in the multi-year plan used as the basis for the impairment test performed in the previous year. For the subsidiaries Biesse Deutschland GmbH, Biesse Iberica Woodworking and Biesse France Sarl 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 and the current year.

In addition, on an annual basis, the Company assesses the possible reversal of the value of equity investments written down in previous years for which the pro-rata equity is higher than the cost of the investment following three consecutive years in profit.

The impairment losses/reversal of impairment losses of the cost of equity investments recognised in the financial statements in the amount of € 4,751 thousand are made following an analysis of their cash-generating capacity, applying the same method described previously in the note on goodwill, to which

reference should be made for more detailed information and also commented on later in this section. Details of the companies that, following the impairment test, experienced an reversal of impairment/write-down (as already indicated in note 12.) are as follows:

- Reversal of impairment of the subsidiary Biesse Hong Kong Ltd (formerly Centre Gain Ltd) for € 2,906 thousand following an analysis of the subsidiary's cash flows that, despite the reduction in share capital, showed positive flows, allowing the value of the shareholding's cost to be restored;
- Reversal of impairment of the subsidiary Biesse Group Australia Pty Ltd for € 5,000 thousand as a result of prospective cash flow results. It should also be noted that the company has achieved largely positive results over the last three years, which have increased its net worth, which at year-end was well above the value of the cost of the investment after the reversal of impairment;
- Reversal of impairment of the subsidiary Biesse Group New Zealand Ltd for € 700 thousand;
- Write-down of the subsidiary Biesse Group Russia LLC for € 188 thousand;
- Write-down of the subsidiary Montresor & Co. S.r.l. for € 1,567 thousand;
- Write-down of the subsidiary Movetro S.r.l. for € 2,100 thousand.

In addition, € 1,869 thousand was set aside in a special provision for risks to cover negative equity for the following companies:

- Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda for € 950 thousand
- Biesse Gulf FZE: € 219 thousand
- Biesse Group Russia for € 700 thousand

For these equity investments, the main assumptions used in determining the value in use of the cash generating unit relate to the discount rate (WACC = Weighted Average Cost of Capital) and the growth rate ("g rate"). In particular, the calculations used the cash flow projections of the individual investee companies for the period 2023-2027 inferable from the individual company budgets, declined in line with the 2023 Group Budget prepared by Management and approved by the Board of Directors on 19 December 2022 and the projections of the main economic and equity variables based on the analysis of the Group's composite index.

The results of the impairment tests carried out showed the need to proceed with the write-down/reversal of impairment losses of the aforementioned equity investments.

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 2022		
	WACC	Growth rate of the final value
Biesse Group Australia Pty	10.63%	1.5%
Biesse Group New Zealand Ltd	10.63%	1.5%
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	10.63%	1.5%
Biesse Trading (Shanghai) Co. Ltd	10.63%	1.5%
Biesse Gulf FZE	10.63%	1.5%
Biesse Group Russia LLC	10.63%	1.5%
Biesse Brasil comércio e indústria de máquinas e equipamento Ltda	10.63%	1.5%

In greater detail, the following factor was 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 6-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 € 2,555 thousand (€ 2,256 thousand in 2021), is broken down as follows:

	31 December 2022	31 December 2021
€ '000		
Minority interests in other companies and consortiums	115	139
Other receivables / guarantee deposits	2,440	2,117
Total other financial asset and non current receivable	2,555	2,256

The item “Other receivables / Guarantee deposits - non-current portion” contains € 2,164 thousand (€ 1,876 thousand in 2021) in receivables from the tax authorities and € 276 thousand (€ 241 thousand in 2021) in guarantee deposits. The increase compared to the previous period is due to the accounting of R&D and investment 4.0 tax credits.

21. INVENTORIES

	31 December 2022	31 December 2021
€ '000		
Raw materials, consumables and suppliers	40,496	34,395
Work in progress and semi-finished goods	27,268	22,340
Finished goods	35,893	23,224
Spare parts	13,468	11,222
Total inventories	117,125	91,181

The carrying amount is recorded net of the allowances for inventory write-downs which totalled € 13,319 thousand (€ 12,340 thousand at the end of 2021). These provisions consisted of € 2,306 thousand for the provision for obsolescence of raw materials, supplies and consumables (€ 3,842 thousand at the end of 2021), no provisions were made for the financial year 2022 for the provision for obsolescence of work in progress and semi-finished products (€ 548 thousand at the end of 2021), € 8,385 thousand from the provision for obsolescence of finished products and goods (€ 5,819 thousand at the end of 2021) and € 2,628 thousand from the provision for obsolescence of spare parts (€ 2,131 thousand at the end of 2021). The allowance for inventory write-downs of raw, ancillary and consumable materials amounted to 5.4% as a percentage of the historical cost of the relevant inventories (10.0% at the end of 2021), the one for the write-downs of finished products and goods was 18.9% (20.0% at the end of 2021), and the one for spare parts 16.3% (16.0% at the end of 2021).

The total value of the Company's inventories increased by € 25,944 thousand compared to the previous year. In particular, inventories of “Raw, ancillary and consumable materials” increased by € 6,101 thousand, inventories of “Work in progress and semi-finished goods” decreased by € 4,928 thousand, inventories of “Finished products and goods” decreased by € 12,669 thousand and inventories of “Spare parts” decreased by € 2,246 thousand. The increase over the previous period is due to both an effect of higher quantities and higher prices.

The 2021 value of inventories including the balances of the merged company amounted to € 95,180 thousand net of write-down provisions for € 12,901 thousand.

The cash flow of € 22,363 thousand can be summarised as follows:

	31 December 2021	Cash flow	Non-monetary changes		31 December 2022
			Merger effect	Other	
€ '000					
Inventories	91,181	22,363	3,999	(418)	117,125
Total	91,181	22,363	3,999	(418)	117,125

The other "Item" refers to the allowance for inventory write-downs.

22. TRADE RECEIVABLES AND CONTRACT ASSETS DUE FROM THIRD PARTIES

	31 December 2022	31 December 2021
€ '000		
Trade receivables within one year	60,631	69,318
Trade receivables beyond one year	2,634	3,911
Allowance for impairment	(1,770)	(4,150)
Total	61,495	69,079

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.

There are no particular critical issues in terms of days sales outstanding, impaired positions or deterioration of credit quality.

The decrease in trade receivables from third parties is mainly attributable to a decrease in average collection days, also due to the Italian tax relief policy related to Industry 4.0.

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 2022	31 December 2021
€ '000		
Opening balance	4,150	2,827
Allowance/Release	(748)	1,818
Utilisation	(1,828)	(685)
Effetto fusioni	196	190
Total	1,770	4,150

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 € 2,241 thousand, following impairment losses of € 1,587 thousand (in 2021, net receivables amounted to € 2,209 thousand following impairment losses of € 3,967 thousand) and in a

generic way for € 183 thousand (same estimate as in 2021). 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 negative cash flow of € 8,517 thousand can be summarised as follows:

	31 December 2021	Cash flow	Non-monetary changes		31 December 2022
			Merger effect	Other	
€ '000					
Trade receivables and commercial activities towards third parties	69,079	(8,517)	585	348	61,495
Total	69,079	(8,517)	585	348	61,495

The item “Other” contains the balance of the provision for bad debts of € 748 thousand and financial discounts plus discounting.

23. TRADE RECEIVABLES AND CONTRACT ASSETS DUE FROM RELATED PARTIES

	31 December 2022	31 December 2021
€ '000		
Trade receivables due from related parties	-	9
Trade receivables due from subsidiaries	68,863	64,609
Total	68,863	64,618

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 2022	31 December 2021
€ '000		
Biesse America Inc.	22,285	17,982
Biesse Asia Pte Ltd	55	1,227
Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda	2,195	1,149
Biesse Canada Inc.	2,694	928
Biesse Deutschland GmbH	4,174	5,396
Biesse France Sarl	7,515	6,114
Biesse Group Australia Pte Ltd	696	3,292
Biesse Group New Zealand PTY Ltd	168	628
Biesse Group Russia LLC	345	3,943
Biesse Group UK Ltd	4,653	3,122
Biesse Gulf FZE	2,160	1,977
Biesse Iberica Woodworking Machinery S.L	3,773	3,907
Biesse Indonesia Pt	3	12
Biesse Japan KK	1,188	248
Biesse Korea LLC	256	(46)
Biesse Malaysia SDN BHD	613	1,242
Biesse Manufacturing CO PVT Ltd	2,042	5,903
Biesse Schweiz GmbH	412	790
Biesse Taiwan Ltd.	(69)	-
Biesse Trading (Shanghai) CO.LTD	3,041	1,955
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	6,128	843
Biesservice Scandinavia AB	259	528
Bre.ma. Brenna Macchine S.r.l.	-	660
Forvet Costruzione Macchine Speciali S.p.A.	704	-
HSD S.p.A.	2,331	2,093
Montresor & Co. Srl	267	141
Movetro Srl	887	227
WMP-Woodworking Machinery Portugal Unipessoal LDA	88	348
Total	68,863	64,609

The cash flow of € 5,131 thousand can be summarised as follows:

	31 December 2021	Cash flow	Non-monetary changes		31 December 2022
€ '000			Merger effect	Other	
Trade receivables and commercial activities due from related parties	64,618	5,131	1,350	(2,236)	68,863
Total	64,618	5,131	1,350	(2,236)	68,863

The item “Merger effect” contains a positive balance of € 6,205 thousand for balances arising from the merger and a negative balance of € 4,855 thousand for the elimination of the company’s payables with the receivables of the merged companies.

The item “Other” includes € 1,574 thousand for the negative exchange rate adjustment of foreign currency items.

24. OTHER CURRENT ASSETS DUE FROM THIRD PARTIES

“Other current assets due from third parties” are detailed as follows:

	31 December 2022	31 December 2021
€ '000		
Consumption tax receivables and other tax receivables	3,633	1,309
Income tax assets	1,020	162
Other assets	2,868	3,143
Total	7,521	4,614

The item “consumption tax and other tax receivables” contains € 1,638 thousand of the VAT credit balance and € 1,771 thousand of tax receivables yet to be collected; The increase is mainly due to the balance of the VAT credit that was a debit in the previous year and the increase in tax credits.

“Income tax receivables” contain an IRES credit of € 883 thousand due to higher advance payments than current taxes due in the financial year, IRES credits for withholding taxes of € 127 thousand, and the remainder from an IRAP credit for a refund to be received. The increase over the previous year is mainly due to the balance of IRES tax, which was payable in the previous year.

The Company, as consolidating company, participates in the national tax consolidation of the group together with its subsidiaries HSD S.p.A., Montresor S.r.l., Movetro S.r.l. and from 2022, Forvet Costruzione Macchine Speciali S.p.A.. 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 € 20,544 thousand (€ 27,098 thousand in 2021).

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 € 87 thousand, is recognised in the statement of comprehensive income as positive for € 276 thousand.

The Company, in compliance with the Treasury Policy in force, invested € 7 million of its liquidity in various instruments with a high prudence profile issued by counterparties with a high credit standing (Insurance Policies). These instruments have no time constraints whatsoever and are therefore readily liquidated and collectible, and since 2022 it has made investments in immediately liquidated administered securities deposits in the amount of € 13,380, the book value of these assets approximates their fair value.

In the financial year, € 20 million in savings bonds expiring in June were cashed in.

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 2022	31 December 2021
€ '000		
Biesse Gulf FZE	2,450	2,450
Bre.ma. Brenna Macchine S.r.l.	-	572
Montresor & Co. Srl	3,100	3,240
Total current financial assets to related parties	5,550	6,262

Financial liabilities are broken down as follows:

	31 December 2022	31 December 2021
€ '000		
Biesse America Inc.	18,892	17,791
Biesse Asia Pte. Ltd.	1,452	1,340
Biesse Canada Inc.	-	1,737
Biesse Deutschland GmbH	5,443	7,407
Biesse France Sarl	15,465	13,809
Biesse Group UK Ltd	14,809	11,414
Biesse Gulf FZE	-	96
Biesse Iberica Woodworking Machinery S.L	4,924	5,492
Biesse Schweiz GmbH	1,371	1,307
Forvet Costruzione Macchine Speciali S.p.A.	2,953	3,263
HSD S.p.A.	31,087	30,089
Total current financial liabilities to related parties	96,396	93,745

The balances relating to the subsidiaries Biesse France Sarl, Biesse Group UK Ltd, Biesse Iberica Woodworking Machinery S.L, Forvet Costruzione Macchine Speciali S.p.A. and HSD 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 € 81,761 thousand (€ 92,812 thousand in 2021), comprising the value of bank deposits of € 80,515 thousand (€ 91,616 thousand in 2021), and cash and cash equivalents of € 1,246 thousand (€ 1,196 thousand in 2021).

For further details, reference should be made to the Statement of cash flows.

28. SHARE CAPITAL AND TREASURY SHARES

The share capital amounts to € 27,403 thousand and consists of 27,402,593 ordinary shares, each with a par value of € 1 and dividend rights.

The increase in share capital compared to 2021, equal to € 9,551, is due to the issue of 9,551 new shares in exchange for 2% of the share capital of the subsidiary Bre.Ma. Brenna Macchine S.r.l. owned by minority shareholders following the merger by incorporation.

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 2021) relates to the share premium reserve.

30. OTHER RESERVES AND RETAINED EARNINGS

The carrying amount was broken down as follows:

	31 December 2022	31 December 2021
€ '000		
Legal reserve	5,479	5,479
Extraordinary reserve	110,049	125,007
Actuarial reserve	(4,088)	(4,894)
Reserves profits/(losses) from the valuation of financial assets	(202)	74
Translation reserve	(7)	(5)
Other reserves and retained earnings	2,962	1,955
Total other reserves and retained earnings	114,193	127,616

The item "Extraordinary reserve" decreased by € 14,958 thousand for the distribution of dividends resolved in 2022. 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 € 13,595 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 € 2,612 thousand in merger surpluses and deficits following the mergers of subsidiaries, of which € 914 thousand refer to the merger of Bre.Ma. Brenna Macchine S.r.l. merged in 2022, and for € 350 thousand the creation of the IAS transition reserve arising from the FTA entries on the balances of the balance sheet accounts of the merged companies; The increase for the 2022 merger by incorporation was € 93 thousand.

The amount of € 888 thousand indicated in the statement of changes in shareholders' equity under the item "Merger of subsidiaries" refers to the recording of the merger surplus as an increase in shareholders' equity -according to the criterion of transactions under common control - , and of the reserves set aside in reference to the "First Time Adoption" entries of the IAS/IFRS accounting standards of the subsidiary Bre.Ma. Brenna Macchine S.r.l..

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	27,402				
<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	110,049	A,B,C	92,603		
Severance indemnity actuarial gains (losses) reserve	(4,088)				
Valuation of financial assets gains (losses) reserve	(202)				
Translation reserve	(7)				
Retained earnings and other reserves	2,962	A,B,C	2,733		
Total	177,797		131,538		
Non-distributable amount					
Residual distributable amount			131,538		

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", the "Translation reserve" and share of "Retained Earnings and Other Reserves".

The other reserves recognised in the financial statements can be considered available for distribution.

31. DIVIDENDS

In the 2022 financial year, dividends of € 17,099 thousand were declared to shareholders, of which € 17,056 thousand had been paid at the end of the financial year.

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 € 6,702 thousand (€ 6,553 thousand in 2021).

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 € 8,050 thousand (€ 9,813 thousand in 2021).

The amounts recognised in the income statement can be summarised as follows

	31 December 2022	31 December 2021
€ '000		
Relevance of the period/Provisions	30	10
Financial expenses TFR	129	2
Total	159	12

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, amounted to € 129 thousand (€ 2 thousand in 2021).

The changes in the year relating to the present value of severance indemnity obligations, are as follows:

	31 December 2022	31 December 2021
€ '000		
Opening balance	9,813	9,722
Current service	30	10
Financial expenses	129	2
Payments	(868)	(895)
Actuarial gains/(losses)	(1,228)	328
Other movements	(2)	3
Merge effects	176	643
Closing balance	8,050	9,813

The item “Actuarial gains/losses”, recognised directly in equity net of the tax effect of € 294 thousand, is recognised in the statement of comprehensive income for € 934 thousand.

The item “Merger effect” includes the discounted value of the severance indemnity provision of the company Bre.Ma. Brenna Macchine S.r.l. incorporated in 2021.

The assumptions used for measuring severance indemnity obligations are:

- Annual rate of inflation: 2.10% (1.75% in 2021);
- 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 2022	31 December 2021
€ '000		
Turnover rate +1%	8,048	9,724
Turnover rate -1%	7,971	9,840
Inflation rate +0.25%	8,097	9,898
Inflation rate -0.25%	7,927	9,663
Actualisation rate +0.25%	7,881	9,647
Actualisation rate -0.25%	8,145	9,912

33. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
€ '000		
Deferred tax assets	11,467	13,113
Deferred tax liabilities	(1,920)	(1,828)
Net position	9,547	11,285

Overall, deferred tax assets, net of deferred tax liabilities and broken down by type, can be analysed as follows:

	31 December 2022	31 December 2021
€ '000		
Accrual to provision for risks and charges	7,429	8,341
Recoverable tax losses	-	-
Amortisation	2,519	3,456
Other	1,519	1,316
Deferred tax assets	11,467	13,113
Amortisation	(1,829)	(1,815)
Capitalized costs	-	-
Other	(91)	(13)
Deferred tax liabilities	(1,920)	(1,828)
Net position	9,547	11,285

The “Net position” for 2021 including the value of the merged company is € 11,702.

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 2022	31 December 2021
€ '000		
Bank loans and borrowings	837	442
Unsecured mortgages	16	-
Current liabilities	853	442
Unsecured mortgages	24	-
Non-current liabilities	24	0
Total	877	442

The item “Bank overdrafts and loans” includes the amount of € 72 thousand (€ 189 thousand in 2021) 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 2022	31 December 2021
€ '000		
On demand or within one year	853	442
Within two years	16	-
Within three years	8	-
Total	877	442

As at 31 December 2022 the Company had no loans in foreign currency.

At 31 December 2022, total credit lines were 215.7 million, of which 90.7 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 2021, the Company's financial payables increased by € 435 thousand. In particular, the amount due within 12 months was € 853 thousand (up by € 411 thousand), whereas the amount due after 12 months was € 24 thousand (zero in the previous year).

35. FINANCE LEASE LIABILITIES

	31 December 2022	31 December 2021
€ '000		
Leasing liabilities		
due within one year	2,716	2,363
due over one year, but within five years	6,559	3,626
due over five years	1,135	878
Total	10,410	6,867
After deduction for future financial charges	(356)	(261)
Actual value for leasing liabilities	10,054	6,606
whose:		
Current	2,596	2,280
Non-current	7,458	4,326

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 2022, rights of use impacted on the item "Present value of minimum payments due for leases" for € 9,037 thousand (€ 4,734 thousand in 2021) and for € 9,380 thousand (€ 4,966 thousand in 2021) on the item "Total" of lease liabilities.

It should also be noted that there are payables to related parties totalling € 1,696 thousand (€ 1,789 thousand in 2021) of which to the parent Bi.fin. S.r.l. for € 1,154 thousand (€ 1,233 thousand in 2021), to HSD S.p.A. for € 409 thousand (€ 455 thousand in 2021), to Selci Roberto for € 74 thousand (€ 89 thousand in 2021) and to Selci Giancarlo for € 59 thousand.

36. NET FINANCIAL POSITION

Below is the detail of the Net Financial Position at 31 December 2022 and 31 December 2021. 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 2022	31 December 2021
€ '000		
Financial assets	107,854	126,172
Financial assets - third parties	20,544	27,098
Financial assets - related parties	5,550	6,262
Cash	81,760	92,812
Financial short term lease liabilities	(2,596)	(2,280)
Financial short term bank and other debts	(3,295)	(2,284)
Other short term current financial liabilities - related parties	(96,396)	(93,745)
Short term net financial position	5,567	27,863
Financial medium/long term lease liabilities	(7,458)	(4,326)
Financial medium/long term bank and other debts	(24)	-
Trade and other medium/long term debts	(155)	(212)
Medium/ long term net financial position	(7,637)	(4,538)
Total net financial position	(2,070)	23,325

In the NFP statement, 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 the sake of clarity, the fair value of derivatives outstanding have also been excluded from financial assets.

At the end of December 2022, the Company's net financial position worsened by approximately € 25 million, compared to the value recorded at the end of 2021, the change being mainly influenced by the distribution of dividends during the first half of 2022 (amounting to € 17.1 million) and by the dynamics of net working capital, despite the positive results obtained at the operating level.

For the sake of completeness, please note that, since this case is not specifically regulated, the estimated earn-out liability of € 3 million related to the acquisition of Forvet S.p.A. and due within 12 months does not appear in the Net Financial Position.

It should be noted that dividends of € 17,056 thousand were paid during the year.

Credit lines were also negotiated and obtained for the other Italian subsidiaries in 2022.

37. PROVISIONS FOR RISKS AND CHARGES

	Guarantees	Retirement of agents	Legal disputes and Others	Provision for equity investment risks	Total
€ '000					
Value at 31/12/2021	3,358	1,906	12,997	681	18,942
Merger effect	209	14	347	-	570
Provision	-	638	4,350	1,869	6,857
Release	(123)	-	(1,195)	-	(1,318)
Utilised	-	(471)	(6,148)	-	(6,619)
Value at 31/12/2022	3,444	2,087	10,351	2,550	18,432

Due to the nature of the Group's business, the obligations arising from problems 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 judgement.

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 decrease recorded following the above estimates amounts to € 123 thousand.

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

The decrease in "Provision for legal disputes and other" resulted from the positive balance between openings and closures of legal risks and for penalties with some customers.

The provision for equity investment risks consists of the provisions made for negative equity of subsidiaries with a view to possible write-offs; the balance consists of € 900 thousand of the provision in favour of the subsidiary Biesse Gulf FZE, € 950 thousand of the subsidiary Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda and € 700 thousand of the subsidiary Biesse Group Russia LLC.

There are no disputes/contentious issues highlighting possible liabilities worth mentioning.

38. TRADE PAYABLES TO THIRD PARTIES

Trade payables to third parties, amounting to € 134,298 thousand (€ 130,327 thousand in 2021), 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 € 155 thousand.

It is believed that their carrying amount at the reporting date is a reasonable approximation of fair value.

The cash flow of € 699 thousand can be summarised as follows:

	31 December 2021	Cash flow	Non-monetary changes		31 December 2022
			Merger effect	Other	
€ '000					
Trade payables to third parties	130,327	(699)	4,629	41	134,298
Total	130,327	(699)	4,629	41	134,298

39. TRADE PAYABLES TO RELATED PARTIES

Trade payables to related parties are broken down as follows:

	31 December 2022	31 December 2021
€ '000		
Trade payables - parent company	2	2
Trade payables - subsidiaries	22,777	29,769
Trade payables - related parties	1,001	1,436
Total	23,780	31,207

The amounts payable to subsidiaries are trade payables and refer to transactions undertaken for the purchase of goods and/or rendering of services.

The item "Trade payables to other related parties" includes € 881 thousand in payables for the purchase of goods from Semar S.r.l., Wirutex S.r.l. and Renzoni 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:

	31 December 2022	31 December 2021
€ '000		
Biesse America Inc.	1,834	275
Biesse Asia Pte Ltd	6	28
Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda	121	119
Biesse Canada Inc.	-	1
Biesse Deutschland GmbH	471	24
Biesse France Sarl	169	1
Biesse Group Australia Pte Ltd	11	12
Biesse Group New Zealand PTY Ltd	-	16
Biesse Group Russia LLC	13	4
Biesse Group UK Ltd	147	136
Biesse Gulf FZE	-	230
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	51	50
Biesse Iberica Woodworking Machinery S.L	493	266
Biesse Korea LLC	-	3
Biesse Malaysia SDN BHD	29	39
Biesse Manufacturing CO PVT Ltd	8,189	15,110
Biesse Schweiz GmbH	17	10
Biesse Trading (Shanghai) CO.LTD	263	145
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	123	70
Biesservice Scandinavia AB	136	2
Bre.ma. Brenna Macchine S.r.l.	-	4,855
Forvet Costruzione Macchine Speciali S.p.A.	894	-
HSD S.p.A.	8,930	7,047
Montresor & Co. Srl	444	867
Movetro Srl	417	289
WMP-Woodworking Machinery Portugal Unipessoal LDA	19	170
Total	22,777	29,769

The cash flow of € 3,180 thousand can be summarised as follows:

	31 December 2021	Cash flow	Non-monetary changes		31 December 2022
			Merger effect	Other	
€ '000					
Trade payables to related parties	31,207	(3,180)	(3,729)	(518)	23,780
Total	31,207	(3,180)	(3,729)	(518)	23,780

The item “Other” includes € 516 thousand for the positive exchange rate adjustment of foreign currency items.

40. CONTRACT LIABILITIES DUE TO THIRD PARTIES

The item “Contract liabilities due to third parties” amounting to € 57,674 thousand (€ 55,765 thousand in 2021) includes advances, down payments and deposits paid by customers.

The cash flow of € 1,482 thousand can be summarised as follows:

	31 December 2021	Cash flow	Non-monetary changes		31 December 2022
			Merger effect	Other	
€ '000					
Contractual liabilities towards third parties	55,765	1,482	428	(1)	57,674
Total	55,765	1,482	428	(1)	57,674

41. CONTRACT LIABILITIES DUE TO RELATED PARTIES

The item “Contract liabilities due to related parties” amounting to € 170 thousand (€ 162 thousand in 2021) includes advances, down payments and deposits paid by the Group’s sales branches.

The balance is as follows:

	31 December 2022	31 December 2021
€ '000		
Biesse America Inc.	-	68
Biesse Iberica Woodworking Machinery S.L	170	-
Biesse Korea LLC	-	94
Total	170	162

42. OTHER LIABILITIES DUE TO THIRD PARTIES

	31 December 2022	31 December 2021
€ '000		
Other non current liabilities to third parties	155	3,213
Other current liabilities to third parties	45,313	43,282
Total other liabilities to third parties	45,468	46,495

The item “Other non-current liabilities to third parties” includes € 155 thousand for the present value of trade payables due after one year, the decrease of € 3,000 thousand is due to the reclassification to the item “Other current liabilities to third parties” of the payable relative to the contractually agreed deferred price on the acquisition of the subsidiary Forvet Costruzione Macchine Speciali S.p.A. in the previous year.

The balance of “Other current liabilities due to third parties” amounted to € 45,313 thousand (€ 43,282 thousand in 2021). The details are as follows:

	31 December 2022	31 December 2021
€ '000		
Tax liabilities	5,960	9,631
Social security liabilities	10,500	9,794
Other payables to employees	20,913	17,973
Other current liabilities	7,940	5,884
Total current liabilities to third parties	45,313	43,282

The decrease in “Taxes payable” is mainly due to the VAT balance.

The increase in “Other payables to employees” is mainly due to the increase in payables for salaries, holidays and bonuses.

The item “Other current liabilities” mainly refers to deferrals on revenue pertaining to subsequent years. During the 2022 financial year, the balance decreased by € 1,900 thousand for the payment of the second tranche of the purchase of the company Forvet Costruzione Macchine Speciali S.p.A. and increased by € 3,000 thousand for the reclassification from the item “Other non-current liabilities to third parties” of the debt related to the deferred price contractually envisaged on the acquisition of the same subsidiary.

The cash flow of € 340 thousand can be summarised as follows:

	31 December 2021	Cash flow	Non-monetary changes		31 December 2022
			Merger effect	Other	
€ '000					
Other current liabilities to third parties	43,282	340	151	1,540	45,313
Total	43,282	340	151	1,540	45,313

43. OTHER CURRENT ASSETS AND LIABILITIES DUE FROM/TO RELATED PARTIES

Other current assets from related parties of € 1,323 thousand (€ 6,051 thousand in 2021) are attributable exclusively to subsidiaries. The decrease is mainly due to the receipt of dividends resolved in 2021 and a lower credit from the domestic tax consolidation.

Other current liabilities to related parties in the amount of € 214 thousand (€ 34 thousand in 2021) mainly contain the liability to Italian subsidiaries participating in the national tax consolidation scheme.

44. INCOME TAX PAYABLES

	31 December 2022	31 December 2021
€ '000		
IRES liabilities	-	4,004
IRAP liabilities	12	-
Provision for tax risks	876	867
Total tax payables	888	4,871

The item “Income tax payables” for € 888 thousand (€ 4,871 thousand in 2021) includes € 12 thousand for the balance of the IRAP payable resulting from the difference between the provision for the financial year and the advances paid, while the difference refers to provisions for tax risks.

45. FINANCIAL ASSETS AND LIABILITIES FROM DERIVATIVE INSTRUMENTS

	31 December 2022		31 December 2021	
	Asset	Liability	Asset	Liability
€ '000				
Derivatives on exchange rates	2,625	(2,442)	893	(1,842)
Total	2,625	(2,442)	893	(1,842)

The value of open contracts at year-end, with a positive balance on the income statement of € 183 thousand (negative balance of € 949 thousand in 2021), 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)

€ '000	Type of hedged risk	Notional amount		Fair value of derivatives	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Hedging transactions					
Forward contracts (Australian Dollar)	Currency	6,837	10,727	118	(238)
Forward contracts (Canadian Dollar)	Currency	9,404	6,184	471	(122)
Forward contracts (Swiss Franc)	Currency	1,351	1,016	(14)	(23)
Forward contracts (Chinese Renminbi)	Currency	2,698	3,614	(6)	(103)
Forward contracts (Pound Sterling)	Currency	15,108	7,735	257	(84)
Forward transactions (Indian Rupee)	Currency	(27,478)	(9,980)	(1,536)	373
Forward contracts (New Zealand Dollar)	Currency	1,339	1,140	(20)	-
Forward contracts (US Dollar)	Currency	20,909	22,382	913	(755)
Forward contracts (Russian Rouble)	Currency	-	176	-	3
Total		30,168	42,994	183	(949)

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 37 above for details on contingent liabilities relating to tax risks.

Commitments

There are no commitments on existing purchases.

Guarantees issued and received

The Company has issued sureties totalling € 14,234 thousand (€ 14,081 thousand 2021). 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). In addition to the

above, there are (bank) guarantees in favour of customers for prepayments made – advance payment bonds for € 5,173 thousand and other minor guarantees for € 61 thousand.

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.

a) 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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
US Dollar	25,168	20,004	21,616	19,253
Canadian Dollar	4,243	977	4	1,886
Pound Sterling	6,359	3,353	13,550	10,231
Australian Dollar	842	3,331	28	282
Swiss Franc	432	543	1,408	1,370
Neozelandese Dollar	1,220	640	21	21
Indian Rupee	1,859	2,750	9,466	14,596
Hong Kong Dollar	-	-	-	-
Chinese Renmimbi Yuan	3,055	1,956	48	110
Other currencies	164	427	240	231
Total	43,342	33,981	46,381	47,980

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 > 15%	if exchange rate < 15%
US Dollar	(463)	627
Canadian Dollar	(553)	748
Pound Sterling	938	(1,269)
Australian Dollar	(106)	144
Swiss Franc	127	(172)
Neozelandese Dollar	(156)	212
Rupia indiana	992	(1,342)
Chinese Renmimbi Yuan	(392)	531
Total	387	(521)

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 22 above on trade receivables.

31/12/2022

€ '000	Current	Less than 30 days	30-180 days	180 days-1year	Beyond 1 year	Total
% estimated loss	0.4%	0.2%	1.1%	12.4%	56.5%	2.8%
Value of the receivable	53,386	3,356	2,707	1,441	2,375	63,265
Estimated credit loss	216	4	30	179	1,341	1,770

31/12/2021

€ '000	Current	Less than 30 days	30-180 days	180 days-1year	Beyond 1 year	Total
% estimated loss	0.3%	0.2%	44.0%	16.0%	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").

31/12/2022

€ '000	Less than 30 days	30-180 days	180 days- 1year	1-5 years	Beyond 5 years	Total
Trade and other payables	82,050	80,771	8,887	1,942	-	173,650
Bank overdrafts and bank/intercompany loans	837	8	8	24	-	877
Total	82,887	80,779	8,895	1,966	.	174,527

31/12/2021

€ '000	Less than 30 days	30-180 days	180 days- 1year	1-5 years	Beyond 5 years	Total
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

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:

€ '000	31 December 2022	31 December 2021
FINANCIAL ASSETS		
Designated at fair value through profit or loss:		
<i>Derivative financial assets</i>	2,625	892
Designated at fair value through OCI:		
- <i>other current financial assets</i>	20,544	27,098
Measured at amortised cost :		
<i>Trade receivables</i>	130,358	133,728
<i>Other assets</i>	9,428	14,569
- <i>other financial assets and non current receivables</i>	2,555	2,256
- <i>other current financial assets</i>	5,550	6,262
- <i>other current assets</i>	1,323	6,051
<i>Cash and cash equivalents</i>	81,760	92,812
FINANCIAL LIABILITIES		
Designated at fair value through profit or loss:		
<i>Derivative financial liabilities</i>	2,442	1,842
Measured at amortised cost :		
<i>Trade payables</i>	158,233	161,778
<i>Bank loans, borrowings and lease liabilities</i>	107,327	100,793
<i>Other current liabilities</i>	31,413	27,767

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 2021). 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 2022, 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 € 4,766 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	Cash flow	Non-monetary changes		31 December
	2021		Merger effect	Other	2022
€ '000					
Bank loans and increase / decrease from banks	442	419	-	16	877
Payables for financial leasing	6,606	(3,083)	1,765	4,766	10,054
Other financial liabilities towards related parties	93,745	1,314	-	1,337	96,396
Current financial assets with related parties	6,262	(140)	(572)	-	5,550
Total	107,055	(1,490)	1,193	6,119	112,877

	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)	-	1,805	107,055

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 2022, there were no such transactions.

50. TRANSACTIONS WITH RELATED PARTIES

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 2022	Costs 2021	Revenues 2022	Revenues 2021
€ '000				
Subsidiaries				
Subsidiaries	72,238	68,881	254,092	233,952
Parent				
Bifin S.r.l.	170	167	-	-
Other related companies				
Fincobi S.r.l.	13	15	1	1
Semar S.r.l.	1,370	1,338	-	-
Wirutex S.r.l.	1,648	1,915	12	20
Renzoni S.r.l.	3	2	-	-
Members of the Board of Directors				
Members of the Board of Directors	2,640	2,859	-	-
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	166	162	-	-
Other related companies				
Total transactions with related parties	78,248	75,339	254,105	233,973

	Receivables 2022	Receivables 2021	Payables 2022	Payables 2021
€ '000				
Subsidiaries				
Subsidiaries	75,805	76,921	119,966	124,165
Parent				
Bifin S.r.l.	-	-	1,156	1,235
Other related companies				
Edilriversa Srl	-	-	-	-
Fincobi S.r.l.	-	-	-	13
Semar S.r.l.	-	-	464	520
Wirutex S.r.l.	-	9	417	806
Renzoni S.r.l.	-	-	1	-
Members of the Board of Directors				
Members of the Board of Directors	-	-	133	89
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	119	110
Other related companies				
Total transactions with related parties	75,805	76,930	122,256	126,938

The terms and conditions agreed with the above-related parties are not considered different 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; as at 31 December 2022 there were payables to the parent company Bi.fin. S.r.l. in the amount of € 1,116 thousand (€ 1,202 thousand in 2021), HSD S.p.A. in the amount of € 397 thousand (€ 444 thousand in 2021) and Selci Roberto in the amount of € 87 thousand (€ 89 thousand in 2021), in addition, a new contract was opened in the financial year with Selci Giancarlo, the balance of which was € 59 thousand at the end of the period.

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 2021;
- 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

	31 December 2021	31 December 2020
B) Non-current assets	31,177	31,256
C) Current assets	20,326	24,532
D) Accruals and deferrals	32	23
Total assets	51,535	55,811

LIABILITIES
A) Equity:

Share Capital	10,569	10,569
Reserves	41,009	45,184
Profit (loss) for the year	(213)	(188)
B) Fondi rischi e oneri	27	60
D) Payables	143	186
Total liabilities	51,535	55,811

INCOME STATEMENT

€ '000

	31 December 2021	31 December 2020
A) Value of production	158	158
B) Costs of production	(439)	(427)
C) Financial income and expenses	69	81
Income taxes for the year	(1)	0
Result of the year	(213)	(188)

With regard to commercial and financial relations with the parent company Bi.Fin. S.r.l., please refer to notes 23 and 39.

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 27 February 2023, the Board of Directors approved the plan to merge the subsidiary Montresor S.r.l. into Biesse S.p.A..

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	REASON
1	Fondimpresa	14	Funded training grant provided by Fondimpresa
2	Fondirigenti	19	Funded training grant provided by Fondirigenti
3	GSE SPA Gestore dei Servizi Energetici	8	GSE on-site exchange contribution
4	European Commission	160	Research project grant
5	Agenzia delle Entrate	153	R&D tax credit year 2020 L.2019/160 increased pursuant to ex art.244 "Decreto Rilancio" DL 34/2020
6	Agenzia delle Entrate	98	Energy tax credit art. 3 DL 21 marzo 2022, n.21
7	Agenzia delle Entrate	160	Energy tax credit art. 6 c.3 DL 115/2022
8	SIMEST	80	"Bando Fiere"

54. REMUNERATION OF DIRECTORS, GENERAL MANAGERS, MANAGERS WITH STRATEGIC RESPONSIBILITIES AND MEMBERS OF THE BOARD OF STATUTORY AUDITORS

<i>Description of position</i>				<i>Remuneration</i>			
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	100	6	-	-	
Selci Roberto	CEO	28/04/2024	1,000	35	-	-	
Potenza Massimo	Board Member** and CO-CEO	28/04/2024	100	4	668	600	
Baronciani Alessandra	Board member*	28/04/2024	25	-	-	-	
Schiavini Rossella	Board member*	28/04/2024	25	-	-	30	
Ricceri Federica	Board member*	28/04/2024	25	-	-	14	
Borsani Ferruccio	Board member*	28/04/2024	25	-	-	6	
Total			1,300	45	668	650	
De Mitri Paolo	Chairman of the Board of Statutory Auditors	28/04/2024	71	-	-	-	
Ciurlo Giovanni	Statutory auditor	28/04/2024	48	-	-	-	
Perusia Enrica	Statutory auditor	28/04/2024	47	-	-	-	
Total			166				

* 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

The Board of Directors, having acknowledged the positive economic and financial results achieved in the 2022 financial year, proposes to assign dividends to Shareholders to be taken from net profit at the rate of € 0.33 for each of the entitled shares, for a total amount of € 9,042,855.69, with an ex-dividend date set for 8 May 2023.

Therefore, you are invited to resolve on the allocation of the profit for the year of € 19,842,879.18 with the following distribution:

- allocation of € 9,042,855.69 to dividends;
- allocation of the remaining profit of € 10,800,023.49 to the Extraordinary Reserve;

Coupons will be paid in one lump sum as of 10 May 2023 (with ex-dividend date as of 8 May 2023 and record date 9 May 2023) through authorised financial intermediaries.

Pesaro, 14 March 2023

**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 2022.

2. The administrative and accounting procedures for preparing the separate financial statements as at 31 December 2022 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 2022:

- 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 2023

**The Chairman of the Board
in charge**

Giancarlo Selci

**The Manager
of financial reporting**

Pierre Giorgio Sallier de La Tour

APPENDICES TO THE 2022 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	20,877,088	9,170,167	Direct 100%
Biesservice Scandinavia AB	Maskinvägen 1 Lindas - Sweden	SEK	200,000	6,904,689	1,297,914	Direct 60%
Biesse Canada Inc.	18005 Rue Lapointe – Mirabel (Quebec) - Canada	CAD	180,000	2,368,805	1,950,257	Direct 100%
Biesse Asia Pte. Ltd	5 Woodlands terrace – #02-01 Zagro Global Hub – Singapore	EUR	1,548,927	1,578,353	(256,921)	Direct 100%
Biesse Group UK Ltd	Lamport Drive, Heartlands Business Park – Northamptonshire – United Kingdom	GBP	655,019	2,507,127	1,693,286	Direct 100%
Biesse France Sarl	4, Chemin de Moninsable – Brignais – France	EUR	1,244,000	4,167,522	2,602,911	Direct 100%
Biesse Iberica Woodworking Machinery SL	C/Montserrat Roig, 9 – L'Hospitalet de Llobregat – Barcelona – Spain	EUR	699,646	2,450,524	1,412,719	Direct 100%
Biesse Group Deutschland GmbH	Gewerberstrasse, 6/A – Elchingen (Ulm) – Germany	EUR	1,432,600	2,696,489	1,212,448	Direct 100%
Biesse Group Australia Pte Ltd	3 Widemere Road – Wetherill Park – Sydney New South Wales – Australia	AUD	15,046,547	10,120,250	4,299,879	Direct 100%
Biesse Group New Zealand PTY Ltd	UNIT B, 13 Vogler Drive – Manukau – Auckland – New Zealand	NZD	3,415,665	2,175,721	676,027	Direct 100%
H.S.D. S.p.A.	Via della Meccanica, 16 Loc. Chiusa di Ginestreto – (PU) – Italy	EUR	1,141,490	65,535,431	11,645,668	Direct 100%

Forvet costruzione macchine speciali S.p.A.	Strada Piossasco, n.46 CAP 10040 - Volvera (TO) - Italy	EUR	600,000	8,306,544	3,225,623	Direct 100%
Movetro Srl	Via Marco Polo, n. 12 CAP 35040 – Carmignano di Sant’Urbano (PD) – Italy	EUR	51,000	1,426,734	(153,952)	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
Montresor Srl	Via Francia, 13 CAP 37069 - Villafranca (VR) - Italy	EUR	1,000,000	63,187	1,247,544	Direct 100%
Biesse manufacturing PVT Ltd	Jakkasandra Village, Sondekoppa rd. - Nelamanga Taluk Survey No. 32, No. 469 - Bangalore Rural District, - India	INR	721,932,182	3,317,948,636	450,958,235	Direct 100%
OOO Biesse Group Russia	Ul. Elektrozavodskaya, 27 Moscow, Russian Federation	RUB	99,209,440	(111,706,754)	(94,450,208)	Direct 100%
Biesse Gulf FZE	Dubai, free Trade Zone	AED	11,242,857	(3,195,663)	(1,334,191)	Direct 100%
Biesse Hong Kong Ltd (formerly Centre Gain Ltd)	Room 703, 7/F, Cheong Tai Comm, Bldg., 60 Wing Lok Street, Sheung Wan, Hong Kong	HKD	173,952,688	12,718,069	(21,811,885)	Direct 100%
Biesse Group Israel Ltd	8 Ha-Taas St. Ramat- Gan 5251248, Israel	ILS	100,000	(80,575)	(61,536)	Direct 100%
HSD USA Inc	3764 SW 30 th Avenue - Hollywood - Florida - Usa	USD	250,000	2,498,617	1,755,859	Indirect 100%
HSD Deutschland GmbH	Brückenstraße 32 - Göppingen - Germany	EUR	25,000	431,505	310,945	Indirect 100%
HSD Mechatronic (Shanghai) CO.LTD	D2, first floor, 207 Taigu road – Waigaoqiao free trade zone - Shanghai – China	CNY	2,118,319	10,935,482	3,444,537	Indirect 100%
HSD Mechatronic Korea	414, Tawontakra2, 76, Dongsan-ro, Danwon-gu, Ansan- si 15434, South Korea	KRW	101,270,000	146,630,130	(41,458,321)	Indirect 100%

Biesse Schweiz GmbH	Grabenhofstrasse, 1 Kriens - Switzerland	CHF	100,000	1,385,784	263,560	Indirect 100%
Biesse Comercio e Industria de Maquinas e Equipamentos Ltda	Andar Pilotis Sala, 42 Sao Paulo – 2300 Brazil	BRL	18,017,304	(1,360,580)	(5,592,455)	Direct 100%
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	41,547,875	3,194,388	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	(1,635,899)	(369,217)	Indirect 100%
Biesse Trading (Shanghai) CO.LTD	Building 10 No.205 Dong Ye Road - Dong Jing Industrial Zone, Song Jiang District - Shanghai - China	CNY	92,244,240	1,441,638	(9,441,621)	Indirect 100%
Biesse Indonesia Pt.	Jl. Kh.Mas Mansyur 121 Jakarta, Indonesia	IDR	2,500,000,000	9,484,855,992	584,140,893	Direct 10% Indirect 90%
Biesse Malaysia SDN BHD	Dataran Sunway, Kota Damansara – Petaling Jaya, Selangor Darul Ehsan – Malaysia	MYR	7,083,765	9,091,551	157,317	Indirect 100%
Biesse Korea LLC	Geomdan Industrial Estate, Oryu-Dong, Seo-Gu – Incheon – South Korea	KRW	100,000,000	28,638,143	(110,243,903)	Indirect 100%
Biesse Taiwan Ltd	6F-5, No. 188, Sec. 5, Nanking E. Rd., Taipei City 105, Taiwan (ROC)	TWD	500,000	5,591,764	(1,229,210)	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	(109,618,486)	(71,954,281)	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 2022	Value at 31/12/22
€'000						
Biesse America Inc.	7,580	-	-	-	-	7,580
Biesse Asia Pte Ltd	1,088	-	-	-	-	1,088
Biesse Brasil Comercio e Industria de Maquinas e Equipamentos Ltda	3,433	(3,433)	951	-	-	951
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)	-	-	5,000	5,507
Biesse Group Israel Ltd	27	-	-	-	-	27
Biesse Group New Zealand PTY Ltd	1,806	(1,300)	-	-	700	1,206
Biesse Group Russia	1,768	(1,580)	-	-	(188)	-
Biesse Group UK Ltd	1,088	-	-	-	-	1,088
Biesse Gulf FZE	2,819	(2,819)	-	-	-	-
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	35,491	(35,060)	-	(2,906)	2,906	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	(6,000)	-	-	-	2,800
Biesse Service Scandinavia AB	13	-	-	-	-	13
Forvet Costruzione Macchine Speciali S.p.A.	41,400	-	-	-	-	41,400
HSD S.p.A.	21,915	-	-	-	-	21,915
Montresor Srl	619	-	1,173	-	(1,567)	225
Movetro Srl	2,748	(748)	1,250	-	(2,100)	1,150
TOTAL	185,751	(72,076)	3,374	(2,906)	4,751	118,894

APPENDIX "B"

INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31 December 2022	Related parties	%	31 December 2021	Related parties	%
Revenue	573,548,120	238,257,224	41.54%	517,709,768	223,337,154	43.14%
Other operating income	7,530,421	2,011,439	26.71%	6,365,073	2,037,237	32.01%
Change in inventories of finished goods and work in prog	15,585,725	-	-	10,672,768	-	-
Purchase of raw materials and consumables	(331,490,114)	(74,495,312)	22.47%	(298,625,272)	(72,197,166)	24.18%
Personnel expense	(140,606,679)	(555,194)	0.39%	(131,967,130)	(591,371)	0.45%
Personnel expense - non recurring items	-	-	-	(1,378,424)	-	-
Other operating costs	(87,170,563)	(1,961,934)	2.25%	(67,802,539)	(2,244,655)	3.31%
Other operating costs - non recurring items	-	-	-	(198,916)	-	-
Depreciation and amortisation	(18,720,078)	(247,080)	1.32%	(21,135,947)	(238,079)	1.13%
Accruals to provisions	(2,921,720)	-	-	(6,196,168)	-	-
Accruals to provisions - non recurring items	(1,740,757)	-	-	(4,332,508)	-	-
Impairment - non recurring items	-	-	-	(4,579,765)	-	-
Operating result	14,014,355	-	-	(1,469,060)	-	-
Share of loss of associates	2,882,038	2,882,038	100.00%	(2,429,526)	(2,429,526)	100.00%
Financial income	17,930,839	50,775	0.28%	8,090,402	85,326	1.05%
Dividends	13,785,404	13,785,404	100.00%	8,513,149	8,513,149	100.00%
Financial expense	(26,005,492)	(988,145)	3.80%	(12,482,861)	(67,766)	0.54%
Result before taxes	22,607,144	-	-	222,104	-	-
Income taxes	(2,764,265)	-	-	1,919,598	-	-
Result for the year	19,842,879	-	-	2,141,702	-	-

STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31 December 2022	Related parties	%	31 December 2021	Related parties	%
ASSETS						
Non-current assets						
Property, plant and machineries	58,011,114	-	-	56,861,141	-	-
Equipment and other tangible assets	6,679,660	-	-	6,656,665	-	-
Goodwill	9,974,870	-	-	8,398,870	-	-
Other intangible assets	21,394,434	-	-	27,717,739	-	-
Deferred tax assets	11,466,518	-	-	13,112,527	-	-
Investments in subsidiaries and associates	118,893,796	118,893,796	100.00%	117,821,705	117,821,705	100.00%
Other financial assets and non-current receivables	2,554,780	-	-	2,255,881	-	-
	228,975,172	118,893,796	51.92%	232,824,528	117,821,705	50.61%
Current assets						
Inventories	117,125,456	-	-	91,180,784	-	-
Trade receivables and contract assets	130,357,986	68,862,992	52.83%	133,696,298	64,617,688	48.33%
Other assets	8,844,666	1,323,445	14.96%	10,665,392	6,051,219	56.74%
Assets for derivative financial instruments	2,624,795	-	-	892,456	-	-
Financial assets	26,093,623	5,550,000	21.27%	33,359,321	6,261,533	18.77%
Cash and cash equivalents	81,760,613	-	-	92,812,492	-	-
Total current assets	366,807,139	75,736,437	20.65%	362,606,743	76,930,440	21.22%
Assets available for sale						
Property, plant and machineries	2,505,195	-	-	-	-	-
Equipment and other tangible assets	14,507	-	-	-	-	-
Total Assets available for sale	2,519,702	-	-	-	-	-
TOTAL ASSETS	598,302,013	194,630,233	32.53%	595,431,271	194,752,145	32.71%

STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31 December 2022	Related parties	%	31 December 2021	Related parties	%
EQUITY AND LIABILITIES						
Share capital	27,402,593	-	-	27,393,042	-	-
Capital reserves	36,202,011	-	-	36,202,011	-	-
Other reserves and retained earnings	114,192,782	-	-	127,615,976	-	-
Profit for the year	19,842,879	-	-	2,141,702	-	-
EQUITY	197,640,265	-	-	193,352,731	-	-
Non-current liabilities						
Post-employment benefits	8,049,549	-	-	9,813,430	-	-
Deferred tax liabilities	1,919,650	-	-	1,827,536	-	-
Bank loans and borrowings	23,958	-	-	-	-	-
Lease liabilities under IFRS 16	7,458,021	1,448,551	19.42%	4,325,978	1,559,451	36.05%
Altre passività verso terzi non correnti	154,932	-	-	3,212,500	-	-
	17,606,110	1,448,551	0	19,179,444	1,559,451	0.08%
Current liabilities						
Trade payables	158,078,251	23,780,084	15.04%	161,533,925	31,207,374	19.32%
Contract liabilities	57,844,197	170,000	0.29%	55,926,941	16,1878	0.29%
Other liabilities	45,526,697	213,837	0.47%	43,316,627	34,413	0.08%
Tax liabilities	887,720	-	-	4,871,190	-	-
Lease liabilities under IFRS 16	2,595,847	247,795	9.55%	2,280,186	229,760	10.08%
Bank loans and borrowings	97,249,269	96,396,194	99.12%	94,186,811	93,745,034	99.53%
Provisions for risks and charges	18,431,737	2,550,000	13.83%	18,941,542	681,000	-
Liabilities for derivative financial instrument	2,441,920	-	-	1,841,874	-	-
	383,055,638	123,357,910	0.32%	382,899,096	126,059,459	0.33%
LIABILITIES	400,661,748	124,806,461	31.15%	402,078,540	127,618,910	31.74%
TOTAL EQUITY AND LIABILITIES	598,302,013	124,806,461	20.86%	595,431,271	127,618,910	21.43%

**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 (the “Biesse Group”), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statement of income, 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, 2022 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.

Goodwill Impairment test and other assets allocated to CGUs

Description of the key audit matter

The consolidated financial statements include a Goodwill of Euro 46.8 million, allocated to the two cash generating units (“CGUs”) Machines & Systems and Mechatronics.

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, 2022, which take into account both goodwill and other assets allocated to the CGUs.

As a result of the impairment tests, approved by the Board of Directors on February 27, 2023, Biesse Group did not detect any impairment losses.

The evaluation process provided for in IAS 36 is complex and is based on assumptions concerning, inter alia, the forecast of expected CGUs cash flows, the definition of an appropriate discount rate (WACC) and of a long-term growth (g-rate). The assumptions underlying the impairment tests 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 tests as at December 31, 2022 were carried out by the Management on the basis of economic and financial projections for the period 2023 to 2027; in particular, the estimate of operating cash flows for future periods was made as follows: (i) with reference to the year 2023, to the data extracted from the 2023 budget approved by the Board of Directors on December 19, 2022; (ii) in relation to the years 2024-2027, projecting the growth indicated by the composite index, developed by the Company on the basis of a basket of macroeconomic and sectoral indicators, and the updated projections of the main economic variables.

In view of the subjectivity and uncertain nature of the estimates relating to the determination of CGUs cash flows and of the key variables of the impairment model, we considered the impairment tests as a key audit matter for the audit of Biesse Group consolidated financial statements audit.

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 breakeven point paragraph illustrating the effects of changes in key variables used for impairment tests necessary in order to write-off the excess between carrying amount and respective value in use.

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 Management for the preparation and approval of the impairment tests;
- 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 2022 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;
- test of the clerical accuracy 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;
- test of the sensitivity analysis 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 25,015 thousand (Euro 24,850 thousand as at December 31, 2021) are included in the consolidated financial statements, mainly attributable to the estimation of liabilities related disputes and/or litigations with customers, as well as to contractual warranties relating to sales of machinery.

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 Management, which require the use of estimates that, by their nature, are characterized by a significant degree of judgment.

In particular, in case of disputes and litigations, Management accounts 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 consultants' opinions as well. Furthermore, Management shall determine the amount of obligations related to contractual warranties on the basis of historical information on the nature, frequency and average cost of guarantee interventions.

With reference to the degree of judgment 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 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 movement of the provisions for risks and charges occurred in the financial year ended as at December 31, 2022.

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 the eventual support of experts appointed for this purpose, and examination of the main internal documentation and of the related deeds, technical reports 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, 2021 and concluded as of today, in order to test the reasonableness and reliability of the assessments carried out by the 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 the 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, the 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 the 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 the 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 the 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 the 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, actions taken to eliminate threats or safeguards applied.

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 as at December 31, 2022, 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 as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

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, 2022, 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, 2022 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, 2022 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 27, 2023

As disclosed by the Directors on page 44, the accompanying consolidated financial statements of Biesse S.p.A. constitute a non-official version which has not been prepared in accordance 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, 2022 and the statement of income, 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, 2022 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 further 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 18,432 thousand (Euro 18,942 thousand as at December 31, 2021) are included in the statutory financial statements, mainly attributable to the estimation of liabilities related disputes and/or litigations with customers, as well as to contractual warranties relating to sales of machinery.

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.

In addition, in case of disputes and litigations, Management accounts 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 consultants' opinions. Furthermore, Management shall determine the amount of obligations related to contractual warranties on the basis of historical information on the nature, frequency and average cost of guarantee interventions.

With reference to the degree of judgment 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 movement of the provisions for risks and charges occurred in the financial year ended as at December 31, 2022.

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 the eventual support of experts appointed for this purpose, and examination of the main internal documentation and of the related deeds, technical reports 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, 2021 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, actions taken to eliminate threats or safeguards applied.

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 as at December 31, 2022, 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 as at December 31, 2022 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, 2022, 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, 2022 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, 2022 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 27, 2023

As disclosed by the Directors on page 105, the accompanying financial statements of Biesse S.p.A. constitute a non-official version which has not been prepared in accordance 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.
Pesaro head office - 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 2022, 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 the supervisory activities carried out with reference to the non-financial disclosure obligations under Legislative Decree 254/2016, on any omissions and reprehensible facts discovered and on the results of the company’s financial year.

During the year, the Board of Statutory Auditors carried out its institutional duties in compliance with the Italian Civil Code, the Consolidated Law on Finance (TUF), the provisions contained in Art. 19 of Legislative Decree 39/2010, 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. 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 adequacy of the latter in correctly representing management events, all of which is described in this Report.

This Board of Statutory Auditors was appointed by the Shareholders’ Meeting on 28 April 2021, and its composition complies with the gender distribution criterion set forth in Art. 148, paragraph 1-bis, of the TUF, as amended by Art. 1, paragraph 303, of Law No. 160 of 27 December 2019, given also what was clarified in Consob notice 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 regularly participated in the work of the Board Committees, the Control and Risk Committee, the Remuneration Committee and the Related Parties Committee, and held regular meetings 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 formulated by the Board are communicated to the internal functions concerned, either during the meetings held or through the Company function that supports the Board in its activities, or communicated directly to the body with management or strategic supervision functions and to the relevant Board Committees, monitoring their implementation.

In light of the above, the following is a report on supervisory activities concerning compliance with the law and the By-laws, compliance with the principles of proper administration, the adequacy of the organisational system, the implementation of the provisions of the Italian Corporate Governance Code, transactions with related parties, the internal control and risk management system, the internal audit and risk management functions, on the administrative and accounting system and the financial reporting process, on the statutory audit activity, on any omissions or reprehensible facts, on any opinions rendered and initiatives taken, on the declaration of non-financial nature, on the activity of the Supervisory Board and the information referred to in Consob Notice No. 1025664 of 6 April 2001 as amended.

I – INDICATIONS ON THE MAIN INCOME, FINANCIAL AND EQUITY TRANSACTIONS UNDERTAKEN BY THE BIESSE GROUP AND ON SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

The Board of Statutory Auditors carried out the necessary 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, as well as the rationality of the decision-making process followed and the consistency of the transactions with the Company’s needs. It is considered that these transactions, which are fully described in the Directors’ Report on Operations, do not require specific comments from the Board.

Among the events that affected the 2022 financial year and the first months of the current year, the Board highlights the following.

“One Company” Project

During the year, implementation of the project to rationalise and simplify the Group’s organisational structure, known as “One Company”, continued. This project aims to further rationalise and simplify 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, and ability to manage discontinuity and change.

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 2023, will support the appropriate in-depth analysis of the activities still underway.

Merger of the subsidiary Montresor S.r.l.

On 27 February 2023, the project to merge the companies Montresor & Co S.r.l., with sole shareholder, into Biesse S.p.A. was approved.

Acquisition of the residual stake in Movetro S.r.l.

In May 2022, the purchase of the residual 40% stake in the subsidiary Movetro S.r.l. was completed, already 100% consolidated in Biesse by virtue of the put/call option on the minority stake.

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 acknowledges that the Company has adopted the rules set forth in the Consob Resolutions governing related party transactions. 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, which did not give rise to any observations as to their fairness, were concluded in the interest of the Company and the contractual conditions practised did not deviate from those theoretically obtainable from negotiations with third parties.

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 27 March 2023, 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 2022.

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 2022, 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 27 March 2023, 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:

- impairment test of goodwill and other assets allocated to the CGUs;
- 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 € 37 thousand, broken down as follows:

- a) € 25 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) € 12 thousand for work connected to confirming the actual expenses incurred for Research & Development.

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 2022 total € 170 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 2022, 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 2022 BY THE BOARD OF STATUTORY AUDITORS PURSUANT TO THE LAW

We would like to inform you that during the financial year, the Board of Statutory Auditors did not issue any opinions as required by law.

X - INDICATIONS ON THE MEETINGS ATTENDED BY THE BOARD OF STATUTORY AUDITORS IN 2022

During 2022, the Board of Statutory Auditors held 13 meetings. 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 the 2022 financial year, 7 meetings were held. It also participated in the meetings of the Control and Risk Committee, the Remuneration Committee and the Related Parties Committee which – during the year – held respectively 8 meetings, 8 meetings and 5 meetings.

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; it also acquired knowledge of and supervised, to the extent of its expertise, compliance with the principles of proper administration and protection of the Company's assets, as well as the adequacy of the organisational and accounting structures.

In the opinion of this Board of Statutory Auditors, the Company is managed in compliance with the law and the By-laws, just as the structure of powers and proxies appears adequate. The administrative work did not give rise to particular or significant findings and/or observations either by us or by any other corporate body 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 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.

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.

There was no change in the current administrative body, which was appointed by the Shareholders' Meeting of Biesse on 28 April 2021. The Board of Statutory Auditors monitored the adequacy of the division of powers and proxies, also as a result of the implementation of the aforementioned "One Company" project and the resulting change management.

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, also 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/or resolved and their impact on income and equity.

COVID 19

The BIESSE Group has prepared and implemented a plan aimed at remote collaboration and encouraging the use of videoconferencing that has enabled the Company to work in a coordinated and integrated way with the Group's subsidiaries and its dealers.

Impacts of the current geo-political environment on the Group's business

The reference context was therefore characterised by significant uncertainties due to the evolution of the international geopolitical context and the divergent policies against the spread of COVID-19, which particularly affected the Chinese market, with consequent repercussions, among others, on material costs

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. Regarding the direct impact of the conflict on the Biesse Group, please note that as of 31 December 2022 the credit exposure to the Russian market was € 1 million and the cash held in roubles was € 3.8 million. Inventories at the Russian subsidiary amounted to € 0.7 million as at 31 December 2022.

XII - OBSERVATIONS ON THE ADEQUACY OF THE ORGANISATIONAL STRUCTURE

During the year, the Board of Statutory Auditors held regular meetings with the relevant functions in order to assess the adequacy of the changes made to the organisational structure in relation to the progress of the “One Company” project.

The Board of Statutory Auditors considers that the project to adapt the organisational model adopted is adequate and that the risk management activity should be strengthened, with particular regard to the risks to which the Group is most exposed, the implementation of which is constantly monitored, also as a result of change management.

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 Risk Management and Financial Reporting Manager functions and the Data Protection Officer (DPO); those of the third level under the Internal Audit function, which for part of its operational activities relies on 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 noted that the key functions, together with the other bodies and functions to which a control role is attributed, they cooperate with each other by exchanging 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 Risk Management departments, the scope of the activities carried out by them and the related actions planned to overcome the anomalies detected. In particular, 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.

With regard to the implementation of the risk assessment and management (ERM) system, the Board acknowledges that the Company has a risk management system in place in compliance with the current Corporate Governance Code. The Biesse Group has defined an Enterprise Risk Management Policy and a procedure for assessing and quantifying business risks that is inspired by international standards. In addition, aspects of integrating environmental, social and governance risks were considered during the risk assessment phase of the ERM process. The new policy is addressed to the corporate bodies, employees and associates who operate within the Biesse Group and who are involved in various ways in the ERM process.

The Board noted that from 2022 onwards, the role of Risk Manager will fall to the “Quality” function, with the possible support of the Financial Reporting Manager 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 monitored the adequacy of the administrative-accounting system and the financial reporting process by obtaining information from the Heads of the competent Corporate Functions and the Financial Reporting Officer, examining the most significant corporate documents, and conducting in-depth examinations with Independent Auditors Deloitte & Touche S.p.A.

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.

The Board of Statutory Auditors notes that the One Company project allows for greater harmonisation of processes, including financial reporting, by Group companies, allowing for a simplification of 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 2022 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 attention was paid to the assessment processes in the finance area and the impairment processes for equity investments and goodwill, as well as the reporting on subsequent events to be provided in the separate and consolidated financial statements relating to transactions concluded between the year-end date and the date of approval 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 2023.

This Report was prepared taking into account the new Corporate Governance Code, the Recommendations of the Corporate Governance Committee for the financial year 2023 and the indications contained in the “Format for the Report on Corporate Governance and Ownership Structures” prepared by Borsa Italiana.

The Board of Statutory Auditors has taken note of the information provided in the Report, from which no substantial deviations from the provisions of the Corporate Governance Code emerge, such as to require specific clarifications and/or illustrations in the aforementioned Report.

The Board of Statutory Auditors therefore positively assessed the actions already implemented and those planned by the Company to ensure its full and constant alignment with the Recommendations provided by the Corporate Governance Committee.

Although there is no specific regulatory obligation, in 2022, 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*, 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 did not carry out a self-assessment of its qualitative and quantitative composition and its functions, having carried it out at the time of renewal of the Board of Directors, in accordance with the provisions of the Corporate Governance Code (Recommendation 22).

The Board of Statutory Auditors took note of the annual remuneration report approved by the Board of Directors on 14 March 2023, monitoring the implementation process of 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.

XVIII - CONSOLIDATED NON-FINANCIAL STATEMENT

BIESSE, in compliance with the provisions of Italian Legislative Decree No. 254/2016 implementing Directive 2014/95/EU, has also prepared the “Consolidated Non-Financial Statement” (hereafter “NFS”) relating to 2022. The NFS, which was approved by the Board of Directors on 14 March 2023 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 and the reporting framework adopted.

In particular, the Board of Statutory Auditors met on several occasions with the function of the Company in charge of preparing the NFS, in order to discuss the underlying processes and structures that govern the production, reporting, measurement and representation of non-financial results and information, finding no noteworthy deficiencies with respect to the provisions of Legislative Decree No. 254 of 30 December 2016.

The Independent Auditors presented to the Board of Statutory Auditors the outcome of the activities carried out to certify compliance with the standards adopted for the preparation of the Group’s consolidated NFS, with particular attention to the procedures adopted, the perimeter of the audits with details of the group companies and the issues subject to sampling for the testing activity and issued on 27 March 2023 the certification in which an opinion is expressed on the conformity of the NFS pursuant to articles 3 and 4 of Legislative Decree 254/2016.

XIX – 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.

With regard to the main risks and uncertainties to which the Company is exposed, the Company’s ability to continue as a going concern, as well as the business outlook and significant events occurring after 31 December 2022, please refer to the Directors’ Report.

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 2022, shows a net profit for the period of € 19,842,879.18 and equity including the net profit for the year of € 197,640,265.00.

The consolidated financial statements of the BIESSE Group, for the same financial year, show net profit of € 30,296,071.72 and equity including the net profit for the year of € 260,793,232.00.

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 2022, the following is noted:

- 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 and subsequent amendments and additions 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.

XX - PROPOSALS TO THE SHAREHOLDERS' MEETING

In relation to the financial statements for the year ended 31 December 2022, the Board of Directors proposes: (i) the distribution of a dividend of € 9,042,855.69 (€ 0.33 for each of the shares representing the share capital) corresponding to a 45.57% share of the financial year's profit, and then (ii) the allocation of the

remaining € 10,800,023.49 of the year's profit to the extraordinary equity reserve. In this regard, the Directors pointed out that this distribution of reserves does not have an appreciable impact on the capital adequacy of the Company and the Group, according to the parameters established by the prudential supervisory regulations on capital requirements.

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 and is consistent with the Group's financial situation and its prospects and commitments.

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).

XXI - 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 2022 accompanied by the Report on Operations and the Notes, in accordance with the text approved by the Board of Directors on 14 March 2023.

Pesaro, 27 March 2023

The Board of Statutory Auditors

Paolo De Mitri

Enrica Perugia

Giovanni Ciurlo