Biesse

Quarterly Report as at 30 September 2023

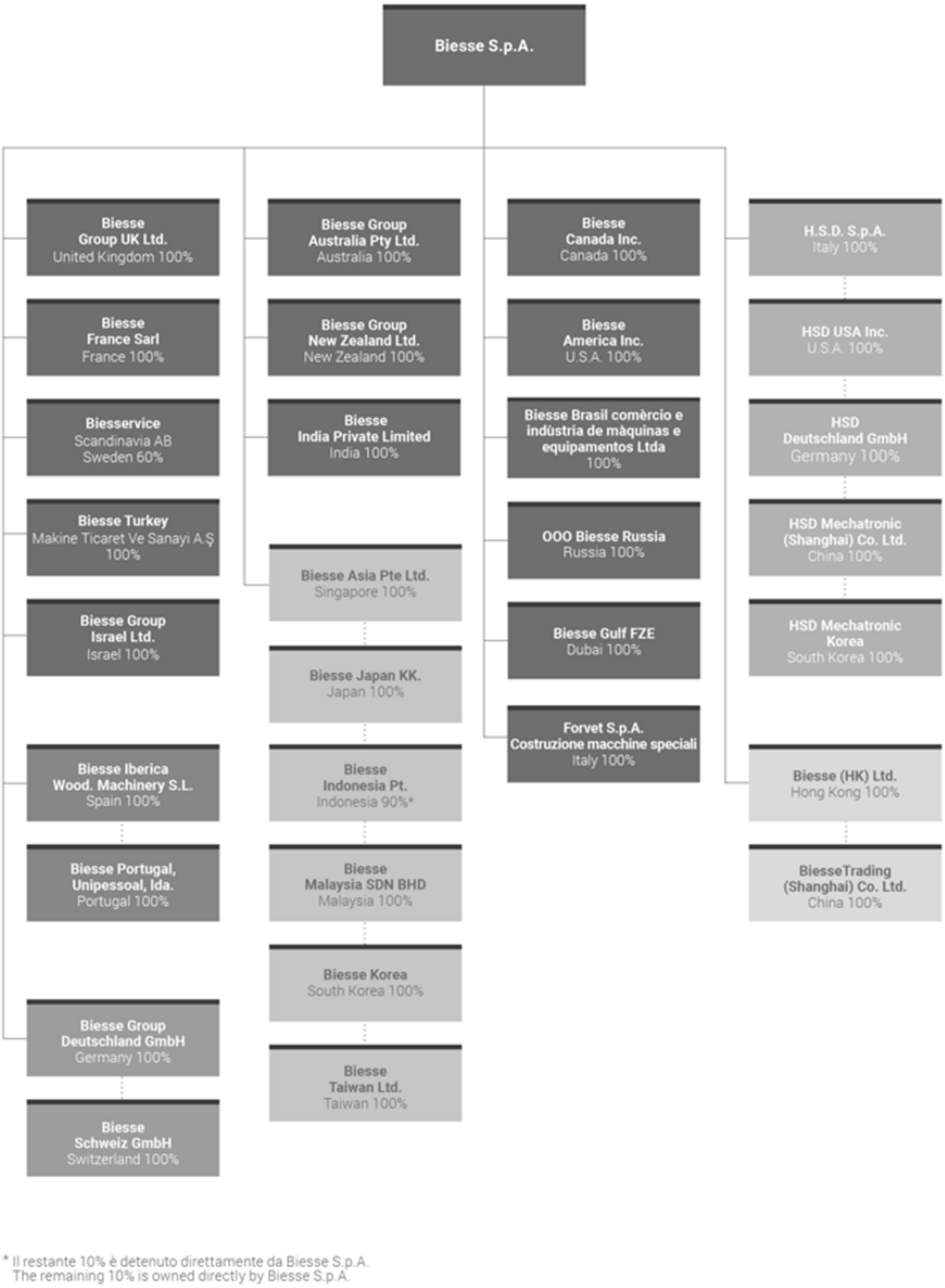
Biesse S.p.A.

QUARTERLY REPORT AS AT 30 SEPTEMBER 2023

THE BIESSE GROUP

BIESSE GROUP STRUCTURE

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



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 around 4,000 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 2022, it should be noted that on 4 July 2023, the process of merging the subsidiary Movetro S.r.l. into Forvet S.p.A. Costruzione Macchine Speciali (its associate, as well as a subsidiary of Biesse S.p.A.) was completed, with effect from 1 January 2022, while on 21 July 2023, the process of merging the subsidiary Montresor & Co. S.r.l. into the parent company Biesse S.p.A. was completed, effective as of 1 January 2023. It should be noted that the aforementioned merger transactions have no impact on the consolidated financial statements.

INTRODUCTION

The Biesse Group's consolidated quarterly report as at 30 September 2023, unaudited, has been prepared pursuant to Article 154-ter, paragraph 2 of the Consolidated Law on Finance and in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS).

Accounting standards and recognition criteria are consistent with those of the Financial Statements as at 31 December 2022, to which reference should be made. Furthermore, it should be noted that:

- the quarterly financial statements have been prepared using the discrete approach, according to which the reference period is considered to be a discrete accounting period. In this respect, the income statement items for the period are recognised in the quarterly income statement on an accrual basis;
- the financial statements underlying the consolidation process are those prepared by subsidiaries with reference to the period ended 30/09/2023, adjusted, where necessary, to align them with the Group's accounting policies.

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.

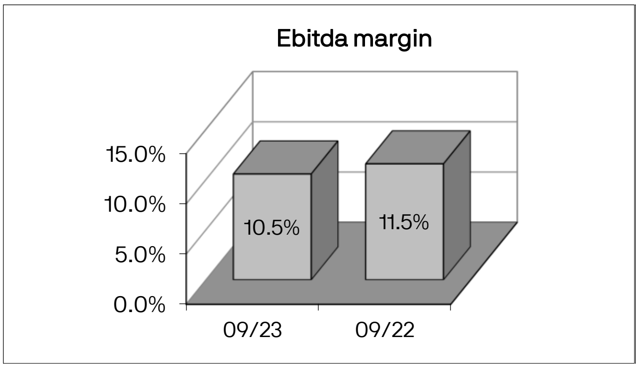
Performance indicators are to be regarded as complementary to and not a substitute for financial data prepared in accordance with IFRS. Hereafter is a description of the main indicators adopted.

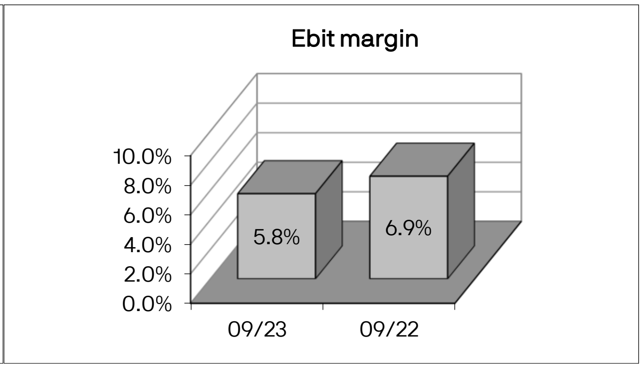
- *Value Added*: this indicator is defined as the Profit (Loss) for the year before income taxes, finance income and expense, exchange rate gains and losses, amortisation of intangible assets, depreciation of property, plant and equipment, impairment losses on fixed assets, allocations to provisions 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

Euro 000's	30 September 2023	% on sales	30 September 2022	% on sales	Change %
Revenue from sales and services	595,656	100.0%	613,371	100.0%	(2.9)%
EBITDA adjusted (1)	62,748	10.5%	70,788	11.5%	(11.4)%
EBIT adjusted (1)	34,311	5.8%	42,591	6.9%	(19.4)%
EBIT (1)	28,074	4.7%	44,158	7.2%	(36.4)%
Result for the year	15,949	2.7%	24,801	4.0%	(35.7)%

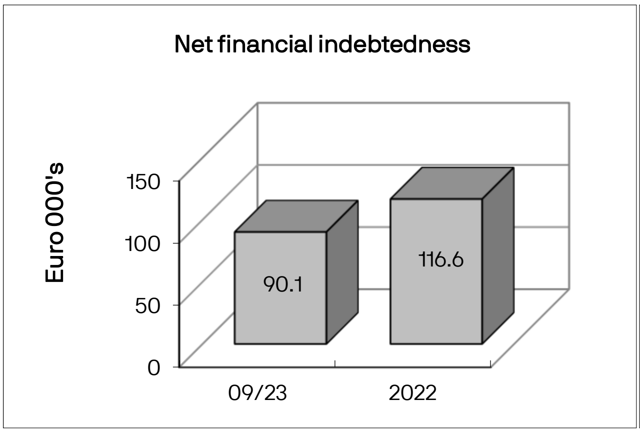


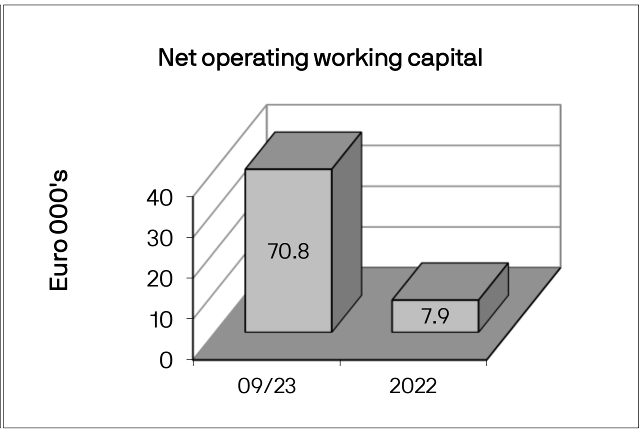


Statement of Financial Position

Euro 000's	30 September 2023	31 December 2022
Net invested capital (1)	178,000	144,147
Equity	268,114	260,793
Net financial position (1)	90,115	116,646
Net operating working capital (1)	70,819	7,908
Order in take	290,953	384,659

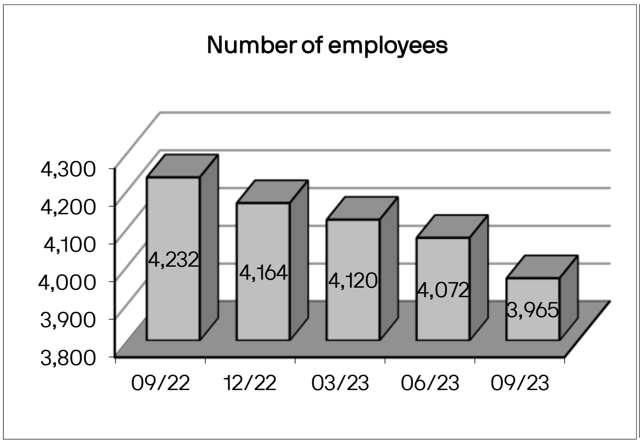
(1) The criteria for determining amounts relating to interim results and aggregate equity and financial data are described in the Directors' Report on Operations and the Notes to the Financial Statements.

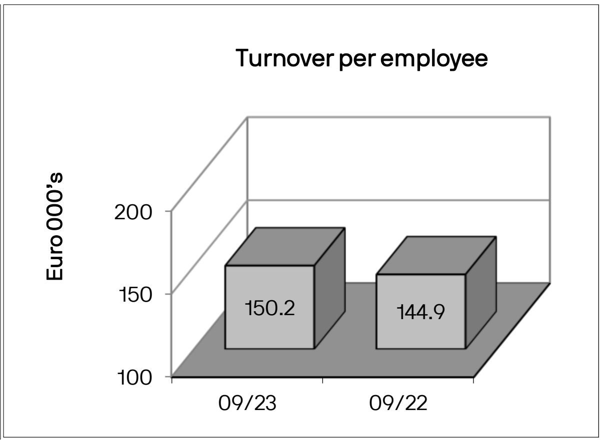




Personnel (*)

	30 September 2023	30 September 2022
Number of employees at period end	3.965	4.232





** 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 the strong recovery observed in early 2023, the global economy is expected to expand at a more moderate pace in the rest of the year, mainly reflecting the loss of momentum in China's economic recovery. However, the outlook for global growth in the macroeconomic projections for the euro area formulated by ECB experts in September remains broadly similar to those formulated by Eurosystem experts in June. In fact, although global growth remains stable overall over the projection horizon, its country composition has changed, as the growth outlook for China has been revised significantly downwards, while real GDP growth has been revised upwards in the US due to the resilience of its economy so far. In 2023, weak world trade growth reflects the composition of global economic activity, driven by less trade-intensive countries (emerging economies), demand components (consumption) and products (services). Growth in international trade is expected to accelerate again over the remainder of the period and is likely to increase substantially in line with global activity. Compared to the June projections, both global import growth and foreign demand growth for the euro area were revised downwards for 2023, largely as a result of further downward revisions to historical data and lower-than-estimated performance in the second quarter recorded at the cut-off date for the projections. However, foreign demand growth over the rest of the projection horizon remains comparable with the June projections. Overall inflation as measured by the consumer price index (CPI) at the international level is gradually decreasing, but underlying inflationary pressures remain strong, particularly among advanced economies.

UNITED STATES

In the US, economic activity showed resilience, although a moderation is expected towards the end of the year as monetary policy tightens to constrain activity. Recent data on household spending and service sector activity indicate that GDP growth will remain robust in the third quarter. Nevertheless, a slight moderation in household consumption growth is expected against a background of easing labour market conditions. Tighter credit standards are expected to weigh on investment, leading to positive growth but below potential GDP in the period 2024-2025. Real GDP growth is projected to recover moderately in 2025. In July, overall inflation measured by the CPI increased slightly to 3.2%, up from 3.0% in June, due to a lower disinflationary contribution from the energy component. In the same month, core inflation fell only slightly to 4.7% (from 4.8% in June) amid a protracted decline in goods inflation, while among services, the pick-up in transport and recreational services inflation partly offset the ongoing decline in accommodation services inflation. Overall inflation is expected to fall, despite the decline in wage growth, although still robust, which exerts persistent upward pressure on non-housing services inflation.

JAPAN

In Japan, the economy experienced significant growth in the first half of 2023, albeit with fluctuations. While domestic demand was a key determinant of growth in the first part of the year, the surprising vigour in growth in the second quarter was supported almost entirely by net exports, while domestic demand stagnated. Looking ahead, economic activity is projected to continue on a moderate growth trajectory. While domestic demand is expected to recover somewhat in the third quarter, growth is likely to slow down compared to the first half of the year, reflecting the recovery of imports. Overall 12-month inflation remained unchanged at 3.3% in July, as the decline in the energy component was offset by higher inflation in food and housing and mobile telephony. In the same month, core inflation increased slightly, from 2.6% to 2.7%, reflecting the underlying dynamics of corporate prices. Overall inflation is expected to moderate in the second half of this year as cost pressures ease, in line with the recent slowdown in producer price inflation and falling import prices.

UNITED KINGDOM

In the UK, growth has been modest over the past year amid high inflation and tightening financing conditions, although it has shown some resilience. The growth of economic activity is also expected to remain moderate in the coming quarters, reflecting more persistent inflationary pressures than foreseen in the June projections, while households and businesses also face higher interest rates as a result of the further tightening of monetary policy. Recent survey data added downside risks to the short-term outlook, with the composite PMI for output dropping six points in the last four months. For next year, activity is projected to pick up, supported by a recovery in real wages against the backdrop of persistently low inflation. Overall inflation measured by the CPI fell significantly to 6.8% in July (from 7.9% in June), mainly due to the sharp decline in energy bills and the drop in the food component. At the same time, core inflation remained unchanged at 6.9%, due to the persistently high level of services inflation. Overall inflation is expected to decline over time, reaching the Bank of England's target of 2% in early 2025.

China

In China, growth suffered a sharp loss of momentum in the second quarter. After recovering strongly in the first quarter of 2023, following the easing of the containment measures linked to COVID-19, growth dynamics slowed down markedly in the second quarter, due to a new contraction in the residential construction market, which also affected consumer confidence. While consumption activity, especially in the service sector, continued to normalise, net exports and private investment were weaker than expected in the June projections. High-frequency indicators available up to August point to continued weakness in the housing market and moderating growth in the services sector, but some stabilisation in manufacturing activity. Twelve-month headline inflation measured by the CPI fell into negative territory in July (-0.3% year-on-year), while core inflation measured by the CPI continued to rise (+0.8% year-on-year), driven mainly by service prices. In monthly terms, both overall and core inflation increased slightly, after declines in previous months. This suggests that 12-month inflation may start to rise, although weak domestic and external demand is likely to limit inflationary pressures.

Eurozone

The euro area economy stagnated significantly in the first half of the year. In the second quarter of 2023, real GDP growth was 0.1%, the same as in the first quarter. Recent indicators also point to weakness in the third quarter. Lower demand for eurozone exports and the impact of restrictive financing conditions are dampening growth, including through lower investment in both residential and business construction. The slowdown in activity is spreading to all sectors of the economy. Manufacturing output has been declining since the fourth quarter of 2022 and is expected to remain weak, as the past boost to production from backlogs of orders is waning and new orders remain modest. Activity in the services sector, which had been more resilient, showed clear signs of slowing down at the beginning of the third quarter, suggesting that the post-pandemic stimulus to demand for services may be wearing off. Over time, economic momentum should intensify with the expected increase in real incomes, supported by falling inflation,
the increase in salaries and the strength of the labour market; this should consolidate consumer spending. This outlook is broadly reflected in the macroeconomic projections for the euro area formulated in September 2023 by ECB experts, according to which year-on-year real GDP growth is expected to slow down to 0.7% in the current year, before recovering to 1.0% in 2024 and 1.5% in 2025. Compared to the macroeconomic projections made by Eurosystem experts in June 2023, the outlook for GDP growth was revised downwards over the entire projection horizon, by 0.2 percentage points for 2023, 0.5 percentage points for 2024 and 0.1 percentage points for 2025. The risks for economic growth are tilted downwards.

Italy

The sharp rise in GDP in the first quarter was largely offset by the larger-than-expected decline in the second quarter. Household consumption slowed down in the spring months, as the labour market held up and disposable income stagnated. Fixed investment expenditure returned to decline after a prolonged period of expansion, but was still almost 25% higher than pre-pandemic levels. This decline was due to the construction component, which was affected by the reduced stimulus from fiscal support measures, especially for housing. Foreign trade made a slightly negative contribution due to a decline in exports, reflecting the deterioration in global demand, and stagnation in imports. On the supply side, added value decreased in all sectors: significantly in agriculture and construction, to a lesser extent in industry in the narrow sense and only marginally in services. While activity in industry and services was sluggish in the third quarter, there were signs of improved resilience compared with the previous quarter in value added in construction, which was also contracting. On the demand side, GDP was thought to reflect a significant stagnation in consumption and a decline in investment, also due to the tightening of financing conditions.

BUSINESS SECTOR REVIEW

Ucimu – Sistemi per produrre (Systems to Produce)

In the third quarter of 2023, the machine tool order index compiled by the UCIMU-SISTEMI PER PRODURRE Research & Business Culture Centre showed a drop of 19.9% compared to the period July-September 2022. The absolute value of the index was 63.7 (base value of 100 in 2015). The result is a consequence of the decline in new orders recorded by manufacturers in both the export and domestic markets. In particular, orders collected abroad fell by 1.7% compared to the same period last year. The absolute value of the index stands at 96.2. On the domestic front, orders saw a decline of 45.1%, for an absolute value of 24.

Barbara Colombo, Chair of UCIMU-SISTEMI PER PRODURRE, stated: *"The data compiled by the Centro Studi & Cultura di Impresa confirm the negative trend we have been observing since the beginning of the year, which is due to a number of factors. As far as the domestic market is concerned, the decline in new orders is mainly physiological and reflects a general slowdown in demand after the boom of recent years. That* *said, the digital transformation process that the country's manufacturing sector is currently undergoing has yet to be completed, not least because of new European directives on sustainability and green manufacturing. The transformation of our industry is there for all to see but it is not distributed evenly between large, medium and small industries, and it is certainly not complete. As this transition is one of the main factors in the competitiveness of the country's manufacturing-based economic system, it must be supported by appropriate measures.* Barbara Colombo continued: "*We are aware that there are limited economic resources and that the context is extremely complex, but now, more than ever, development policies are needed. We therefore welcome the decision to include in the draft 2024 Budget the refinancing of the Sabatini law and incentives for companies to return to production in Italy, as well as tax cuts for citizens and business. However, we believe it is essential to strengthen the competitiveness measures that should be included in Plan 5.0, which is unfortunately still on standby at the moment."*

"In addition to increasing the current tax credit rates for investments in new 4.0 production technologies, the plan should structurally provide for a modular system of tax incentives that can be combined and cumulated and that better rewards those who invest in new machines where digitalisation is also an enabler of sustainability, as already requested by industry."

"*On the international front*," said Barbara Colombo, "*new orders were essentially stable, confirming the long-term trend that shows a more regular trend in orders received by manufacturers across the border than in the domestic market, where the incentives available over the years have led to strong fluctuations in demand. The United States, in particular, has always been an exceptional partner for Italian manufacturers and is currently their number one export destination. The buoyancy of North American demand, which we expect to continue in the coming months, has largely offset the weakness of Asian and European demand."*

"Now it is hoped that Europe, and Germany in particular, will return to work as it did in the past, or even more so, given that the reshoring phenomenon can benefit Italian manufacturers already present in German value chains."

"Unfortunately, the strong instability arising from the conflict in the Middle East, which could also trigger new tensions in the rest of the world where, among other things, the threat of Islamic terrorism has suddenly resurfaced, is likely to add to market uncertainty. Consequently, much attention must also be paid to more distant regions, starting with Asia, where the market presence of Italian companies in the sector, mostly SMEs, is much more complex."

ACIMALL – ITALIAN WOODWORKING TECHNOLOGY ASSOCIATION (PERFORMANCE OF THE FIRST HALF OF 2023)

The quarterly survey carried out by Acimall, the association of Italian manufacturers of wood and furniture technology, confirms the expected and inevitable "return to normality" after a period of exponential growth in orders and turnover.

In the April-June period of this year, in fact, orders contracted by 17.8% compared to the same period in 2022. This was driven by both the minus 18.7% recorded in orders from abroad and the minus 13.8% in demand from the domestic market. The result confirms the figures recorded in the previous four quarters, all of which were negative, and brings the overall industry index back to 2019 levels. Therefore, as we noted, this marks a return to normality after the slowdown caused by the pandemic and the subsequent recovery, which saw companies grow at rates not seen in recent decades.

The wood and furniture technology sector can count on an order backlog with 5.2 months of assured production (the same figure as in the previous quarter), while the price change since the beginning of the year – at 1.2% – represents a cooling of the inflation that has characterised the sector and the economy in general over the last two years.

The qualitative survey reveals that 72% of the sample of companies surveyed expect a substantial stability in production (it was 71% in the previous quarter), while 9% expect a further decrease and 19% an increase (balance plus 10). Employment increased for 14% of the sample, was stable for 81% and down for 5%. Inventories were stable for 34% of the respondents (it was 62% in January-March), increasing for 33% and decreasing for the other 33%.

With regard to the forecast survey, the data processed by the Acimall Studies Office reveal a less positive climate than in the previous quarter. Regarding the international market, 33% of the sample expect a stable trend (38% in the previous quarter), 48% expect a decline (38 in January-March) and the remaining 19% expect growth (was 24). With regard to the Italian market, the trend will be stable for 48% of the respondents (57% in Q1 2023), decreasing for 38% (was 24%) and increasing for 14% (19% last quarter).

OUTLOOK

As is widely known, the ongoing tensions between Russia and Ukraine, which began in January 2022 (and subsequently led to Russia's declaration of war on Ukraine and the invasion of Ukrainian territory by the Russian army on 24 February 2022), continue to have a significant impact on international markets, including on financial market developments.

The reference context therefore continues to be characterised by significant uncertainties due to the evolution of the international geopolitical context, with consequent repercussions on the evolution of energy procurement and material cost trends.

At the end of the third quarter of 2023, the Biesse Group's portfolio amounted to €290,953 thousand, down by 24.4% compared to December 2022 (€384,659 thousand).

In this scenario, Biesse Group revenues at 30 September 2023 amounted to €595,656 thousand, down (-2.9%) compared to 30 September 2022. This performance was characterised by a slowdown in sales momentum in certain geographical areas, which was partially mitigated by the Biesse Group's widespread distribution network.

An analysis of turnover by geographic area shows that the increase was only in Eastern Europe (9.1%), while Western Europe, Asia-Oceania, North America and the Rest of the World recorded decreases of 2.7%, 5.8%, 7.6% and 21.3% respectively.

An analysis of the breakdown of revenues by operating segment, Machine-Systems and Mechatronics, shows no significant change for the Machine-Systems segment, while the Mechatronics segment recorded a decrease of 13.2%.

The reduction in volumes was reflected in operating profitability for the period, as indicated by Adjusted Ebitda, which, gross of non-recurring expenses, amounted to €62,749 thousand, a decrease of 11.4% compared to the third quarter of the previous year (a period in which the Biesse Group had increased production for inventory, necessary to support demand), also due to material inflation (with an impact on the cost of sales). Therefore, normalised operating profit (Adjusted EBIT) decreased (€34,311 thousand in the third quarter of 2023 compared to €42,591 thousand in the same period of 2022), with a negative delta of €8,280 thousand and a decrease in revenue that moved to 7.2% from 4.7%.

It should be noted that the Biesse Group's economic result for the period in question was negatively impacted by "non-recurring events" in the amount of €6,237 thousand, of which €1,937 thousand related to the capital gain arising from the sale of the building and relative land in Thiene and €8,174 thousand to the corporate restructuring provision. In this regard, it is worth highlighting that the Biesse Group is completing the transformation process that will lead to an adequate sizing of its organisational structure in view of its business model and volumes of business generated. This reorganisation will be implemented by means of personnel cost containment measures provided for by current legislation and by redundancy incentives.

Despite the positive economic performance (albeit with revenues and margins slightly down on the previous quarter) described so far, the financial performance was affected by the dynamics of net operating working capital, which increased by €62,911 thousand compared to December 2022 (with a consequent contraction in cash generation). This was mainly due to the decrease in contract liabilities (amounting to €34,300 thousand) influenced by the slowdown in order intake in the first nine months of 2023. This result was also negatively affected by the fact that most of the investments related to Industry 4.0 were brought forward to the fourth quarter of 2022 (Italian beneficiaries wanted to secure the Industry 4.0. tax credit incentive at 40% knowing that in 2023 the rate would be halved).

Remaining on the subject of changes in net working capital, trade payables showed a reduction of €41,340 thousand, due to a significant decrease in supplies for the period, with a consequent reduction in average days of payment (DPO). The trend in trade payables is also confirmed by the clear decrease in inventories of €26,230 thousand, in line with the Biesse Group's stock optimisation strategy.

On the other hand, with regard to trade receivables, there was an increase of €13,502 thousand, an increase attributable to the increase in DSOs both on the Italy area due to the halving of the 2023 tax credit rate for Industry 4.0. and partly on European areas such as France, Germany and the UK.

The Net Financial Position (hereinafter also "NFP") of the Biesse Group at 30 September 2023 was positive at €90,115 thousand, a decrease of €26,531 thousand compared to the figure at 31 December 2022 (positive for €116,646 thousand). The change is mainly influenced by the distribution of dividends in the first half of 2023 and the aforementioned trend in net working capital, despite the positive results obtained at the operating level.

The scenario described so far confirms that the Biesse Group benefited in the first nine months of 2023 from the dynamism associated with the demand for capital goods in the previous year.

However, the slowdown in order intake, which had already started from the second quarter of 2022, will influence the dynamics of the sales trend until the end of the year.

Based on this context, the Biesse Group will continue for the remaining months of the year to implement with determination the initiatives aimed at pursuing the targets set. Specifically, the Biesse Group intends to continue to pursue the already established policy aimed at optimising inventories and monitoring the trend of net working capital (especially on aspects related to credit management), while remaining attentive to cost containment.

Finally, recent events in the Middle East could have a decisive impact on business dynamics not only regionally but also with global repercussions. The Biesse Group is closely monitoring the situation and reaffirms its willingness to act promptly by implementing measures to mitigate any impact and maintain business continuity.

MAIN EVENTS

On **26 April 2023**, the Shareholders' Meeting of Biesse S.p.A. approved:

- the Financial Statements at 31/12/2022 of the parent company Biesse S.p.A., which closed with a net profit of €19,842,879.18 and examined the Group Consolidated Financial Statements and the Sustainability Report;
- the allocation of the profit for the year 2022 – distribution of a total gross dividend of €0.33 per share, for the entire amount from the profit for the year;
- resolved in favour of the second section of the Report on Remuneration Policy and Remuneration Paid pursuant to Article 123-ter, paragraph 6, of Legislative Decree 58/1998.

PARTICIPATION IN THE EURONEXT STAR CONFERENCE 2023

Biesse participated in the Euronext STAR Conference 2023 organised by Borsa Italiana which was held in Milan at Palazzo Mezzanotte from 21 to 23 March. During this occasion, Biesse's management met with international investors and financial analysts to share the results recently achieved and the most immediate economic and financial prospects.

PARTICIPATION IN THE ESN EUROPEAN CONFERENCE

Biesse participated virtually in the European Securities Network (ESN) 2023 European Conference, held in London on 30 May at the Merchant Taylors' Hall. During this occasion, Biesse's management met with international investors and financial analysts to share the results recently achieved and the most immediate economic and financial prospects.

PARTICIPATION IN THE 2023 ITALIAN EXCELLENCES MID CORPORATE CONFERENCE

Biesse participated in the 2023 Italian Excellences Mid Corporate Conference organised by Intesa Sanpaolo, which was held in Paris at the Le Bristol hotel on 10 and 11 October. During this occasion, Biesse's management met with international investors and financial analysts to share the results recently achieved and the most immediate economic and financial prospects.

INCOME STATEMENT HIGHLIGHTS

Income Statement as at 30 September 2023 highlighting non-recurring items

Euro 000's	30 September 2023	% on sales	30 September 2022	% on sales	CHANGE %
Revenue from sales and services	**595,656**	**100.0%**	**613,371**	**100.0%**	**(2.9)%**
Change in inventories, wip, semi-finished products and finished products	(20,730)	(3.5)%	39,986	6.5%	-
Other Revenues	4,348	0.7%	5,314	0.9%	(18.2)%
Revenue	**579,273**	**97.2%**	**658,670**	**107.4%**	**(12.1)%**
Raw materials, consumables, supplies and goods	(225,904)	(37.9)%	(289,982)	(47.3)%	(22.1)%
Other operating costs	(108,512)	(18.2)%	(112,946)	(18.4)%	(3.9)%
Personnel expense	(182,109)	(30.6)%	(184,955)	(30.2)%	(1.5)%
Gross operating result	**62,748**	**10.5%**	**70,788**	**11.5%**	**(11.4)%**
Depreciation and amortisation	(23,270)	(3.9)%	(24,358)	(4.0)%	(4.5)%
Provisions	(5,166)	(0.9)%	(3,839)	(0.6)%	34.6%
Operating result before non recurring items	**34,311**	**5.8%**	**42,591**	**6.9%**	**(19.4)%**
Non recurring items	(6,237)	(1.0)%	1,568	0.3%	-
Operating result	**28,074**	**4.7%**	**44,158**	**7.2%**	**(36.4)%**
Financial income	1,418	0.2%	729	0.1%	94.5%
Financial expense	(1,852)	(0.3)%	(1,778)	(0.3)%	4.1%
Exchange rate income and expenses net	(3,804)	(0.6)%	(7,074)	(1.2)%	(46.2)%
Pre-tax result	**23,836**	**4.0%**	**36,035**	**5.9%**	**(33.9)%**
Income taxes	(7,888)	(1.3)%	(11,234)	(1.8)%	(29.8)%
Result for the year	**15,949**	**2.7%**	**24,801**	**4.0%**	**(35.7)%**

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 in the third quarter of 2023 amounted to €595,656 thousand, compared to €613,371 thousand in 2023, a decrease on the previous quarter (-2.9%) and on the sales trend for the period.

The **value of production** amounted to €579,273 thousand, down 12.1% compared to September 2022 (€658,678 thousand), following the strategic choice in the first half of the previous year to increase the finished goods inventories to meet the increase in the order backlog that occurred from the end of 2021.

The percentage of **consumption** net of the **change in inventories** recorded a slight increase of 0.6 p.p. on sales due to the gradual entry of inflation, which has progressively manifested itself since the end of 2021 and the different composition of the product mix.

Other operating expenses decreased in absolute terms (€4,433 thousand), reducing their percentage weight compared to the previous period (moving from 18.4% to 18.2%). This phenomenon is mainly attributable to service costs, which rose from €101,105 thousand to €97,661 thousand, a decrease of 3.4%. The change is mainly due to lower costs for production services (down by €3,944 thousand), which include outsourced processing, transport on purchases and technical services, commissions payable and transport on sales (down by €2,802 thousand), and utility costs (down by €2,016 thousand). The aforementioned decreases are partially offset by the increase in personnel travel and transfer costs (up €2,142 thousand), while costs for consultancy and trade fairs and advertising remain substantially constant compared to the previous quarter.

Personnel expense as at 30 September 2023 amounted to €182,109 thousand and recorded a decrease in value of €2,846 thousand compared to the figure for 2022 (€184,955 thousand, -1.5% compared to the same period of 2022), substantially due to the wages, salaries and related social security charges component attributable to the decrease in headcount (3,965 as at 30 September 2023 compared to 4,232 as at 30 September 2022).

Against the deviations described above, **adjusted EBITDA** at 30 September 2023 was positive for €62,748 thousand, while at the end of September 2022 it was positive for €70,788 thousand, with a decrease of 11.4%.

Depreciation and amortisation decreased by 4.5% overall (from €24,358 thousand at 30 September 2022 to €23,270 thousand at 30 September 2023): The component relating to tangible fixed assets (including rights of use) remained almost unchanged, while that relating to intangible assets fell by €1,126 thousand (-11.4%).

Provisions and impairment amounted to €5,166 thousand, and included provisions of €4,020 thousand (attributable to €470 thousand for adjustments to provisions for future risks and charges, €2,626 thousand for provisions for restructuring, €547 thousand for legal disputes, €246 thousand for the adjustment of the product warranty provision and finally to €131 thousand for the provision for agents' termination indemnity) and impairment losses of €1,254 thousand, relating to intangible assets, including development costs.

Adjusted EBIT was positive at €34,311 thousand, down 19.4% from the previous year (at €42,591 thousand).

Non-recurring items show a negative value equal to €6,237, referring for €1,937 thousand to the capital gain deriving from the sale of the building and related land belonging to Thiene and for €8,174 to the corporate restructuring fund.

With reference to **financial operations**, net expenses of €434 thousand were recorded, down from the figure for September 2022 (net expenses of €1,049 thousand).

Exchange rate risk management resulted in a net loss of €3,804 thousand, a net improvement compared to the €7,074 thousand loss in the prior-year period.

Pre-tax profit was therefore €23,836 thousand, a decrease compared to 2022 (equal to €36,035 thousand).

The balance of **tax items** was negative (a charge) for €7,888 thousand. The negative balance is determined as a result of the following factors: IRES taxes and other deferred taxes (negative for €1,916 thousand) and IRAP (negative for €893 thousand); provisions for income taxes of foreign companies (€5,646 thousand) and taxes relating to previous years (positive for €567 thousand).

The tax rate was in line with the same period of the previous year.

The Biesse Group, therefore, recorded a **profit for the year** of €15,949 thousand.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

Statement of financial position as at 30 September 2023

	30 September 2023	31 December 2022
Euro 000's		
Intangible assets	86,177	88,177
Property, plant and equipment	112,233	117,625
Financial assets	2,870	4,688
Non-current assets	**201,279**	**210,489**
Inventories	189,358	215,588
Trade receivables and contract assets	126,015	112,513
Trade payables	(140,656)	(181,996)
Contract liabilities	(103,897)	(138,197)
Net operating working capital	**70,819**	**7,908**
Post-employment benefits	(9,915)	(10,567)
Provision for risk and charges	(35,782)	(25,015)
Other net payables	(66,672)	(54,629)
Net deferred tax assets	18,269	15,961
Other net liabilities	**(94,099)**	**(74,249)**
Net invested capital	**178,000**	**144,147**
Share capital	27,403	27,403
Result for the previous year and other reserves	224,758	202,898
Net Result	15,947	30,248
Non-controlling interests	7	245
Equity	**268,114**	**260,793**
Bank loans and borrowings and loans and borrowings from other financial backers	26,383	28,937
Other financial assets	(21,435)	(7,164)
Cash and cash equivalents	(95,063)	(138,419)
Net financial position	(90,115)	(116,646)
Total sources of funding	**178,000**	**144,147**

Net invested capital amounted to €178,000 thousand, up compared to 31 December 2022 (€144,147 thousand).

Compared to 31 December 2022, net fixed assets decreased by €9,210 thousand due to the fact that depreciation and amortisation are higher than new investments for the period.

Net operating working capital increased by €62,911 thousand compared to 31 December 2022. The change is mainly due to the decrease in contractual liabilities (equal to €34,300 thousand), influenced by the slowdown in order intake in the first nine months of 2023. This result was also negatively affected by the fact that most of the investments related to Industry 4.0 were brought forward to the fourth quarter of 2022 (Italian beneficiaries wanted to secure the Industry 4.0. tax credit incentive at 40% knowing that in 2023 the rate would be halved).

The remainder of the change is instead attributable to the reduction in trade payables (amounting to €41,340 thousand), against a significant decrease in procurement for the period, with a consequent reduction in average days to pay (DPO). The trend in trade payables is also confirmed by the clear decrease in inventories (of €26,230 thousand), in line with the Biesse Group's stock optimisation strategy.

Finally, trade receivables recorded an increase (€13,502 thousand) attributable to the increase in DSOs both on the Italy area due to the halving of the 2023 tax credit rate for Industry 4.0. and partly on European areas such as France, Germany and the UK.

Equity amounted to €268,114 thousand (€260,793 thousand as at 31 December 2022).

Net financial position

Euro 000's	30th Septemper 2023	30th June 2023	31st March 2023	31st December 2022	30th Septemper 2022
Financial assets:	116,498	115,812	132,381	145,583	108,061
Current financial assets	*21,435*	*28,682*	*20,696*	*20,544*	*7,157*
Cash and cash equivalents	*95,063*	*87,130*	*111,685*	*125,039*	*100,903*
Short-term financial lease payables	(6,252)	(6,553)	(7,072)	(7,504)	(7,983)
Short-term bank loans and borrowings and loans from other financial backers	(5,436)	(1,464)	(1,412)	(4,222)	(4,761)
Short-term net financial position	**104,811**	**107,795**	**123,897**	**133,858**	**95,317**
Medium/Long-term financial lease payables	(14,249)	(15,528)	(16,114)	(16,496)	(14,997)
Medium/Long-term bank loans and borrowings	(284)	(284)	(320)	(561)	(573)
Trade payables and other medium/long-term payables	(163)	(128)	(140)	(155)	(171)
Medium/Long-term net financial position	**(14,696)**	**(15,941)**	**(16,575)**	**(17,212)**	**(15,740)**
Total net financial position	**90,115**	**91,855**	**107,322**	**116,646**	**79,577**

The NFP statement complies 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.

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 30 September 2023 was positive at €90,115 thousand, down on the figure for the previous year (positive at €116,646 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 €109,908 thousand (positive at €139,387 thousand at 31 December 2022). Compared to year-end 2022, the indicator decreased by €26,531 thousand, mainly influenced by the distribution of dividends in the first half of 2023 and the trend in net working capital as commented above, despite the positive results obtained at the operating level.

At the date of approval of this report, the Biesse Group has credit lines in excess of €184.7 million, of which €84.7 million revocable with a duration of up to 12 months and €100 million committed with a duration of more than 12 months. All undrawn credit lines are unsecured and free of any collateral.

SEGMENT REPORTING

Breakdown of revenue by operating segment

	30 September 2023	%	30 September 2022	%	CHANGE % 2023/2022
Euro 000's					
Machines and Systems Division	546,263	91.7%	556,824	90.8%	(1.9)%
Mechatronics Division	70,277	11.8%	80,977	13.2%	(13.2)%
Inter-segment eliminations	(20,884)	(3.5)%	(24,430)	(4.0)%	(14.5)%
Total	**595,656**	**100.0%**	**613,371**	**100.0%**	**(2.9)%**

Breakdown of revenue by geographical area

	30 September 2023	%	30 September 2022	%	CHANGE % 2023/2022
Euro 000's					
Western Europe	316,414	53.1%	325,079	53.0%	(2.7)%
Asia-Pacific	70,491	11.8%	74,864	12.2%	(5.8)%
Eastern Europe	89,788	15.1%	82,261	13.4%	9.1%
North America	105,906	17.8%	114,577	18.7%	(7.6)%
Rest of the World	13,057	2.2%	16,590	2.7%	(21.3)%
Total	**595,656**	**100.0%**	**613,371**	**100.0%**	**(2.9)%**

The breakdown of revenues by operating segment remained substantially unchanged for the Machine-Systems segment (which accounted for approximately 91.7% of Biesse Group turnover) showing no significant change, while the Mechatronics segment recorded a decrease of 13.2%.

Analysing sales by geographical area, the only increase was in Eastern Europe (9.1%), while Western Europe, Asia-Oceania, North America and the Rest of the World recorded a decrease of 2.7%, 5.8%, 7.6% and 21.3% respectively.

Pesaro, 26 October 2023

The Chairman of the Board of Directors

Giancarlo Selci

CERTIFICATION PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2 OF THE CONSOLIDATED LAW ON FINANCE (TUF)

Pursuant to Article 154-bis, paragraph 2 of the Consolidated Law on Finance (TUF), the Manager in charge of corporate financial reporting declares that the accounting information contained herein corresponds to the Company's documentary evidence and accounting books and records.

Pesaro, 26 October 2023

The Manager
of financial reporting

Pierre Giorgio Sallier de La Tour