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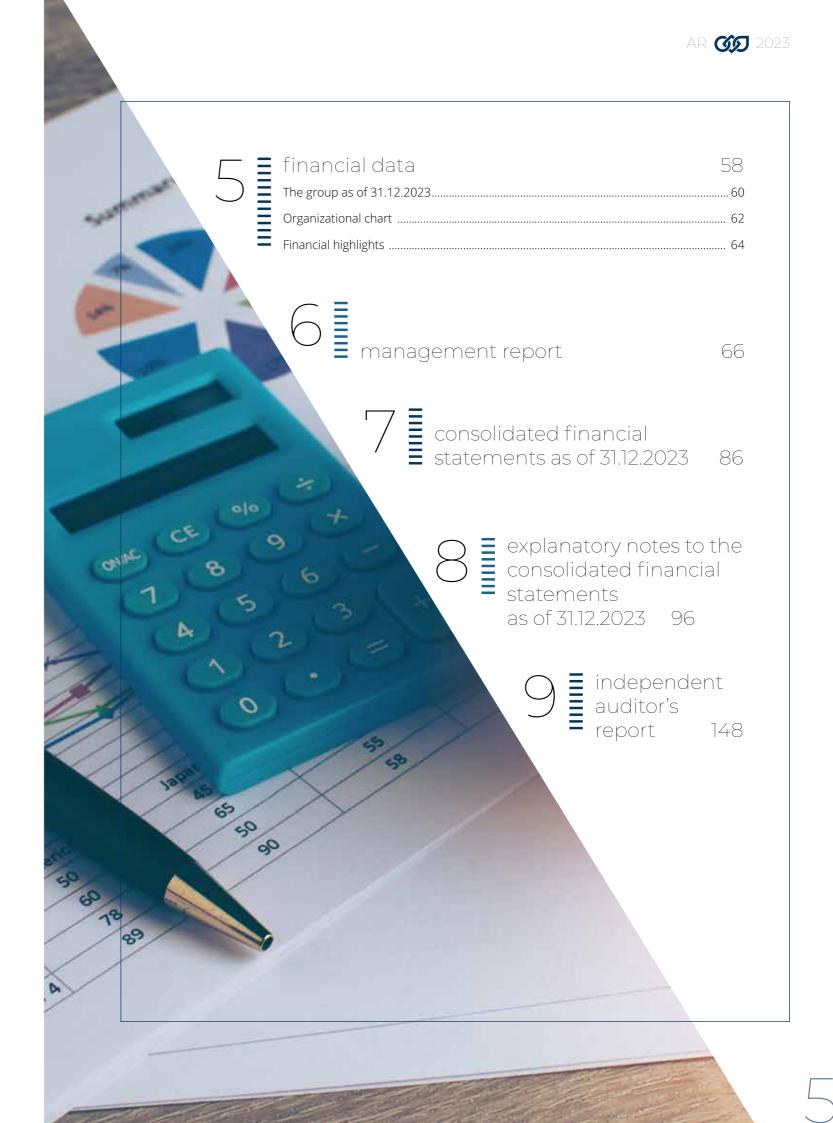
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# 

# the world of Bonfiglioli

a business universe made of people, values and history

# a global family company



# our DNA

#### 

#### Full speed ahead!

The famous motto of our founder

Clementino Bonfiglioli, "Full speed ahead!",
still embodies the inspiration that guides us.
Thanks to the sheer determination of Sonia
Bonfiglioli in keeping the enthusiasm alive
and supporting a strong, united team, we face
our daily challenges with innovation, passion
and unwavering commitment.

# a message from our Chairwoman

Dear reader

I am delighted to present our Annual Report 2023.

This year has been very challenging and turbulent; indeed, it could not have been otherwise, in light of the global economic and political context. The conflicts in Ukraine and the Middle East have resulted in risk and volatility in the markets; rising interest rates have reduced the drive to invest, while the scarcity of raw materials coupled with rising inflation have inevitably impacted profitability

The continentalization of the economy is another element to add to this. The ongoing transformation at global level is leading to changes in the markets, as well as a growing propensity towards protectionism: from the open economy we were used to, we are moving towards a bloc economy.

During this phase of economic, geopolitical and technological transition - and despite the slowdown in growth - it is essential that companies continue to invest in both technologies and human resources. It is better to adapt to the change taking place than to ignore it and stop, thus taking the risk of becoming overwhelmed by it.

We have not stopped. On the contrary, we have continued, and will go on investing in technology, as demonstrated by the acquisition of Selcom, which is strategic for our Group: our goal in this

is to offer a single, complete software solution, which can target the specific needs of customer applications.

Furthermore, the new plant in India is now complete, which will enable us to deal with the significant developments that are forecast for the country.

Compared to previous years, the world is set to become less export-oriented, both as a result of the growing trend of continentalization and the increase in tariffs that will come into being between the various economic communities.

Accordingly, we are strengthening the local-for-local choices made over time, which have now become necessary due to the economic circumstances that have arisen since last year.

Our company philosophy, which is very much focused on the local dimension, has deep roots, as some of key achievements demonstrate: Vectron, with 30 years of experience, our offices in China, which opened 20 years ago, and in Spain, which have been active for 25 years. These solid foundations are at the core of our success and continued growth.

With regard to technology, we have continued to focus on developing sustainable technologies, offering solutions for electrification alongside high-efficiency products, as well as supporting green economic sectors with comprehensive solutions. In addition to this, we apply the principles of

environmental sustainability across our entire production chain, from the raw material acquisition stage to the production processes, buildings and each and every day-to-day activity. This tangible commitment has now been formalized in our new Sustainability Policy, with a view to developing an ethical, sustainable and long-lasting business model that champions ESG (Environmental, Social and Governance) principles, whilst maintaining a constant focus on the well-being of our people.

In this regard, we not only continue to invest in training, to increase skills in line with the criteria of life-long learning: we also try to involve people more closely in the life of the company, so that each individual can contribute to its development. We have put together a holistic welfare and well-being strategy based on the needs of all our employees and partners, structured into three key pillars: the development of skills, work-life balance, and providing a safer, more supportive work environment.

I can say without doubt that 2023 was a year of consolidation and strengthening, which we used to prepare for a period of transition. As has already become clear in recent months, 2024 is shaping up to be a particularly challenging year, due to the complexity of the economic, political and social context at international level. Despite this, we have the strength and determination to continue on our path towards sustainable growth, in the knowledge that we as a company, our people, our suppliers and our customers are all part of the same ecosystem which is currently being transformed.

As such, I would like to express my gratitude to all those who have contributed to our daily work, and who will continue to support us in achieving our goals for the future.





# OUTvalues

Our corporate strategy is based on four key pillars, which embody the values that have always guided us and enabled us to pursue our mission, day after day.



#### Challenge

We continuously challenge our limits in the pursuit of excellence in performance, innovation and products.



#### Respect

We respect diversity, local cultures, religions and the environment with uncompromising ethics.



#### Accountability

Individual responsibility enables collective responsibility, practicing leadership with commitment and determination.



#### Winning Together

Winning by working together, ensuring the creation and sharing of knowledge.

# drivers

Each day, we achieve important goals thanks to three drivers: excellence, innovation and sustainability.

We constantly strive to ensure the highest possible quality, through innovative processes and cutting-edge products. In addition, our increasing focus on sustainability allows us to generate a positive impact on society and the environment that surrounds us.







ଦ୍ଧି excellence



innovation



sustainability

# milestones

Debut

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Tecnotrans

Bonfiglioli SA is

established in

**Start of our** 

9

Start of works

at the Lippo

di Calderara

Bologna, Italy

plant,

international

Barcelona, Spain

of the C,

A and F

series



013

Bonfiglioli South East Asia opens in Singapore

>New

electromobility

Launch of the e-commerce portal in the

plant in Forlì >New plant in Chennai, India

0

Sonia Bonfiglioli

takes

control of the Group

Establishment of Bonfiglioli Vietnam Ltd. in Ho Chi Minh City







expansion Acquisition of Trasmital

0

Clementino

founds the

Meccaniche Bonfiglioli

company

Costruzioni Meccaniche

0

200

Opening of the

İndia

plant in Chennai,

Launch of

MOSAICO, our

online product

configurator

Acquisition of Vectron

Launch of

the BEST

program, our

international

distribution

network



Establishment of Bonfiglioli

>Acquisition of

Tecnoingranaggi

>Bonfiglioli Drives

is established in

Shanghai, China

Bonfiglioli

expands

into Slovakia





0



>Bonfiglioli Brazil is founded >Creation of the Electromobility

Competence Center



5 Acquisition of O&K Antriebstechnik Gmbh



>Inauguration

>Inauguration

of the plant in

Mannur, India

of the plant in

Rovereto, Italy

Expansion of plants in Slovakia and Pune, India

portal launch > Bonfiglioli becomes a 1 Billion € Company

>Acquisition of

and Samp

Shanghai

Sampingranaggi

Machinery assets

>E-commerce Italy



>New and larger plant in Rovereto, Italy

>EVO, new plant in Calderara di Reno, Bologna, Italy







**COMMERCIAL SITES** 

~4.800

# global presence

#### 

An international network of production sites and commercial sites which are closely connected: the key to maintaining Bonfiglioli's high quality standards all over the world.

We recognize that in order to be successful long term, it is essential to be physically present in local markets; as such, our family has gradually expanded to include 19 production sites, 25 commercial sites, 550 distributors and over 4,800 professionals worldwide today.

Through our high-quality comprehensive solutions and personalized customer service, we can ensure continued leadership in our target markets. ☆ HEADQUARTERS

PRODUCTION SITES

**COMMERCIAL SITES** 

SELCOM GROUP

AUSTRALIA B

NEW ZEALAND

BRAZIL

SINGAPORE B

CHINA mmm III III

SLOVAKIA m

FRANCE **®** 

SPAIN

GERMANY mm m m m m

SOUTH AFRICA B

UNITED KINGDOM ®

TURKEY **B** 

INDIA mmm BIE

USA m 🖫

VIETNAM mm

# our business units

Our internal organization is divided into three business units - Discrete
Manufacturing & Process Industries, Motion & Robotics, and Mobility & Wind
Industries - and is founded upon a profound knowledge of market needs.

That is why each of these areas has the specific expertise to support the
growth of our customers in the various sectors.

#### 

For some time, we have been making our way towards a new business model, which is no longer based on simply selling products, but rather on offering integrated, vertical solutions for individual markets. In December 2023, we therefore decided to join the forces of the two main business areas of the industrial world: Discrete Manufacturing & Process Industries and Motion & Robotics. The new Industrial & Automation Solutions business unit, resulting from this union, allows us to maximize synergies by integrating resources and skills. The goal, as ever, is to anticipate and meet the needs of changing markets as best as we can, seizing all opportunities that arise.



discrete manufacturing & process industries

mobility & wind industries



# Bonfiglioli's Discrete Manufacturing & Process Industries Business Unit provides a full range of solutions for a huge variety of industrial sectors. Our international teams primarily focus on the material handling and logistics, food and beverage processing, metal processing, mining, recycling and biogas industrial sectors, in order to guarantee a unique customer experience. We manufacture over 1.5 million products a year for over 20 different applications at state-of-the-art Industry 4.0 plants that prioritize industrial processes and automation. IMPROV OF APPL



RESPONDING TO CUSTOMER **REQUIREMENTS** 



**GLOBAL DISTRIBUTION NETWORK** 



IMPROVING THE PERFORMANCE **OF APPLICATIONS** 



#### motion & robotics

When it comes to industrial automation, our Motion & Robotics business unit is the go-to partner for industrial and robotic applications, providing innovative, reliable, and sustainable solutions that ensure high dynamics and precision. We boast dedicated teams with highly specialized skills in the textile, machining, packaging & labeling, and robotics sectors.

Drawing on our focus, passion, and experience, we are constantly striving to achieve innovation and excellence through advanced integrated vertical mechatronic solutions, designed to grow together with our customers, in order to create value.



**EXPERTISE IN CUSTOMIZED** 

**ONE-STOP AUTOMATION** 

**SUPPLIER** 

**SOLUTIONS** 



DYNAMIC AND HIGH PRECISION, GUARANTEED



#### highlights

- Our center of excellence in Rovereto, Italy, focuses on IoT-compatible systems, innovative electric motors, and high precision geared motors.
- Our center of excellence in Krefeld, Germany, focuses on advanced power electronic drives such as inverters and servo



TEXTILES





图 PACKAGING AND LABELLING



**ROBOTICS** 



SUSTAINABILITY

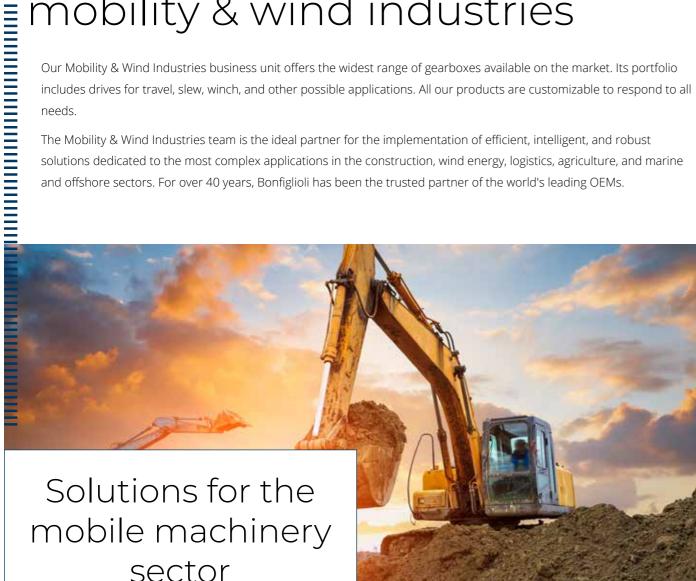
TRANSPORTATION



#### mobility & wind industries

Our Mobility & Wind Industries business unit offers the widest range of gearboxes available on the market. Its portfolio includes drives for travel, slew, winch, and other possible applications. All our products are customizable to respond to all needs.

The Mobility & Wind Industries team is the ideal partner for the implementation of efficient, intelligent, and robust solutions dedicated to the most complex applications in the construction, wind energy, logistics, agriculture, and marine and offshore sectors. For over 40 years, Bonfiglioli has been the trusted partner of the world's leading OEMs.



sector 

Applying co-engineering technologies, we work with customers to design gearboxes for travel, slewing, winching, cement mixers and other types of application; we can respond to all market requirements for mobile machinery applications.

Bonfiglioli supplies final gearboxes with the widest torque range on the market, from 1,000 to over 3 million Nm.





MORE THAN 40 YEARS OF **EXPERIENCE** 



LOCALIZED PRODUCTION



**GLOBAL NETWORK** 

EARTHMOVING

CONSTRUCTION

GRICULTURE

## Wind power solutions

With a 35% market share in the supply of wind turbine gearboxes to major global companies, Bonfiglioli is the uncontested leader in the wind energy sector, delivering comprehensive solutions, including product sensorization and predictive maintenance. Wind turbine products are assembled in six plants (Italy, Germany, India, China, Vietnam and Brazil), to better serve local markets and major global players.

Our Yaw and Pitch drives are continuously optimized to improve turbine performance for traditional onshore applications, but also for the latest offshore applications, without increasing their weight and size, thus offering the market more competitive products.









SIMPLIFIED INSTALLATION



**REDUCED** TIME TO MARKET



**VEHICLE MODIFICATIONS REDUCED THANKS TO EV KNOWLEDGE** 



>80% OF THE WEIGHT AND **VOLUME** 

# COMMERCIAL VEHICLES CONSTRUCTION AGRICULTURE

#### Solutions for electric mobility

#### 

We support our customers in their transition towards electrification. With hybrid and electric technologies, we offer solutions that are more energy efficient, allowing our customers to reduce noise and harmful emissions.

Our pioneering developments have made us one of the leaders in sustainable technology and are always pushing us towards new

In 2018, Bonfiglioli opened a new eco-friendly production line for electromobility in Forlì, covering an area of about 10,000 square

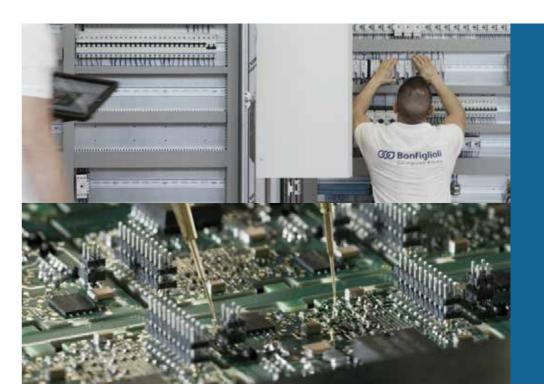


2 highlights 2023

acquisitions, construction projects, celebrations and corporate culture















#### 

March 23, 2023 was an important date for Bonfiglioli, as it marked the acquisition of Selcom Group S.p.A., a leading company in the design, manufacture and sale of electronic boards and products, software and solutions for customers in various sectors, including the industrial automation, biomedical devices, home appliance and electric mobility sectors.

With a strong engineering department employing around seventy people between Italy and China and a highly-qualified organization, Selcom Group S.p.A boasts production facilities that can meet demands for high volume and product mixes whilst adhering to advanced quality standards. The company also complements its value proposition with its activities as a systems integrator, providing turnkey automation systems in accordance with customer specifications.

The acquisition of Selcom strengthens Bonfiglioli's electronic

arm, which was founded in 2001 with the acquisition of Germany's Vectron Elektronik Gmbh - now Bonfiglioli Vectron Gmbh - a Group company which designs and manufactures electronic drives for electric motors. It also enables even more concrete skills to be established for future developments in the mechatronics field.

Not only that, but Selcom also reflects Bonfiglioli's ongoing commitment to generating genuine customer intimacy, offering increasingly customized solutions and thus establishing an

all-new, highly differentiated value proposition.

"In Selcom, we saw an excellent opportunity for Bonfiglioli: it is a company with superb technical-electronic skills, both in terms of design and process, which are really complementary to ours", confirms Fausto Carboni, CEO of the Bonfiglioli Group.

As such, this recent acquisition is also so much more - a real marriage of approaches and skills for new, broader planning possibilities.

SELCOM DRAWS ON MORE THAN 40 YEARS OF EXPERIENCE AND EXPERTISE, THANKS TO ITS PARTNERSHIPS WITH KEY MARKET PLAYERS









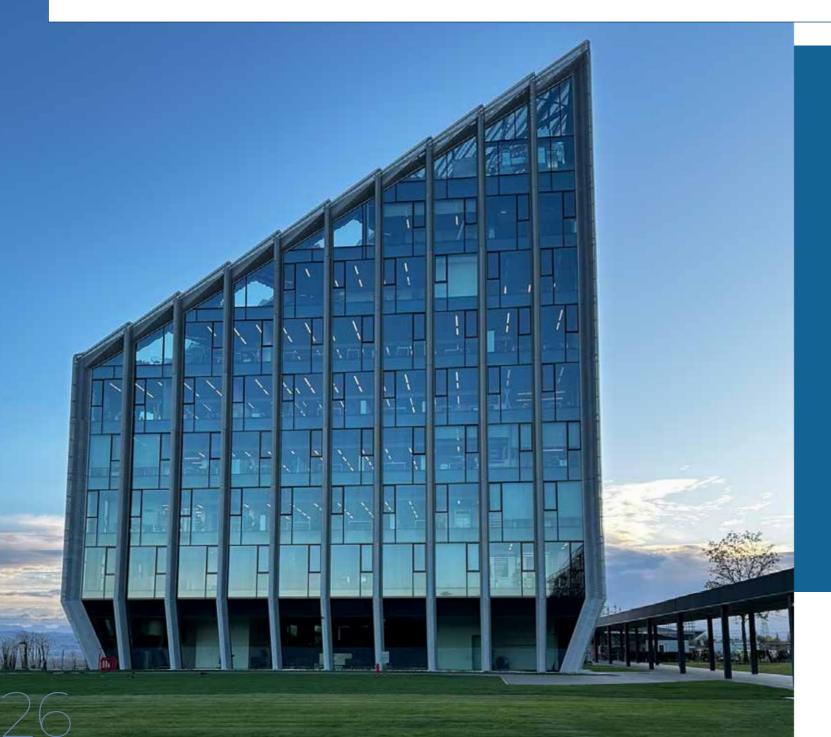
#### our new home

#### 

In September 2023, the Bonfiglioli Group's corporate functions moved to the new headquarters. The innovative and highly energy-efficient building is the newest addition to the Bonfiglioli EVO complex (EVO stands for "evolution"), which started to take shape in 2016.







Bonfiglioli's goal was to build a cuttingedge complex of buildings that blended seamlessly with its surroundings,

Selected following a competitive bidding process, the design of the building is by Peter Pichler Architecture, and is a distinctive structure with a strong stylistic impact which is nonetheless also set apart by a series of highly practical considerations. For example, an upper sloping fifth facade was included in the design of the building, in order to prevent overheating during the summer by reducing the dimensions of the

southeast and southwest facades.
Furthermore, the structure really makes the most of the natural light which enters through the northeast and northwest facades, while the southern facades are shielded from the sun by a special mesh layer.

The building is efficient from both a production and sustainability perspective, harnessing both rainwater and geothermal and solar energy, thus achieving energy savings of 25% with regard to air conditioning (in winter and summer) and water heating. The tripartite underground capture system employed enables the building

to benefit from free energy which is available day and night, 365 days a

Architect Peter Pichler declared: "The design of Bonfiglioli's new headquarters is inspired by the need to create an efficient and functional office building that expresses the company's glorious history."

Thanks to this innovative building, Bonfiglioli Group can pride itself on being one of the first industrial users of geothermal energy in the Emilia-Romagna region.





#### .....

2023 was an exciting year for Bonfiglioli, and the Group achieved a number of important goals, as well as celebrating the anniversaries of four branches in its global network!









# india

In India, the Group had the pleasure of celebrating two significant milestones: the opening of a new factory in Pune and the 25th anniversary of its integration into the country's manufacturing sector.

The new facility – which spans 42,500 m², and meets the highest standards of quality and safety – is almost 80% powered by solar energy, and courtesy of its cuttingedge equipment, can deliver a wide range of customized products. An

innovative building that represents another step towards sustainability, and aims to position Bonfiglioli as a market leader in the country as a provider of gearmotors, transmission systems, planetary drives, inverters for applications such as industrial automation, mobile machinery and renewable energy. In inaugurating this facility, Bonfiglioli Transmissions Pvt Ltd – the Indian branch of Bonfiglioli Group. – has set itself a number of clear objectives:

- to better serve the markets of the

western region;

- to offer a wide range of customized products;
- to reduce delivery times thanks to greater proximity.

The Bonfiglioli Group is proud of the fact that it has been fostering innovation, efficiency and sustainability in India for twenty-five years, creating an environmentally-sound working environment that places people and technology at the heart of everything.





### vectron

In 2023, Bonfiglioli Vectron celebrated its 30th birthday. Since 1993, when Vectron Elektronik GmbH was established, before being acquired by Bonfiglioli in 2001, the company has grown from just 23 employees with a factory spanning 1,350 square meters to a team of 124 people, with a facility that covers more than 6,000 square meters, successfully producing three series of inverters and

achieving remarkable results. A host of events have been organized to celebrate this important date.

The program of events opened on September 23, with a **Career Day** aimed at engineering students. The **Family Day** was also held on the same day, during which Bonfiglioli open its doors to employees and their families, to enjoy their workplace in a sociable way.

On October 12, it was the turn of the **Customer & Supplier Day**, a day of meetings dedicated to the Group's key stakeholders. An internal event was also held on the same day, with a **lunch for employees**, with the members of the Group's board of directors, including Sonia Bonfiglioli and Fausto Carboni.

# australia

In March, Bonfiglioli Australia took center stage, opening its

#### new regional headquarters in Cranbourne West, Victoria.

These offices are connected to a production plant, promoting Bonfiglioli's local-for-local approach, with a view to getting ever closer to customers, in order to better meet their needs.

Like all our new buildings, this facility is also built to the highest

sustainability standards. It will produce the helical and right-angle series of the CAFS motors (up to size 60), the entire range of VF/W universal worm gears and the 300 series of planetary gears (up to size 310).

In addition to this, there are also plans to further strengthen production with a view to manufacturing larger motors, as well as the expansion of an aftersales and repair facility, and finally, the creation of a pilot assembly plant for the CP linear helical gearbox series.

As part of the Group's dedication to investing in customer relations as well as in product and service innovation, Bonfiglioli continues its steady growth in Australia and New Zealand, where it had been operating since 1988.





## shanghai

On September 20, 2023, the Bonfiglioli plant in Qingpu, Shanghai, celebrated its 20th birthday. A celebration that provided a real taste of success, following an extraordinary journey which began in 2003 with a powerful spark of intuition, and which – from the expansion of production capacity in 2013 to the opening of the Jiading branch in 2021, with the acquisition of SAMP Machinery Shanghai – has ushered in remarkable results, consolidating the Group's presence and expertise in China.











#### 

Between May 8 and May 10, the event dedicated to Bonfiglioli's distribution network was held. For the Group, this was a particularly significant moment, as the first meeting following the pandemic.

Indeed, an event that used to be an annual fixture was brought to a halt by COVID, and in 2023, partners from the network were hosted in Bologna.

During the event, the Group met with best partner distributors from all over the world, who have been key contributors to Bonfiglioli's success from the start. More than 140 guests came together over the three days, discussing various topics spanning both business-

related and technical themes, and discovering Bonfiglioli's new corporate strategy in a collaborative atmosphere brimming with insights and stimulation.

In addition to the visit to the EVO plant in Calderara di Reno and the conference, distributors were also able to take part in an interesting team-building activity in the streets of Bologna, with a view to helping the teams get to know the city and its superb food and

wine culture, for which the region is famous. This activity was not just fun - it was also useful from a social perspective. Indeed, over the course of the competition, the various teams collected points that were converted into a donation to the Women of Vision association, which supports the most vulnerable members of the South African community.



The highlight of the event was the awards ceremony. In the exclusive Enzo Ferrari museum, the Group's top distributors received recognition for their achievements:

- New Best Distributor, an award dedicated to the Best new distributors
- Best performer, dedicated to the distributors who demonstrated the best performance during the course of 2022
- · Partnership award, dedicated to distributors who have been working with Bonfiglioli for more than 40 years

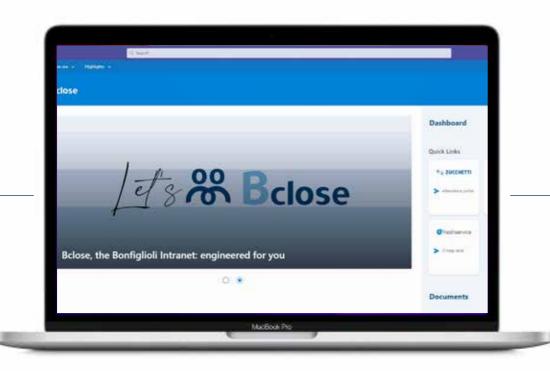
The motto of the event echoed the company founder's famous statement, "Full Speed Ahead", a real declaration of intent for the future of Bonfiglioli: the company has always believed that distribution is a pivotal element of its business model, enabling it to provide technical, commercial and strategic support to the market. This particular distribution policy is precisely what has given rise to the relationships between Bonfiglioli and its partners that have been consolidated over time, enabling the Group to deliver highly qualified service to customers.





5)





#### a year of Bclose

#### 

In January 2023, Bonfiglioli rolled out a new platform to improve internal communication and promote connections between individuals all over the world: Bclose.

This innovative intranet solution, which is available in ten languages, represents a virtual meeting point for the Bonfiglioli family.

Bclose is more than just a communication tool; rather, it is a dynamic space where employees from all corners of the earth can come together and stay up-to-date on news, success, projects and challenges affecting the Group. Bclose captures the essence of our collective identity and personal missions within the Bonfiglioli community.

As we navigate the continually-

evolving landscape of the modern workplace, Bclose embodies our commitment to inclusiveness, collaboration and celebrating success. It expresses our collective spirit, allowing us to flourish as a global family, united by a common purpose.

## 1032 news articles published





#### Bonfiglioli Academy

#### .....

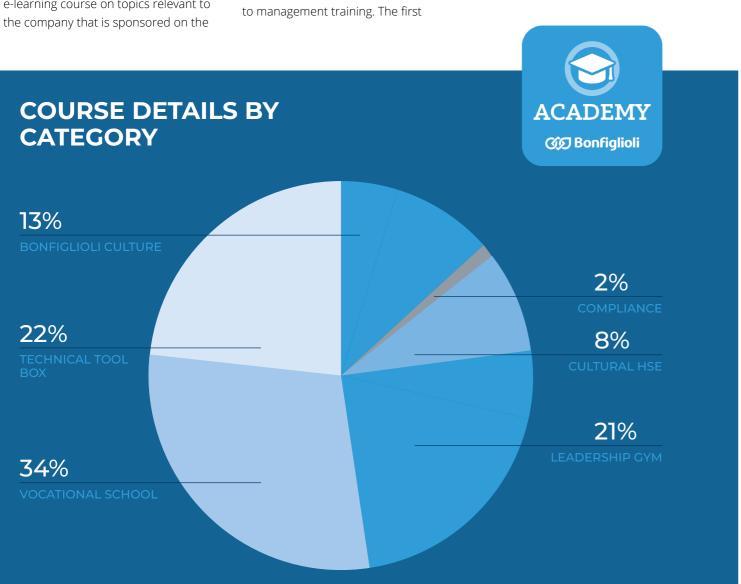
In 2023, training and professional development were once again at the center of the Group's priorities. Bonfiglioli Academy, the company's Corporate University, continued its activities, delivering more than 70,000 hours of training involving 80% of the staff, with the aim of disseminating and preserving the company's expertise.

This commitment to customized training has taken shape through a variety of new projects, including:

- Course of the month, which is an e-learning course on topics relevant to Bclose portal.

- Mixed training courses (both in-person and e-learning), which saw Bonfiglioli nominated as one of the finalists of the "LinkedIn Talent Awards", as Learning Champions.
- Safety Break, a project in collaboration with Last Minute Market which focuses on HSE issues, which engaged 1,950 employees on the issue of food waste.
- People Manager Program and Manufacturing People Manager Program, two projects dedicated to management training. The first

program, which consists of 12 courses over 3 years, is designed to train new People Managers in managerial skills, as well as supporting their professional development. The Manufacturing People Manager Program, meanwhile, aims to harmonize existing practices among the Team Leaders with the manufacturing area at global level, improving their transversal and managerial skills in light of the four Bonfiglioli key values.





#### 

In the second half of 2023, Bonfiglioli decided to embark upon the corporate certification process, in accordance with the TOP EMPLOYER standard. As a testament to the commitment to this project, which confirms the high level of development of Human Capital processes, the Group was given the "Top Employer Italy 2024" award: more than a prize, it represents a milestone on which to continue building our future.



3 our solutions

our technologies on display

....



# electrical solutions for the agricultural sector

our technologies on display

#### 

The year 2023 was punctuated by a number of trade shows that were unmissable for Bonfiglioli. At each event, the Group had the pleasure of meeting its customers - the lifeblood of its operations - and presenting cutting-edge products and solutions that bear testament to the company's constant quest for innovation.







AGRITECHNICA is the perfect showcase for the company's expertise, and a great occasion for exploring present and future trends within the agricultural machinery industry. The three main focuses of the 2023 event were automation and connectivity in agricultural production, electromobility, and, of course, sustainable productivity.

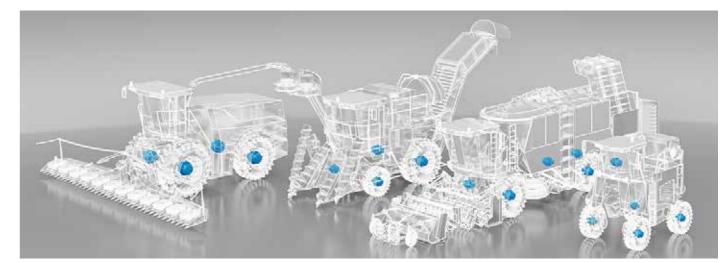
Bonfiglioli has always been dedicated to combining the latest technologies

with sustainability, and presented two complete solutions for two very innovative applications at the event:

The first system of products was designed for an autonomous electric robot for viticulture applications, and combines a brushless permanent magnet motor (BMD) with an MP planetary gearbox and an EM parking brake, which make the robot both versatile and quiet.

The second solution was designed for FieldRobotics, a start-up from Bologna: in this instance, Bonfiglioli developed a tracked wheel guidance system (701 CE) equipped with a BPM series motor.

These technologies support more environmentally-friendly practices, enabling winemakers and farmers to achieve qualitatively higher yields.



+0

## solutions for the green economy

**ECOMONDO** 

#### 



With nearly 100,000 visitors and 1,600 companies in attendance in 2023, ECOMONDO conformed its position as Europe's top event for technologies, services and industrial solutions that support sustainability and the circular economy. The fair was an ideal opportunity for Bonfiglioli to reaffirm its commitment to a sustainable future. At the 2023 edition, the Group presented its entire range of solutions for the green economy.

For biogas:

- the ATEX-certified HDP series gearbox.

For recycling (collection, reshaping and classification of waste):

- the R3 Series with sensorization and IoT readiness, for heavy-duty applications;
- the EVOX CP gearbox and MXN motor: versatile, efficient and perfect for light applications.





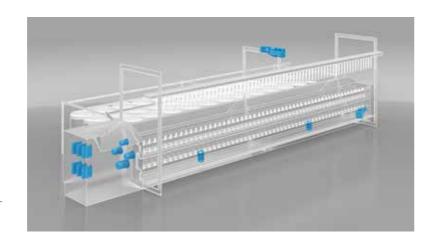
#### sustainable solutions for textiles

ITM/

#### 

The trends of the moment took center stage at ITMA 2023: from innovative materials and technologies to the ongoing process of digital transformation, including that driven by AI, as well as all things sustainability and circularity.

Efficiency and sustainability were at the heart of the solutions presented by Bonfiglioli at ITMA. Comprehensive solutions for winding machines, ring spinning machines with gearboxes, motors and inverters, conceived for greater production efficiency.





#### solutions for intralogistics

LOGIMAT

#### .....

LOGIMAT is the biggest international trade fair for intralogistics and mechanized process management. At the 2023 edition of the event, Bonfiglioli presented a range of solutions for warehouse management and the handling of materials.

For forklift trucks:

 the 600F Series with high-efficiency planetary gears and integrated electric motors, particularly the 610 x3E model designed for heavy loads.

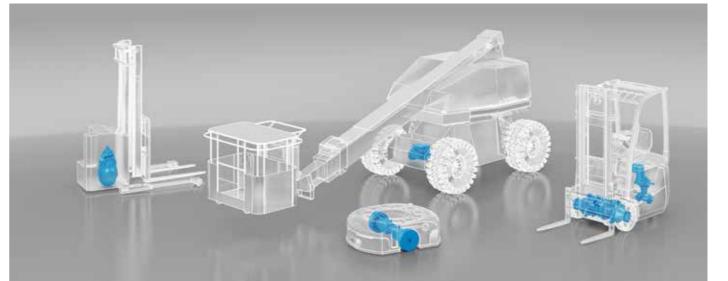
For warehouse trucks:

- a silent, easy-to-maneuver EL09 steering drive train;
- a BlueRoll platform with high energy-efficiency gear motors for AGVs and AMRs.

For mail, parcels, and conveyor belts:

 compact gearboxes, IE4-certified motors and decentralized inverters for optimal dynamic control.









#### solutions for automation

SPS - SMART PRODUCTION SOLUTIONS, PARMA AND NUREMBERG

#### 

SPS is a point of reference for the industrial automation sector, as well as for digitization and the transformation of the manufacturing industry. Not only does this event represent the perfect opportunity to showcase our solutions to a wide audience, it also enables us to get a sense of new market trends, discover new technologies and their applications, meet colleagues in the industry and connect with new partners.

Our presence is guaranteed: we never miss the May event in Italy, followed by the more international Nuremberg edition.

This year, we presented a wide range of systems and solutions for a host of applications related to packaging, intralogistics, and robotics, including:

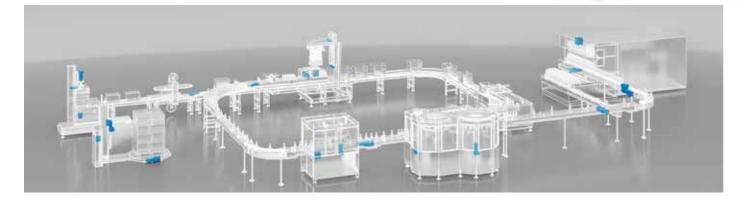
- An AMR model with visible BlueRoll system: our high-performance wheeled

- gearmotor platform, developed in order to offer a compact and versatile solution for Automated Guided Vehicles (AGVs) and Autonomous Robots (AMRs)
- A package for packaging machines, with a high-precision TQ planetary gearbox combined with a BMD permanent magnet synchronous servo motor and an extremely versatile and intelligent AxiaVert inverter.
- A demo with our IOT solution, which allows us to provide our customers with a comprehensive, integrated experience, including IoT platform technology, predictive maintenance and condition monitoring, as well as aftersales support.

In addition, we also placed significant emphasis on Selcom's customized electronic solutions, expanding the range of mechatronic solutions we offer.



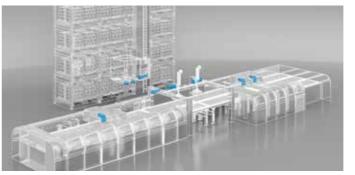


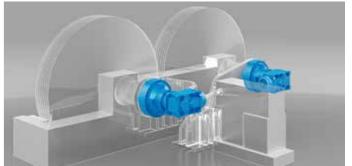


#### solutions for metallurgy

METEC AND LAMIERA

#### .....





METEC and LAMIERA are known across the world for metal processing technologies, and on this occasion, the events focused on a wide range of topics such as eco-metals, heat treatment, metrology and testing, as well as the factory of the future. Bonfiglioli attended these two trade fairs with a series of customizable mechatronic solutions for the steel and metalworking industries: from high-precision planetary gearboxes and gearboxes for heavy-duty applications to asynchronous, brushless and synchronous reluctance motors equipped with inverters.

Specifically, the following solutions were presented:

- a solution for heavy-duty roller conveyors in foundries and rolling mills, which can combine planetary or helical gearboxes with customized electrical components;
- parallel-axis helical drives with IE3 efficiency and rack control;
- a solution that involved a robust, versatile planetary gearbox with an IE3 synchronous reluctance motor, controlled by a decentralized inverter;
- a planetary solution for ladle transfer cars, with IE3 motor;
- a customizable cloud platform and comprehensive IoTbased solutions for condition monitoring and predictive maintenance.





the pillars of our sustainable approach

.....

# the new sustainability policy

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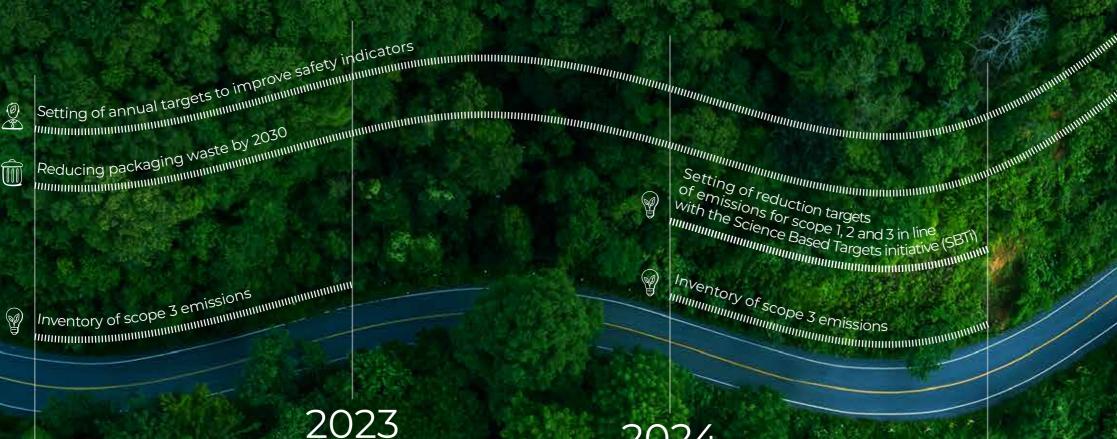
Our commitment to developing a sustainable business model led to the creation of our **Sustainability Policy**, a real company manifesto that outlines a clear set of carefully defined objectives in line with the ESG pillars: Environmental, Social and Governance.

# sustainability roadmap

#### 

Ambitious targets without a concrete plan risk remaining mere desires and dreams. This is why we developed our **Sustainability Roadmap**: an action plan that will guide us, step by step, towards the sustainable, fair future that we hope to build between now and 2030.

2025



2022



Life cycle assessment of Wind segment products (E)

Sustainability Policy



Supplier Code of Conduct

2024



Bonfiglioli Group energy transition roadmap 2030



100% of electricity from renewable sources by 2030



Zero waste in landfill by 2030



#### AR **(3)** 2023

# our commitment to the environment

#### 



2,867,927 kWh

ENERGY CONSUMPTION FROM RENEWABLE SOURCES





-13%

DIRECT CONSUMPTION FROM NON-RENEWABLE SOURCES (2023 VS 2021)





+15%

SELF-GENERATED ELECTRICITY AND ELECTRICITY ACQUIRED FROM RENEWABLE SOURCES

(2023 VS 2021)





#### certifications

#### 

#### **QUALITY, HEALTH, SAFETY, ENVIRONMENT & ENERGY**

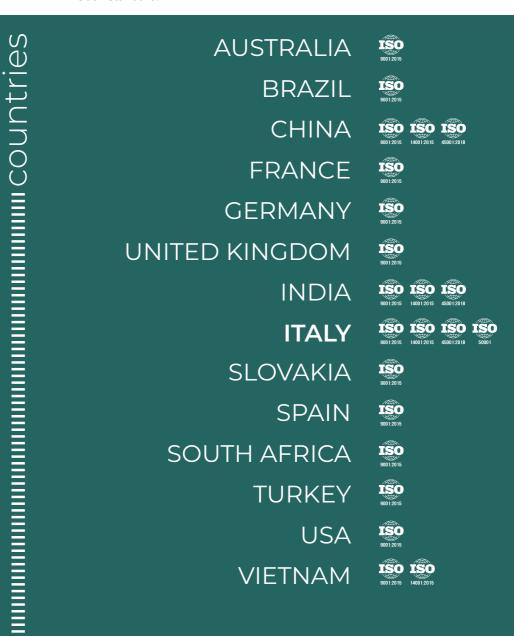
OUR UNWAVERING AMBITION



Bonfiglioli constantly strives to protect the planet by identifying new and efficient ways of managing its energy consumption across all its plants and sites. An important milestone reached in 2023 bears testament to this commitment with regard to certifications: indeed, the **ISO50001:2018 certification for the company's energy management system**, previously awarded to the plants in Forlì and Calderara di Reno (Bologna), was extended to the site in Rovereto.

The health and safety of individuals is a priority for Bonfiglioli, and the majority of the company's facilities have formal procedures in place to manage these elements.

More specifically, in 2023, 63% of Group employees was working in sites certified in accordance with the ISO 45001 standard.



#### new code of ethics:

A VISION SHARED WITH ALL STAKEHOLDERS

#### 

In December 2023, we reviewed our Group Code of Ethics, which encapsulates the core principles that have been guiding our activities for almost seventy years.

Signed at the same time as the employment contract, the Code of Ethics represents a reference point for the employees

and managers at each site, promoting fair, transparent relationships with partners, clients, suppliers and institutions.

The Code of Ethics is a self-disciplinary document that encapsulates a set of social, moral and environmental values and rules, acting as a safeguard for our corporate integrity.

# Introduction





#### 

xcellence

On November 22, 2023, at the Bonfiglioli EVO Plant, the "Protocol for the Protection of Women and Against All Forms of Discrimination" was signed by the Bonfiglioli Group and the Trade Unions.

The signing of this protocol signals Bonfiglioli Group's support of the national awareness campaign "GeneriAMO cultura", promoted by Federmeccanica and the trade unions. The main goal of this initiative is to overcome cultural biases and combat any acts in the workplace that could harm individual dignity, with particular regard to women.

This new commitment serves to strengthen Bonfiglioli's dedication to ensuring full respect for the individual as a distinctive element of corporate and social growth, helping to eliminate cultural mindsets that cannot be part of a civilized way of living: because before working on the "artificial mentality", we must work on its human equivalent.

"We have a strong sense of social responsibility which inspires us to focus our attention on protecting human rights and the dignity of people, women in particular: The Group owes so much to women, who have made a significant contribution to the growth of the company."

#### 

Sonia Bonfiglioli



# responsible sustainability

#### 

Our focus on people goes beyond the walls of our company and extends to the local communities in which we operate.

**Social responsibility** is something that's especially close to our hearts, and every year we invest significant resources into improving the environment and well-being of the people around us.

We support initiatives and projects all over the world, united by three key pillars:



young people



development in the local area



STEM disciplines

#### INDIA **IIIII**





We provide young people in difficult situations with a safe, comfortable environment in which to live and be educated.





#### UNITED KINGDOM IIIII

**Circus Starr**, a show of solidarity.



#### ITALY IIII

**MUS-E Musique Europe**, a European multicultural project.

a better future for our young people



#### VIETNAM IIIII

We support the school in **Ho Chi Minh City** which provides free education to young students.



#### SPAIN IIIII





#### TRABAJOS SOLIDARIOS and OPTEAM,

special centers which provide employment opportunities for people with disabilities

#### SLOVAKIA IIII

**Night Run**, the traditional nocturnal running event for charity.

"Kockáči", an initiative developed by young people which offers free online tutoring to fellow students.



#### UNITED STATES IIIII

**Big Brothers Big Sisters Bowl** for Kids' Sake, a fundraising initiative in support of school education for children.

The Free Store Food Bank, supporting the distribution of food to local children and families.

**The Toys For Tots** program, for the collection of new toys for less fortunate children.



# other initiatives

#### BRAZIL IIIII

Supporting vulnerable children.



#### SOUTH AFRICA !!!!

Women of Vision, an initiative led by a group of women to restore dignity to women, children and elderly people in situations of social difficulty.



#### we support culture and health

#### ASSOCIAZIONE **ITALIANA EPILESSIA**

Bonfiglioli supports
THE ASSOCIAZIONE EPILESSIA EMILIA ROMAGNA (AEER - EMILIA ROMAGNA EPILEPSY ASSOCIATION).



AMICI DEL MUSEO ASSOCIATION which promotes Bologna's historic industrial





We contributed to the restoration of the CINEMA MODERNISSIMO at Palazzo Ronzani in Bologna.



LEONARDO MELANDRI STUDY CENTER





THE CYCLE PATH
The first stretch of cycle path in the municipality of Calderara di Reno (Bologna), which passes through our headquarters, will be part of the European Eurovelo 7, Ciclovia del Sole route.







#### a bridge between school and life

#### 

#### CLEMENTINO BONFIGLIOLI PRIZE

awarded to students who show interest in the disciplines of robotics and industrial automation, power mechatronics.







Laboratory for computer science, robotics and 3D design, open to all students in Bologna.





#### RAGAZZE DIGITALI ER

A summer camp to introduce girls of high school age to STEM disciplines.

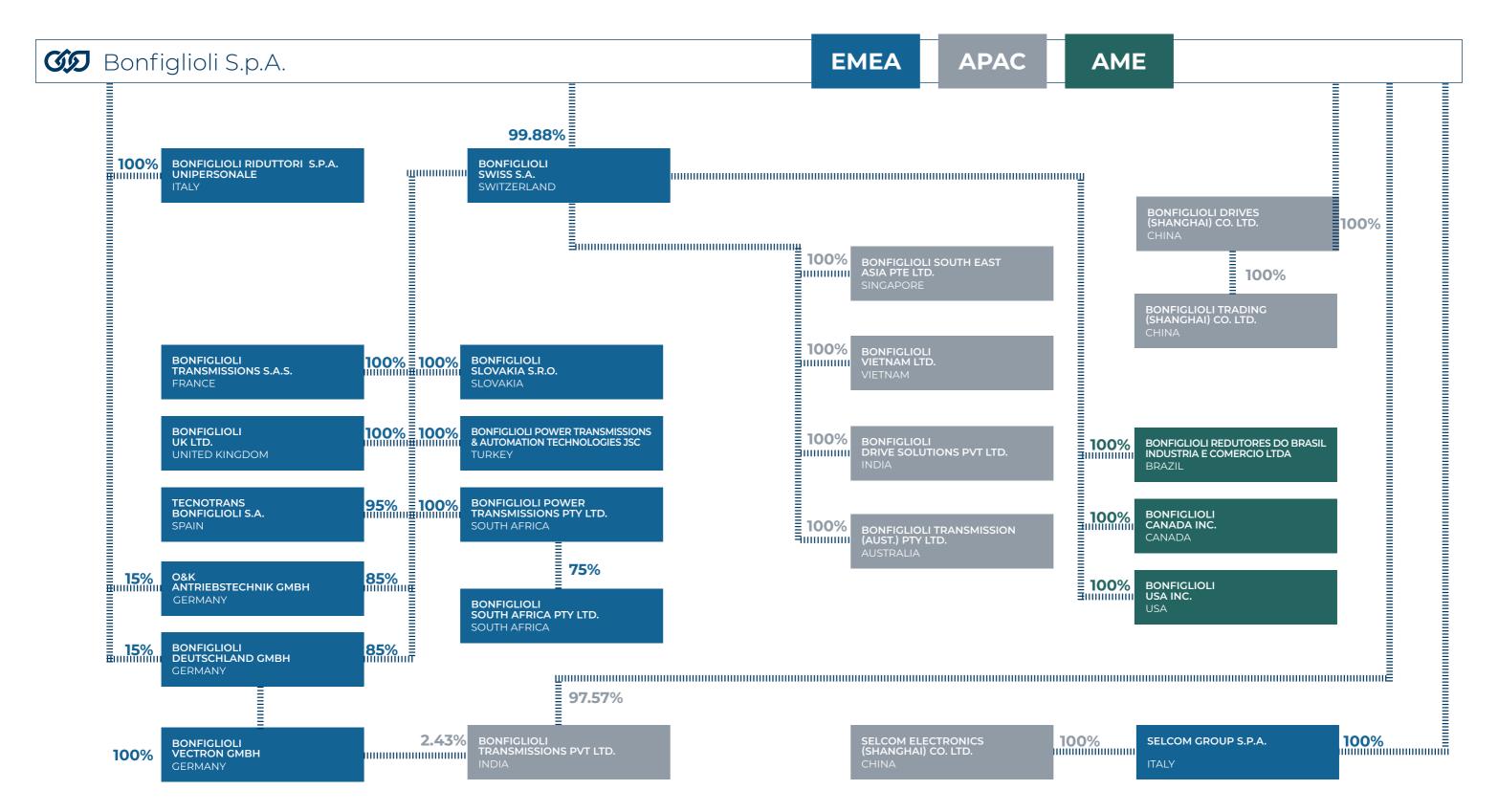








# The group as of 31.12.2023





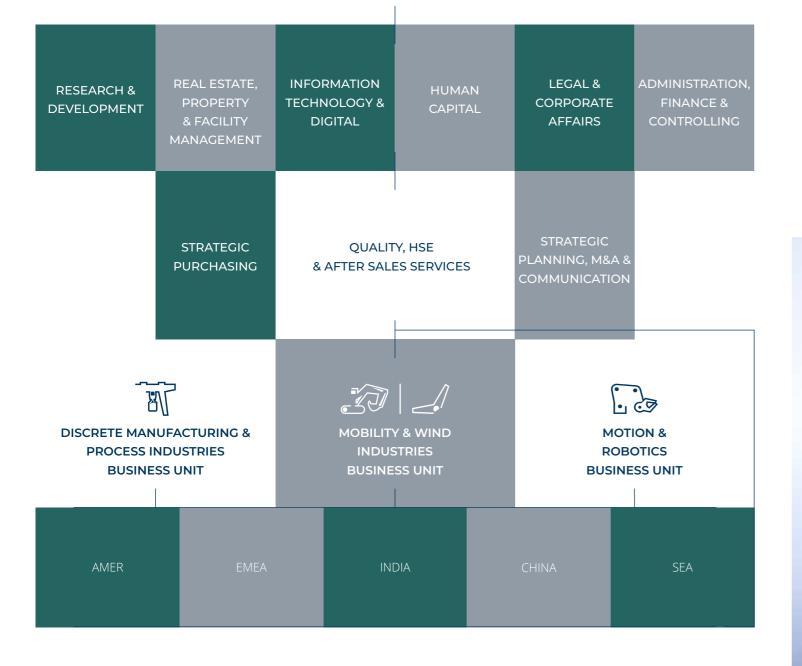


#### organization chart

#### 



#### **CHIEF EXECUTIVE OFFICER**



#### board of directors

#### 

Sonia Bonfiglioli > Chairwoman

Fausto Carboni > CEO

Luciano Bonfiglioli > Director

Tommaso Tomba > Director

Roberto Carlo Testore > Director

Giampiero Bergami > Director

Roberto Tunioli > Director

#### Statutory auditors

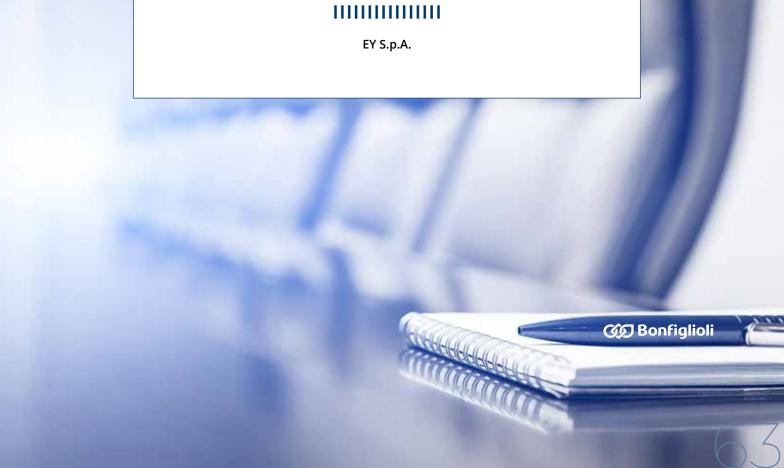
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Alessandro Gualtieri > Chairman

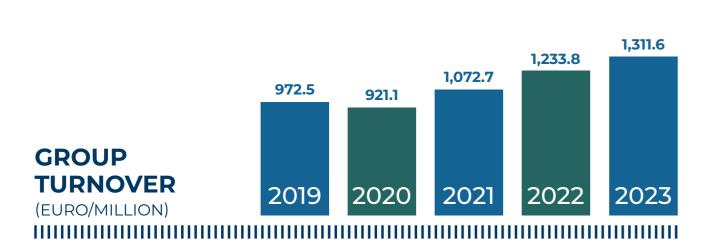
Monica Marisaldi > Member

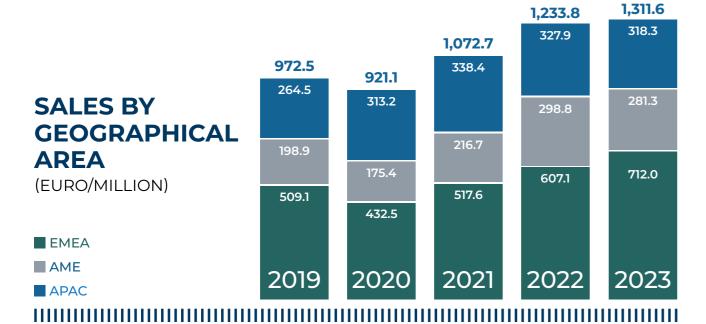
Biones Ferrari > Member

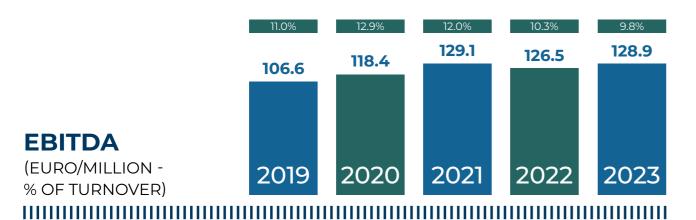
## Indipendent auditor

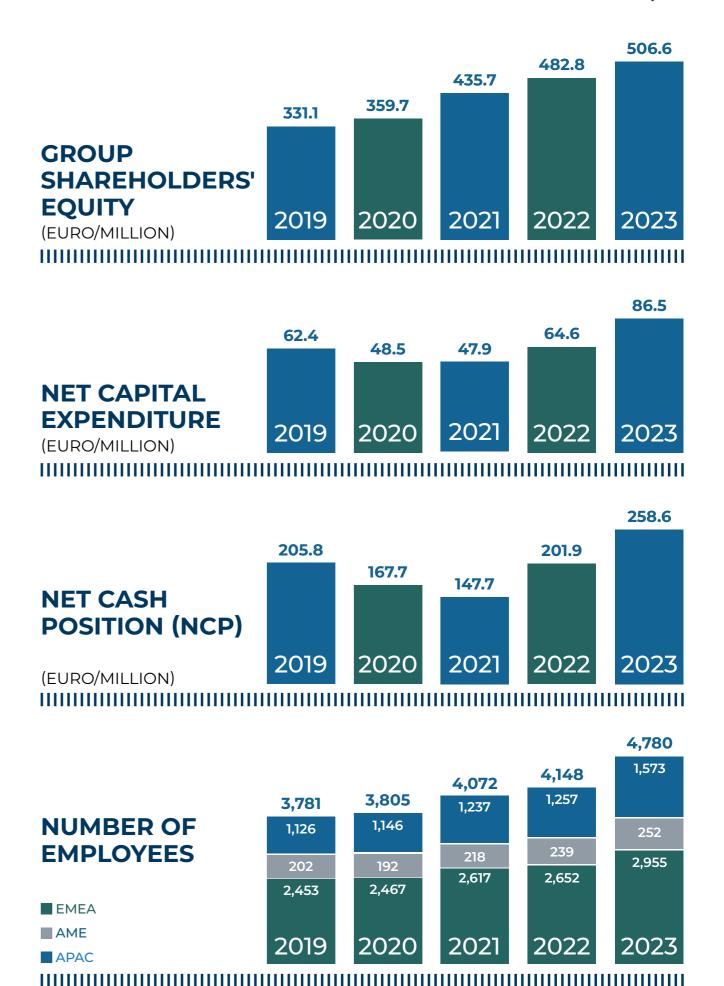


#### financial highlights













#### foreword

#### 

This management report accompanies the Consolidated Financial Statements of the Bonfiglioli Group as of December 31, 2023 consisting of the financial statements and related explanatory notes and drafted in accordance with International Accounting Standards (IAS and IFRS) issued or revised by the International Accounting Standard Board (IASB) and approved by the European Union. IFRS also includes all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Unless otherwise indicated, data are shown in Euro/millions.

In 2023, due to the existence of the required conditions, IAS 29 - Financial Reporting in Hyperinflationary Economies was applied to the financial statements of the Turkish company and consequently to the Consolidated financial statements.

# economic situation

#### .....

The global economic recovery following the COVID-19 pandemic, the war in Ukraine, and rising inflation is proving to be surprisingly resilient. Inflation is falling faster than expected after the 2022 peak, with a lower negative impact on employment than expected, reflecting favorable developments on the supply side. At the same time, however, high interest rates aimed at combating inflation and the reduction in fiscal support in a high debt environment are expected to dampen growth in 2024.

Global growth, estimated at 3.1% in 2023, is expected to remain steady at 3.1% in 2024 and then rise slightly to 3.2% in 2025. The projection for overall growth in 2024 and 2025 is below the historical annual average (2000-2019) of 3.8 %, reflecting the restrictive monetary policies and the withdrawal of fiscal support, as well as low productivity growth. Growing trade distortions and geo-economic fragmentation are expected to continue to weigh on the growth of world trade. Countries imposed around 3,200 new trade restrictions in 2022 and around 3,000 in 2023, up from around 1,100 in 2019, according to the Global Trade Alert data.

These forecasts are based on the assumption that fuel and non-fuel commodity prices will decline in 2024 and 2025 and that interest rates will fall in the major economies. Average annual oil prices are expected to decline by around 2.3% in 2024, while non-fuel commodity prices are expected to fall by 0.9%. IMF experts project that official rates will remain at current levels for the Federal Reserve, the European Central Bank and the Bank of England until the second half of 2024, before gradually declining as inflation approaches its targets.

For the advanced economies, growth is expected to fall slightly from 1.6% in 2023 to 1.5% in 2024 before rising to 1.8% in 2025.

In the U.S., growth is expected to fall from 2.5% in 2023 to 2.1% in 2024 and 1.7% in 2025, with aggregate demand being slowed down by the delayed effects from the tightening of monetary policy, gradual fiscal tightening, and weakening of the labor market. For 2024, an upward revision of 0.6 percentage points compared to the October 2023 WEO largely reflects the statistical drag effects of the higher-than-expected growth in 2023.

Growth in the Eurozone is expected to recover from the estimated low rate of 0.5% in 2023, which reflected relatively high exposure to the war in Ukraine, to 0.9% in 2024 and 1.7% in 2025. The same trend is also envisaged for Italy (0.7% in 2023, 0.7% in 2024 and 1.1% in 2025) and Germany, Europe's former powerhouse (-0.3% in 2023, 0.6% in 2024 and 1.6% in 2025). The recovery is expected to be driven by the strengthening of household consumption, due to the diminishing effects of the energy price shock and the decrease in inflation, which will support the growth of real income. However, compared to the IMF October 2023 forecast, growth has been revised downward by 0.3 percentage points for 2024,

largely due to the weaker-than-expected result for 2023.

Among the other advanced economies, growth in the United Kingdom is expected to increase modestly, from an estimated 0.5% in 2023 to 0.6% in 2024, as the negative effects of high energy prices diminish, then to 1.6% in 2025, as disinflation will allow financial conditions to ease and real incomes to recover.

Japan's output is expected to remain above potential as growth slows from an estimated 1.9% in 2023 to 0.9% in 2024 and 0.8% in 2025, reflecting the diminishing effect of one-off factors that supported activity in 2023, including a depreciated yen, pent-up demand, and a recovery in the domestic business investment market caused by previous delays in project implementation.

Growth in Emerging and Developing Asia is projected to decline from an estimated 5.4% in 2023 to 5.2% in 2024 and 4.8% in 2025, with an upgrade of 0.4 percentage points for 2024 over the October 2023 forecasts, attributable to the Chinese economy. Growth in China is forecast at 4.6% in 2024 and 4.1% in 2025, with an upward revision of 0.4 percentage points for 2024 from the October 2023 WEO. The update reflects stronger-than-expected growth in 2023 and increased government spending on implementing actions against natural disasters. Growth in India is expected to remain strong at 6.5% in both 2024 and 2025, with an update from October of 0.2 percentage points for both years, reflecting the resilience of domestic demand.

As inflation falls towards target levels across all regions, the short-term priority for central banks is to achieve a gradual decrease, without lowering rates prematurely or excessively delaying the reduction. With disinflation and steady growth, the risks for global growth are basically balanced.

Among the upside risks, quicker disinflation could lead to further easing of financial conditions. An overly accommodative fiscal policy, beyond that assumed in forecasts, could result in temporarily higher growth, but with the risk of a more costly adjustment later on. Greater momentum of structural reforms could bolster productivity with beneficial international repercussions.

Among the downside risks, new spikes in commodity prices due to geopolitical shocks, including clashes in the Red Sea and supply disruptions or more persistent core inflation, could prolong tight monetary conditions. The worsening of the problems in the real estate sector in China or, elsewhere, a disruptive shift towards tax increases and spending cuts, could disappoint expectations for growth.

The short-term challenge for policymakers is to successfully manage the eventual descent of inflation toward the target, calibrating monetary policy in response to underlying inflationary dynamics and, where wage and price pressures are clearly easing, moving towards a less restrictive stance. At the same time, in many instances, with inflation falling and economies better able to absorb the effects of fiscal tightening, a renewed focus on fiscal consolidation is needed to rebuild capacity to deal with future shocks, increase revenue for new spending priorities, and curb the rise in public debt. Targeted and carefully sequenced structural reforms would strengthen productivity growth and debt sustainability and accelerate convergence to higher income levels and sustained increases in living standards.

Intensifying cooperation in areas of common interest is essential to mitigate the costs of separating the world economy into blocs. In addition to coordination on debt resolution, cooperation is needed to mitigate the effects of climate change and facilitate the transition to green energy, based on the recent agreements at the 2023 Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28). Additional priorities include safeguarding the transportation of critical minerals, restoring the WTO's ability to resolve trade disputes, and ensuring the responsible use of potentially disruptive new technologies such as artificial intelligence by, among other things, updating national regulatory frameworks and harmonizing global principles.





#### consolidation area

#### 

As of December 31, 2023 the consolidation area includes twenty-four subsidiaries in addition to the Parent Company. With reference to the changes in the consolidation area during 2023, the following are noted, as further detailed in the Illustrative Notes:

- > on March 23, 2023, the acquisition of 100% of "Selcom Group S.p.A" which includes the Chinese subsidiary "Selcom Electronic Shanghai Co. Ltd;"
- > the completion of the liquidation of the Indian company "Bonfiglioli Renewable Power Conversion India Pvt Ltd".

#### analysis of 2023 results

#### 

The Consolidated Income Statement reclassified by destination and the Consolidated Statement of Financial Position reclassified according to Capital employed and Funds with respect to the Group's last three years of operations are shown below.

The layouts presented hereunder show figures in millions of Euro and in percentage, as well as the main economic-financial indicators.

	VALUES			% OF TURNOVER			
RECLASSIFIED INCOME STATEMENT	2023	2022	2021	2023	2022	2021	
TURNOVER	1,311.6	1,233.8	1,072.7	100.0%	100.0%	100.0%	
COST OF SALES	(1,058.9)	(976.6)	(827.6)	(80.7)%	(79.2)%	(77.2)%	
GROSS MARGIN	252.7	257.2	245.1	19.3%	20.8%	22.8%	
STRUCTURE & OPERATING EXPENSES	(180.3)	(183.2)	(160.5)	(13.7)%	(14.8)%	(15.0)%	
EBIT	72.4	74.0	84.5	5.5%	6.0%	7.9%	
Financial income and expenses	(15.2)	(7.5)	(5.2)	(1.2)%	(0.6)%	(0.5)%	
Exchange rate differences	(0.0)	(0.4)	2.3	(0.0)%	(0.0)%	0.2%	
Dividends, other income and charges from securities valuation	(1.5)	0.2	0.3	(0.1)%	0.0%	0.0%	
EBT	55.7	66.2	81.8	4.2%	5.4%	7.6%	
Current Taxes	(17.3)	(15.3)	(17.4)	(1.3)%	(1.2)%	(1.6)%	
Deferred Taxes	1.0	4.7	(1.7)	0.1%	0.4%	(0.2)%	
CONSOLIDATED NET INCOME	39.4	55.5	62.7	3.0%	4.5%	5.8%	
Minority	(0.0)	(0.0)	(0.0)	(0.0)%	(0.0)%	(0.0)%	
NET GROUP INCOME	39.4	55.5	62.6	3.0%	4.5%	5.8%	
PERSONNEL COSTS	(236.6)	(211.0)	(194.0)	(18.0)%	(17.1)%	(18.1)%	
DEPRECIATION/AMORTIZATION	(54.5)	(47.4)	(42.6)	(4.2)%	(3.8)%	(4.0)%	
PROVISIONS FOR DOUBTFUL RECEIVABLES AND RESERVES	(2.1)	(5.1)	(2.0)	(0.2)%	(0.4)%	(0.2)%	
EBITDA	128.9	126.5	129.1	9.8%	10.3%	12.0%	

	VALUES			ROTATION (*)			
STATEMENT OF FINANCIAL POSITION	2023	2022	2021	2023	2022	2021	
Net working capital	393.2	364.2	303.8	108	106	102	
Fixed assets	417.2	359.7	343.2	115	105	115	
Other invested capital	(44.7)	(38.5)	(63.0)	(12)	(11)	(21)	
Minority	(0.6)	(0.5)	(0.5)	(0)	(0)	(0)	
CAPITAL EMPLOYED	765.2	684.8	583.4	210	200	196	
Group Shareholders' Equity	506.6	482.8	435.7	139	141	146	
Net Cash Position (NCP)	258.6	201.9	147.7	71	59	50	
FUNDS	765.2	684.8	583.4	210	200	196	

(\*) average days of rotation on turnover (base 360)



		VAL	UES	% OF TURNOVER			
TURNOVER BY GEOGRAPHICAL AREA	2023	2022	2021	2023	2022	2021	
EMEA	712.0	607.1	517.6	54.3%	49.2%	48.3%	
AME	281.3	298.8	216.7	21.4%	24.2%	20.2%	
APAC	318.3	327.9	338.4	24.3%	26.6%	31.5%	
TOTAL TURNOVER	1,311.6	1,233.8	1,072.7	100.0%	100.0%	100.0%	

INDICATORS	2023	2022	2021	DESCRIPTION
ECONOMIC				
Net ROE	7.8%	11.5%	14.4%	(Net profit/Shareholders' equity)
ROI	9.5%	10.8%	14.5%	(EBIT/Capital employed)
ROS	5.5%	6.0%	7.9%	(EBIT/Turnover)
EBITDA/ Net financial charges	8.5	16.8	24.7	
EQUITY AND STRUCTURE				
Primary structural balance ratio	1.2	1.3	1.3	(Shareholders' equity/Fixed assets)
Financial indebtedness ratio	0.5	0.4	0.3	(NCP/Shareholders' equity)
NCP/EBITDA ratio	2.0	1.6	1.1	(NCP/EBITDA)
Shareholders' equity tangibility ratio	0.9	0.9	0.9	(Equity-Intangible assets/Equity)
OTHER				
Average number of employees	4,777	4,128	3,925	Annual average
Turnover per employee	275	299	273	Data EURO THOUSAND

The following events are significant for the financial year 2023.

Major events and anniversaries were celebrated during 2023. March featured Bonfiglioli Australia, which opened its new regional headquarters in Cranbourne West, Victoria. On September 20, 2023, the Bonfiglioli plant in Qingpu, Shanghai, celebrated the 20th anniversary of its establishment. In India, the Group had the pleasure of celebrating two significant milestones: the opening of a new factory in Pune and the 25th anniversary of its integration into the country's industrial landscape. The new 42,500-m² plant – which meets the highest quality and safety standards – is nearly 80% solar-powered and, thanks to its high-tech equipment, can supply a wide range of customized products. In December, it was the turn of Bonfiglioli Vectron, which celebrated its 30th anniversary.

On March 23, 2023, Bonfiglioli S.p.A completed the acquisition of 100% of the share capital of Selcom Group S.p.A, a company specializing in the design, manufacture and sale of electronic boards, electronic products, as well as software and solutions for customers in the industrial, biomedical, automotive, intra-logistics and home-appliance sectors. Backed by an engineering division of around seventy people in Italy and China, and a highly qualified organization, Selcom Group S.p.A has manufacturing facilities capable of meeting high volume and mix demands, in compliance with sophisticated quality standards. It also completes its value proposition with system integrator services, providing turnkey automation systems according to customer specifications.

In September 2023, the Group's new Headquarters were inaugurated. The innovative and highly energy-efficient building is the latest addition to the Bonfiglioli EVO complex, which began taking shape in 2016.

In 2023, training and professional development were once again at the center of the Group's priorities. Bonfiglioli Academy, the company's Corporate University, continued its activities, delivering more than 70,000 hours of training involving 80% of the staff, with the aim of disseminating and preserving the company know-how. In the second half of 2023, Bonfiglioli decided to embark on the corporate certification process, in accordance with the TOP EMPLOYER

standard. As a testament to the commitment to this project, which confirms the high level of development of the Human Capital processes, the Group was given the "Top Employer Italy 2024" award: more than a prize, it represents a milestone on which to continue building the company's future.

On November 22, 2023, at the Bonfiglioli EVO Plant in Calderara di Reno, the Bonfiglioli Group and the trade unions signed the "Protocol for the protection of women and against all forms of discrimination." In signing the Protocol, the Bonfiglioli Group subscribes to the national GeneriAMO culture awareness campaign promoted by Federmeccanica and the trade unions, aimed at overcoming cultural distortions and combating any act in the workplace intended to violate the dignity of individuals and women, or to create a demeaning, humiliating, extortionary, and inflammatory environment. The Group's commitment to Sustainability continues. As stated by Group's Chairwoman Sonia Bonfiglioli: "Sustainability is not just about the future but about the choices we make in the present." This principle underpins the Group's new sustainability policy issued at the beginning of 2024. The goal is clear: to develop a lasting business model through transparent goals and measures aligned to the core company values. The Sustainability Policy incorporates the criteria represented by the acronym ESG, where "E" stands for environment, "S" for social, and "G" for governance. It reflects our commitment to the 17 United Nations Sustainable Development Goals, as well as the Group's core values: Challenge, Respect, Accountability and Winning Together.

With reference to the Group's performance in 2023, the consolidated turnover increased by 6.3% compared to the previous year, which, however, must take into account the acquisition of the Selcom Group (141.2M€) and a negative exchange rate effect of approximately 40M€. If we consider the two effects above, the Turnover for the year was almost in line with that of 2022. The increase in turnover resulting from the application of IAS 29 on the results of the Turkish subsidiary was 3.1 M€. The largest increase in turnover was in the EMEA region, while in America there was a partial decline mostly as a result of foreign exchange effects. In the APAC, the slight decline was caused by sales in the Chinese market, a country that is experiencing a downturn with respect to in the past, as well as the foreign exchange effect.

The Consolidated Income Statement shows a Group Gross Operating Result (EBITDA) of 128.9 M $\in$  or 9.8 % of turnover. This result was positively impacted by the IAS 29 effect of 1.0 M $\in$ , as well as the partial allocation to the income statement of the PPA on the Selcom acquisition of 6.0 M $\in$  (out of a total of 12.4 M $\in$ ). The remaining portion was allocated to Other reserves, to cover the liabilities to be incurred for the management of the acquired companies.

The analysis of the various components shows that:

- > cost of sales for 2023 came to 80.7% of turnover. The decrease in margins compared to 2022 (-1.6%) is mainly attributable to the sales mix with a significant impact related to the turnover of the newly acquired Selcom Group (141.2 M€), which, for structural reasons related to the markets and sectors served, has an overall lower marginality than the average for the Group;
- > the reduction in structure & operating expenses compared to 2022 (2.8 M€ in absolute value) benefited from the partial allocation to the income statement of the Selcom PPA of 6.0 M€, without which costs would have amounted to 186.3 M€ while still showing a saving as a percentage of sales (14.2% compared to 14.8% last year);
- > the total labour cost rose from 211.0 M€ to 236.6 M€, of which 22.1 M€ related to the personnel costs of more than 600 Selcom Group employees, with a percentage impact on turnover rising from 17.1% to 18%;
- > amortization, depreciation and other provisions increased in absolute value compared to the previous year (56.5 M€ compared to 52.5 M€ in 2022) but remained constant in terms of percentage of turnover (4.2%). The impact of Selcom in this case was 6 M€;
- > net financial charges increased in absolute value compared to 2022 by 7.7 M€ (15.2 M€ compared to 7.5 M€ last year), reflecting the general increase in rates in the year with a 0.6% rise as a percentage of turnover (1.2% in 2023 compared to 0.6% in 2022):
- > excluding the translation impact, exchange rates did not lead to significant effects on the consolidated income statement despite the revaluation of the Euro against all major currencies used within the Group, reflecting the effectiveness of the hedging policies adopted by the Group;
- > the item "Dividends, other income and charges from securities valuation", totaling -1.5 M€, includes -1.8 M€ of costs resulting from the application of IAS 29 on the financial statements of the Turkish company;
- > the item "Taxes", includes the write-down of approximately 3.6 M€ of withholdings on foreign income made on a prudential basis by the Parent Company.

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The Group's Net Working Capital increased in absolute value from 364.2 M€ to 393.2 M€, with a slight increase in the rotation on turnover (108 average days of rotation compared to 106 in 2022).

The Net Cash Position (NCP) recorded an increase in borrowing in absolute value (from 201.9 M€ in December 2022 to 258.6 M€ in December 2023) also due to the increase in NWC and investments made during the year and the entry of the Selcom Group. The leverage, i.e. the ratio between NCP and EBITDA, was 2.0 at the end of the year.

Net investments amounted to 86.5 M€ (of which 9.4 M€ related to rights of use), as follows:

VALUES IN M€	2023	2022	2021
Land and buildings	48.2	15.0	0.4
Plant and machinery	24.1	18.2	17.5
Equipment	13.3	13.8	13.2
Other assets	8.9	4.5	5.3
Assets under construction	(9.7)	10.8	7.6
Tangible assets	84.8	62.3	44.0
Development costs	-	7.2	-
Licenses, trademarks, patents	2.0	2.0	2.6
Others (including assets under construction)	(0.3)	(6.9)	1.3
Intangible assets	1.7	2.3	3.9
Total Investments	86.5	64.6	47.9

The Group's main investments for 2023 are described below:

- > the changes in the item "Land and buildings" (+48.2 M€) mainly concerned the Parent Company for an amount of 32.5 M€ (which also impacted the reduction in assets in progress by 10.6 M€). The most significant item related to the completion of the Headquarters, which involved the relocation of the Management Offices near the EVO plant in September, as well as additional investments on owned properties. Also of note was the investment for the completion of the Pune plant for the Indian company of around 5.2 M€. These were accompanied by the investments in the right of use of property totaling 9.9 M€ of which 6 M€ relating to the rights of use of land in India;
- > the investments in plant, machinery and equipment mainly concerned the upgrading of the Italian plants of the company Bonfiglioli Riduttori S.p.A. (21.3 M€). Additional investments were made in India (7.0 M€), Slovakia (2.4 M€), Vietnam (3.1 M€), China (1.9 M€) and the United States (1.0 M€);
- > investments in other assets mainly consist of leased cars and forklifts, hardware and office furniture of the various Group companies;
- > tangible assets under construction, gross of the completion of the projects in progress at the end of 2022, mainly relate to advances to suppliers for machinery and equipment manufactured by the various Group factories;
- > investments in software, trademarks and patents mainly relate the purchase of enterprise software by the Parent Company;
- > investments in other intangible assets, before completion of those under construction at the end of 2022, primarily relate to advances to suppliers mainly paid by the Parent Company for software development.

# alternative performance measures

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In order to ensure a better understanding and assessment of the Group's performance, some alternative performance measures (APMs) have been used in the preceding paragraphs that are not defined as accounting measures under IFRS (non-GAAP measures). These indicators also represent the tools that help the directors to identify operational performance and make decisions about investments, resource allocation, and other operational decisions.

For a correct interpretation of these APMs, the following is noted:

- (i) These indicators are calculated exclusively using the historical data of the Group and are not indicative of the future performance of the Group itself.
- (ii) The APMs are not required by IFRS and, while they are derived from consolidated financial statements, they are not audited.
- (iii) The APMs should not be considered as a substitute for IFRS indicators.
- (iv) These APMs must be read together with the Group's financial information taken from these consolidated financial statements.
- (v) The definitions of the indicators used by the Group and not deriving from the accounting standards of reference may not be the same as those adopted by other Groups and therefore comparable with them.
- (vi) The APMs used by the Group are drawn up with continuity and uniformity of definition and representation for all the periods for which financial information is included in these financial statements.

The following is the description of the main indicators employed, where not already illustrated in the Consolidated Financial Statements:

- > Net cash position (net financial debt): offers a better assessment of the Group's overall level of indebtedness.
- > Net working capital, fixed assets and other capital employed: they offer a better assessment of the ability to meet short-term trade commitments and the consistency between the commitment structure and that of the sources of financing.

# risk management

## 

Following there is an analysis of the main risks the Group is exposed to, meaning the risks related to events capable of producing negative effects on the pursuit of the company's objectives and that could therefore restrict the creation of value.

#### **COUNTRY RISK**

The economic and financial position of the Group, as well as its assets and liabilities, are influenced by a number of factors that make up the macro-economic picture in the various countries the Group operates in: increase or decrease in GDP, consumer and business confidence, currency and interest rate fluctuations, cost of raw materials, and inflation, among others.

#### RISKS CONNECTED WITH THE MARKET SECTORS SERVED

The Group operates in a variety of applications sectors. The wide range of markets served and applications supplied



has always provided refuge from economic slumps by allowing the Group to balance the product offering of sectors in decline with those in growth and vice versa. The Group is still exposed to financial and systemic crises, such as the world economic crisis of 2008/2009, the global health crisis related to the COVID-19 pandemic or the escalation of international geopolitical tensions such as the one between Russia and Ukraine and the recent Israeli-Palestinian conflict.

#### RISKS CONNECTED WITH FINANCIAL RESOURCE REQUIREMENTS

Group performance depends among other things on its ability to meet the needs arising from maturing debts and scheduled investments through cash flows coming from operations, available liquidity, the renewal or refinancing of bank loans, and, if necessary, recourse to other sources of funds. In order to keep the Net Cash Position under constant check and to monitor the business's short-term capacity to meet its commitments, short-term and mid-term cash flow estimates were drawn up in order to make the most appropriate decisions.

#### **CREDIT RISK**

Credit risk is represented by the Group's exposure to potential losses that may result from the customers' failure to meet their obligations.

Customer credit risk is constantly monitored with the use of information and customer assessment procedures, and this type of risk has historically been very low. Also following the Pandemic, the Group multiplied the efforts of both commercial and administrative staff, to monitor the performance of collections and to avert declines in financial income.

#### RISKS CONNECTED WITH EXCHANGE AND INTEREST RATE FLUCTUATIONS

As it operates in many markets around the world, the Group is naturally exposed to exchange rate fluctuations, linked mainly to the geographical distribution of production and sales that generate import/export flows in currencies different from those of the production countries. In particular, the Group is exposed through its exports from the Eurozone to the areas of the US Dollar, GB Pound, Australian Dollar, Chinese Yuan and other minor currencies. With reference to incoming flows, risks concern imports from Japan in Yen and, for those companies based in India, Vietnam, Singapore, Turkey, Brazil and South Africa, by imports of goods from countries having strong currencies (EUR and USD).

The risk of interest rate fluctuations derives from medium/long term debts at variable interest rates.

In keeping with its risk management policies, the Group tries to hedge risks deriving from exchange and interest rate fluctuations through the purchase of derivative financial instruments similar in duration to the risk to be covered. The Group works via a management procedure for hedging foreign exchange and interest rates in line with the evolution of these risks.

#### RISKS CONNECTED WITH THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS.

The Group uses financial instruments hedging the interest rate and exchange rate risks to minimize operational importexport risks and to stabilize expected financial flows for interest on medium/long terms debt. The companies in the Group do not use speculative derivative financial instruments.

#### RISKS CONNECTED WITH EMPLOYMENT RELATIONS

In the various countries that the Group operates in, employees are protected by laws and by collective labour contracts that provide them with guarantees through local and national representatives. Employees are entitled to be consulted on specific matters, including the downsizing or closure of departments or reductions in the workforce. These laws and collective labour contracts applicable to the Group could affect the flexibility with which it redefines or strategically repositions its activities.

#### RISKS CONNECTED WITH COMPETITION

The macroeconomic recession of recent years has had the effect of making consumption less predictable in almost all sectors that the Group's products are used in (manufacturing and construction in particular), thereby changing the overall value of the available market and increasing competition. The success of the Group is therefore also dependent on its ability to maintain and increase its market share, perhaps expanding into new sectors and emerging countries.

# human capital

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During 2023, Bonfiglioli Group continued to invest in human capital with the aim of supporting business development and the continuous adaptation of professional expertise to changing market conditions. As at December 2023, the Group's operating staff counted 5,250 people (of which 4,780 employees and 470 temporary workers). Geographical presence is most marked in the EMEA area with 58% of employees. The remaining part is divided between the geographical areas of APAC (37%) and AME (5%)

During the year, the Bonfiglioli Group continued to evolve its organization and its operating model, both by enhancing existing structures and through extraordinary operations. The acquisition of the Selcom Group, with its two plants in Italy and China, was an important step in the evolution towards the world of mechatronics, acting as an accelerator in the development of electronic capabilities.

In line with the reorganization by sector of the research and Development function carried out in 2021, the roles and responsibilities of the Sales functions were redefined in France and Germany with the aim of establishing competence centers focused on offering integrated solutions.

In pursuit of the goal of technological innovation and improved system integration of our products and solutions, we have established the new "E-Vehicle Solutions Development" unit. Focused on the integration of electric systems, it aims to develop solutions for electric vehicles and to support our customers in the evolution toward the green transition.

The main organizational developments concerning the global functions involved the following functions:

- > "Real Estate, Property & Facility Management," which consisted of redefining the roles and responsibilities (Property Management, Facility Construction and Facility & General Services) to support the development and maintenance of the Group's real estate assets, in addition to enhancing the level of service provided to employees both in terms of effective management of work spaces that facilitate communication, socialization, and knowledge sharing, and soft services such as catering, reception, security, cleaning, and the car fleet.
- > "Administration, Finance & Controlling" (AFC), which consisted of the creation of the "Germany AFC" organization, aimed at establishing a more synergistic multi-company AFC support entity in Germany through digitization and knowledge sharing.



The development of human capital continues with a series of initiatives and projects aimed at improving the employee experience within the company, by investing in the digitization of human capital processes on the E-ngenious platform. The entire selection process was revised and digitized in 2023, by paying special attention to the experience candidates have during the selection process and their perception of the company during its many steps. This process allows the candidates to immediately learn about the company culture via an immersive digital and smart experience. The Compensation process has also been digitized, making it increasingly standardized, shared and integrated thanks to enhanced access to current and historical professional, organizational and compensation information on employees in a single portal. Another advancement is the availability of internal and external benchmarks to properly recognize and reward the individual's contribution and employability with respect to the business strategy, ensuring a high level of motivation and commitment among Bonfiglioli's people.

To enhance employee engagement in the corporate operations, an internal communication platform, "Bclose," was introduced, aimed at uniting and engaging all of Bonfiglioli's people worldwide.

The Bonfiglioli Academy, our corporate university, continued its activities, delivering more than 70,000 hours of training and involving 80% of our people. The highest peak was in Italy with 100% of employees involved in training activities.

Thanks to new projects such as the launch of the "Course of the Month," which involves sponsoring an e-learning course on the BClose portal available in the Academy and selected by Human Capital on topics especially relevant to the business, and the organization of blended (classroom and e-learning) training programs, we were able to achieve a major milestone in relation to e-learning training: Bonfiglioli was included by LinkedIn among the finalists of the "LinkedIn Talent Awards," as Learning Champions.

In addition, the focus on HSE issues in 2023 continued with the "Safety Breaks" involving 1,950 employees on the topic of food waste, in collaboration with Last Minute Market.

With regard to the collaboration with schools, in 2023 the successful "Bonfiglioli Robotics and Al Patent" project took on a new form and continued under the national PCTO project in collaboration with a major customer company in the robotics market.

In addition, the past year also saw the start of two major management training projects: the People Manager Program and the Manufacturing People Manager Program.

Lastly, to facilitate the integration of new Selcom colleagues, a customized Induction plan was launched on the Bonfiglioli Academy platform to support them in entering the Bonfiglioli world, through online courses such as "Bonfiglioli Heritage" and "Bonfiglioli Digital Re-Training."

The Bonfiglioli Group continues its commitment to fostering participatory industrial relations and supporting business development, which, in 2023, led to around 40 meetings between the company and its social partners, engaging all the committees as envisaged in our supplementary contract. A joint protocol has been signed for the protection of women and against all forms of discrimination, as well as an agreement on sustainable mobility at the EVO production site, aimed at facilitating home-to-work travel.

In confirmation of the high level of development of its Human Capital processes, in the second half of 2023, the Bonfiglioli Group decided to initiate the process of corporate certification according to the Top Employer standard, achieving the award of "Top Employer Italy 2024". This certification is just the beginning of our journey – a milestone upon which to build our future.

# legal & governance

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Details are provided below of the main activities carried out.

#### GROUP WHISTLEBLOWING CHANNEL

In implementation of the European Directive (EU) 2019/1937 and with a view to promoting the values of ethics and integrity within the enterprise, Bonfiglioli has set up its own internal reporting channel, for the European companies of the Group, for regulatory breaches and unlawful conduct that have come to light within the corporate work environment. Within this channel, reports can be made, in a straightforward manner, of conduct considered be improper, based, for example, on:

- > breaches of EU or individual member state regulations, based on precise and consistent facts, including, for example, criminal offenses (e.g., bribery, money laundering, tax evasion);
- > breaches of the rules and principles contained in the Organization, Management and Control Model pursuant to Legislative Decree no. 231/2001 (for example: breaches of the rules protecting occupational health and safety, the environment, etc.) and, more generally, breaches of the rules of the Internal Control System implemented in the Group (including Code of Ethics, Procedures, Regulations, and Guidelines).

# ORGANIZATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

The Organizational, Management and Control Model pursuant to Legislative Decree no. 231/2001 adopted by Bonfiglioli (the Model) in recent years, is the result of a complex analysis of the corporate risks, aimed at identifying and mapping the corporate areas and processes.

As such, the Model is a continually evolving document, both in response to regulatory developments and natural organizational developments of the business.

Accordingly, we have updated the Model, introducing new chapters reserved for new offenses and updating the procedures necessary to prevent those offenses from taking place.

#### **ANTI-CORRUPTION POLICY**

With the introduction of this Policy, which represents a further confirmation of the commitment against unlawful conduct, Bonfiglioli aims to establish a framework of rules for preventing and combating corruption that we all must follow, in order to strengthen the transparency of business relationships.

The Policy encompasses ethical conduct, values of integrity and principles of responsibility and diligence, to be observed in order to ensure the fairness of relations between the Bonfiglioli Group and third parties, both public and private.

#### SUPPLIER CODE OF CONDUCT

The Bonfiglioli Group's primary goal is to develop a sustainable business, with a low environmental footprint and a beneficial social impact.

Accordingly, in line with the provisions of the Group's Code of Ethics and with a view to integrating social responsibility into its daily operations, the Bonfiglioli Group believes that proper and conscious management of the supply chain is essential for achieving the highest ethical standards and sustainable business development.

To this end, the Group has decided to adopt the Supplier Code of Conduct, which contains ethical principles and rules of conduct that supplement the legal, regulatory and procedural provisions that must underpin business relations between the Bonfiglioli Group and its partners.

Compliance of the Group's European companies with the European Data Protection Regulation (GDPR) is scheduled to begin in 2024.

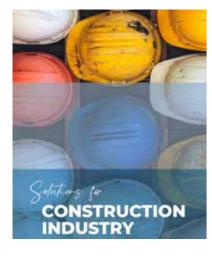
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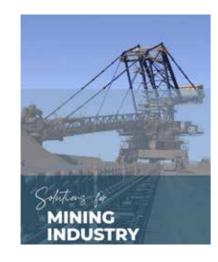


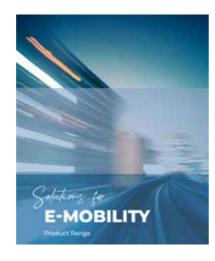
# research and development

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Expenditures in 2023 in the area of Research and Development totalled around 21.1 M€ at a Group level. A breakdown of the main development projects is given below.







In 2023, research and development activities related to the construction and earth moving vehicle sectors were still focused on the optimization of track drives for the 20T and 60T excavators. The goal for 2024 is to field test these gearboxes at our customers. For the 30-90T range, three sizes of gearboxes designed primarily for the Asian market have been revised and optimized.

Also in the earth moving vehicles sector, the setting up was completed of the project for the streamlining and optimization of the product range related to drives intended for rotation systems for track and wheeled excavators.

For the agricultural applications, development continued of the centralized tire inflation control system (CTIS), prototypes were provided to the customer for field validation, and the bench testing continued.

During 2023, the activities in the Electromobility sector focused on the design of compact electric motors intended mainly for applications in small and medium excavators. The goal was to extend the thermal power density through the study of liquid-cooled mechanics that can maintain the same active parts as the series developed to date, but with better performance and smaller axial dimensions. In addition, the process of re-engineering all the electric motors has begun in order to be able to support the gradual increase in production volumes through assembly at the Ho Chi Minh plant. Finally, the validation phase has been completed for our EDS platform, which integrates electric motor, transmission, DC/DC converter, inverter and power control unit in different configurations into one highly engineered solution.

In the marine sector, the focus on the development of Bonfiglioli products continued, particularly on the winch and slew series.

In the wind turbine market, the renewal of the entire range of planetary drives for blade and turret rotation was completed, introducing compact solutions with higher power density and lower lubricant use to reduce the environmental impact of the product and its life cycle. New sizes and versions of permanent magnet synchronous electric motors, both internal and surface, and high-efficiency asynchronous motors used to control blade pitch and shuttle orientation were also developed. Pinions with a new material and heat treatment were studied and bench tested to reduce the raw material and process cost of the main component of the drives for the wind sector, in order to make the drive more competitive and increase market share. The testing also involved a spin-off from the University of Bologna and external suppliers. In 2023, a number of projects related to real-time monitoring of drives were initiated in the "Heavy Duty" area. The aim is to provide customers guidance for implementing regular maintenance plans to keep technical resources in perfect working order and prevent breakdowns and failures. To this end, excellent results have been achieved in solutions with integrated electronics for the "Recycling" market.

In the industrial sector, the development work continued, particularly in the light duty area, with the validation of two additional sizes of the new family of in-line gearmotors (CP series) that allow the range to be extended up to nominal values of 600 Nm of output torque. These are also designed with a modular architecture and are suitable for large-scale automatic assembly.

In the industrial automation sector, the design and prototyping of wheel drive gearmotors for Automated Guided Vehicle (AGV) and Mobile Robots applications continued.

With regard to the project of the motors with IE4 premium-efficiency IE4 and higher, which specifically involves the revision of the design of the rotor lamination sheets, the virtual development and design process has been defined for the motors, enabling the release of the design of the first sizes in the range.

In parallel, the prototyping and validation phases also continue for the series of new self-starting assisted reluctance synchronous motors, also in the IE4 class.

In 2023, Bonfiglioli's IoT platform received several upgrades to improve computational efficiency and optimize the hardware and software architecture, allowing the system specifications to be better matched to actual customer needs. In the wind power sector, the experience gained from the IoTwins project, successfully completed in 2022 under the Horizon 2020 program, enabled Bonfiglioli to create a reliable package for condition monitoring and predictive maintenance.

Research and development of new models for condition monitoring and predictive maintenance also continued, some related to already established technologies and others to experimentation with next-generation sensors still at the prototype stage. The experimental sensors include the innovative MEMS sensor, developed through the EIT-funded Manufacturing Moliere project, which involves the development and industrial implementation of the same innovative tool capable of detecting surface deformations with a sensitivity 10,000 times higher than conventional strain gauges.

The strong collaboration between Bonfiglioli and the BiRex Competence Center gave rise to three new funded projects in 2023. These projects form the basis of Bonfiglioli's experimental research and will be monitored with a particular focus on promoting new technologies, strengthening those already tested, and spreading the culture of open innovation among the project partners and within Bonfiglioli.

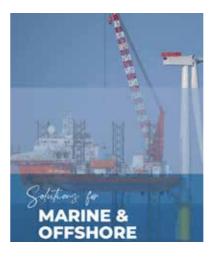
The research projects funded will be directed toward testing technologies under development, such as the virtual PLCs and new intelligent diagnostic systems capable of sending data directly to the Cloud via 5G.

Of particular note is the EVOCATION project, in which Bonfiglioli leads a partnership of around ten companies. The aim is to develop synergistic hardware-software solutions for monitoring, diagnostics, and prediction, with a focus on employing next-generation sensors. The area of application of interest is automatic machines, primarily intended for production processes, and in particular, it concerns all their constituent electromechanical components.

The most significant developments carried out in 2023 by the Selcom Group's Research and Develop included:

#### in "Industrial & Automation:"

> Inverter control board: due to the obsolescence of various components, the AGL electronic drive control board for motor control had to be redesigned. Selcom R&D's contribution to this group project was support to the team in the research of the components, design of the printed circuit board layout, and the subsequent industrial implementation of the PCBA to optimize the level of board quality and assembly.











- > Corrosion sensor: for a major customer in the Packaging industry, Selcom R&D developed a board that measures the level of corrosion inside an automatic machine in the food industry due to the washing liquids required for sterilization and remotely sends telemetry data via a BLE module. PC-side interface software was also developed to collect data from the module and prepare it for further processing.
- > Multiprotocol board: during 2023, market analysis, studies and testing continued to find the suitable platform for various industrial applications in real-time communication. A number of microprocessor and microcontroller-based platforms for Ethernet-based fieldbus management for various types of actuation devices were tested.
- > Photovoltaics: a preliminary study was carried out of a Proof of Concept for a Photovoltaic Inverter with MOSFET using innovative low-power technology suitable for controlling photovoltaic panels. There is also a preliminary control that can synchronize the AC output voltage to the power grid and an MPPT control to optimize panel efficiency.

#### in "Biomedical":

The research and development of an instrument for diagnosing blood parameters by measuring electrical quantities continued in 2023.

#### in "E-mobiliy & BMS:"

- > BMS inverter: for applications in the group e-mobility market, Selcom R&D has begun the analysis, study and industrial implementation proposal for an initial prototype of a battery-powered low-voltage converter. At project level, Selcom R&D helped design the prototypes of the control board and power board, as well as the study and design of the mechanical part of the inverter, both for the single and the dual drives.
- > Smart BMS: in 2023, Selcom R&D designed an early prototype of a low-voltage battery management system equipped with telemetry for E-Mobility applications with innovative intelligence.

#### in "Home & Professional Appliances:"

- > Power Project for Refrigerators: following a request for a quotation from a major customer of the group, Selcom R&D was responsible for the specification analysis, study and quotation of two power boards for power supply and compressor control for high-end refrigerators with high energy efficiency.
- > User Interface Project: Selcom R&D was responsible for the specification analysis, study and quotation of an interface device for extractor hoods.
- > Dishwasher Lighting Project: In this case, Selcom R&D was responsible for the specification analysis, study and quotation for different versions of LED ambient light products.

# digital&it (information technology)

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Within Digital & IT, the most significant initiatives in 2023 undoubtedly included the discovery and assessment phases relating to the possibility of initiating a migration project to the new version of the SAP S/4HANA ERP. The outcome of these activities was successful and at the close of the year the decision was confirmed that will lead to the activation of the migration program in the initial months of 2024.

At same time, a different Cloud Service Provider was identified from the one used to date for the delivery of the main cloud services, with the aim of moving towards a multicloud infrastructure.

In the second half of the year, a data archiving project was initiated, aimed at increasing the efficiency of the management of the new ERP, both in terms of costs and maintenance activities. The project will continue in 2024 and will be completed before the migration to the new environment called RISE.

In terms of applications, 2023 saw the go-live of the Warehouse Management System solution at the Bonfiglioli USA subsidiary, the first important step in the process of extending the solution to the Group plants beyond the first and more complex installation at the EVO plant.

Significant enhancements have been made in the area of ERP, with the activation of the new production plant in Pune, India, alongside the introduction of new processes in manufacturing operations.

The project called Service Cloud, supporting after-sales services and in particular the processes of repair, retrofitting, preventive maintenance, and management of on-site support activities, continued in 2023. The major enhancements required have been released and the first rollout of the application at a European subsidiary has been completed.

A comprehensive project aimed at overhauling the user experience led to the updating of the Bonfiglioli online shop, alongside the introduction of new features designed to simplify the purchasing process through the eCommerce platform. During the year, a tuning phase was also initiated on the processes supported by the Vendor Invoice Automation tool activated at the end of the previous year, with the aim of improving its performance and, consequently, the benefits for the organization.

The Cloud transition program named Serverless Sites was also extended in 2023, leading to the complete removal of the local infrastructure in the South Africa, France, UK, Turkey, Spain subsidiaries, in addition to the new production plant in Pune, India.

Significant resources were allocated to the design and implementation of the technological infrastructure of the new Headquarters in Calderara di Reno, which opened in September.

In the area of Cybersecurity, activities aimed at raising the security level of the infrastructure and extending the available tools to the shop floor areas continued. Prevention initiatives aimed at increasing awareness of risks from improper conduct also continued. In 2023, there was a special focus on identifying procedures and tools relating to data loss prevention.

During 2023, important goals were also achieved in the integration of SELCOM.

The significant investments made enabled the completion of the technological renovation of the entire datacenter at the Italian headquarters. All SELCOM employee accounts have been integrated into the Bonfiglioli domain, and the main collaboration tools have been made available to colleagues on the Microsoft M365 platform.

Lastly, November saw the go-live of SAP for the Fi-Co modules, an important enabling milestone for the Group's consolidation and reporting processes.

The Digital@Bonfiglioli project funded by the Innovation Agreements of the Ministry of Economic Development continued in 2023. The detailed data collection from mechanical processing machines (almost 100 work centers linked by the end of December 2023 in the Bologna and Forlì plants) enables the application of machine learning techniques for the early identification of performance drifts and machine downtimes, as well as the precise calculation of the OEE (Overall Equipment Efficiency).

The use of agile scrum project management continued in 2023, further expanding its scope of application. The first of the two projects involved developing a European-wide supply chain distribution model. The output of this project then fed into a subsequent supply chain redesign project that is still in underway. The second project (October-December 2023)



focused on defining the scope of interest for Bonfiglioli in the Autonomous Mobile Robots (AMR) market and identifying the functional requirements from customers for the transmission components of the AMRs.

Lastly, Bonfiglioli has swiftly seized the opportunities offered by generative artificial intelligence (ChatGPT). Building on the extensive experience in Al in general, and with the support of the dedicated competence center, initiatives to apply this technology have been launched (and in some cases completed). First of all, an in-house ChatGPT service based on a Microsoft Azure subscription was set up to ensure the confidentiality of the information used in the prompts submitted to the algorithms, as well as confidentiality of access by all company employees.

# quality, safety, health and environment

During the year, the Group maintained the ISO 9001:2015 certifications, renewed the ISO 45001:2018 and ISO 14001:2015, and extended the ISO 50001 energy management system certification to the main Italian plants.

In the area of energy and sustainability, work has also been carried out on an energy road map to identify the key energy efficiency and decarbonization initiatives at group level.

Work also continued on auditing the corporate management systems, defining standards valid at a Group level and supporting plants in the installation of new production lines using methods such as Internal PPAP.

During 2023, the project focusing on establishing a standard for component and process traceability also continued, leading to the development of the "Alfresco" portal, which enables the tracking of gear purchase documentation via QR-CODE.

In relation to supplier quality, collaboration with the Purchasing Department continued in 2023 to optimize the Vendor List through the development of suppliers, mainly in the APAC region, which can be used at Group level.

In addition, the process was initiated for the integration of Selcom, both in terms of development activities, management of quality issues, and audits, and in terms of quality management system.

As already mentioned, the new group-wide sustainability policy was issued at the beginning of 2024, aimed at integrating the principles and goals of quality, safety, environment, and energy with the broader principles and goals of sustainability.

## business outlook

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Group sales at the end of February 2024 showed a slight decrease over the previous year (-3.5%), also greater than the budget expectations (+7.7%). The performance of orders is also in line with expectations for 2024. As already mentioned, uncertainty about the outcome of the conflicts in Ukraine and the Middle East, and the global effort to contain inflation and limit the rise in interest rates are factors that will undoubtedly influence the macroeconomic trends for 2024. The Group is strongly committed to the pursuit of the value creation targets set in the 2024 budget, whose forecasts are currently confirmed, performance expected remain substantially stable respect to the results achieved in 2023. For information on the significant events after the year end, see the specific section in the Notes to the Financial Statements.

# further information

#### **OWN SHARES**

The own company does not hold and has never held own shares, nor does it hold stakes or shares in controlling companies.

Calderara di Reno (Bologna), March 29, 2024 for The Board of Directors

> The Chairwoman Sonia Bonfiglioli





# bonfiglioli s.p.a. and subsidiaries consolidated financial statements as of 31.12.2023

(EURO THOUSAND)

## 

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	Notes	31.12.2023	31.12.2022	Changes
NON CURRENT ASSETS				
Property, plant, machinery and other tangible assets	1	378,163	318,212	59,951
Development costs	2	5,763	6,483	(720)
Other Intangible Assets	2	33,221	34,888	(1,667)
Share investments	3	83	83	-
Non current derivatives	4	1,249	2,146	(897)
Other non current financial assets	5	1,687	1,381	306
Deferred Tax assets	6	37,058	34,257	2,801
Other non current receivables and assets	10	16,691	12,038	4,653
TOTAL NON CURRENT ASSETS		473,915	409,488	64,427
CURRENT ASSETS				
Inventory	7	430,590	393,980	36,610
Trade receivables	8	265,888	295,870	(29,982)
Current derivatives	4	1,213	1,899	(686)
Corporate Tax receivables	9	6,104	5,465	639
Other current receivables and assets	10	23,303	29,001	(5,698)
Cash and cash equivalents	11	86,377	82,969	3,408
TOTAL CURRENT ASSETS		813,475	809,184	4,291
TOTAL ASSETS		1,287,390	1,218,672	68,718

EQUITY AND LIABILITIES	Notes	31.12.2023	31.12.2022	Changes
GROUP EQUITY				
Share Capital	12	50,000	50,000	-
Reserves	12	146,124	139,866	6,258
Retained earnings (losses) carried forward	12	271,097	237,479	33,618
Group's Income (Loss)	12	39,378	55,495	(16,117)
TOTAL GROUP EQUITY		506,599	482,840	23,759
TOTAL MINORITY INTERESTS		561	546	15
TOTAL EQUITY		507,160	483,386	23,774
NON CURRENT LIABILITIES				
Non current borrowings	13	242,142	224,494	17,648
Non current provisions	14	14 12,439		(1,941)
Non current employee benefit obligations	15	15,887	12,875	3,012
Deferred Tax liabilities	6	9,530	10,326	(796)
Other non current payables and liabilities	17	8,015	5,636	2,379
TOTAL NON CURRENT LIABILITIES		288,013	267,711	20,302
CURRENT LIABILITIES				
Current borrowings	13	104,533	61,778	42,755
Current derivatives	4	270	584	(314)
Current provisions	14	19,580	16,219	3,361
Current employee benefit obligations	15	1,046	1,187	(141)
Trade payables	16	303,261	325,693	(22,432)
Corporate Tax payable	9	588	979	(391)
Other current payables and liabilities	17	62,939	61,135	1,804
TOTAL CURRENT LIABILITIES		492,217	467,575	24,642
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,287,390	1,218,672	68,718





# bonfiglioli s.p.a. and subsidiaries consolidated financial statements as of 31.12.2023

(EURO THOUSAND)

## 

## CONSOLIDATED INCOME STATEMENT

	Notes	31.12.2023	31.12.2022	Changes
Revenues from sales and services	18	1,311,634	1,233,764	77,870
Material costs	19	(815,925)	(750,935)	(64,990)
Payroll costs	20	(236,568)	(211,002)	(25,566)
Services, leases and rentals	21	(164,757)	(170,423)	5,666
Other operating income	22	41,144	31,201	9,943
Other operating costs	23	(6,590)	(6,115)	(475)
GROSS OPERATING PROFIT (EBITDA)		128,938	126,490	2,448
Depreciation and impairment	24	(54,491)	(47,390)	(7,101)
Bad debt Provision		(247)	(224)	(23)
Other risks provisions		(1,810)	(4,890)	3,080
OPERATING PROFIT (EBIT)		72,390	73,986	(1,596)
Financial income and (costs)	25	(15,175)	(7,525)	(7,650)
Foreign exchange gain and (losses)	26	(48)	(427)	379
Investments' income and (costs)	27	(1,473)	167	(1,640)
PROFIT BEFORE TAXES		55,694	66,201	(10,507)
Taxes	28	(16,301)	(10,659)	(5,642)
CONSOLIDATED INCOME (LOSS)		39,393	55,542	(16,149)
Minority		(15)	(47)	32
GROUP' INCOME (LOSS)		39,378	55,495	(16,117)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31.12.2023	31.12.2022	Changes
CONSOLIDATED INCOME (LOSS)	39,393	55,542	(16,149)
Actuarial gains (losses) on employee benefit obligations	(1,897)	4,689	(6,586)
Tax effect	524	(1,390)	1,914
Items that will not be reclassified to income statement	(1,373)	3,299	(4,672)
Foreign exchange currency conversion reserve variation	(14,318)	(2,767)	(11,551)
Reserve for hedging derivatives variation	(1,949)	4,121	(6,070)
Tax effect	467	(989)	1,456
Items that may be reclassified to income statement	(15,800)	365	(16,165)
CONSOLIDATED COMPREHENSIVE INCOME	22,220	59,206	(36,986)
Minority	(15)	(47)	32
GROUP' INCOME (LOSS)	22,205	59,159	(36,954)





# consolidated cash flow as of 31.12.2023

(EURO THOUSAND)

		31.12.2023	31.12.2022
A.	Opening Cash and Cash equivalents	82,969	90,477
В.	OPERATING ACTIVITIES		
	Group' Income (Loss)	39,378	55,495
	Minority	15	47
	Depreciation and impairment	54,491	47,390
	Bad debt Provision	247	224
	Other risks provisions	1,810	4,890
	Interests	15,175	7,525
	Gain/losses Hyperinflation Turkey	792	-
	Business combination effect	(6,000)	-
	Current and deferred Taxes	16,301	10,659
	Cash flow before operative capital employed variation	122,209	126,230
	Trade Receivables variation	59,293	(61,532)
	Inventory variation	2,499	(41,720)
	Trade Payables variation	(63,259)	44,114
	Derivatives FMV variation	149	(946)
	Risk Provision variation	(6,839)	(5,276)
	Employee benefit obligations variation	(279)	(1,686)
	Current and deferred Taxes variation	(6,780)	1,006
	Current taxes paid	(12,168)	(17,945)
	Other assets and liabilities variation	13,972	(16,080)
	Interests paid	(16,249)	(8,663)
В.	Cash flow originating from (used for) operating activities	92,548	17,502

		31.12.2023	31.12.2022
C.	INVESTING ACTIVITIES		
	CAPEX Tangible	(84,795)	(62,307)
	CAPEX Intangible	(1,727)	(2,327)
	Share investments	-	(20)
	Business combinations net of acquired cash and cash equivalents	4,079	-
C.	Cash flow originating from (used for) investing activities	(82,443)	(64,654)
D.	FINANCING ACTIVITIES		
	Third-party funding		
	Borrowings variation	1,646	6,802
	New Loans	44,005	17,617
	Loans extinction	(43,193)	(27,873)
	New bonds	-	50,000
	Own funds		
	Dividends paid	(6,000)	(6,002)
	Other variations (derivatives/DBO/others)	-	-
D.	Cash flow originating from (used for) financing activities	(3,542)	40,544
E.	CASH FLOW FOR THE YEAR (B+C+D)	6,563	(6,608)
F.	Exchange rate variation on Opening Cash and Cash equivalents	(3,155)	(900)
G.	Closing Cash and Cash equivalents (A+E+F)	86,377	82,969



# consolidated statement of changes in equity

(EURO THOUSAND)

	SHARE CAPITAL	REVALUATION RESERVE	LEGAL RESERVE	HEDGING RESERVE	IAS19 RESERVE	FTA RESERVE	CURRENCY CONVERSION RESERVE	OTHER RESERVES	RETAINED EARNINGS (LOSS)	NET INCOME (LOSS)	GROUP EQUITY	MINORITY NET INCOME (LOSS)	MINORITY RESERVES	MINORITY INTERESTS	CONSOLIDATED EQUITY
Closing at 31.12.2021	50,000	39,151	10,000	(366)	(811)	(8,819)	(11,635)	95,289	200,252	62,631	435,692	47	452	499	436,191
Previous year result allocation								25,402	37,229	(62,631)	-	(47)	47	-	-
Dividends' distribution								(12,000)	(2)		(12,002)			-	(12,002)
IFRS9 Derivatives Reserve variation				3,132							3,132			-	3,132
IAS19 Reserve variation					3,299						3,299			-	3,299
Currency Conversion Reserve variation							(2,767)				(2,767)			-	(2,767)
Reclassification											-			-	-
Minority acquisition											-			-	-
Others					(9)						(9)			-	(9)
Income (Loss) for the year										55,495	55,495	47		47	55,542
Closing at 31.12.2022	50,000	39,151	10,000	2,766	2,479	(8,819)	(14,402)	108,691	237,479	55,495	482,840	47	499	546	483,386
Previous year result allocation								22,921	32,574	(55,495)	-	(47)	47	-	-
Dividends' distribution											-			-	-
IFRS9 Derivatives Reserve variation				(1,482)							(1,482)			-	(1,482)
IAS19 Reserve variation					(1,373)						(1,373)			-	(1,373)
Currency Conversion Reserve variation							(14,318)				(14,318)			-	(14,318)
Reclassification											-			-	-
Minority acquisition				607	(104)				(503)		-			-	-
Turkey Hyperinflation									1,547		1,547			-	1,547
Others				(1)	8						7			-	7
Income (Loss) for the year										39,378	39,378	15		15	39,393
Closing at 31.12.2023	50,000	39,151	10,000	1,890	1,010	(8,819)	(28,720)	131,612	271,097	39,378	506,599	15	546	561	507,160







## foreword

#### 

Bonfiglioli S.p.A. (hereinafter also referred to as the "Company" or "Bonfiglioli") is joint stock company having its domicile in in Calderara di Reno (BO) ITALY, via Cav. Clementino Bonfiglioli, 1. Bonfiglioli is an Italian family-run business with a global presence. The Bonfiglioli Group (hereinafter also referred to as the "Group") consists of 25 companies (including the Parent Company) spread across the world, and through its worldwide network, it can support customers in any part of the globe. We design, manufacture, and distribute effective and tailor-made solutions for all types of industrial automation, mobile machinery, and wind energy applications. Our ranges are based on a wide variety of products, including gearmotors, drive systems, planetary drives and inverters. Bonfiglioli's solutions affect all aspects of everyday life, from the food we eat to the roads we drive on, the clothes we wear and the lights in our homes. Our solutions keep the world in motion and our payoff is: "We engineer dreams".

The consolidated financial statements of Bonfiglioli Group as of December 31, 2023 were prepared in accordance with European Regulation no. 1606/2002, in compliance with the International Financial Reporting Standards (IFRS) in force on December 31, 2023, issued by the International Accounting Standard Board (IASB) and adopted by European Community Regulations. IFRS also includes all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

In addition to these Illustrative Notes, the consolidated financial statements include the following documents:

- > Statement of Financial Position
- > Income Statement
- > Comprehensive Income Statement
- > Cash Flow Statement
- > Statement of Changes in Equity

Illustrative Notes include the reconciliation statement between the Parent Company's equity and net result of the financial year and the same items of the consolidated financial statements. In order to disclose further information regarding the change of the Group's Net Cash Position, the consolidated cash flow statement has also been additionally annexed to these Illustrative Notes (Annex A) on a voluntary basis.

As regards the nature of the activities conducted by the Group and related performance, please refer to the Management Report.

All figures in the financial statements and related Illustrative Notes are expressed EURO THOUSAND (K€), unless otherwise indicated.

# form and contents of the consolidated financial statements

### 

The consolidated financial statements include the financial statements of the companies in Bonfiglioli Group, i.e. Bonfiglioli S.p.A., the Parent Company, and the Italian and foreign subsidiaries in which the Company directly or indirectly holds a controlling interest pursuant to IFRS 10.

The financial statements of the Group Companies utilized for the line-by-line consolidation were approved by the shareholders' meetings of the individual companies concerned, suitably modified wherever necessary to unify them with the accounting principles adopted by the Group, which comply with the financial principles imposed by law. If the relative financial statements had not yet been approved by the respective shareholders' meetings when the consolidated financial statements were drawn up, the draft financial statements prepared for approval by the respective Boards of

#### Directors were utilized.

If the financial year of companies closes on a date other than December, 31, interim financial statements are drawn up as of December 31, utilizing the Group accounting principles.

The subsidiaries included in the consolidation area on December 31, 2023 are as follows:

			Share	Shareholding 31.12.2023 31.12.2022	
NAME	Country	Currency	Capital		
Bonfiglioli S.p.A.	Italy	€	50,000,000	Parent c	ompany
Bonfiglioli Riduttori S.p.A. sole shareholder	Italy	€	50,000,000	100%	100%
Selcom Group S.p.A.	Italy	€	29,250,966	100%	-
Bonfiglioli Swiss S.A.	Switzerland	CHF	25,100,000	99.88%	99.88%
Bonfiglioli U.K. Ltd (*)	United Kingdom	GBP	200,000	100%	100%
Bonfiglioli Deutschland GmbH (*)	Germany	€	3,000,000	100%	100%
Bonfiglioli Vectron GmbH (**)	Germany	€	500,000	100%	100%
O&K Antriebstechnik GmbH (*)	Germany	€	1,000,000	100%	100%
Bonfiglioli Transmissions Sas (*)	France	€	1,900,000	100%	100%
Bonfiglioli Slovakia Sro (*)	Slovakia	€	14,937,264	100%	100%
Tecnotrans Bonfiglioli Sa (*)	Spain	€	2,175,000	95%	95%
Bonfiglioli Power Transmission Jsc (*)	Turkey	TRY	95,000,000	100%	100%
Bonfiglioli U.S.A. Inc. (*)	U.S.A.	USD	4,000,000	100%	100%
Bonfiglioli Canada Inc. (*)	Canada	CAD	2,000,000	100%	100%
Bonfiglioli Redutores do Brasil Ltda (*)	Brazil	BRL	55,000,000	100%	100%
Bonfiglioli Power Transmission Pty Ltd (*)	South Africa	ZAR	64,001	100%	100%
Bonfiglioli South Africa Pty Ltd (***)	South Africa	ZAR	8,000,000	75%	75%
Bonfiglioli Transmission Pvt Ltd (^)	India	INR	1,311,229,940	100%	100%
Bonfiglioli Drive Solutions Private Ltd (*)	India	INR	661,700,000	100%	100%
Bonfiglioli Renewable Power Conversion India Pvt Ltd (^^)	India	INR	372,500,000	-	100%
Bonfiglioli Drives (Shanghai) Co. Ltd	China	USD	30,000,000	100%	100%
Bonfiglioli Trading (Shanghai) Co. Ltd (^^^)	China	CNY	1,500,000	100%	100%
Selcom Electronics (Shanghai) Co. Ltd (§)	China	CNY	27,925,734	100%	-
Bonfiglioli Vietnam Ltd (*)	Vietnam	USD	17,000,000	100%	100%
Bonfiglioli South East Asia Pte Ltd (*)	Singapore	SGD	4,150,000	100%	100%
Bonfiglioli Transmission (Aust) Pty Ltd (*)	Australia	AUD	13,500,000	100%	100%

(\*) Subsidiary indirectly controlled through Bonfiglioli Swiss SA

(\*\*) Subsidiary indirectly controlled through Bonfiglioli Deutschland GmbH
 (\*\*\*) Subsidiary indirectly controlled through Bonfiglioli Power Transmission Pty Ltd

(^) Owned 2.43% by Bonfiglioli Vectron GmbH

(^^) Subsidiary indirectly controlled through Bonfiglioli Vectron GmbH – Liquidation completed during 2023

(^^^) Subsidiary indirectly controlled through Bonfiglioli Drives (Shanghai) Co. Ltd

(§) Subsidiary indirectly controlled through Selcom Group S.p.A.





With reference to the changes made during the year, we draw your attention to the following events:

- > On March 23, 2023, Bonfiglioli S.p.A completed the acquisition of 100% of the share capital of Selcom Group S.p.A, a company specializing in the design, manufacture and sale of electronic boards, electronic products, as well as software and solutions for customers in the industrial, biomedical, automotive, intra-logistics and home-appliance sectors. The purchase of the Selcom Group (made up of the parent company Selcom Group S.p.A. and the subsidiary Selcom Electronic Shanghai Co. Ltd) was made for a total price of 7.9 M€, plus transaction costs. For details regarding the Purchase Price Allocation (PPA), see the relevant section below in these Notes;
- > the operations for the liquidation of the no longer operating company "Bonfiglioli Renewable Power Conversion India Pvt Ltd" were completed;
- > to provide the company with sufficient resources to carry out the planned investment plan, the company Bonfiglioli Swiss SA carried out multiple capital increases on its Indian subsidiary Bonfiglioli Drive Solutions Private Ltd for a total of 5.5 M€:
- > to provide financial support to the Turkish company, Bonfiglioli Swiss SA carried out a capital increase on its subsidiary Bonfiglioli Power Transmission Jsc for a total of 2.5 M€. With regard to the complex state of the Turkish economy, and the consequent application of IAS 29 Financial Reporting in HyperInflationary Economies information is provided a specific section of these Notes.

# consolidation area changes

#### 

With respect to the consolidated financial statements for the year ended December 31, 2022, as already mentioned in the previous section, the consolidation area has changed as a result of the acquisition of control and the subsequent full consolidation from January 1, 2023 of the companies of the Selcom Group.

In accordance with IFRS 3, details of the Selcom Group's consolidated financial statements as of December 31, 2022, from which the Equity was taken as the basis for the Purchase Price Allocation (PPA), are provided below.

#### (FIGURES IN EURO)

STATEMENT OF FINANCIAL POSITION	CONSOLIDATED
Assets	31.12.2022
Non current assets	
Property, plant, machinery and other tangible assets	28,199,030
Other intangible assets	2,044,608
Non current derivatives	790,197
Deferred Tax assets	1,952,254
Other non current receivables and assets	526,222
Total non current assets	33,512,311
Current assets	
Inventory	47,083,513
Trade receivables	35,113,402
Current derivatives	25,606
Corporate Tax receivables	92,224
Other current receivables and assets	4,934,336
Cash and cash equivalents	11,979,188
Total current assets	99,228,269
Total assets	132,740,580

#### (FIGURES IN EURO)

STATEMENT OF FINANCIAL POSITION	CONSOLIDATED
Equity and liabilities	31.12.2022
Equity	
Share capital	29,250,967
Reserves	2,255,983
Retained earnings (losses) carried forward	3,199,007
Net income (loss)	(14,377,004)
Total Equity	20,328,953
Non current liabilities	
Non current borrowings	22,225,849
Non current employee benefit obligations	1,654,214
Other non current payables and liabilities	640,441
Total non current liabilities	24,520,504
Current liabilities	
Current borrowings	36,809,600
Current derivatives	452,702
Current employee benefit obligations	130,785
Trade payables	45,023,567
Corporate Tax payable	55,609
Other current payables and liabilities	5,418,860
Total current liabilities	87,891,123
Total liabilities and shareholders' equity	132,740,580

Details of the Purchase Price Allocation carried out are provided below:

PURCHASE PRICE ALLOCATION (PPA)	23.03.2024
Cost of the share investment	7,900,000
Consolidated equity acquired	20,328,953
Positive difference	12,428,953
Allocation:	
Contingent assets	6,000,000
Other reserves for risks and charges	6,428,953
Positive difference allocated	12,428,953



# drafting principles

#### 

The consolidated financial statements provide comparative information with respect to the previous year.

The general principle adopted in the preparation of these consolidated financial statements is that of historical cost, except for those items which, according to IFRS, are compulsorily recognized at fair value, as indicated in the valuation criteria of the individual items.

With reference to the financial statements, the following choices have been made:

- > The Statement of the financial position separately outlines assets and liabilities according to the liquidity criterion (current and non current). Current assets and liabilities are those intended to be realized or extinguished during the 12 months following the end of the financial year.
- > The Income Statement shows costs and revenues based on their nature.
- > The Statement of Comprehensive Income ("Other Comprehensive Income" or OCI) is presented in a separate statement;
- > The Cash Flow Statement is presented using the "indirect method."

Where allowed, it was considered appropriate to omit items with zero balance for the periods presented.

The Statement of financial position provides a separate indication of equity and minority interests.

# change in accounting principles and notes

### 

The valuation and measurement criteria are based on the IFRS principles in force on December 31, 2023 and approved by the European Union. The following main changes in accounting policies occurred with reference to the 2023 financial year. Several other amendments and interpretations apply for the first time in 2023, but have no impact on the Group's consolidated financial statements. The Group has not adopted any other principles, interpretations or modifications published but not yet in force.

#### IAS29 - FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

From June 2022, the Turkish economy was included among the countries operating under hyperinflation. Upon closure of the 2022 financial statements, the Group estimated the impact resulting from the adjustment of the book values for the purposes of this accounting standard. The effects on the 2022 consolidated were found to be completely negligible and it was therefore decided not to apply the standard.

The hyperinflationary situation continued during the year covered by these Notes: for 2023, the International Monetary Fund forecasts an annual inflation rate of 64% (2024: 54%) and a 3-year cumulative inflation rate of 267% (2024: 316%). In November 2023, the Turkish Central Bank raised interest rates to 40%, the highest level in 20 years, in an attempt to curb the rampant inflation. On November 23, 2023, the "Public Oversight Accounting and Auditing Standards Authority (POA)," which is responsible for setting accounting standards in Turkey, released an announcement through which it made

inflation adjustment mandatory for all local financial statements ending December 31, 2023. The Group considered it appropriate to apply IAS 29 - Financial Reporting in HyperInflationary Economies for the consolidated financial statements, which are therefore aligned with the local financial statements of the Turkish subsidiary.

A summary in Euro of the financial statements of Bonfiglioli Turkey JSC and the effects of applying IAS 29 on the consolidated financial statements is provided below:

#### (FIGURES IN EURO)

STATEMENT OF FINANCIAL POSITION	Initial	Total hyperinflation and consolidation effects	Final with hyperinflation
Assets	31.12.2023	31.12.2023	31.12.2023
Non current assets			
Property, plant, machinery and other tangible assets	269,077	134,362	403,439
Other intangible assets	5,145	3,410	8,555
Deferred Tax assets variation	168,105	28,091	196,196
Other non current receivables and assets	4,190	-	4,190
Total non current assets	446,517	165,863	612,380
Operating activities			
Inventory	3,472,728	610,027	4,082,755
Trade receivables	3,370,643	-	3,370,643
Other current receivables and assets	96,955	-	96,955
Cash and cash equivalents	274,451	-	274,451
Total current assets	7,214,777	610,027	7,824,804
Total assets	7,661,294	775,890	8,437,184

EQUITY AND LIABILITIES	31.12.2023	31.12.2023	31.12.2023
Equity			
Share capital	2,909,372	-	2,909,372
IAS 29 Adoption Reserve	-	(355,745)	(355,745)
IAS 29 Share Capital Revaluation Reserve	-	2,460,713	2,460,713
IAS 29 Retained earnings (losses) carried forward	-	(558,200)	(558,200)
Retained earnings (losses) carried forward	(74,940)	-	(74,940)
Income (loss) for the year	(238,531)	(790,850)	(1,029,381)
Total Equity	2,595,901	755,918	3,351,819
Non current liabilities			
Non current borrowings	94,187	-	94,187
Non current provisions	10,876	3,994	14,870
Non current employee benefit obligations	53,580	-	53,580
Total non current liabilities	158,643	3,994	162,637
Current liabilities			
Current borrowings	109,200	-	109,200
Current provisions	42,261	15,978	58,239
Trade payables	4,615,370	-	4,615,370
Other current payables and liabilities	139,919	-	139,919
Total current liabilities	4,906,750	15,978	4,922,728
Total liabilities and shareholders' equity	7,661,294	775,890	8,437,184



#### (FIGURES IN EURO)

INCOME STATEMENT	Initial	Total hyperinflation and consolidation effects	Final with hyperinflation
	31.12.2023	31.12.2023	31.12.2023
Revenues from sales and services	12,028,968	3,133,553	15,162,521
Material costs	(9,349,048)	(1,753,649)	(11,102,697)
Payroll costs	(980,176)	(241,830)	(1,222,006)
Services, leases and rentals	(894,700)	(94,664)	(989,364)
Other operating income	19,569	3,911	23,480
Other operating costs	(34,409)	(6,821)	(41,230)
Gross operating profit (EBITDA)	790,204	1,040,500	1,830,704
Depreciation and impairment	(120,434)	(84,400)	(204,834)
Bad debt Provision	-	-	-
Other risks provisions	(25,153)	(7,190)	(32,343)
Operating profit (EBIT)	644,617	948,910	1,593,527
Financial income and (costs)	(253,489)	-	(253,489)
Foreign exchange gain and (losses)	(745,175)	-	(745,175)
Investments' income and (costs)	-	(1,757,591)	(1,757,591)
Profit before taxes	(354,047)	(808,681)	(1,162,728)
Taxes	115,516	17,831	133,347
Income (loss) for the year	(238,531)	(790,850)	(1,029,381)

# ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM JANUARY 1, 2023 AND ADOPTED BY THE GROUP

The Group has applied the following new standards and amendments for the first time, with effect from January 1, 2023:

- > IFRS 17 Insurance Contracts
- > Definition of Accounting Estimates Amendments to IAS 8
- > Disclosure of Accounting Policies Amendments to IAS 1 and IFRS Practice Statement 2
- > Deferred Tax related to Assets and Liabilities arising from a Single Transaction Amendments to IAS 12
- > International Tax Reform Pillar Two Model Rules Amendments to IAS 12

#### IFRS 17 - Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts that considers recognition and measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g., life, non-life, direct insurance, and reinsurance), regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation features; some exceptions to the scope apply. The overall goal of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts for insurers. In contrast to the requirements of IFRS 4, which are largely based on maintaining previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- > a specific adjustment for contracts with direct participation features (the variable fee approach)
- > a simplified approach (the premium allocation approach) mainly for short-term contracts.

These amendments therefore had no impact on the consolidated financial statements of the Group.

#### Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and correction of errors. They also clarify how entities should use measurement techniques and inputs to produce accounting estimates.

These amendments therefore had no impact on the consolidated financial statements of the Group.

# Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities in applying materiality judgements to accounting policy disclosures. The amendments aim to help entities provide more useful accounting standard disclosures by replacing the requirement for entities to disclose their "significant" accounting standards with a requirement to disclose their "material" accounting standards and adding guidance on how entities apply the concept of materiality in making accounting standard disclosure decisions.

The changes had an impact on the disclosure of the Group's accounting policies, but not on the measurement, recognition and presentation of items in the Group's consolidated financial statements.

# Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equally taxable and deductible temporary differences such as leases and decommissioning liabilities.

These amendments therefore had no impact on the consolidated financial statements of the Group.

#### International Tax Reform – Pillar Two Model Rules – Amendments of IAS 12

The amendments to IAS 12 were introduced to respond to the OECD's BEPS Pillar Two rules and include:

- > a temporary mandatory exemption to the recognition and disclosure requirements for deferred taxes resulting from the implementation of the Pillar Two rules in the jurisdictions; and
- > disclosure requirements for the entities involved to help users of financial statements better understand the income tax impacts arising from this legislation, particularly prior to the effective date.

The temporary compulsory exemption – whose use is required to be disclosed – is immediately applicable. The remaining disclosure requirements apply for annual periods beginning on or after January 1, 2023, but not for interim periods prior to December 31, 2023.

The amendment has an impact on the information to be provided in the Notes to the consolidated financial statements, as the Group is subject to the Pillar Two rules (consolidated revenues exceed 750 M€/year).

# Accounting standards, amendments and interpretations endorsed by the EU but not yet adopted by the Group

A description is given below of the standards and interpretations that had already been issued as of the date of preparation of these consolidated financial statements but were not yet in effect. The Group intends to adopt these standards and interpretations, where applicable, when they come into effect.

### Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

On September 22, 2022, the IASB published an amendment entitled "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". This document requires the seller-lessee to measure the lease liability arising from a sale and leaseback transaction in order to avoid recognizing any amount of the gain or loss relating to the right of use it retains. The amendment will be effective from January 1, 2024, but earlier application is permitted. These amendments are not expected to have a material impact on the Group's financial statements.

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

Amendments to paragraphs 69 to 76 of IAS 1, effective from January 1, 2024, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

- > what is meant by the right to defer settlement;
- > the right to defer settlement must exist at the reporting date;
- > the classification is unaffected by the likelihood that an entity will exercise its deferral right;
- > only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.



In addition, a requirement has been introduced to provide disclosure when a liability arising from a loan agreement is classified as non current and the entity's right of deferral is subject to compliance with covenants within 12 months. These amendments are not expected to have a material impact on the Group's financial statements

### Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures (effective from January 1, 2024) additional disclosures are required, to clarify the characteristics of reverse factoring arrangements and require further disclosure of those agreements. The disclosure requirements included in the amendments are intended to help users of financial statements understand the effects on an entity's liabilities, cash flows and exposure to liquidity risk of reverse factoring arrangements.

The Group is currently assessing the impact the above-mentioned amendments will have on the Group's financial statements.

# consolidation procedure

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In preparing the financial statements for the consolidated companies the line-by-line consolidation method was used, consisting in recording all the items under assets and liabilities and in the Income Statement in their entirety.

Consolidated companies are those over which the Group has control, which is obtained when the Group is exposed or entitled to variable returns deriving from its relationship with the investee entity, and at the same time has the ability to affect such returns by exercising its power over that entity.

The results achieved by the consolidated company following initial consolidation were entered in a specific item of consolidated equity denominated "Profits and losses carried forward."

Any profits and losses that have yet to be realized in relation to third parties deriving from transactions between Group companies were eliminated, as well as the items that give rise to payables, receivables, costs and revenues.

The dividends distributed by the Companies within the Group were cancelled.

The portions of shareholders' equity and profit due to minority shareholders of the consolidated subsidiaries were deducted from the Group portions and recorded separately under specific items of consolidated equity and in the income statement.

The financial statements of foreign companies were converted to Euro, applying the year-end exchange rate for all assets and liabilities and the average exchange rate calculated over the full 12 months for items in the income statement. The items of equity existing at the date of initial consolidation are converted at the exchange rates effective at that date, while subsequent changes are converted at the historic exchange rates effective at the date of the relative transactions. Conversion differences arising both from the conversion of equity items at the year-end rates with respect to the historic rates, and existing between the average exchange rates and year-end exchange rates for the income statement, are recorded in a specific item of consolidated equity denominated "Currency conversion reserve."

The exchange rates utilized for companies operating outside the Euro area are as follows:

COMPANY	Currency	ER 31.12.2023	2023 ER average	ER 31.12.2022	2022 ER average
Bonfiglioli Transmission (Aust) Pty Ltd	AUD	1.6263	1.6288	1.5693	1.5167
Bonfiglioli Redutores Do Brasil Ltda	BRL	5.3618	5.401	5.6386	5.4399
Bonfiglioli Canada Inc.	CAD	1.4642	1.4595	1.444	1.3695
Bonfiglioli Drives Shanghai Co. Ltd.	CNY	7.8509	7.66	7.3582	7.0788
Bonfiglioli Trading Shanghai Co. Ltd	CNY	7.8509	7.66	7.3582	7.0788
Selcom Electronics (Shanghai) Co., Ltd.	CNY	7.8509	7.66	7.3582	7.0788
Bonfiglioli Transmission Pvt Ltd	INR	91.9045	89.3001	88.171	82.6864
Bonfiglioli Drive Solutions Private Limited	INR	91.9045	89.3001	88.171	82.6864
Bonfiglioli U.K. Ltd	GBP	0.86905	0.86979	0.88693	0.85276
Bonfiglioli South East Asia Pte Ltd	SGD	1.4591	1.4523	1.43	1.4512
Bonfiglioli USA Inc.	USD	1.105	1.0813	1.0666	1.053
Bonfiglioli Power Transmission Pty Ltd	ZAR	20.3477	19.9551	18.0986	17.2086
Bonfiglioli Power Transmission JSC (*)	TRY	32.6531	32.6531	19.9649	17.4088
Bonfiglioli Vietnam Ltd	VND	26,808.0	25,770.68627	25,183.0	24,630.01167

(\*) In application of IAS 29, for the Turkish company, the spot exchange rate was also used for the consolidation of the Income Statement

There are no companies consolidated using the Net Equity Method.



## valuation criteria

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The consolidated financial statements have been prepared in accordance with the general criterion of reliable and truthful representation of the Group's assets and liabilities, financial position, results of operations and cash flows, in compliance with the general principles of going concern, accrual basis of accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting and comparability of information.

Specifically, the valuation criteria adopted in the preparation of the financial statements are as specified below.

#### PROPERTY, PLANT, MACHINERY AND OTHER TANGIBLE ASSETS

Property, plant, machinery and other tangible assets are recognized at cost, net of the related depreciation and any impairment losses, in accordance with IAS 16 and IAS 36. Land and buildings are assets that can be separated and treated separately for accounting purposes, even when acquired together.

Acquisition costs mainly include the purchase price (including import duties and non-recoverable Taxes, after deduction of any trade discounts and discounts) or production costs and all costs directly attributable to bringing the goods to the place and in the conditions necessary for their operation.

Where the conditions are met and it is possible to make a reliable estimate, the costs of dismantling and removing an asset and restoring the site where it is located must be capitalized together with the related asset and depreciated over the residual life of the asset. The related obligation to dismantle, remove and restore items of tangible assets shall be recognized as a provision in accordance with IAS 37.

Subsequent costs for improvements and repairs are included in the book value of the asset or recognized as separate assets only when they meet their definition and it is probable that the future economic benefits associated with the item will flow into the company and when the cost can be measured reliably, with appropriate review and adjustment to the useful life of the asset. Otherwise, these costs must be recognized in the income statement in the period in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated residual useful life of the asset, on a daily basis (pro rata temporis).

The technical useful life of tangible assets on the basis of which the depreciation process is determined are included in the following ranges:

CATEGORIES	USEFUL LIFE				
Land	Indefinite				
Buildings	10-50 years				
Plant and Machinery	4-10 years				
Industrial and commercial equipment	3-10 years				
Other assets	3-10 years				
Assets in progress and advances	No depreciation				
Rights to use on tangible assets	Based on the duration of the contract				
Leasehold improvements	Useful life of the asset and the duration of the contract, whichever is shorter				

Depreciation of an asset starts when it is available for use, i.e. when it is in the place and in the conditions necessary for its operation. Depreciation of an asset ceases on the date the asset is eliminated or on the date the asset is classified as held for sale, whichever is earlier. Therefore, depreciation does not cease when the asset becomes inactive or is withdrawn from active use unless the asset is fully depreciated.

#### RIGHT OF USE (LEASED ASSETS)

IFRS 16 makes no distinction for the lessee between operating and financial leases and therefore, it applies to all leases except for contracts that, on the date of effect, have a duration of 12 months or less and do not contain purchase options (short-term leases) and whose underlying asset is of low value (low-value lease).

The following are excluded from the scope of IFRS 16:

- > Lease agreements to explore for or use minerals, oil, natural gas and similar non-regenerative resources.
- > Lease of biological assets within the scope of IAS 41.
- > Service concession agreements under IFRIC 12.
- > Intellectual property licenses granted by a lessor under IFRS 15.
- > Rights held by lessees under licensing agreements under IAS 38 for items such as films, video recordings, plays, manuscripts, patents and copyrights.

A lease is defined as a contract, or part of a contract, which gives the lessee control and the right to use an asset for a period in exchange for remuneration. Control is transmitted where the customer has both the right to direct the use of the identified goods and to obtain substantially all the financial benefits from such use.

However, if a supplier has a substantial right of substitution during the period of use a customer does not have control over the identified asset. A supplier's right of substitution is considered substantial only if the supplier has the practical ability to replace the asset during the period of use and is the party that will benefit financially from the substitution. IFRS 16 requires lessees to account separately for the various elements of the contract: a lease contract and a service contract. Lessors must allocate the consideration in accordance with IFRS 15.

At the beginning of the lease, the lessee must account for the right to use the asset against the related financial liability as an asset. The right to use is measured at cost and consists of the initial lease liability plus any payment made to the lessor in advance or at the date of signature (net of any lease incentives received), in addition to the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The lessee recognizes the restoration costs as a provision in accordance with IAS 37. Initial direct costs are defined as incremental costs for obtaining a lease that would not have been incurred if the lease had not been obtained.

The lease liability is initially measured at the current value of the lease payments during the term of the contract that are not paid at the date of signature. The discounted rate used by the lessee is the interest rate implicit in the lease if this can be easily determined. If this rate cannot be easily determined, the lessee must use its own incremental borrowing rate. The incremental borrowing rate is the interest rate that a lessee would have to pay to borrow – on a similar term and with a similar security – the funds necessary to obtain an asset of similar value to the right to use in a similar economic environment.

After the commencement of the lease, the lessee measures the asset at cost, net of accumulated depreciation and any impairment losses, in accordance with IAS 16 and IAS 36.

The right to use the asset is amortized for the shortest period between the duration of the lease and the useful life of the right to use the asset, unless there is a transfer of ownership or an option to purchase that the lessee is reasonably certain to exercise at the end of the lease period. In this case the lessee amortizes the right to use the asset for the estimated residual useful life of the underlying asset.

The lessee must remeasure the book amount of the lease liability to reflect any changes in the lease or fixed lease payments that are substantially revised. Redetermination of the lease liability takes place if the cash flow changes with respect to the original terms and conditions of the lease. Amendments that were not part of the original terms and conditions of the lease are amendments to the lease.

Any remeasurement of the lease liability shall entail a corresponding adjustment of the right to use the asset. If the book value is already reduced to zero, the residual adjustment is recognized in the income statement.

If the lease change increases the scope of the lease by adding the right to use multiple underlying assets and the increase in the lease fee is commensurate, the change is accounted for as a separate lease.

#### DEVELOPMENT COSTS

An intangible asset arising from the development (or the development phase of an internal project) shall be recognized as an intangible asset if, in addition to meeting the general requirements for recognition and initial measurement of an intangible asset, the entity can demonstrate the following:

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- > The intention to complete the intangible asset and to use or sell it.
- > The technical feasibility of completing the intangible asset so that it is available for use or sale.
- > Its ability to use or sell the intangible asset.
- > How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the production of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- > The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- > Its ability to reliably measure the expenses attributable to the intangible asset during its development.

Research expenses (or expenses for the research phases of an internal project) cannot be capitalized as Intangible Assets and must be entered in the Income Statement when they are incurred.

In accordance with IAS 38, development costs are capitalized in the relevant item and subject to amortization only when the development phase is completed and the developed project begins to generate economic benefits. Until that date, they are classified as assets under construction even if generated internally, in which case they are also suspended and entered in the income statement as increases in assets for internal works, or through the expenditure of external costs.

#### BUSINESS COMBINATIONS AND GOODWILL

Pursuant to IFRS 3, business combinations are accounted for using the purchase accounting method. The acquirer must identify the date of acquisition, i.e. the date on which it actually gains control of the acquiree. The value of the company being aggregated is the sum of the fair value of assets and liabilities acquired, including contingent liabilities. This value is compared with the book value of the consolidated investments. Any positive difference between the purchase cost of the investment and the fair value of the acquired company is recognized as goodwill where the conditions for recognition as an asset are met. If the difference is negative, it is recorded in the income statement. Changes in the interests held in a subsidiary that do not result in the loss of control are accounted for in equity.

In accordance with IFRS 3, the allocation of any goodwill arising from acquisitions of Cash Generating Units (CGUs) should be determined on the basis of an assessment of the individual CGUs or groups of CGUs that should benefit from business combination synergies. These CGUs should represent the lowest level at which goodwill is monitored for internal management purposes and should not be greater than an operating segment as defined in IFRS 8. Please note that IFRS 8 - Operating Segments is not applicable to the Bonfiglioli Group.

#### **INTANGIBLE ASSETS**

Intangible assets are non-monetary items without physical substance that are clearly identifiable and capable of generating future economic benefits. These items are recognized at cost.

An intangible asset shall be considered to have an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period during which the asset is expected to generate net financial flows for the entity. In accordance with IAS 38 and IAS 36, an intangible asset with a defined useful life is measured at cost net of the related amortization provision and any impairment losses, and amortized on a straight-line basis over its useful life on a daily basis (pro rata temporis). Amortization starts when the asset is in the place and in the necessary conditions for its operation and ceases on the date the asset is eliminated or on the date the asset is classified as held for sale, whichever is earlier.

Amortization of an intangible asset with a defined useful life does not cease when the intangible asset is no longer used, unless that asset has been fully amortized or classified as held for sale.

An intangible asset with an indefinite useful life is measured at cost net of any accumulated impairment losses and is not amortized.

The useful lives of intangible assets, on the basis of which the amortization process is determined, are included in the following ranges:

CATEGORIES	USEFUL LIFE
Development costs	5 years or life cycle of the developed products
Goodwill and other indefinite useful life intangible assets	Indefinite
Patents and rights to use intellectual property	3-20 years
Concessions, licenses, trademarks and similar rights	3-20 years
Customer List	15-20 years
Assets in progress and advances	No depreciation
Other intangible assets	Specific by case

#### **IMPAIRMENT**

In accordance with IAS 36, goodwill, intangible assets with an indefinite useful life and ongoing development costs are subject to systematic impairment testing at least annually. Tangible assets and other intangible assets with a defined useful life are subject to impairment tests if indicators of impairment emerge.

Impairments are the difference between the book value and the recoverable amount of an asset. The recoverable amount is the greater of the fair value of an asset or CGU, less costs of sale, and its value in use. The value in use is the sum of the cash flows expected from the use of an asset or their sum in the case of multiple CGUs. For the cash flow approach, the unlevered discounted cash flows method is used and the discount rate is determined for each group of assets according to the WACC (weighted average cost of capital) method. If the recoverable value is lower than the book value, the loss in value is recorded in the income statement, unless it is restored in the event of subsequent revaluation, within the limits of the initially recorded value. Restoration is not allowed for impairment losses accounted for with regard to Goodwill.

#### SHARE INVESTMENTS

In accordance with IFRS 9, share investments are measured at cost adjusted for impairment, which is considered representative of their fair value. Share investments are subject to impairment testing when indicators of impairment have been identified. If the aforementioned loss in value is no longer considered lasting following positive performance of the company, the value of the investment is restored up to the purchase or subscription cost.

#### FINANCIAL DERIVATIVES

Derivatives are financial instruments and are classified under current and non-current assets (positive fair value) or liabilities (negative fair value) depending on their contractual maturity. Non-current amounts with a maturity of more than five years must be entered separately.

In accordance with IFRS 9, derivatives, including embedded derivatives that are separated from the main contract, are initially accounted for at fair value.

Derivatives are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge – verified periodically – is high.

When hedging derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedge), they are entered at fair value through profit or loss. For consistency, the hedged instruments are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedges), the hedged risk is the volatility in future cash flows that will affect the income statement. To the extent that the hedge is effective, changes in the fair value of the derivative are in this case deferred to a "Hedging Reserve (OCI)" in equity and reverted to the income statement in the period in which the hedged transaction affects the income statement.

The ineffective part of the change in fair value, as well as the entire change in fair value of derivatives that are not designated as hedging derivatives or that do not meet the requirements of IFRS 9, is accounted for directly in the income statement.

#### FINANCIAL ASSETS

In accordance with IFRS 9, financial assets are classified as current assets, except where the contractual maturity at the reporting date exceeds 12 months, in which case they are classified as non-current assets and are initially recognized at



fair value plus ancillary charges. Non-current financial assets include long-term financial receivables and other long-term securities, other long-term investments, callback capital and non-callback capital.

At the time of first recognition, according to the cases and characteristics of the contractual cash flows of financial assets, financial assets are classified based on subsequent measurement methods, i.e. amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

For the purposes of subsequent measurement, financial assets are classified into four categories: (i) Financial assets at amortized cost (debt instruments), (ii) Financial assets at fair value through profit or loss with reclassification of cumulative gains and losses (debt instruments), (iii) Financial assets at fair value through profit or loss without reclassification of cumulative profits and losses at disposal (equity instruments) and (iv) Financial assets at fair value through profit or loss. Financial assets measured at amortized cost, which represent the main category for the Group, are subsequently measured at amortized cost using the effective interest method, net of any value adjustments. They are classified as current assets, except where the contractual maturity at the reporting date exceeds 12 months, in which case they are classified as non-current assets.

If in subsequent periods the conditions that led to a impairment loss cease to exist, the book value of the asset in question shall be restored to the net book value that the asset would have had in the absence of a impairment loss, using the amortized cost method.

Financial assets are removed from the financial statements when the right to receive liquidity has ceased, the Group has transferred to a third party the right to receive cash flows from the asset or has assumed the contractual obligation to pay them in full and without delay and (1) has substantially transferred all the risks and rewards of ownership of the financial asset, or (2) has not transferred or substantially retained all the risks and benefits of the asset, but has transferred control of it. In cases where the Group has transferred the rights to receive cash flows from an asset or has entered into an agreement under which it retains the contractual rights to receive cash flows from the financial asset but assumes a contractual obligation to pay cash flows to one or more beneficiaries (pass-through), it shall assess whether and to what extent it has retained the risks and benefits inherent in their possession.

For financial assets at amortized cost, gains and losses are recognized in the income statement when the asset is dell recognized, modified or revalued. In the case of assets recognized as FVOCI at the time of derecognition, the cumulative change in fair value recognized in the OCI is reclassified to the income statement, while for investments in equity securities the profits and losses obtained on these financial assets are never reverted to the income statement. Dividends are recognized as financial income in the income statement when the right to payment has been resolved, except when the Group benefits from such income as recovery of part of the cost of the financial asset, in which case such profits are recognized in the OCI.

#### **DEFERRED TAXES**

In accordance with IAS 12, deferred Tax assets and liabilities are calculated on all temporary differences arising between the Tax base of an asset or liability and the related book value.

Deferred Taxes are recognized only if it is probable that in subsequent financial years sufficient Taxable profit will be generated for the realization of these deferred Taxes. The book value of deferred Tax assets is reviewed at each financial statement date and reduced to the extent that it is no longer probable that sufficient Taxable amounts will be available in the future to allow all or part of this receivable to be used. Unrecognized deferred Tax assets are reviewed at each financial statement date and are recognized to the extent that it becomes probable that Taxable income will be sufficient to allow the recovery of such deferred Tax assets.

Deferred Tax assets and liabilities are calculated using the Tax rates that, on the date of closure of the financial statements, are expected to be applied in the years in which the related temporary differences will be reversed.

#### **INVENTORIES**

Inventories are valued, in accordance with IAS 2, taking into account the general principle of the lower between purchasing cost and market value. In particular:

- > Raw materials are valued using the FIFO method.
- > Work in progress is valued according to the stage of completion reached on the basis of the cost of materials, labour, industrial depreciation and indirect production costs.

- > Semi-finished and finished products are valued using the FIFO method on the basis of the cost of materials, labour, industrial depreciation and other production costs.
- > Obsolete or slow-moving materials and products are valued according to their estimated useful life or future market value by means of an entry under impairment provisions.

Infra-group profits present within the inventories of the consolidated companies have been eliminated.

#### TRADE RECEIVABLES

Trade receivables arise when an entity supplies goods or provides services to its customers. Trade receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Receivables arising from transactions with parties other than customers or not arising from the supply of goods or services fall within the definition of Other receivables and assets.

Trade receivables are recognized when all revenue recognition requirements are met in accordance with IFRS 15 and included below in the "Revenue Recognition" section.

In accordance with IFRS 9, trade receivables are initially recognized at fair value, which is the value of the receivable arising from the agreement between the seller and the buyer, net of any trade discounts and volume reductions allowed. They are classified as current assets, except where the contractual maturity at the reporting date exceeds 12 months, in which case they are classified as non-current assets with a separate entry for receivables due after five years.

Trade receivables are subsequently measured at amortized cost using the effective interest method, net of any provisions for impairment losses. Short-term trade receivables are not discounted if the effect of discounting is negligible.

A specific provision for bad debts has been established to cover possible insolvency risks. The amount of the doubtful items is verified periodically and – in any case – at the end of each year, taking into account both the insolvencies that have already occurred or are considered probable and general economic, industry and country risk conditions, thus applying the concept of "Expected Credit Loss" or "ECL" envisaged by IFRS9.

#### CURRENT TAXES (RECEIVABLES OR PAYABLES)

These represent the amounts of income Tax receivable from, or payable to, the Tax authorities in accordance with the annual Tax return filed or to be filed at the end of the reporting period, recognized in accordance with IAS 12.

#### CASH AND CASH EQUIVALENTS

In accordance with IAS 7, cash and cash equivalents are cash balances and short-term cash investments (maturity not exceeding three months) that are highly liquid, readily convertible into cash and subject to negligible risk of changes in value.

#### OTHER RECEIVABLES AND ASSETS

Other receivables and assets mainly include Tax receivables other than those relating to income Tax, security or guarantee deposits, receivables from employees and social security institutions, refunds to be received and accruals and deferrals. They are classified as current assets, except where the contractual maturity at the reporting date exceeds 12 months, in which case they are classified as non-current assets. Receivables must be shown net of any provisions for bad debts, and non-current amounts due beyond five years must be indicated separately.

Other receivables and assets are initially recorded at fair value and subsequently recorded at amortized cost using the effective interest method, net of any value adjustments.

If in subsequent periods the conditions that led to an impairment loss cease to exist, the book value of the asset in question shall be restored to the net book value that the asset would have had in the absence of an impairment loss, using the amortized cost method. Other receivables and assets are not discounted if the effect of the discount is insignificant or if they are expected to be realized within 12 months.

#### **BORROWINGS**

Loans consist of contractual obligations to deliver cash or other financial assets to another entity. Loans are classified as current unless the company has an unconditional right to defer settlement of the obligation for at least 12 months after the financial statement date. The portion of long-term loans due within 12 months is considered current. Non-current amounts due beyond five years must be entered separately.



In accordance with IFRS 9, loans are initially recognized at fair value, net of transaction costs directly attributable to the issuance of the financial liability. After the initial valuation, financial payables must be valued at amortized cost using the effective interest method. The amortized cost is calculated net of adjusted transaction costs over the life of the liability so that the book value at maturity is the amount repayable at maturity.

The financial liability is settled when the underlying obligation is discharged or cancelled by the counterparty. If a financial liability is settled, it must be recognized and the entity must enter in the Income Statement any difference arising between the book value of the settled financial liability and the consideration paid.

An exchange between an existing borrower and a debt instrument lender with substantially different terms should be accounted for as the repayment of the original financial liabilities and recognition of new liabilities. Similarly, a material change in the term of an existing financial liability or part of it should be accounted for as repayment of the original financial liability and recognition of the new financial liability.

The terms are substantially different if the discounted current value of the cash flow under the new terms, including any commissions paid, is at least 10% different from the discounted current value of the remaining cash flow of the original financial liability.

If it is a repayment, any costs or commissions incurred are recognized though profit or loss as part of the profit or loss on repayment. Otherwise, they adjust the book value of the liability and are amortized based on the residual maturity of the modified liability.

#### RESERVES FOR RISKS AND CHARGES

Reserves for risks and charges consider the provisions allocated to cover losses, or payables of a given nature and certain or probable existence, for which however the exact amount or date of outflow was not known at year-end. In accordance with IAS 37, the allocations reflect the best possible estimation of the relative amounts based on available information. Provisions must be classified according to their maturity as current or non-current liabilities.

#### EMPLOYEE BENEFIT OBLIGATIONS

In accordance with IAS 19R, the accounting treatment of employee benefits varies depending on whether they relate to defined contribution plans or defined benefit plans.

#### Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the company makes payments to an insurance company or pension fund and will have no legal or implied obligation to make further contributions if, at vesting, the fund does not hold sufficient assets to pay all employee benefits relating to service in the current or prior financial years. In other words, the company does not maintain actuarial risk (that the benefits will be lower than expected) or investment risk (that the assets invested will be insufficient to meet the expected benefits) with respect to the plan. These contributions are accounted for as a cost in the relevant period and the related liability must be classified under Other payables and liabilities.

#### Defined benefit plans

Defined benefit plans are formalized post-employment benefit programs that constitute a future obligation for the company, which bears the actuarial and investment risks related to the plan. Such plans must be recorded in this section, net of any plan assets, and classified at maturity as current or non-current liabilities. Non-current amounts due beyond five years must be entered separately.

Accounting for defined benefit plans requires that the following steps be undertaken separately for each plan:

- > Determine the current value of the defined benefit obligation (DBO) and the current cost of the service using the projected unit credit method.
- > Use actuarial techniques (using mutually compatible demographic and financial assumptions) to make a reliable estimate of the amount of benefits obtained in exchange for services in current and previous financial years.
- > Measure the fair value of any plan assets.
- > Determine the total amount of actuarial profits and losses and recognize them in equity in a specific reserve.
- > Determine the effect of any changes to the plan when they occur.

#### TRADE PAYABLES

Trade payables are those arising from the normal business of the company and refer to invoices already received, as well as those to be received, net of any credit notes received or to be received (for returns and billing adjustments). Trade payables are generally classified as current liabilities because they are assumed to be extinguished in the normal course of operations within 12 months of the financial statement date. Trade payables due beyond 12 months are recognized as non-current liabilities.

In accordance with IFRS 9, trade payables are initially recognized at fair value, which is the value of the consideration payable as determined by the agreement between the company and the supplier. In determining fair value on initial recognition, the amount of any trade discounts and volume reductions must be taken into account.

Trade payables are subsequently measured at amortized cost using the effective interest method. Short-term trade payables are not discounted if the effect of discounting is negligible. The same cancellation rules described for the Loans item are adopted.

#### OTHER PAYABLES AND LIABILITIES

Other payables and liabilities mainly include Tax receivables other than those relating to income Tax, security or guarantee deposits, payables from employees and social security institutions, refunds to be received and accruals and deferrals. They are classified as current liabilities, except where the contractual term at the reporting date exceeds 12 months, in which case they are classified as non current liabilities. Non current amounts due beyond five years must be detailed separately.

Other payables and liabilities are initially recorded at fair value and subsequently recorded at amortized cost using the effective interest method. Other payables and liabilities are not discounted if the effect of discounting is negligible.

Other long-term employee benefits, other than post-employment benefits, are accounted for under this item and recognized in accordance with IAS 19R.

#### **REVENUE RECOGNITION**

In accordance with IFRS 15, revenues from contracts with customers are recognized on the basis of the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the contractual commitments (performance obligations) to be transferred to the customer in exchange for the consideration; (iii) identification of the consideration of the contract; (iv) allocation of the consideration to the individual performance obligations; (v) recognition of the revenue when the related performance is satisfied. Revenues from the sale of goods and services are recognized in the income statement "at a point in time," when the Group has fulfilled its obligations under the contract with customers and has transferred the risks and benefits of ownership of the goods to the buyer, for an amount that reflects the consideration to which the company expects to be entitled in exchange for the transfer of control of goods or services to the customer net of directly related returns, discounts, premiums, rebates and Taxes.

Sales are recorded at the fair value of the consideration agreed to for the sale of goods or services when the following conditions are met:

- > The substantial transfer of the risks and benefits associated with ownership of the goods has taken place, which generally occurs at the time of shipment or at the time of receipt.
- > The value of revenues is reliably determined.
- It is likely that the economic benefits from the sale will be enjoyed by the company.
- > The costs incurred or to be incurred are reliably determined.

Other revenues and income are recognized on an accruals basis.

#### **COST RECOGNITION**

Costs are recorded when they relate to goods and services acquired or consumed during the financial year or by systematic allocation or when their future usefulness cannot be identified.



#### ENTRIES POSTED IN FOREIGN CURRENCY

Transactions in foreign currency are converted into Euro at the exchange rates on the transaction dates. Exchange rate gains and losses incurred at the time of collection of receivables and settlement of payables in foreign currency are recorded in the income statement under financial income and costs.

Receivables and payables existing at year-end expressed in currencies other than Euro were converted at the exchange rates effective at year-end.

#### DETERMINATION OF FAIR VALUE FOR FINANCIAL INSTRUMENTS

IFRS 13 defines the following three levels of fair value that the measurement of financial instruments recognized in the balance sheet relate to:

- > Level 1: quotations recorded on an active market.
- > Level 2: Inputs other than quoted prices referred to in the previous point that can be observed directly (prices) or indirectly (derived from prices) on the market.
- > Level 3: inputs that are not based on observable market data.

The following are the assets and liabilities that are measured at fair value by hierarchical level of fair value measurement:

PECCHICAL	31.12.2023				31.12.2022	
DESCRIPTION	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Share investments	-	-	83	-	-	83
Non current positive derivatives	-	1,249	-	-	2,146	-
Current positive derivatives	-	1,213	-	-	1,899	-
Non current negative derivatives	-	-	-	-	-	-
Current negative derivatives	-	(270)	-	-	(584)	-
Non current borrowings	-	-	(438)	-	-	(444)
Current borrowings	-	-	-	-	-	-
Other current liabilities (Purchase of share investments)	-	-	-	-	-	-
Total	-	2,192	(355)	-	3,461	(361)

# use of significant estimates and assumptions

#### 

The preparation of the financial statements and related notes in application of IFRS requires Management to make estimates and assumptions that have an effect on the values of revenues, costs, assets and liabilities in the financial statements and on the disclosure of potential assets and liabilities at the date of the financial statements. Estimates are based on valuations and past experience as well as on assumptions that are valued on a case-by-case basis according to the specific circumstances. The final results may therefore differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the income statement. In applying the accounting standards and, more generally, in preparing the economic and financial reporting, the Group has taken into account any impacts arising from environmental issues and climate change, and has not identified any significant impacts, including in relation to the significant estimates and assumptions. Below are the main items of the financial statements affected by the use of accounting estimates and the cases that involve a component of judgement by the management.

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment occurs when the book value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value minus sales costs and its value in use. The book value of non-current assets is subject to annual or periodic review whenever circumstances or events require more frequent verification. The recoverable amount of a non-current asset is based on estimates and assumptions used to determine cash flows and the discount rate applied.

#### **TAXES**

Deferred Tax assets are recognized to the extent that it is probable that in the future there will be a Taxed profit that will allow them to be used. Relevant estimation by the management is required to determine the amount of Tax assets that can be recognized on the basis of future Taxable profits, the timing of their occurrence and the Tax planning strategy. The consolidated financial statements include deferred Tax assets related to the recognition of previous Tax losses and deferred Tax deductible income components, for an amount whose recovery in future years is considered probable by the management.

In the presence of uncertain Tax treatments, the Group determines the probability of their acceptance by the Tax authorities. If acceptance is considered probable, the Tax values take into account the uncertain Tax treatment. If acceptance is considered unlikely, the Group calculates the effect of this uncertainty using the most probable amount or expected value method.

#### RESERVES FOR RISKS AND CHARGES

Provisions for risks and charges are calculated using valuations and estimates based on historical experience and assumptions that are deemed to be reasonable and realistic in light of the relevant circumstances.

# ACTUARIAL ASSUMPTIONS USED IN THE VALUATION OF DEFINED BENEFIT PLANS

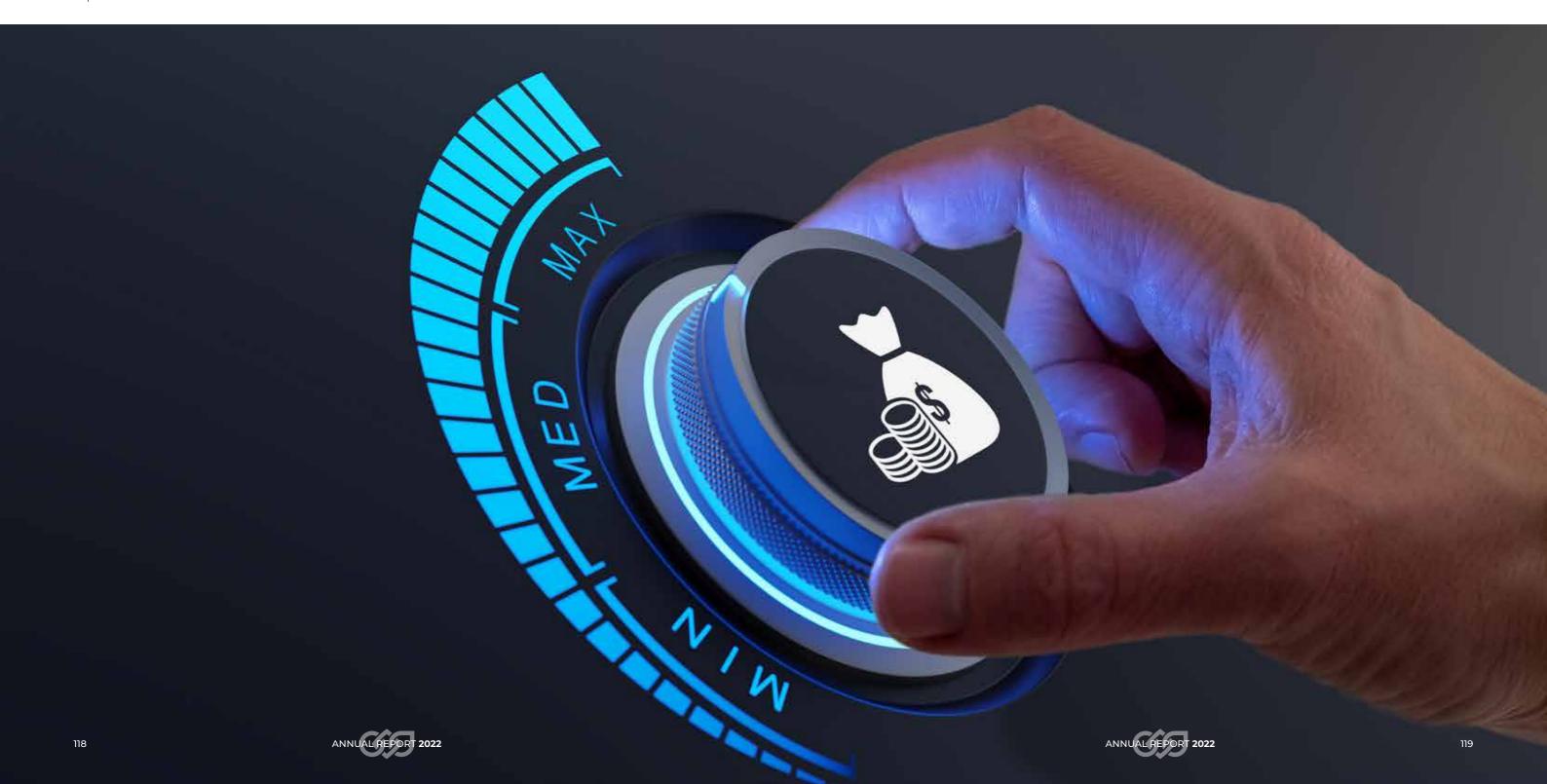
The cost of defined benefit pension plans and other post-employment benefits and the current value of the defined benefit obligation are determined using actuarial valuations. Actuarial valuation requires the elaboration of various assumptions that may differ from the effective future developments including: the determination of the discount rate, future wage increases, mortality rates and future pension increases. Due to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually.



# capital management

## 

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve, and all other capital reserves attributable to the shareholders of the parent company. The main objective of capital management is to maximize the value for shareholders. The Group manages the capital structure and makes adjustments according to the economic conditions and the requirements of the financial covenants. The Group controls equity using some equity and structural indicators, for an analysis of which we refer you to the Management Report.





# comments on the single items of the financial statements

## .....

#### STATEMENT OF FINANCIAL POSITION

1. Property, plant, machinery and other tangible assets

The column "Change in consolidation area" includes the balances at January 1, 2023 of the assets pertaining to the Selcom Group.

The "Other Movements" column mainly includes reclassifications related to the year-end completion of assets in progress, transfer of ownership of assets that were under right of use at the end of the previous year, revaluation of the opening balances resulting from the application of IAS 29 to the financial statements of the Turkish company, and foreign exchange differences.

During the year, the Group made investments mainly related to the purchase or right of use of land and buildings (37 M€), the purchase of plant, machinery and equipment (32.4 M€) mainly related to the Group's production plants.

For a detailed analysis of the investments made during the year we refer you to the Management Report.

DESCRIPTION	31.12.2021	INCREASES	DECREASES	OTHER CHANGES	31.12.2022	CONSO. AREA CHANGES	INCREASES	DECREASES	OTHER CHANGES	31.12.2023
HISTORIC COST										
- Land and buildings	189,542	6,090	-	2,569	198,201	2,442	27,249	(476)	8,907	236,323
- Right to use land and buildings	44,149	6,446	(2,510)	(617)	47,468	5,956	10,250	(4,024)	(835)	58,815
- Plant and machinery	266,458	16,622	(6,194)	2,783	279,669	31,683	21,044	(6,354)	4,064	330,106
- Right to use plant and machinery	2,669	24	(34)	(2,249)	410	11,534	78	(5)	(4,357)	7,660
- Industrial and commercial equipment	141,553	13,391	(3,720)	(17)	151,207	5,803	12,918	(6,062)	(832)	163,034
- Other tangible assets	32,048	2,899	(1,207)	(67)	33,673	1,271	6,124	(1,357)	551	40,262
- Right to use other tangible assets	7,661	1,582	(1,226)	(69)	7,948	330	2,421	(1,095)	31	9,635
- Assets in progress and advances	16,771	15,579	-	(4,944)	27,406	77	7,224	(165)	(17,161)	17,381
Total (A)	700,851	62,633	(14,891)	(2,611)	745,982	59,096	87,308	(19,538)	(9,632)	863,216
ACCUMULATED AMORTIZATION										
- Land and buildings	54,901	5,035	-	(116)	59,820	282	5,360	(476)	(670)	64,316
- Right to use land and buildings	12,194	4,056	(2,435)	(127)	13,688	2,352	4,908	(3,629)	(244)	17,075
- Plant and machinery	195,440	15,582	(6,183)	869	205,708	19,743	19,044	(5,095)	(1,805)	237,595
- Right to use plant and machinery	1,980	73	(34)	(1,755)	264	2,868	916	(3)	(1,227)	2,818
- Industrial and commercial equipment	111,394	12,689	(3,616)	(541)	119,926	4,657	13,123	(5,656)	(1,123)	130,927
- Other tangible assets	22,686	2,737	(1,198)	(47)	24,178	744	3,103	(1,317)	173	26,881
- Right to use other tangible assets	3,618	1,820	(1,190)	(62)	4,186	251	2,010	(1,038)	32	5,441
Total (B)	402,213	41,992	(14,656)	(1,779)	427,770	30,897	48,464	(17,214)	(4,864)	485,053
NET VALUES										
- Land and buildings	134,641	1,055	-	2,685	138,381	2,160	21,889	-	9,577	172,007
- Right to use land and buildings	31,955	2,390	(75)	(490)	33,780	3,604	5,342	(395)	(591)	41,740
- Plant and machinery	71,018	1,040	(11)	1,914	73,961	11,940	2,000	(1,259)	5,869	92,511
- Right to use plant and machinery	689	(49)	-	(494)	146	8,666	(838)	(2)	(3,130)	4,842
- Industrial and commercial equipment	30,159	702	(104)	524	31,281	1,146	(205)	(406)	291	32,107
- Other tangible assets	9,362	162	(9)	(20)	9,495	527	3,021	(40)	378	13,381
- Right to use other tangible assets	4,043	(238)	(36)	(7)	3,762	79	411	(57)	(1)	4,194
- Assets in progress and advances	16,771	15,579	-	(4,944)	27,406	77	7,224	(165)	(17,161)	17,381
Total (A-B)	298,638	20,641	(235)	(832)	318,212	28,199	38,844	(2,324)	(4,768)	378,163



#### 2. Development costs and other intangible assets

DEVELOPMENT COSTS	31.12.2021	INCREASES	DECREASES	OTHER CHANGES	31.12.2022	INCREASES	DECREASES	OTHER CHANGES	31.12.2023
HISTORIC COST (A)	2,719	-	(2,719)	7,204	7,204	-	-	-	7,204
ACCUMULATED AMORTIZATION (B)	2,719	721	(2,719)	-	721	720	-	-	1,441
NET VALUES (A-B)	-	(721)	-	7,204	6,483	720	-	-	5,763

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OTHER INTANGIBLE ASSETS	31.12.2021	INCREASES	DECREASES	OTHER CHANGES	31.12.2022	CONSO. AREA CHANGES	INCREASES	DECREASES	OTHER CHANGES	31.12.2023
HISTORIC COST										
- Patents and right to use intellectual properties	49,286	1,803	(76)	156	51,169	7,292	1,263	(1,235)	420	59,603
- Concession, licenses, trademarks and similar rights	16,865	20	-	-	16,885	-	49	-	-	16,934
- Customer List	17,657	-	-	-	17,657	-	-	-	-	17,657
- Other intangible assets	180	-	(88)	-	92	-	-	-	-	92
- Assets in progress and advances	7,605	505	-	(7,425)	685	-	237	(25)	(662)	235
Total (A)	91,593	2,328	(164)	(7,269)	86,488	7,292	1,549	(1,260)	(242)	94,521
ACCUMULATED AMORTIZATION										
- Patents and right to use intellectual properties	36,090	2,949	(76)	(56)	38,907	5,248	3,599	(1,234)	(314)	46,901
- Concession, licenses, trademarks and similar rights	5,587	836	-	-	6,423	-	824	-	(1)	7,246
- Customer List	5,298	883	-	-	6,181	-	883	-	-	7,064
- Other intangible assets	168	9	(88)	-	89	-	1	-	-	89
Total (B)	47,143	4,677	(164)	(56)	51,600	5,248	5,307	(1,234)	(315)	61,300
NET VALUES										
- Patents and right to use intellectual properties	13,196	(1,146)	-	212	12,262	2,044	(2,336)	(1)	734	12,702
- Concession, licenses, trademarks and similar rights	11,278	(816)	-	-	10,462	-	(775)	-	1	9,688
- Customer List	12,359	(883)	-	-	11,476	-	(883)	-	-	10,593
- Other intangible assets	12	(9)	-	-	3	-	(1)	-	-	3
- Assets in progress and advances	7,605	505	-	(7,425)	685	-	237	(25)	(662)	235
Total (A-B)	44,450	(2,349)	-	(7,213)	34,888	2,044	(3,758)	(26)	73	33,221

Intangible assets do not include assets with an indefinite useful life.

The "Change in consolidation area" column includes the balances at January 1, 2023 of intangible assets pertaining to the Selcom Group.

The column "Other changes" mainly includes reclassifications related to the completion of assets in progress at year-end, the revaluation of the opening balances resulting from the application of IAS 29 to the financial statements of the Turkish company, and foreign exchange differences.

For an analysis of the investments made during the year we refer you to the Management Report.

#### **DEVELOPMENT COSTS**

These include the costs incurred by Bonfiglioli Vectron GmbH and capitalized in 2022 upon completion of the development activities for the AxiaVert range, Bonfiglioli's new high-performance modular drive (inverter and servo drive). The costs pertaining to the project (7.2 M€) have been accounted for in the relevant item and will be amortized over 10 years, equal to the estimated life cycle of the products developed. The company identified the cash-generating unit (CGU) in the business under development and used the related business plan prepared according to the product maturity cycle (10 years) to define the expected cash flows. The WACC discount rate used of 7.51% was specially calculated for the company

by a certified external professional and reflects the current market valuation of the money and risks specific to the asset in question. The impairment test carried out during the year did not reveal the need to make any write-downs.

#### IFRS 3 BUSINESS COMBINATION

In December 2015, the Group completed the acquisition of 55% of the German company O&K Antriebstechnik Gmbh. As required by IFRS 3, based on the total purchase cost and in relation to the fair value of the assets acquired, a total net gain of 30.4 M€ was determined, given by the difference between the acquisition price, already inclusive of the price relating to the exercise of the option on the remaining 45% acquired during 2018 at 17 M€, and the equity of the acquired Company. This capital gain, for a total of 45.8 M€ including deferred Taxes of 15.4 M€, was entirely allocated to the following intangible assets with a finite useful life (20 years):

- > Technology, recorded under intellectual property rights, for 12.1 M€ (the net book value as of December 31, 2023 amounts to 7.2 M€)
- > Trademark for 16 M€ (net book value as of December 31, 2023 of 9.6 M€)
- > Customer list for 17.7 M€ (the net book value as of December 31, 2023 amounts to 10.6 M€).

The useful life was reviewed during IFRS Adoption and on an annual basis without highlighting the need to make changes



to the rates that, where necessary, must be made with prospective application, nor were any impairment indicators identified.

#### ASSETS IN PROGRESS AND ADVANCES

These are advance payments to suppliers mainly made by the Parent Company for software development.

#### 3. share investments

DESCRIPTION	31.12.2021	INCREASES	DECREASES	31.12.2022	INCREASES	DECREASES	31.12.2023
Share investments in other companies	64	20	(1)	83	-	-	83
Total	64	20	(1)	83	-	-	83

For 10 K€, this is a 50% stake held by the subsidiary O&K in Grumento, owner of the leased building and listed among the rights to use in accordance with IFRS 16, and the remaining are consortium and minority share investments (BEST Hellas SA).

#### 4. financial derivatives

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Non current positive derivatives	1,249	2,146	(897)
Current positive derivatives	1,213	1,899	(686)
Total (A)	2,462	4,045	(1,583)
Non current negative derivatives	-	-	-
Current negative derivatives	270	584	(314)
Total (B)	270	584	(314)
Total (A-B)	2,192	3,461	(1,269)

Financial derivative assets refer to the total balance of positive fair value of derivatives connected with purchase/sale of forward currency and Interest Rate Swaps in place at the end of the financial year. The item can be broken down as follows:

	NOTIONAL	31.12.2023	NOTIONAL	31.12.2022
USD sales	USD 3,130,855	7	USD 1,181,947	1
GBP sales	GBP 350,000	3	GBP 780,000	18
AUD sales	AUD 138,000	1	AUD 3,979,000	54
CNY sales	CNY 11,500,000	9	CNY 7,200,000	19
EUR sales	EUR 2,950,000	5	-	-
EUR purchase	EUR 8,553,298	183	EUR 8,480,000	431
JPY purchase	JPY 605,584,247	98	JPY 734,411,230	126
CNY purchase	CNY 11,500,000	11	CNY 10,100,000	12
USD purchase	USD 900,000	4	-	-
IRS Selcom Group SpA	EUR 9,215,503	393	-	-
IRS Bonfiglioli SpA	EUR 38,540,000	1,748	EUR 55,760,000	3,384
Total		2,462		4,045

Financial derivative liabilities refer to the total balance of negative fair value of derivatives connected with purchase/sale of forward currency in place at the end of the financial year. The item can be broken down as follows:

	NOTIONAL	31.12.2023	NOTIONAL	31.12.2022
USD sales	USD 469,674	-	USD 1,218,422	17
GBP sales	GBP 525,000	3	GBP 19,500	-
AUD sales	AUD 3,022,932	39	AUD 1,742,448	9
CNY sales	-	-	CNY 7,900,000	8
JPY sales	JPY 398,753,292	8	JPY 349,938,780	42
EUR sales	EUR 5,871,761	118	EUR 9,501,254	506
EUR purchase	EUR 6,847,786	16	-	-
AUD purchase	-	-	AUD 160,000	2
USD purchase	USD 2,500,000	86	-	-
Total		270		584

#### 5. other financial assets

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Other non current financial assets	1,687	1,381	306
Other current financial assets	-	-	-
Total	1,687	1,381	306

These are dividends accrued by the subsidiary O&K Antriebstechnik GmbH from the investee company Grumento which, in accordance with the contract governing the transaction, will be paid at the end of the lease of the building and the related transfer of ownership.





#### 6. deferred taxes

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Deferred Tax assets (A)	37,058	34,257	2,801
Deferred Tax liabilities (B)	9,530	10,326	(796)
Total (A-B)	27,528	23,931	3,597

#### Details of the changes are outlined below:

	Deferred <sup>1</sup>	Tax assets	Deferred Tax liabilities		
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	
Opening balance	34,257	34,147	(10,326)	(12,281)	
Variation of the year	(373)	2,177	1,027	2,267	
Taxes recognized in "OCI"	873	(2,067)	118	(312)	
Consolidation Area changes	2,301	-	(349)	-	
Closing balance	37,058	34,257	(9,530)	(10,326)	

The items relating to deferred Taxes reflect the Taxes on temporary differences between the book values of consolidated assets and liabilities and their values recognized for Tax purposes. Deferred Tax assets mainly relate to Taxed funds and unrealized intra-group profits, while deferred Tax liabilities mainly relate to the capitalization of development costs and the deduction of amortization and depreciation at a higher rate than what is allowed in the financial statements. Deferred Tax assets on carried forward losses have been recorded only when it can be demonstrated that they are recoverable in the future. Deferred Taxes have been recorded using the Tax rates that are expected to be applied in the years in which the related temporary differences will be reversed.

The item "Consolidation Area changes" includes the balances as at January 1, 2023 pertaining to the Selcom Group.

Details are given below of the assets and liabilities to which the temporary differences relate to:

	31.12.2023				31.12.2022	
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and machinery	1,873	(3,584)	(1,711)	1,929	(3,331)	(1,402)
Intangible assets	2,403	(11,169)	(8,766)	1,734	(12,175)	(10,441)
Share investments	33	-	33	44	-	44
Inventory	15,669	(28)	15,641	14,092	(44)	14,048
Trade receivables	586	-	586	625	-	625
Risk reserves	5,525	-	5,525	6,274	-	6,274
Employee benefit obligations	1,869	(164)	1,705	1,903	(244)	1,659
Payables to employees	3,989	-	3,989	3,147	-	3,147
Trade payables	453	-	453	693	-	693
Other Equity reserves	310	(1,298)	(988)	93	(1,955)	(1,862)
Losses carried forward	10,317	-	10,317	10,737	-	10,737
Others	1,283	(539)	744	1,686	(1,277)	409
Reclassification for reporting	(7,252)	7,252	-	(8,700)	8,700	-
Total	37,058	(9,530)	27,528	34,257	(10,326)	23,931

The item "Losses carried forward" relate to deferred tax assets on losses for the year or previous years that the companies Bonfiglioli Do Brasil Ltda (1.5 M $\in$ ), Bonfiglioli Transmission (Aust) Pty Ltd (0.5 M $\in$ ), Bonfiglioli Canada Inc (0.2 M $\in$ ), Bonfiglioli Deutschland Gmbh (0.9 M $\in$ ), Bonfiglioli S.p.A. (5.0 M $\in$ ), Bonfiglioli South East Asia Ltd (0.1 M $\in$ ), Tecnotrans Bonfiglioli SA (0.5 M $\in$ ), O&K Antriebstechnik Gmbh (1.2 M $\in$ ) and Bonfiglioli Drives (Shanghai) Co. Ltd (0.4 M $\in$ ) have recognized by assessing the existence of assumptions for future recoverability of those losses based on updated strategic plans. Please note that:

- > Bonfiglioli Deutschland Gmbh has recognized deferred tax assets on losses only up to the amount of the deferred taxes. As a result, there are deferred tax assets of 0.8 M€ related to 4.8 M€ of losses that have not been acrrued and can be carried forward indefinitely;
- > O&K Antriebstechnik Gmbh has recognized deferred tax assets based on current expectations of future recoverability.

  As a result, there are deferred tax assets of 4.3 M€ related to 32 M€ of losses that have not been accrued;
- > Selcom Group S.p.A. has not recognized any deferred tax assets on carried forward losses. As a result, there are prepaid taxes of 6.2 M€ related to 26 M€ of losses that have not been accrued and can be carried forward indefinitely.

The following is a detailed summary:

COMPANY	Total losses carried forward	Losses carried forward relevant for deferred tax	Residual losses	Deferred tax assets booked on losses	Deferred tax assets not booked
Bonfiglioli S.p.A.	20,726	20,726	-	4,974	-
Selcom Group S.p.A	25,660	-	25,660	-	6,158
Bonfiglioli Deutschland GmbH	10,445	5,612	4,833	904	782
O&K Antriebstechnik GmbH	32,107	6,972	25,136	1,180	4,289
Tecnotrans Bonfiglioli Sa	1,960	1,960	-	490	-
Bonfiglioli Power Transmission Jsc	105	105	-	21	-
Bonfiglioli Canada Inc.	837	837	-	221	-
Bonfiglioli Redutores do Brasil Ltda	4,311	4,311	-	1,476	-
Bonfiglioli Drive Solutions Private Ltd	187	187	-	31	-
Bonfiglioli Drives (Shanghai) Co. Ltd	1,596	1,596	-	389	-
Bonfiglioli South East Asia Pte Ltd	672	672	-	114	-
Bonfiglioli Transmission (Aust) Pty Ltd	1,719	1,719	-	516	-
Closing balance	100,326	44,698	55,628	10,317	11,229

## 7. inventory

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Raw materials, supplies and consumables	82,212	60,048	22,164
Work in progress and semi finished goods	161,405	168,955	(7,550)
Finished goods and goods for resale	181,995	164,738	17,257
Advances	4,978	239	4,739
Total	430,590	393,980	36,610

 $\frac{26}{2}$ 



The net realisable value is estimated taking into account the market price in the ordinary course of business, from which completion costs and sales costs are deducted.

The foregoing amounts are net of the obsolete stocks provision, made up as follows:

OBSOLESCENCE RESERVE	31.12.2023	31.12.2022	CHANGE
Raw materials, supplies and consumables	9,716	5,812	3,904
Work in progress and semi finished goods	16,311	15,056	1,255
Finished goods and goods for resale	13,143	12,837	306
Total	39,170	33,705	5,465

Changes in the obsolescence reserve are shown below:

	31.12.2023	31.12.2022
Opening balance	33,705	29,398
Increases	4,782	7,084
Decreases	(3,713)	(2,758)
Consolidation area changes	5,318	-
Other changes	(922)	(19)
Closing balance	39,170	33,705

The movements for the year relate to changes made necessary by the application of the Group's procedure, based on the inventory rotation classes.

The "Consolidation area changes" includes the balances as at January 1, 2023 pertaining to the Selcom Group.

#### 8. trade receivables

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Trade receivables	285,405	313,640	(28,235)
Bad debt reserve	(11,979)	(12,175)	196
Advances from customers	(7,538)	(5,595)	(1,943)
Total	265,888	295,870	(29,982)

Changes in bad debt reserve are shown below:

	31.12.2023	31.12.2022
Opening balance	12,175	13,360
Increases	247	224
Decreases	(796)	(1,416)
Consolidation Area changes	474	-
Other changes	(121)	7
Closing balance	11,979	12,175

Decreases for the year consists of 0.4 M€ for the use of the reserve to close old receivables considered unrecoverable and 0.4 M€ for the release of the reserve in line with forecast collections for specific positions.

The item "Change in consolidation area" includes the balances as at January 1, 2023 pertaining to the Selcom Group. With regard to the assumptions used to determine the reserves, please refer to the section on valuation criteria.

Breakdown of trade receivables by geographical area:

	31.12.2023	31.12.2022	2023%	2022%
EMEA (Europe - Middle East - Africa)	149,941	154,992	56.4%	52.4%
AME (America)	43,277	53,795	16.3%	18.2%
APAC (Asia - Pacific)	72,670	87,083	27.3%	29.4%
Total	265,888	295,870	100.0%	100.0%

The increase of trade receivables in the EMEA area is consistent with the trend in turnover.

#### 9. current taxes

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Corporate Tax receivables (A)	6,104	5,465	639
Corporate Tax payables (B)	(588)	(979)	391
Total (A-B)	5,516	4,486	1,030

These represent the amounts of income Tax receivable from or payable to the Tax authorities in accordance with the annual Tax return filed or to be filed at the end of the reporting period.

#### 10. other receivables and assets

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Tax receivables	13,683	9,503	4,180
Other receivables	3,008	2,535	473
Other non current receivables and assets (A)	16,691	12,038	4,653
Tax receivables	20,235	25,855	(5,620)
Other receivables	1,011	1,346	(335)
Prepaid expenses and accrued income	2,057	1,800	257
Other current receivables and assets (B)	23,303	29,001	(5,698)
Total (A+B)	39,994	41,039	(1,045)



#### A breakdown of the Tax receivables is provided below:

TAX RECEIVABLES	31.12.2023	31.12.2022
Direct Taxes	2,863	2,511
Direct Taxes to be refunded	293	403
Indirect Taxes	8,876	6,589
Other Taxes to be refunded	1,651	-
Total non current Tax receivables (A)	13,683	9,503
Direct Taxes	9,571	8,987
Direct Taxes to be refunded	-	43
Indirect Taxes	8,034	14,210
Indirect Taxes to be refunded	2,242	2,434
Other Taxes	170	37
Other Taxes to be refunded	218	144
Total current Tax receivables (B)	20,235	25,855
Total Tax receivables (A+B)	33,918	35,358

Medium- to long-term direct tax receivables relate to the tax receivable due to the Italian companies for investments in capital goods which are expected to be used in three to five years and tax receivables from R&D activities which are expected to be used in two years, as well as tax refunds relating to the previous two-year returns of the Indian subsidiary. Medium-long term indirect Tax receivables whose use has been estimated beyond the financial year but within five years relate mainly to the Brazilian subsidiary, for which the Group is continuing with the procedures for using the receivable due from the local authorities.

There are no tax receivables with a duration of more than five years.

Other receivables are broken down as follows:

OTHER RECEIVABLES	31.12.2023	31.12.2022
Guarantee deposits	1,376	906
Public grants to be received	1,632	1,629
Total other non current receivables (A)	3,008	2,535
Guarantee deposits	213	321
Receivables from employees	122	108
Receivables from social security institutions	86	112
Refunds to be received	3	370
Other receivables	587	435
Total other current receivables (B)	1,011	1,346
Total other receivables (A+B)	4,019	3,881

Public grants to be received refer to the subsidiary Bonfiglioli Riduttori S.p.A., which in compliance with IAS 20 recorded the receivable for grants from APIAE (a Trentino regional authority) supporting the project for the "Creation of an IoT (Internet of Things) industrial platform" in compliance with the official grant notification received in 2020. The grant will be received within five years. There are no unfulfilled conditions or risks related to these grants.

There are no other receivables with a duration of more than five years.

The item "Prepaid expenses and accrued income" is broken down as follows:

PREPAID EXPENSES AND ACCRUED INCOME	31.12.2023	31.12.2022
Interest	898	761
Insurance	395	346
Rentals and maintenance	462	450
Others	302	243
Total prepaid expenses and accrued income	2,057	1,800

#### 11. cash and cash equivalents

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Banks and postal accounts	86,346	82,936	3,410
Cash on hand	31	33	(2)
Total	86,377	82,969	3,408

For a complete assessment of the Group's Net Cash Position, calculated as the sum of Financial Payables and Bank Payables net of non current financial assets and Cash and Cash equivalents, please refer to the detailed section on financial payables and to the cash flow statement.

## 12. shareholders' equity

As at December 31, 2023, the overall share capital of € 50,000,000 was represented by 50,000,000 ordinary shares with face value of €1 each.

It is to be noted that the top shareholder of Bonfiglioli S.p.A. is the company BON-FI S.r.l.

# RECONCILIATION STATEMENT BETWEEN SHAREHOLDERS' EQUITY AND THE RESULT FOR THE YEAR ENDED DECEMBER 31, 2023 OF THE PARENT COMPANY BONFIGLIOLI S.P.A.

	Result for the year	Shareholders' equity
Bonfiglioli S.p.A. Separate financial statements	6,335	394,248
Accounting of the shareholders' equity and the results of consolidated and associated share investments to replace book value in the financial statements of the Parent Company, net of infra-group dividends	32,537	134,123
Shareholders' equity and profit attributable to minority interests	(15)	(561)
Elimination of infragroup profits on stock	(173)	(18,977)
Reversal of extraordinary infragroup transactions (contributions/disposals)	(436)	(1,693)
Others	1,130	(541)
Consolidated financial statements	39,378	506,599



## 13. net cash position and borrowings

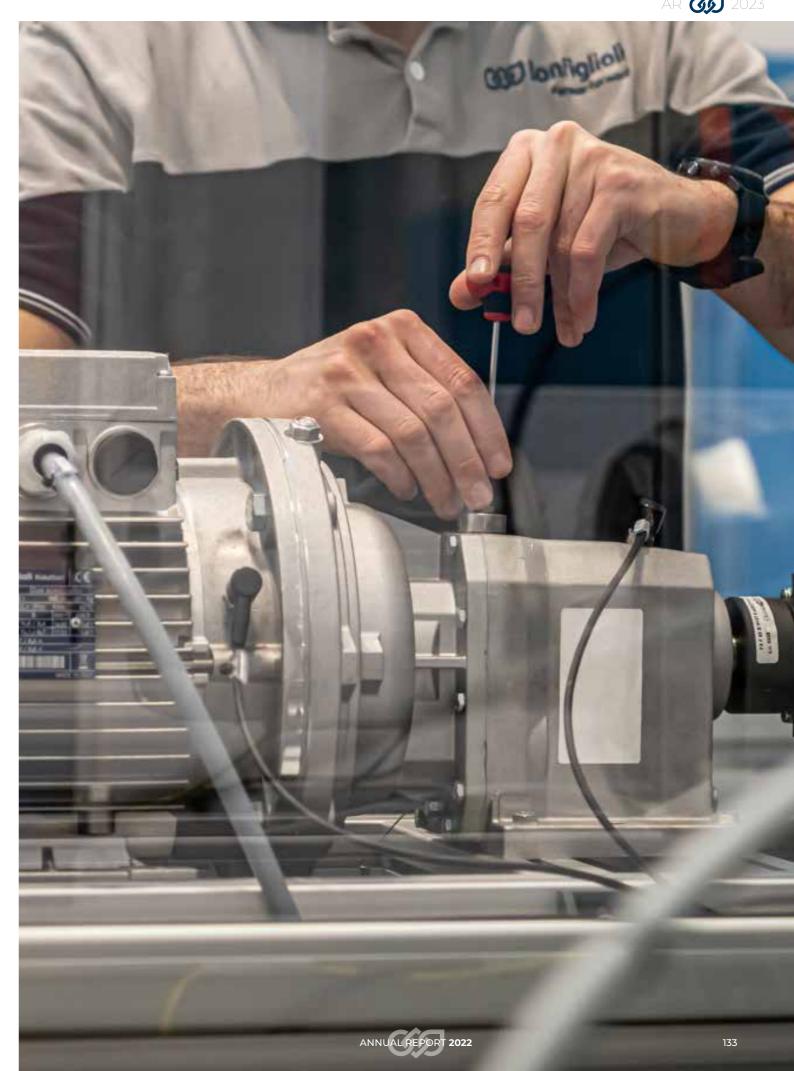
Details of the composition and changes in the Net Cash Position are provided below.

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Banks and postal accounts	86,346	82,936	3,410
Cash on hand	31	33	(2)
Cash and cash equivalents	86,377	82,969	3,408
Financial receivables from other companies	1,687	1,381	306
Other non current financial assets	1,687	1,381	306
Bonds	(250)	-	(250)
Payables to banks - Bank overdraft	(54,218)	(25,386)	(28,832)
Payables to banks	(42,408)	(30,737)	(11,671)
Lease liabilities (IFRS 16)	(7,467)	(5,466)	(2,001)
Payables to other financial institutions	(190)	(189)	(1)
Current borrowings	(104,533)	(61,778)	(42,755)
Bonds	(77,019)	(77,205)	186
Payables to banks	(130,346)	(122,771)	(7,575)
Lease liabilities (IFRS 16)	(24,436)	(23,682)	(754)
Payables to other financial institutions	(10,341)	(836)	(9,505)
Non current borrowings	(242,142)	(224,494)	(17,648)
Net Cash Position (NCP)	(258,611)	(201,922)	(56,689)

Details of the contents and main changes in borrowings are provided below:

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Current bonds	250	-	250
Non current bonds	77,019	77,205	(186)
Bonds	77,269	77,205	64
Current payables to banks	96,626	56,123	40,503
Non current payables to banks	130,346	122,771	7,575
Payables to banks	226,972	178,894	48,078
Current lease liabilities (IFRS 16)	7,467	5,466	2,001
Non current lease liabilities (IFRS 16)	24,436	23,682	754
IFRS 16 Payables	31,903	29,148	2,755
Current payables to other financial institutions	190	189	1
Non current payables to other financial institutions	10,341	836	9,505
Payables to other financial institutions	10,531	1,025	9,506
Total borrowings	346,675	286,272	60,403

The change in the consolidation area resulted in an increase in the Group debt of approximately 47 M€, in addition to the price paid for the acquisition of the Selcom Group.





Details of the contents and main changes in borrowings are provided below:

	31.12.2022	CONSO. AREA CHANGES	INCREASES	DECREASES	OTHER CHANGES	31.12.2023	DUE WITHIN 12 MONTHS	OVER 12 MONTHS WITHIN 5 YEARS	BEYOND 5 YEARS
Parent company	77,205	-	-	-	64	77,269	250	11,000	66,019
Bonds	77,205	-	-	-	64	77,269	250	11,000	66,019
Parent company	141,818	-	30,000	(28,285)	108	143,641	30,924	89,517	23,200
Bonfiglioli Slovakia sro	1,505	-	-	(432)	-	1,073	432	641	-
Bonfiglioli Vietnam Ltd.	5,675	-	4,305	(3,255)	(313)	6,412	2,772	3,640	-
Tecnotrans Bonfiglioli SA	536	-	-	(305)	-	231	231	-	-
Bonfiglioli Canada Inc.	42	-	-	(28)	-	14	14	-	-
Bonfiglioli USA Inc.	3,932	-	-	(3,932)	-	-	-	-	-
Selcom Group S.p.A.	-	28,012	-	(6,629)	-	21,383	8,035	13,348	-
Medium/long-term borrowings	153,508	28,012	34,305	(42,866)	(205)	172,754	42,408	107,146	23,200
Overdrafts	25,386	25,100	17,969	(13,796)	(441)	54,218	54,218	-	-
Parent company	1,193	-	694	(789)	-	1,098	459	639	-
Bonfiglioli Riduttori S.p.A.	4,327	-	479	(984)	-	3,822	937	2,327	558
O&K Antriebstechnik GmbH	12,384	-	136	(1,103)	-	11,417	1,042	10,375	-
Bonfiglioli Transmission Pvt Ltd	642	-	1,144	(704)	-	1,082	398	684	-
Bonfiglioli Vectron GmbH	5,786	-	104	(652)	-	5,238	653	2,553	2,032
Bonfiglioli UK ltd	1,871	-	61	(201)	-	1,731	186	668	877
Bonfiglioli Drives Shanghai Co. Ltd	1,169	-	153	(748)	(30)	544	459	85	-
Bonfiglioli Transmission Aust. Pty Ltd.	127	-	2,336	(120)	10	2,353	215	942	1,196
Selcom Group S.p.A.	-	2,462	22	(1,575)	-	909	796	113	-
Selcom Electronics Shanghai Co. Ltd.	-	3,323	48	(2,032)	(49)	1,290	1,215	75	-
Other subsidiaries	1,649	-	2,237	(1,442)	(25)	2,419	1,107	1,265	47
Lease liabilities (IFRS 16)	29,148	5,785	7,414	(10,350)	(94)	31,903	7,467	19,726	4,710
Parent company	848	-	-	(181)	-	667	183	184	300
Bonfiglioli Power Transmission South Africa	144	-	-	-	(5)	139	-	-	139
Bonfiglioli Swiss SA	-	-	9,700	-	-	9,700	-	-	9,700
Selcom Electronics Shanghai Co. Ltd.	-	138	-	(138)	-	-	-	-	-
Bonfiglioli Transmission (Aust.) Pty Ltd.	33	-	-	(8)	-	25	7	18	-
Payables to other financial institutions	1,025	138	9,700	(327)	(5)	10,531	190	202	10,139
Total	286,272	59,035	69,388	(67,339)	(681)	346,675	104,533	138,074	104,068

"Bonds" includes the following items of the Parent Company:

- > the bond issued by the Parent Company on September 8, 2005 and renewed with a maturity date of June 30, 2034. This bond, issued for a total of 3.75 M€, was recognized at the end of 2023 for 2.6 M€. The remaining debt recognized is due for of 250 K€ within the next year, for 1 M€ beyond the next year, but within five years, and for the residual amount after five years.
- > 125 MUSD shelf facility signed on January 16, 2019 by Bonfiglioli and Pricoa Capital Group through which the Bonfiglioli Group will have the right to issue private placements in the next three years that will be underwritten by Pricoa Capital Group. During 2019, a bond of 25 M€ was issued with a duration of 12 years, including 7 years of pre-amortization and 5 years of straight-line amortization with half-yearly instalments, recorded in the financial statements at amortized cost as at December 31, 2022 for a total of 24.6 M€. In 2022, the shelf facility was renewed for an additional three years and increased to 150 MUSD in total. In addition, a 50 M€ bond with a 15-year term, including 6 years of pre-amortization and 9 years of straight-line amortization with half-yearly installments, was issued as a private placement, and recognized for its full value.

The item "Payables to other financial institutions" includes both medium- and long-term loans received from entities other than banks (Ministry of Industry pursuant to Law 46) totalling 0.2 M€ and the loan amount of 0.3 M€, maturing on May 31, 2030, from SIMEST on the capital of the Swiss subsidiary.

With regard to payables to banks, the only new transaction carried out during 2023 by the Parent Company, related to the signing of a loan agreement for 30 M€ with of Cassa Depositi e Prestiti maturing on June 30, 2033. On the other hand, the 2020 Pool loan, recognized at amortized cost for a total of 53.9 M€, the loan with the European Investment Bank for 12.7 M€, an additional CDP loan, recognized at amortized cost at the reporting date for 20.4 M€, and the mortgage part of the 2017 Pool loan, which at the balance sheet date was recognized using the amortized cost method for a total of 13.7 M€, remain outstanding. During 2023, Bonfiglioli USA's medium-long term loan of 3.9 M€ was repaid early. In addition, during 2023 the subsidiary Bonfiglioli Swiss received a loan from SIMEST in the amount of 9.7 M€ maturing on May 30, 2030. Even though around 60% of medium- to long-term debt is fixed-rate, as a result of the substantial increase in market rates (the 3-month Euribor has increased tenfold over the past 2 years), the average rate of the Group's M/L-term debt has increased from 1.85% to 4.16%.

Medium/long-term lines of credit recorded by the Parent Company have standard covenants linked to the Group Net Cash Position, Interest and EBITDA, which as of December 31, 2023 have been fully respected.



#### 14. provisions for risks and charges

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Current provisions	12,439	14,380	(1,941)
Non current provisions	19,580	16,219	3,361
Total	32,019	30,599	1,420

The breakdown of changes during the financial year is given below:

DESCRIPTION	31.12.2022	Increases	Decreases	Other changes	31.12.2023
Warranty reserve	22,759	1,323	(4,246)	(395)	19,441
Sales Agents' Indemnity Reserve	1,756	176	-	-	1,932
Tax assessment reserve	802	427	(25)	(44)	1,160
Other reserves	5,282	586	(2,776)	6,394	9,486
Total	30,599	2,512	(7,047)	5,955	32,019

Provisions for risks and charges include, in addition to the warranty reserve set aside in accordance with Group policies, the Sales agents' indemnity reserve set aside in accordance with the Italian agency contract, as well as the estimate of liabilities that could arise from existing Tax disputes. The item "Other reserves" includes a provision to cover expected charges for liabilities related to restoration costs and other contingent liabilities identified by several Group companies, as well as the provision to cover liabilities to be incurred for the management of the acquired companies allocated in connection with the Selcom PPA, discussed in the dedicated section.

## 15. employee benefit obligations

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Non current employee benefit obligations	15,887	12,875	3,012
Current employee benefit obligations	1,046	1,187	(141)
Total	16,933	14,062	2,871

This item includes the "employee severance indemnity" of Italian companies and defined benefit plans following the termination of employment of all German subsidiaries and the Vietnamese, French and Turkish subsidiaries. The amounts due beyond 5 years are 11.2 M€.

Details of the changes are outlined below:

	31.12.2023	31.12.2022
	31.12.2023	31.12.2022
Opening balance	14,062	19,038
Service costs	597	486
Interest	613	195
Settlements	(1,394)	(1,214)
Actuarial changes	1,298	(4,426)
Consolidation area changes	1,785	-
Exchange rate differences	(28)	(17)
Closing balance	16,933	14,062

The actuarial assumptions for the calculation of pension plans are detailed in the following table (it should be noted that for Vietnam and Turkey no actuarial appraisals have been carried out since the amounts are very little, approximately 107 K€ in all):

2023	Italy	France	Germany
Discount rates	3.37%	3.38%	3.46%
Salary increase rates	3.30%	4.00%	2.25%
Inflation rates	2.30%	2.10%	-

2022	Italy	France	Germany
Discount rates	4.10%	3.97%	4.16%
Salary increase rates	3.50%	2.55%	2.25%
Inflation rates	2.50%	2.00%	-

By uniformly varying the discount rate by +/- 50 b.p., the consolidated liability at December 31, 2023 would have been approximately 0.9 M€ lower or 1.0 M€ higher.

### 16. trade payables

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Trade payables	304,020	327,941	(23,921)
Advances to suppliers	(759)	(2,248)	1,489
Total	303,261	325,693	(22,432)

The breakdown of trade payables by geographical area is given below:

	31.12.2023	31.12.2022	2023%	2022%
EMEA (Europe - Middle East - Africa)	223,186	249,285	73.6%	76.5%
AME (America)	3,823	3,228	1.3%	1.0%
APAC (Asia - Pacific)	76,252	73,180	25.1%	22.5%
Total	303,261	325,693	100.0%	100.0%

## 17. other payables and liabilities

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Payables to social security institutions	525	329	196
Payables to employees	4,499	3,037	1,462
Accrued expenses and deferred income	2,991	2,270	721
Other non current payables and liabilities (A)	8,015	5,636	2,379
Tax payables	11,886	11,202	684
Payables to social security institutions	13,372	11,424	1,948
Payables to employees	31,502	27,183	4,319
Other payables	1,886	9,025	(7,138)
Accrued expenses and deferred income	4,293	2,301	1,991
Other current payables and liabilities (B)	62,939	61,135	1,804
Total (A+B)	70,954	66,771	4,183

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#### A breakdown is given below:

TAX PAYABLES	31.12.2023	31.12.2022
Direct Taxes	6,740	5,372
Indirect Taxes	4,589	4,888
Other Taxes	557	942
Total current Tax payables	11,886	11,202

OTHER PAYABLES	31.12.2023	31.12.2022
Payables to directors	1,513	1,172
Payables to shareholders for dividends	+	6,000
Other payables	373	1,853
Total other payables	1,886	9,025

ACCRUED EXPENSES AND DEFERRED INCOME	31.12.2023	31.12.2022
Interest	2,411	1,055
Deferred income from public contributions	4,575	3,114
Others	298	402
Total accrued expenses and deferred income	7,284	4,571

Other payables recognized as at December 31, 2022 included the debt of Bonfiglioli Riduttori S.p.A. relating to the acquisition of Sampingranaggi for a total of 1.6 M€, paid on the due date in 2023.

With regard to deferred income from public contributions, these are:

- > 3.4 M€ of the deferred tax receivable on instrumental assets recognized by the company "Bonfiglioli Riduttori S.p.A." entered in the income statement in line with the depreciation of the related assets. The current portion amounts to 1.5 M€;
- > 0.6 M€ of the deferred tax receivable on instrumental assets recognized by the company "Selcom Group S.p.A." The current portion amounts to 0.1 M€;
- > 0.3 M€ of the deferred contribution granted to the company "Bonfiglioli Slovakia sro" equal to 25% of the purchase cost of a machine, which is recorded in the income statement in line with the depreciation quotas of the same (six years). The current portion amounts to 0.1 M€;
- > 0.2 M€ of the deferred tax receivable on instrumental assets recognized by the companies "Selcom Electronics (Shanghai) Co.Ltd." and "Bonfiglioli Drives (Shanghai) Co.Ltd".

#### **INCOME STATEMENT**

#### 18. revenues from sales and services

Revenues from sales and services were achieved in the following geographical areas:

DESCRIPTION	2023	2022	CHANGE	2023%	2022%
EMEA (Europe - Middle East - Africa)	712,006	607,130	104,876	54.3%	49.2%
AME (America)	281,288	298,711	(17,423)	21.4%	24.2%
APAC (Asia - Pacific)	318,340	327,923	(9,583)	24.3%	26.6%
Total	1,311,634	1,233,764	77,870	100.00%	100.0%

With reference to the Group's performance in 2023, consolidated turnover increased by 6.3% compared to the previous year, which, however, must take into account the acquisition of the Selcom Group (141.2M€) and a negative exchange rate effect of approximately 40M€. The largest increase in turnover was in the EMEA region, while in America there was a partial decline mostly as a result of foreign exchange effects. In the APAC region, the decline was caused by sales in the Chinese market, a country that is experiencing a downturn with respect to in the past, as well as the foreign exchange effect for both the Chinese Rembimbi and the Indian Rupee. For more details on the Group performance, we refer you to the Management Report.

#### 19. material costs

DESCRIPTION	2023	2022	CHANGE
Purchases from third parties	810,031	794,058	15,973
Delta stock	5,894	(43,123)	49,017
Total	815,925	750,935	64,990

### 20. personnel costs

DESCRIPTION	2023	2022	CHANGE
Wages and salaries	180,889	161,382	19,507
Social contributions	47,013	41,929	5,084
Defined benefit and contribution plans costs	6,938	5,961	977
Other personnel costs	1,728	1,730	(2)
Total	236,568	211,002	25,566

The number of employees in the workforce during the financial year was as follows (spot and average data):

	31.12.2023	31.12.2022	2023 AVERAGE	2022 AVERAGE
Executives and managers	189	172	192	170
White collars and middle management	2,319	2,011	2,280	1,988
Direct and indirect blue collars	2,272	1,965	2,305	1,970
Temporary workers	471	469	522	499
Total	5,251	4,617	5,299	4,627

The increase for the year was mainly attributable to the Selcom acquisition (634 employees at the end of 2023).



## 21. services, leases and rentals

DESCRIPTION	2023	2022	CHANGE
Subcontracting and external operation	37,587	40,540	(2,953)
Transport and porterage	36,738	42,833	(6,095)
Maintenance and utilities	38,020	40,467	(2,447)
Travel, fairs and advertising	9,309	7,728	1,581
Consultancies	13,213	13,800	(587)
Services to employees	7,422	6,669	753
Fees for directors, statutory auditors and independent auditors	4,106	2,916	1,190
Insurance	3,321	2,656	665
Others	15,041	12,814	2,227
Total	164,757	170,423	(5,666)

The change in the item "Transport and porterage" mainly reflects savings made by the subsidiary Bonfiglioli Riduttori SpA and the Vietnamese subsidiary.

## 22. other operating income

DESCRIPTION	2023	2022	CHANGE
Sales to vendor and other minor sales	12,112	8,112	4,000
Transport and packaging refunds	5,626	7,172	(1,546)
Claims to vendor	1,387	885	502
Capital gains and contingent assets	10,597	1,700	8,897
Received grants and contributions	6,284	8,361	(2,077)
Reserve reversal	3,688	3,302	386
Insurances and other refunds	340	529	(189)
Others	1,110	1,140	(30)
Total	41,144	31,201	9,943

The item "Capital gains and contingent assets" includes the positive differential arising from the Selcom PPA in the amount of  $6 \, \mathrm{M} \in \mathrm{A}$ , as shown in the section "Consolidation area changes"

## 23. other operating costs

DESCRIPTION	2023	2022	CHANGE
Other Tax & levy	3,551	3,499	52
Purchase of low value items	876	937	(61)
Association fees	569	421	148
Donations	781	715	66
Capital losses and contingent liabilities	628	158	470
Others	185	385	(200)
Total	6,590	6,115	475

## 24. depreciation, amortization and impairment

DESCRIPTION	2023	2022	CHANGE
Amortization of intangible assets	6,001	5,398	603
Impairment of intangible assets	26	-	26
Depreciation of tangible assets	40,597	35,943	4,654
Depreciation of rights to use tangible assets	7,834	5,949	1,885
Impairment of tangible assets	33	100	(67)
Impairment of rights to use tangible assets	-	-	-
Total	54,491	47,390	7,101

### 25. financial income and costs

DESCRIPTION	2023	2022	CHANGE
Financial income	2,293	1,660	633
Financial costs	(17,468)	(9,185)	(8,283)
Total	(15,175)	(7,525)	(7,650)

#### A breakdown is given below:

FINANCIAL INCOME	2023	2022	CHANGE
Bank interest income	1,936	1,447	489
Commercial and other interest	357	213	144
Total	2,293	1,660	633

FINANCIAL COSTS	2023	2022	CHANGE
Bank interest expenses	4,094	2,236	1,858
Interest on bonds	1,714	1,437	277
Interest payable on borrowings	8,916	2,085	6,831
Interest from lease liabilities (IFRS 16)	1,152	967	185
Discounts, premiums and expenses on derivatives (IRS and forward contracts)	195	1,993	(1,798)
Interest on employee benefits	640	227	413
Others	758	240	518
Total	17,468	9,185	8,283

The sharp increase in interest expense compared to last year was due, as noted above, to both the increase in rates and the acquisition of Selcom Group, which led to an increase in interest of about 2.5M€.

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#### 26. foreign exchange gain and losses

DESCRIPTION	2023	2022	CHANGE
Foreign exchange gains	17,731	24,988	(7,257)
Foreign exchange losses	(17,781)	(25,415)	7,636
Total	(48)	(427)	379

#### 27. investments' income and costs

The investments' income relates to the profits of the company Grumento posted for reasons of transparency by "O&K Antriebstechnik GmbH" (305 K $\in$ ) and dividends received from the investee company BEST Hellas (18 K $\in$ ). This item also includes costs arising from the application of IAS 29 on the Turkish company (1.7 M $\in$ ) and costs arising from the adjustment of the payable to the minority shareholders BEE in South Africa (39 K $\in$ ).

#### 28. taxes

DESCRIPTION	2023	2022	CHANGE
Current Taxes	11,138	13,730	(2,592)
Deferred Tax assets	660	(4,439)	5,099
Deferred Tax liabilities	(1,656)	(249)	(1,407)
Non-deductible withholdings and prior year Taxes	6,159	1,617	4,542
Total	16,301	10,659	5,642

The item "Non-deductible withholdings" mainly includes withholdings incurred on the distribution of dividends by the Indian company and the write-down of around 3.6 M€ of withholdings on foreign income, made on a prudential basis, net of adjustments for lower taxes recognized in the 2022 tax return.

The reconciliation of the theoretical tax rate with the effective tax rate is provided below:

DESCRIPTION	2023	2022
Theoretical income taxes	20,587	28,910
Theoretical tax rate	32.36%	30.61%
Fiscal effect on temporary differences	250	315
Fiscal effect on permanent differences on tax incentives and subsidies	(5,127)	(5,492)
Fiscal effect on other permanent differences	(3,101)	(8,373)
Fiscal effect on tax losses offset	(1,431)	(1,458)
Other fiscal effects	(41)	(172)
Current Taxes	11,138	13,730
Deferred (tax assets) and tax liabilities	(996)	(4,688)
Prior year direct taxes and non-deductible withholding taxes	6,159	1,617
Total taxes for the year	16,301	10,659
Profit before tax	55,694	66,201
Effective tax rate	29.27%	16.10%

## further information

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#### COMMITMENTS

DESCRIPTION	31.12.2023	31.12.2022	CHANGE
Guarantees provided	13,466	19,365	(5,899)
Guarantees received	(3,281)	(6,168)	2,887
Collateral	27,837	38,810	(10,973)
Total	38,022	52,007	(13,985)

Guarantees provided relate to sureties issued by credit institutions on contractual commitments or debts assumed by the Group. Guarantees received refer to sureties issued by credit institutions on third party commitments to the Group.

The item "Collateral" relates to the following:

- > Collateral on movable assets as detailed below:
- > Bonfiglioli Trasmission Pvt Ltd for 12.1 M€
- > Bonfiglioli Slovakia Sro for 1.6 M€
- > Collateral on real estate as detailed below:
- > Bonfiglioli USA for 14.1 M€.

#### **PUBLIC CONTRIBUTIONS**

Pursuant to and by effect of Italian Law no. 124 of August 4, 2017 "Annual Law on the Market and Competition," the information relating to subsidies, contributions, paid appointments and economic benefits of any kind received in 2023 from national administrations or equivalent national bodies is given below.

FUNDING BODY	RECIPIENT COMPANY	AMOUNT IN EURO	REASON
MISE (Ministry of Enterprise and Made in Italy) (Tax Code 80230390587)	Bonfiglioli Riduttori S.p.A.	259,970	Grants on technological innovation projects
Trentino Sviluppo (Tax Code 00123240228)	Bonfiglioli Riduttori S.p.A.	26,493	Contribution for the rental of space at the "Polo Meccatronica" in Rovereto ("De Minimis")
Fondoimpresa (Tax Code 97278470584)	Selcom Group S.p.A.	32,900	Grant awarded for continuing interprofessional training ("De Minimis")

Based on a systematic interpretation of the law, the benefits for all the companies (including but not limited to fiscal measures such as hyper-depreciation, super-depreciation, school bonus and tax credits for research and development and other facilities such as the Cassa Integrazione Guadagni - redundancy fund) are not considered as their advantages do not target a specific company.

In relation to the receipt of state aid which the Italian companies in the Group received during the financial year, for any matters not specifically reported in the above table, refer to the details in the National Register of State Aid.

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#### INTERNATIONAL TAX REFORM - PILLAR TWO MODEL RULES

The Group has applied the mandatory temporary exception to the account of deferred taxes arising from the Pillar Two rules.

To fulfill the disclosure requirements contained in paragraphs 88A to 88D of IAS 12, the Group has simulated the possible exposure to income taxes arising from the Pillar Two rules for the year 2023. Based on the analysis carried out on the 25 Group companies located in 17 different Tax Jurisdictions, it was found that overall the Group complies with the conditions provided by the "Transitional CbCR Safe Harbour (TCSH)" under these rules. The only exception is the Brazilian company (Bonfiglioli Do Brasil Ltda) which has an Effective Tax Rate (ETR) for 2023 that is strongly conditioned by a specific local tax deduction. However, this deduction was eliminated by the Brazilian government with effect from 2024. In the absence of this deduction, Bonfiglioli Do Brasil Ltda would also have complied with the conditions dictated by the TCHS mentioned above.

In light of the above, therefore, as at the date of preparation of these Notes, the impact of the application of the Pillar Two rules to the Bonfiglioli Group can be considered non-material.

In addition, considering that the Pillar Two rules had not yet come into effect at the reporting date, there were no current tax liabilities for the year ending December 31, 2023.

For sake of completeness, the following table summarizes the status of implementation of Pillar Two rules in the countries where the Group operates, updated as of the date of preparation of these Notes to the Financial Statements:

# STATUS OF IMPLEMENTATION OF THE PILLAR TWO RULES IN JURISDICTIONS WHERE THE BONFIGLIOLI GROUP OPERATES

Jurisdiction	Date of latest development	Expected date to entry into effect
Australia	09.05.2023	IIR + QDMTT: 01.01.2024 UTPR: 01.01.2025
Brazil	N/A	N/A
Canada	04.08.2023	IIR + QDMTT: 01.01.2024 UTPR: 01.01.2025
China	N/A	N/A
-rance	21.12.2023	IIR + QDMTT: 01.01.2024 UTPR: 01.01.2025
Germany	15.12.2023	IIR + QDMTT: 01.01.2024 UTPR: 01.01.2025
ndia	N/A	N/A
taly	19.12.2023	IIR + QDMTT: 01.01.2024 UTPR: 01.01.2025
New Zealand	06.12.2023	IIR: 01.01.2024 UTPR: 01.01.2025
Singapore	16.02.2024	IIR + QDMTT: 01.01.2025 (pending publication of final rules)
Slovakia	08.12.2023	QDMTT: 01.01.2024 IIR and UTPR: 01.01.2030
outh Africa	21.02.2024	IIR + QDMTT: 01.01.2024 (pending publication of final rules)
pain	20.12.2023	IIR + QDMTT: 01.01.2024 UTPR: 01.01.2025
witzerland	22.12.2023	QDMTT: 01.01.2024 IIR + UTPR: 01.01.2025
Гurkey	N/A	N/A
Great Britain	22.11.2023	IIR + QDMTT: 01.01.2024 UTPR: 01.01.2025
JSA	09.03.2023	N/A
/ietnam	29.11.2023	IIR + QDMTT: 01.01.2024

Key:

IIR = Income Inclusion Rule UTPR = Undertaxed Payments Rule

QDMTT = Qualified Domestic Minimum Top-up Tax

# REMUNERATION PAID TO DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

During the year, the following amounts were recognised as remuneration to Group Directors and auditing bodies:

DESCRIPTION	2023	2022
Directors	3,167	2,117
Statutory Auditors/Independent Auditors	939	799
Total	4,106	2,916

#### TRANSACTIONS WITH RELATED PARTIES

The Group has commercial relations with B.R.T. S.p.A., owned by the shareholders and directors of Bonfiglioli S.p.A. The company B.R.T. S.p.A. supplies spare parts for Bonfiglioli products in Italy and, partly, abroad. The business transactions relate to the sales of Bonfiglioli components and products carried out at normal market conditions.

#### RISK MANAGEMENT

The Group is exposed to financial risks associated with its operations:

- > Sector risk, with particular reference to the market performance of the sectors relevant to the Group and the regulations in force in the different countries the Group operates in.
- > Liquidity risk, with particular reference to the availability of financial resources and access to the credit market and financial instruments in general.
- > Credit risk in relation to business relationships with customers.
- > Market risk (mainly related to exchange and interest rates), as the Group operates internationally and is exposed to foreign exchange risk.

The Group is not exposed to significant concentrations of risk. As described in the Management Report, to which reference is made for a detailed analysis, the Group constantly monitors the financial risks it is exposed to in order to assess in advance the potential negative effects and to take appropriate action to mitigate them.

#### SIGNIFICANT EVENTS AFTER YEAR END

On March 27, 2024, the Parent Company completed the acquisition of an industrial property from SardaLeasing Spa. The property, located in the province of Bologna, has already been partly used by the subsidiary Bonfiglioli Riduttori Spa since the acquisition in May 2021 of the "Sampingranaggi" business unit.

There are no further significant events after the year to be reported.

Calderara di Reno (Bologna), March 29, 2024 for The Board of Directors

> The Chairwomar Sonia Bonfigliol

> > 745



# annex A

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### CONSOLIDATED CASH FLOW STATEMENT OF NET FINANCIAL POSITION (IN K€)

		2023	2022
١.	Opening Net Cash Position	(201,922)	(147,717)
3.	OPERATING ACTIVITIES		
	Group' Income (Loss)	39,378	55,495
	Minority	15	47
	Depreciation and impairment	46,657	41,441
	Depreciation and impairment IFRS16	7,834	5,949
	Bad debt provision	247	224
	Other risks provisions	1,810	4,890
	Monetary Differences from Turkey Hyperinflation	792	-
	Effect of business combinations	(6,000)	-
	Current and deferred Taxes	16,301	10,659
	Cash flow before operative capital employed variation	107,034	118,705
	Net Working Capital variation	8,476	(60,614)
	Derivatives FMV variation	149	(946)
	Risk Provision variation	(6,839)	(5,276)
	Employee benefit obligations variation	(279)	(1,686)
	Current and deferred Taxes variation	(6,780)	1,006
	Current taxes paid	(12,168)	(17,945)
	Other assets and liabilities variation	10,666	(14,776)
3.	Cash flow originating from (used for) operating activities	100,259	18,468
C.	INVESTING ACTIVITIES		
	CAPEX	(77,121)	(57,264)
	CAPEX IFRS16	(9,401)	(7,370)
	Share investments	-	(20)
	Business combinations including the effect of NCP Acquired	(54,956)	-
С.	Cash flow originating from (used for) investing activities	(141,478)	(64,654)
ο.	FINANCING ACTIVITIES		
	Dividends paid	(6,000)	(6,002)
	Currency conversion reserve variation	(14,318)	(2,767)
	Exchange rate (gains) losses on CAPEX	3,976	329
	Exchange rate (gains) losses on CAPEX IFRS16	872	420
	Exchange rate (gains) losses on Share Investments	-	1
	Other variations	-	-
D.	Cash flow originating from (used for) financing activities	(15,470)	(8,019)
E.	CASH FLOW FOR THE YEAR (B+C+D)	(56,689)	(54,205)
F.	Closing Net Cash Position (A+E)	(258,611)	(201,922)





INDEPENDENT AUDITOR'S REPORT



## Bonfiglioli S.p.A.

Consolidated financial statements as at December 31, 2023

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010





EY S.p.A. Via Massimo D'Azeglio, 34 40123 Bologna

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of Bonfiglioli S.p.A.

## Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Bonfiglioli Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, 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.

#### **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 Bonfiglioli S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Bonfiglioli S.p.A. or to cease operations, or have no realistic alternative but to do so.

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The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of
  accounting and, based on the audit evidence obtained, whether a material uncertainty exists
  related to events or conditions that may cast significant doubt on the Group's ability to
  continue as a going concern. If we conclude that a material uncertainty exists, we are required
  to draw attention in our auditor's report to the related disclosures in the financial statements
  or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our
  conclusions are based on the audit evidence obtained up to the date of our auditor's report.
  However, future events or conditions may cause the Group to cease to continue as a going
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements.
   We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



#### Report on compliance with other legal and regulatory requirements

# Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Bonfiglioli S.p.A. are responsible for the preparation of the Report on Operations of Bonfiglioli Group as at December 31, 2023, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Bonfiglioli Group as at December 31, 2023 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Bonfiglioli Group as at December 31, 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, April 10, 2024

EY S.p.A. Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers.





## **HEADQUARTERS**

#### Bonfiglioli S.p.A

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