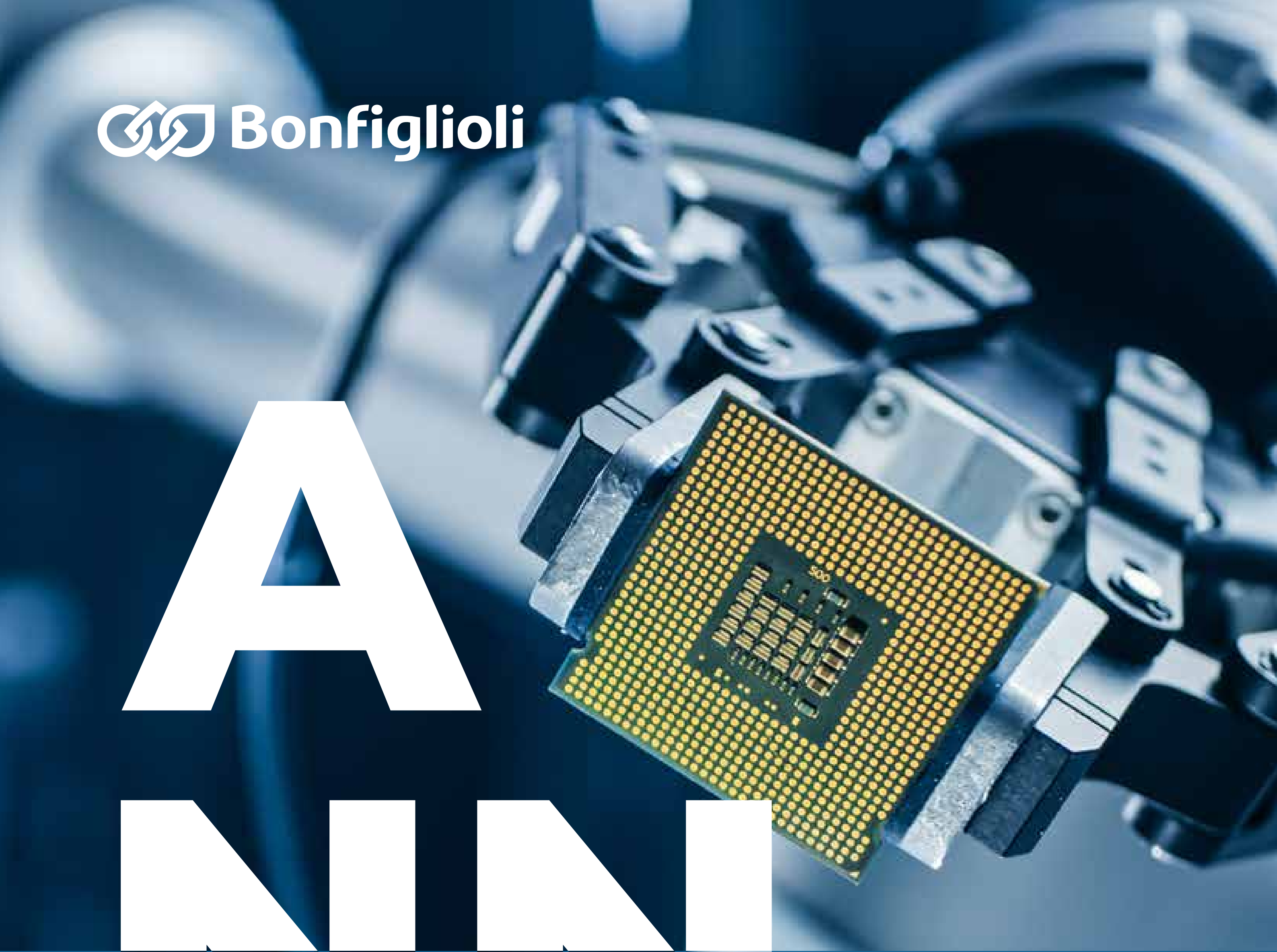
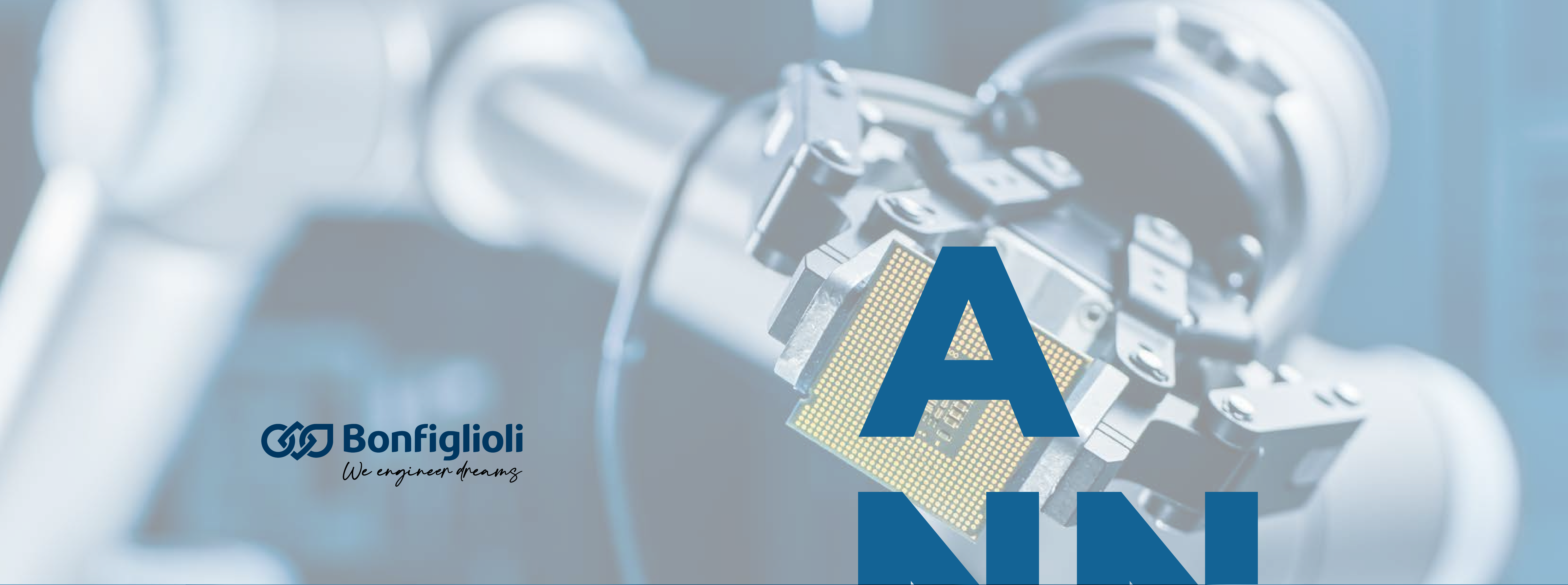


Bonfiglioli

ANNUAL REPORT22



Bonfiglioli

We engineer dreams

ANNUAL REPORT22

ANNUAL REPORT22

TABLE OF CONTENTS

1

BONFIGLIOLI'S WORLD:

A BUSINESS UNIVERSE MADE OF PEOPLE, VALUES AND HISTORY

WORDS FROM THE CHAIRWOMAN

"2022 was deeply shaken by a complex geopolitical backdrop, affecting the lives of many people and the choices of many companies, including ours. The enduring conflict between Russia and Ukraine triggered severe disruptions in sourcing raw materials, which in turn naturally contributed to a spike in inflation. On an international level, it was another difficult year for China and for our colleagues in Shanghai, who endured yet more lockdowns and, consequently, a grave economic fallout.
However, ***despite the massive instability on both a geopolitical and public health level in 2022, market demand for Bonfiglioli was actually particularly robust and the downturn in China was broadly offset by a strong surge in the EMEA region and the Americas, which recorded excellent results, giving the Group fresh impetus and motivation****.*

Through an awareness of our identity and strengths, we were therefore able to successfully overcome the many difficulties we came up against, and to ***finish the year with a turnover of more than 1.233 billion euros****, built on the success of 2021, when we hit the 1 billion milestone.*

2022 was a year that saw many of our dreams become a reality*: the inauguration of the new Castellbisbal headquarters in Spain, the launch of the new assembly site in Pune and a party to celebrate the 10th anniversary of BMR Rovereto. These are just some of the important moments we have shared: moments that are testament to the invaluable commitment of all our employees, constantly pushing us to do better and better.*

And it is thanks to this motivation and spirit that we came to the decision to ***further broaden our investments and assets with the acquisition of the Selcom Group****, a company specialized in the design, production and sale of hi-tech circuit boards and electronic solutions for a broad range of sectors, including industrial automation, e-mobility, biomedicine and home appliances. Discussions commenced in the summer of 2022, and in March 2023 Selcom officially became part of our family. Fast forward to today, and we're now a unified team of over 4,700 professionals!*

In a world that's becoming more and more electrified and digitalized, we realized that this was the answer to the challenges that lay ahead of us. Selcom's know-how and experience have enabled us to further reinforce our electronic segment, which was born in 2001 with the acquisition of Vectron Elektronik, now Bonfiglioli Vectron, specialized in the design and production of electronic drives for electric motors primarily for industrial use. ***With Selcom, we have been able to position ourselves with greater awareness and potential as a leading provider of mechatronic solutions in all sectors in which we operate****.*

Electrification has without a doubt been the recurring theme of this year*. At the majority of industry trade fairs where we took part, we were able to present a broad range of electrified solutions, as an alternative to more traditional ones, showcasing* ***our commitment to environmental sustainability****, which is driving us to invest more and more in the development of highly efficient solutions and to offer our own contribution to green sectors like wind energy and recycling. In a nutshell, these are the main development drivers that we have embraced over the last few years, alongside* ***robotics****,* ***automation*** *and* ***digitization****.*

Our strength lies in the value of the Bonfiglioli family *and our future growth will be increasingly dependent on the continuous training and pooling of our skills. It's an honor to watch as the* ***Bonfiglioli Academy*** *grows year after year, with more than 48,000 training hours undertaken by blue- and white-collar workers in 2022: 21% more than the year before.*

Nothing at all of who we are or what we have achieved would have been possible without the commitment, persistence and intelligence of every single person at Bonfiglioli. ***Thanks to each and every one of you, we have weathered and overcome the uncertainties of the market, achieved our goals and further strengthened the foundations on which our future rests****."*

FOREVER FORWARD!

OUR MISSION

> We have a relentless commitment to excellence, innovation and sustainability. Our team creates, distributes and services world-class power transmission and drive solutions to keep the world in motion.

OUR VALUES

WE HAVE FOUR MAIN VALUES – **CHALLENGE**, **RESPECT**, **ACCOUNTABILITY**, **WINNING TOGETHER** – THAT DAILY GUIDE US TOWARDS THE AMBITIOUS GOALS WE AIM FOR.

CHALLENGE

WE SEARCH FOR LIMITS, THEN OVERCOME THEM THROUGH INNOVATIVE IDEAS, CUTTING-EDGE PRODUCTS, AND UNRIVALED PERFORMANCE.

RESPECT

WE EXPLORE DIFFERENT CULTURES, RELIGIONS, AND EXPERIENCES TO TURN DIVERSITY INTO A RESOURCE AND PURSUE SUSTAINABLE ECONOMIC GROWTH IN HARMONY WITH THE ENVIRONMENT.

ACCOUNTABILITY

WE PUT OUR HEART INTO EVERYTHING WE DO, TO IMPROVE OURSELVES AND SET AN EXAMPLE FOR OTHERS, BECAUSE THE EFFICIENCY OF A TEAM BEGINS WITH THAT OF THE INDIVIDUALS IN IT.

WINNING TOGETHER

WE FOSTER TALENT TO GENERATE AND SHARE THE KNOWLEDGE THAT LEADS TO SUCCESS.

MILESTONES

1956
Clementino founds Costruzioni Meccaniche Bonfiglioli

1964
Works start on the factory at Lippo di Calderara, Bologna, Italy

1968
Tecnotrans Bonfiglioli SA is established in Barcelona. Start of our international expansion.

1975
Acquisition of Trasmital

1993
DNV and TÜV certifications

1995
Debut of the C, A and F series

1999
Inauguration of the plant in Chennai, India

2000
Launch of MOSAICO, our online product configurator

2001
Acquisition of Vectron

2002
Launch of BEST program, our international distribution network

2003
- Acquisition of Tecnoingranaggi
- Bonfiglioli Drives is established in Shanghai, China

2005
Bonfiglioli expands into Slovakia

2006
Bonfiglioli Turkey is established

2008
- Organization into Business Units
- Bonfiglioli Vietnam Ltd. is established in Ho Chi Minh City

2009
Bonfiglioli Brazil is established

2010
Sonia Bonfiglioli takes control of the Group

2011
- Inauguration of the plant in Mannur, India
- Inauguration of the plant in Rovereto, Italy

2013
Bonfiglioli South East Asia opens in Singapore

2015
Acquisition of O&K Antriebstechnik Gmbh

2017
- Expansion of plants in Slovakia and Pune, India
- The path toward digital transformation begins

2018
- New electromobility plant in Forlì, Italy
- Inauguration of the new plant in Chennai, India

2019
- New and larger plant in Rovereto
- EVO, new D&P offices and larger industrial plant

2020
E-commerce USA launch

2021
- **acquisition of Sampingranaggi and Samp Machinery Shanghai assets**
- **E-commerce Italy portal launch**
- **E-mobility competence center is enlarged**
- **Bonfiglioli becomes a 1 Billion € Company**

GLOBAL PRESENCE FOR LOCAL SUPPORT

> *We lead the global market with complete and efficient solutions, accompanying our customers with dedicated services ranging from co-engineering to after-sales.*

15
PRODUCTION PLANTS

80
COUNTRIES

20
SALES BRANCHES

~4,000
PEOPLE

Through an international network of closely interconnected subsidiaries, production facilities, and assembly plants, we guarantee the same high level of Bonfiglioli quality anywhere in the world and at any time.

The company has structured its organisation into 20 sales subsidiaries, 15 manufacturing plants, and more than 550 distributors around the world, knowing that the key to long-term success is a direct presence in local markets and an understanding of the realities in which our customers operate.

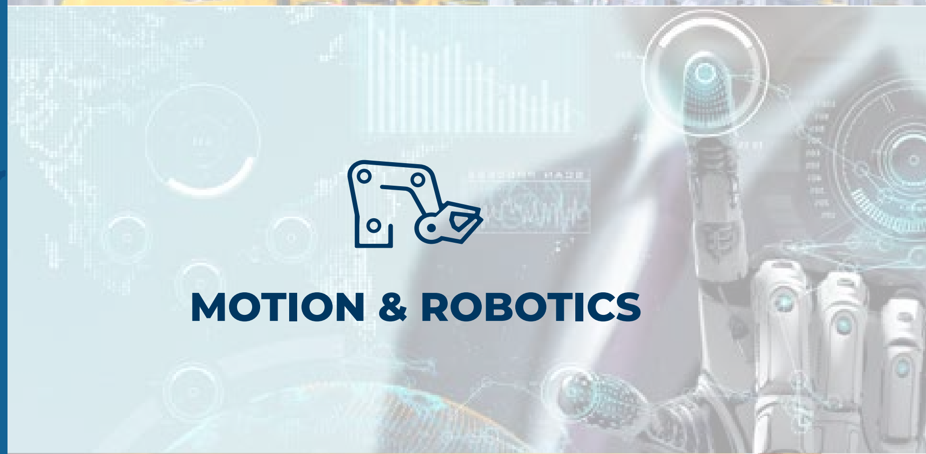
This is a continual strategy in our growth plans. Every year we invest in expanding our organisation and direct presence in each of our markets.

AUSTRALIA
BRAZIL
CHINA
FRANCE
GERMANY
UNITED KINGDOM
INDIA
ITALY
NEW ZEALAND
SINGAPORE
SLOVAKIA
SPAIN
SOUTH AFRICA
TURKEY
USA
VIETNAM

HEADQUARTERS
PRODUCTION PLANTS
SALES BRANCHES

OUR BUSINESS UNITS

OUR THREE BUSINESS UNITS: DISCRETE MANUFACTURING & PROCESS INDUSTRIES, MOTION & ROBOTICS AND MOBILITY & WIND INDUSTRIES EMBODY ALL THE KNOW-HOW AND EXPERIENCE NEEDED TO SUPPORT OUR CUSTOMER GROWTH.



DISCRETE MANUFACTURING & PROCESS 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.

- MATERIAL HANDLING
- BIOGAS
- RECYCLING
- MINING INDUSTRY
- LOGISTICS AND STORAGE SYSTEMS

OTHER SECTORS:

- Wastewater treatment
- Metal machining
- Industrial access and door control
- HVAC and refrigeration plants

MOTION & ROBOTICS

When it comes to industrial automation, our Motion & Robotics Business Unit is a go-to partner for industrial and robotic applications, providing innovative, reliable, and sustainable solutions that ensure high dynamics and precision. We have 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 integrated advanced vertical mechatronic solutions, designed to grow together with our customers to create value.

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 drives.

- TEXTILES
- MACHINING
- PACKAGING & LABELING
- ROBOTICS

MOBILITY & WIND INDUSTRIES

Our Mobility & Wind Business Unit offers the widest range of gearboxes currently available on the market.
Its portfolio includes drives for travel, slew, winch, and other possible applications. All our products can be fully customized to respond to all needs.

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

MOBILE SOLUTIONS

Through a co-engineering approach in direct collaboration with our customers, we design tailor-made solutions that are able to meet all market needs associated with self-propelled machine applications.

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

- EARTHMOVING
- CONSTRUCTION
- ROAD CONSTRUCTION
- MINING INDUSTRY
- AGRICULTURE
- MATERIAL HANDLING

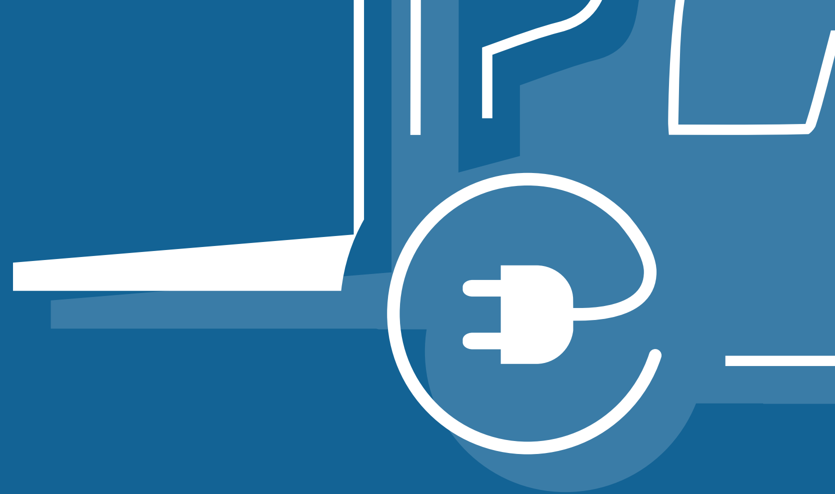
WIND SOLUTIONS

With a 35% market share in the supply of wind turbine gearboxes to major global players, Bonfiglioli is the undisputed leader in the wind energy sector.

Our wind turbines units are assembled in four of our 15 plants (Italy, India, China and Brazil) to best serve both 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 and thus offering the market more competitive products.

- SMALL WIND TURBINES UP TO 200 KW
- ON-SHORE UP TO 6 MW
- OFF-SHORE UP TO 15 MW



ELECTROMOBILITY SOLUTIONS

ELECTRIC GEAR MOTORS FOR ELECTROMOBILITY

Bonfiglioli is leading the field in hybrid and electric technologies, with the aim of providing more energy-efficient solutions to enable our customers to reduce noise pollution and harmful emissions. In 2021, we expanded our center of expertise for e-mobility with the launch of a range of integrated electric powertrain solutions for on-highway and off-highway applications.

- COMMERCIAL VEHICLES
- AGRICULTURE
- CONSTRUCTION
- MATERIAL HANDLING MACHINES

2

2022 HIGHLIGHTS

ON THE FRONT LINE FOR UKRAINE

When a humanitarian emergency was declared as a result of the conflict with Russia, **Bonfiglioli immediately put its gears in motion to support the Ukraine population**.

Several of our suppliers and other Italian companies also leapt into action to participate in this show of solidarity: one that enabled us to purchase much needed **medical equipment** which was then sent to the Slovakian border and distributed to hospitals and first aid points.

Bonfiglioli staff, both in Italy and abroad, were also able to contribute to the company's **fundraising campaign**, through which we supported the Ukraine Embassy in the Vatican in sending the material aid that people had donated to the collection point at the Basilica di Santa Sofia in Rome.

In addition to this, Bonfiglioli also **provided accommodation for refugees,** hosting more than 20 people in Calderara di Reno and Forlì. Our employees worked hard to refurbish these facilities, helping to build and set up the necessary furniture in preparation of their arrival.

PRESS CONFERENCE

On 27 and 28 April, Bonfiglioli opened its doors to industry journalists from all over Europe for a two-day press conference. A unique and invaluable opportunity, and of course a long-awaited one too due to the pandemic, to once again meet in person, swap stories and engage in meaningful conversations.

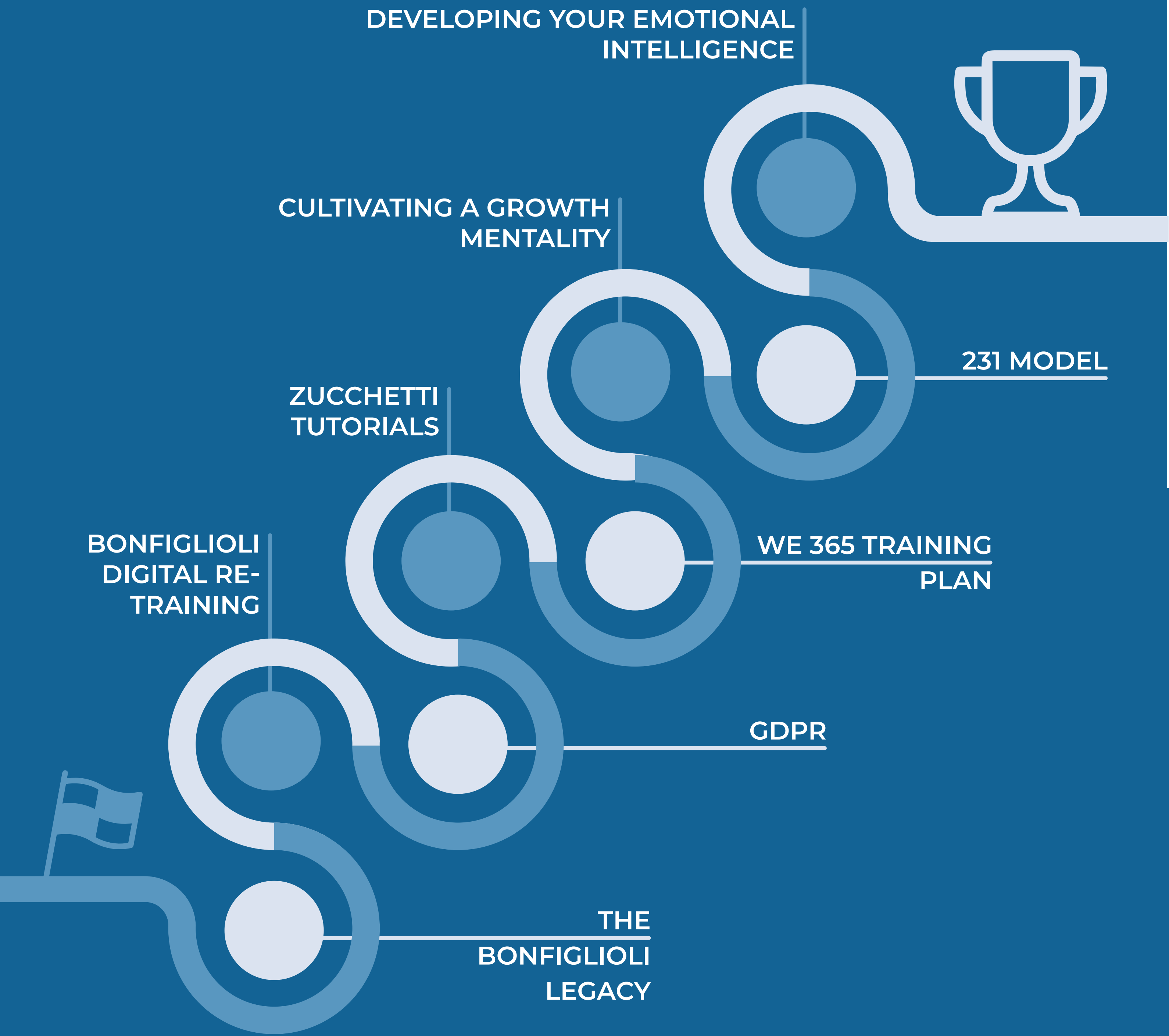
The agenda was extremely intense and was punctuated by site visits - to the new EVO plant on the first day and to Forlì on the second - where formal speeches were broken up with opportunities for more relaxed discussions and for the sharing of information, prospects and ideas.

Bonfiglioli management was able to talk to twenty journalists about the new product developments we have made over the last few years, as well as about the investments we plan on making in the near future into research and innovation, remaining firmly focused on renewable energy, recycling, wind energy and electro-mobility.

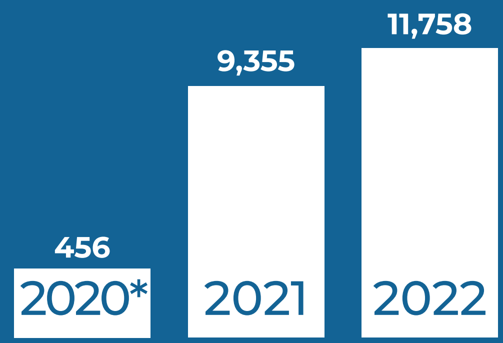
BONFIGLIOLI ACADEMY

The success of the **Bonfiglioli Academy** continues! Over the course of 2022, **more than 48,000 hours of training were rolled out** on a global scale (21% more than 2021), 29,000 of which were dedicated to white-collar workers and managers, and 19,000 to blue-collar workers.

An important update introduced this year was **the induction program for new recruits at all Bonfiglioli sites worldwide**, comprising a series of courses structured into three main areas: **Bonfiglioli Culture, Leadership Gym, Compliance and digital tools**.

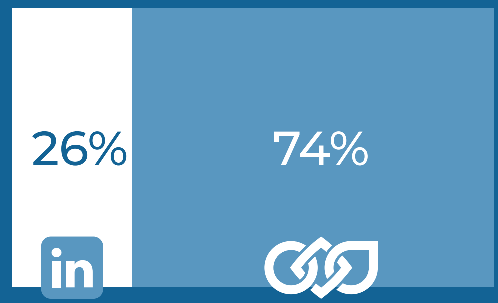


FOCUS ON DIGITAL LEARNING



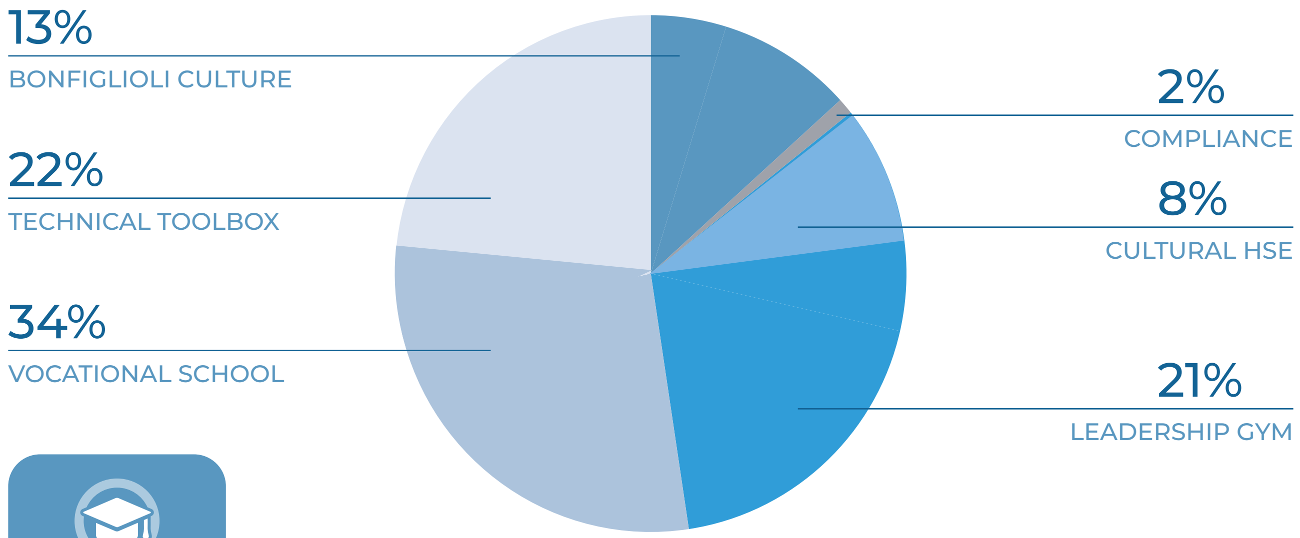
DEVELOPMENT OF TRAINING HOURS

*2020 was the year digital learning was launched



COURSE PROVIDERS

COURSE CATEGORIES



ACADEMY
Bonfiglioli

Not only you can access the **Bonfiglioli Academy** from your laptop or mobile, but you can also view the entire library at our dedicated training points at all Italian plants and selected overseas plants, where employees can log on and start training at any time that suits them.

- **CUSTOM** BONFIGLIOLI COURSES
- A PLATFORM FOR **ALL OUR PEOPLE**
- POSSIBILITY OF ACCESSING **LIBRARIES** WITH EXTERNAL CONTENT

LEARNING

AI & ROBOTICS CERTIFICATE

In 2022, we extended our Industry 4.0 training outside of the company walls with the **"adopt a class" project** in collaboration with the Belluzzi Fioravanti Institute in Bologna.

Lasting 100 hours led by professional teachers and tutors specializing in the academic and corporate spheres, and culminating in an internationally recognized certification, the project aims to prepare young people for the working world through a course that tackles artificial intelligence, big data, Internet of Things and robotics. Because the digital transformation means big changes that companies all over the world must address.

The project also included an intense practical component, rolled out both through in-person and e-learning sessions. The students were invited into the Group's EVO site, where they had the opportunity to familiarize themselves with our company technology.

Those who passed the final exam were awarded an internationally recognized **"AI and Robotics Certificate"**, issued in collaboration with RINA. The students were awarded their certificates in April 2022 by Sonia Bonfiglioli and Fausto Carboni, Group Chairwoman and CEO respectively.

A forward-looking approach that expresses the company's desire to actively participate in shaping the professionals of the future, as affirmed by Sonia Bonfiglioli: "*The role of a "responsible" company is also to take charge of training future generations, in other words to take charge of our future. [...]. We have always believed that training is the only tool that will allow human beings to remain at the center of future changes: not to endure them, but to manage them in the best possible way and exploit their full potential.*"

WHAT DO WE OFFER?

AN INNOVATIVE 100-HOUR **TRAINING COURSE**

FLEXIBLE **WORKING METHODS**

A POOL OF **PROFESSIONAL TEACHERS**

A CERTIFICATION AT THE END

OUR PROGRAM

60 HOURS OF CLASSROOM THEORY LESSONS ON INDUSTRY 4.0

40 HOURS OF PROJECT WORK AT BONFIGLIOLI WITH COMPANY TUTORS

FINAL EXAM AND AWARDS CEREMONY AT BONFIGLIOLI

END CERTIFICATION

UPON PASSING THE FINAL EXAM, **STUDENTS ARE AWARDED AN INTERNATIONALLY RECOGNIZED CERTIFICATE**, ISSUED IN COLLABORATION WITH **RINA**

A UNIQUE OPPORTUNITY FOR YOUNG PEOPLE WHO WANT TO BECOME **THE PROFESSIONALS OF THE FUTURE**!

SAFETY BREAK: LET'S STRIVE FOR SUSTAINABILITY

LEGAMBIENTE

Introduced in Italy in 2021, **Safety Breaks** are **informative sessions** provided to all employees, both blue- and white-collar workers, focusing on topics that are important to Bonfiglioli. They were born with the **aim of raising awareness about the importance of adopting certain types of behavior for our own benefit and the benefit of others**, both at work and outside of company premises.

Although the first edition was dedicated to safety in the workplace, **2022 saw the initiative branch out to environmental matters too, with and thanks to Legambiente**, Italy's first environmental association founded in 1980.

Representatives from Legambiente spoke about the circular economy as a new sustainable production model, within the framework of the European and national green transition action plans. They also touched on sustainable waste management, with a particular focus on plastic, showing ten simple everyday actions we can implement to reduce our consumption in our everyday lives. All Safety Breaks were recorded and sent to those who weren't able to attend in person.

PEOPLE INVOLVED
APP. 1,600

TOTAL SESSIONS
34

DAYS PLANNED
8

+ 11 SESSIONS

+ 3 DAYS

MOLIERE

Over the course of 2022, Bonfiglioli was involved in leading the **MOLIERE** project as part of the **EIT Manufacturing** program, set up in 2019 with the aim of making the European manufacturing sector more competitive and sustainable through a network of high-level industrial partners, major academic and research institutions, innovative start-ups and SMEs.

The primary focus of MOLIERE, which stands for multipurpose flexible high resolution strain sensor, is the industrialization of an ultra-high-resolution MEMS (micro electro-mechanical system) strain sensor: 1000 higher than current commercial strain gage.

This innovative sensor is capable both of measuring several physical dimensions relating to material deformation such as pressure, flow and load, and of monitoring the actual operating conditions of a machine, with a view to enabling accurate diagnostics.

Several other prestigious players were involved in the project: CNR (sensor design, manufacturing and experience in hydraulic applications), ESTE (electronic design - hardware & software - and ECU production), FBK (diagnostics and prognostics), Fraunhofer (technology provider for a thinner and more flexible sensor) and Acciona (commercial vehicle application).

The project culminated in the successful production of the first industrialized samples, and the case studies (torque and speed measurement of a large gearbox, hydraulic motor pressure measurement, load measurement of a mining truck) all provided excellent correlation with the instrumental sensors used in the comparison.

eit Manufacturing

Co-funded by the European Union

IoTwins

BONFIGLIOLI LISTED AMONGST "KEY INNOVATORS" BY THE EUROPEAN COMMISSION

Bonfiglioli, ESI Group and KK Wind Solutions were all named **"Key innovators"** for the **Horizon 2020 IoTwins project by Innovation Radar**: an initiative launched by the European Commission to identify high-potential innovations and innovators in EU-funded research and innovation projects.

As leader of the IOTWINS project, we coordinated a consortium of 25 companies, universities and international research centers in the creation of a modular, scalable platform for the **predictive maintenance of wind turbines**, based on artificial intelligence models, Big Data technology and supercomputing for businesses, with the aim of reproducing a system (infrastructure, process, machine, etc.) and its features through the creation of digital twins.

This involved installing 8 sensor-fitted yaw drives on two wind turbines in a wind farm in Northern Ireland, with the goal of diagnosing problems and, as a result, ensuring more efficient energy generation. This solution, entitled **"Digital Twins for Wind-farm predictive Maintenance System via WTG Control System and sensorized Gear Motors"**, was analyzed by the European Commission's Innovation Radar on the basis of several criteria: the market, the solution's technical maturity and its ability to create value.

BMR ROVERETO 10TH ANNIVERSARY

The 14th of September 2022 was an important date for Bonfiglioli: we celebrated the **10th anniversary of BMR**, the Rovereto Center of Excellence, and the beating heart of the **Motion & Robotics** Business Unit.

Attended by the entire Rovereto team and HQ management, the event looked back over some of the most important moments of the last decade: from 2011 when BMR was first born as a center of applied research focusing on mechatronics, with just 540 m² and 3 researchers, to the 100-person-strong division it is now, spread across more than 5,500 m².

To achieve ambitious goals, you need determined individuals who set the bar high and look towards the future. Bonfiglioli has had the honor of attracting this kind of talent, working together to shape a fruitful history made up of people, passion, innovation and invaluable teamwork. **As part of the celebrations, an awards ceremony was held to acknowledge the employees who have always believed in and contributed to the growth of BMR**. The Group's CEO, Fausto Carboni, and BMR General Manager, Marco Cani, personally presented a plaque to each and every one of these individuals as a sign of their sincere thanks.

Fausto Manzana, Chairman of Confindustria Trento; Roberto Busato, General Manager of Confindustria Trento; Davide Modena from Trentino Sviluppo and representatives of our social partners also took part in the event.

TECNOTRANS SPAIN: INAUGURATION OF NEW HQ IN CASTELLBISBAL

On the 23rd of November, in the presence of Chairwoman Sonia Bonfiglioli, CEO Fausto Carboni and the local team, Spanish subsidiary Tecnotrans Bonfiglioli S.A. officially inaugurated its new headquarters in Castellbisbal in Barcelona.

For more than 60 years, Tecnotrans Bonfiglioli S.A. has been designing, producing and distributing a complete range of gear motors, drive systems, and planetary reducers to meet the most demanding needs of industrial processes, mobile applications and renewable energy sources.

The new site occupies an **area of 14,000 m²**, with 6,900 m² dedicated to offices and logistics space. The facilities have been designed with one goal in mind: to take full advantage of the area available to create an environment that is inspiring and dynamic with a keen eye on sustainability.

The key strengths of the Spanish subsidiary's new headquarters are its functional yet pleasant **bright open spaces**, specially curated to be conducive to continuous collaboration and communication between different teams. The new facility comprises **a larger production area**, allowing for the seamless management of our most frequently ordered solutions, thanks to an additional production line; **a more efficient logistics area**, thanks to optimized material flows; and **a more agile storage area and warehouse**, which employs a lean strategy with a distribution system on one single floor.

In a broad sense, this change in location embodies our core values, born out of a desire to promote the company and offer our clients an even better service.

“BHOOMI PUJA”: THE FIRST STONE OF THE NEW INDIA PLANT IS LAID

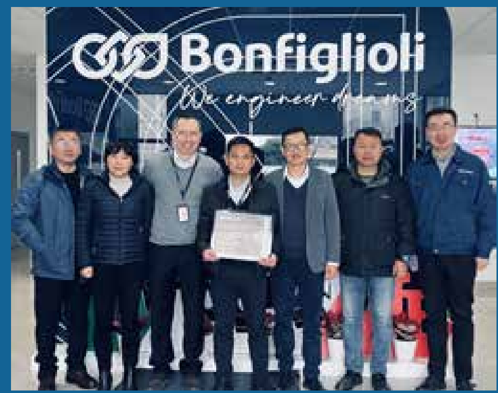
On the 8th of December 2022, our clients, partners, governing bodies, top management and employees gathered together for a **Bhoomi Puja** ceremony, symbolizing **the start of the works for the new assembly site in Pune**, which should be fully up and running before the end of 2023.

Active on the Indian market since 1998 with three plants, Bonfiglioli Transmissions Pvt Ltd already has one 7,500 m² assembly site in Pune. However, this new facility will have several advantages. **Firstly, it will be much bigger (42,500 m²) and more technologically advanced; all operations will be conducted with the utmost respect for people and the planet; it will be able to offer a larger range of personalized products; and it will reduce delivery times,** thanks to its proximity to more than 20 vertical production and processing sectors present in the western area of the country.

“We are committed to supporting industrial growth in India with smart and efficient systems for Industry 4.0. The western area of the country represents a high-growth market and with the expansion of the assembly facility in Pune, we hope to serve this evolving market even more efficiently. [...] We are extremely excited about this new facility, as it will make us even more competitive in terms of costs and delivery times,” explains Kennady V. Kaippally, Country Manager at Bonfiglioli India.

AWARDS

BONFIGLIOLI RECEIVES AWARDS FROM CATERPILLAR IN CHINA AND INDIA



The collaboration between Bonfiglioli India and Caterpillar is one of continuous success, initiated in 2016 with the supply of travel, track and 20T and 23T excavator drives.

This partnership has since been sealed with several awards: firstly in 2018 with the prestigious Advanced Product Quality Planning (APQP) award and now again in 2022 with the Supplier Quality Excellence Process (SQEP) silver certification. A tangible recognition of the commitment and proactivity demonstrated by Bonfiglioli India towards development and industrialization, as well as its ability to launch track and slew drives onto the market both promptly and successfully.

More recently, and equally as significant, was the birth of **a brand-new collaboration with Bonfiglioli China, which has been supplying Caterpillar with slew drives (705T, 706T) since 2019,** and since then has been investing heavily into both design and production to improve the level of service it is able to offer. Last year, these efforts were acknowledged through the Supplier Excellence Recognition prize, which was awarded to the team in China for their 2022 results. This prize, received in February 2023, certifies Bonfiglioli China’s marked improvement in quality control and its overall capacity to satisfy Caterpillar’s requests on a global level.

Both of these awards represent yet further confirmation of Bonfiglioli's unwavering commitment to satisfying the needs of a client as important as Caterpillar as best it possibly can, and provides us with strong motivation to continue to grow and improve.

HYUNDAI INDIA PRIZE

Bonfiglioli India is honored to have been awarded the “Supplier of the Year for Excavators” prize by Hyundai Construction Equipment India 2022.

This award is more proof of the trust that this client continues to place in our company, considering us a reliable partner for the supply of slew drives for excavators that consistently meet their expectations.

This is one of the most complex applications in the construction and earthmoving sector. The drive has to be able to execute continuous work cycles in India’s difficult, and some might say extreme conditions and climates, and is crucial to the productivity of the machinery.

The Bonfiglioli Group is proud to be able to draw on more than a decade’s worth of experience in designing and constructing top-of-the-range drives suitable for heavy applications, thanks to which it has established itself as the indisputable leader in a challenging market segment.

IFAB CONSORTIUM

WHERE TECHNOLOGY MEETS SOCIETY

In 2022, Bonfiglioli extended its network of connections with universities and research centers by joining the **IFAB consortium**, with a view to gaining privileged access to working with the technological hub and its supercomputing center, which is scheduled for launch in Bologna in 2023.

Through networking and advanced technological know-how, IFAB's goal is to make the most of the **opportunities offered by the digital transformation** in the manufacturing, industrial, mobility, robotics and renewable energy sectors.

On the 4th of November 2022, the stunning surroundings of the Cappella Farnese in the Palazzo D'Accursio in Bologna provided the backdrop for **"IFAB: the bridge between technopole and society**", an event also attended by Bonfiglioli Chairwoman Sonia Bonfiglioli. Divided into two panels, the event focused on one key topic: **the impact and value of supercomputing and Big Data on our future**. The first panel shined a light on investments into new technologies and synergies between the academic and industrial worlds, which could collaborate to support the evolution of a society with more sustainable production, development and consumption models. The second delved into the astounding progress of AI in the field of medicine.

As a member of IFAB, Bonfiglioli has one clear goal: to contribute in its own way to the society and industry of the future with **sustainable and technologically advanced solutions**.

3 OUR SOLUTIONS

TRANSITION TO ELECTRIC HAS NEVER BEEN SO EASY

OVER **40 YEARS OF EXPERIENCE** IN DESIGNING E-MOBILITY SOLUTIONS

In 2022 we presented ourselves on the market by focusing on our green soul and promoting technologies and solutions dedicated to wind, recycling and above all e-mobility. The claim **"Transition to electric has never been so easy"** has become the leitmotiv of most of the trade fairs we have taken part in.

1956
Clementino founded Costruzioni Meccaniche Bonfiglioli

1975
Acquisition of Bonfiglioli Trasmital

1976
First electric transmission for class III material handling

1981
First hydrostatic planetary transmission for class IV material handling

1992
First electric transmission for class II material handling

2004
Development of the forklift hydraulic steering system for material handling

2007
First electric transmission for class I material handling

2009
Establishment of the Bonfiglioli Electromobility Competence Center

2012
Dedicated assembly line for mass production of single motor drive axles for material handling class I

2014
Development of a complete portfolio of class II/III material handling solutions

2016
200,000 forklifts driven by Bonfiglioli products. Partner of the world's top 3 OEMs

2018
Expansion of Bonfiglioli's Italian plant dedicated to electromobility

2019
Capacity increased by an additional high automation assembly line applying industry 4.0 concepts to mass production of dual motor drive axles for forklifts

2020
Ramped-up production of differential drives used in commercial vehicles

2021
Bonfiglioli launches EDS Series, all-in-one solution

ON-HIGHWAY SOLUTIONS

MATERIAL HANDLING SOLUTIONS

OFF-HIGHWAY SOLUTIONS

HERO PRODUCTS FOR E-MOBILITY

MAIN POWER UNIT ELECTRIFICATION

EDS Series

600WE, 600W and 700CE Series

FINAL DRIVES ELECTRIFICATION

HERO PRODUCTS FOR E-MOBILITY

EL Series

Steerable drive for pallet trucks, stackers and reach trucks.

SILENT, COMPACT, EFFICIENT

- Multifunction unit for complete control
- Customised to customer needs

PRESENTED AT **LOGIMAT**'22

701TE Series

Swing drive for construction machinery

VERSATILE, PERFORMANT

- Comes in different configurations and can be coupled with various sized gearboxes.
- Additional power combinations are currently being developed

PRESENTED AT **BAUMA**'22

BlueRoll Series

Precision wheel drive for AGVs and AMRs

MODULAR, COMPACT

- Position accuracy
- High energy efficiency for long operation cycles
- High load capacity
- Power density

PRESENTED AT **LOGIMAT**'22

FOCUS ON OTHER PRODUCTS

PRESENTED AT **SPS**'22

DGM Series

Decentralized Inverter

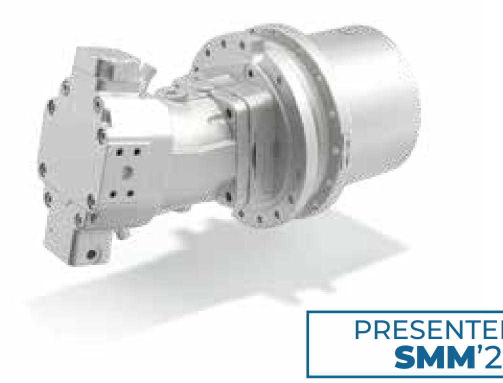
- Automatic starting torque optimization
- Perfect sensorless vector control at low speed
- Reluctance synchronous motor control
- STO operationg safety option with M12 8P
- Brake rectifier module option
- Brake chopper option
- Cover embedded MMI option

800 Series

Winch drives

MODULAR

- Electric or hydraulic motor input
- Standard 300 input series components
- Linear or angular input
- Class approved drives on demand
- Atex versions on demand



PRESENTED AT **SMM**'22

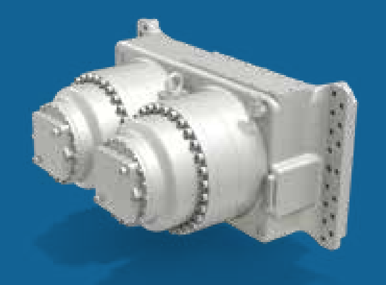
FWX Series

Winch drives

PERFORMANT

- Electric or hydraulic motor input
- Dedicated design for winch applications
- Class approved drives on demand
- Linear or angular input

PRESENTED AT **SMM**'22



PRESENTED AT **ECOMONDO**'22

R3 Series

Shredder gearmotor for primary shredding

COMPACT, POWERFUL

- IoT ready
- Tailored to your needs
- Flanged axial piston hydraulic motors
- Shamrock output
- Syncro drive

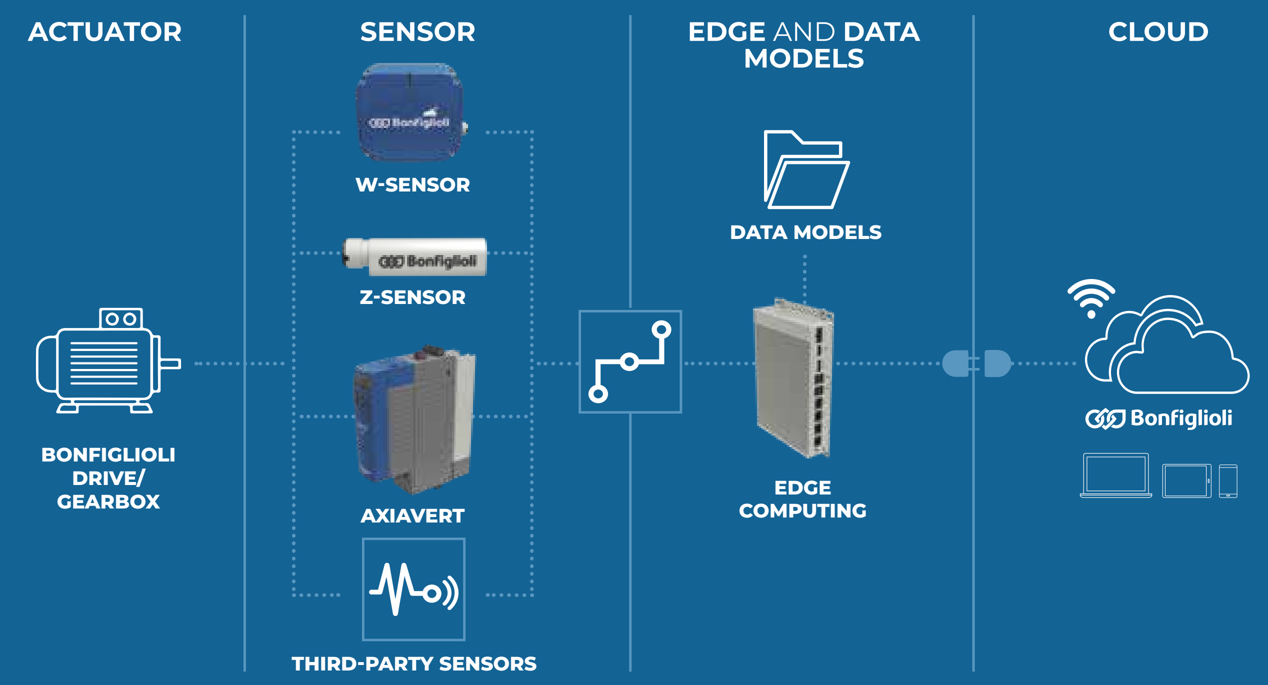
IOT DIGITAL SERVICES FOR BUSINESS

Innovation is part of Bonfiglioli's DNA. Our continuous development of new technologies and solutions for our clients is irrefutable proof of that.

With more than 60 years of experience in the automation sector, Bonfiglioli is constantly innovating, enabling it to offer new and advanced digitalization solutions through a broad portfolio of products that ranges from sensors to cloud-based services.

Our clients have access to a platform that presents information on our products and their conditions of use, guiding them through the stages of predictive maintenance through sensors, software and algorithms. Bonfiglioli's range of digital products is based on three main components (smart product solutions, edge solutions and cloud solutions), providing both software and hardware designed to flag errors, prevent damage to the machinery and monitor the status of the related applications.

FROM INDIVIDUAL COMPONENTS TO 360-DEGREE VIEW



4 ESG:

THE PILLARS OF OUR SUSTAINABLE APPROACH

For detailed information, please consult our 2022 Sustainability Report.

OUR ENVIRONMENTAL COMMITMENT

2,737,850 kWh

ENERGY CONSUMPTION FROM RENEWABLE SOURCES

-8%

CONSUMPTION FROM NON-RENEWABLE SOURCES (2022 vs 2020)

-7%

PURCHASED ELECTRICITY (2022 vs 2020)

CERTIFICATIONS

QUALITY, HEALTH, SAFETY, ENVIRONMENT & ENERGY

OUR UNWAVERING AMBITION

Bonfiglioli is constantly striving 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 2022 is testament to this commitment: Bonfiglioli's EVO site in Calderara di Reno was awarded **the ISO50001:2018 certification for its energy management system**, first obtained in 2021 by the Forlì plant.

Surveillance audits were also carried out on the Group's ISO 9001:2015 certification for its quality management system certification and ISO 14001:2015 and ISO 45001:2018 certifications for its integrated occupational health and safety and environmental management system.

SYSTEM CERTIFICATIONS

TÜV SÜD ISO 9001 | TÜV SÜD ISO 14001 | TÜV SÜD OHSAS 18001

PRODUCT CERTIFICATIONS

CE | UK CA | UL | CCC | ISI | EAC | Ex | ABS | DNV

RESPONSIBLE SUSTAINABILITY

The Group's social responsibility mission is strongly backed by our Chairwoman Sonia Bonfiglioli who, following in the footsteps of her father, supports initiatives and projects all over the world, guided by three key pillars:

YOUNG PEOPLE

TERRITORY DEVELOPMENT

STEM DISCIPLINES AND TECHNICAL EDUCATION

A BETTER FUTURE FOR OUR YOUNG PEOPLE

WORLD

WE HAVE PLANTED **5,000** TREES IN COLOMBIA, KENYA, NEPAL AND TANZANIA.

-1,229,000 KG DI CO_2

5,000 TREES

4 COUNTRIES

UGANDA

Save the Children

TOGETHER WE CAN PROVIDE PROPER EDUCATION IN UGANDA!

With our contribution, Save the Children has built housing for 4 teachers to provide 100 children with a continuous proper education.

INDIA

Housing for children.

UNITED KINGDOM

Circus Starr, a show of solidarity

ITALY

MUS-E Musique Europe, a European multicultural project.

VIETNAM

School in Ho Chi Minh City.

BRAZIL

Supporting vulnerable children.

NEW ZEALAND

Special Children's Christmas Party in support of children with special needs in the local community.

SUPPORTING CULTURE AND HEALTH

Bonfiglioli supports the Associazione Epilessia Emilia Romagna (AEER).

CINEMA MODERNISSIMO

at the Palazzo Ronzani in Bologna.

Cultural association

LEONARDO MELANDRI STUDY CENTRE

AMICI DEL MUSEO ASSOCIATION

Promoting Bologna's historic industrial heritage.

SUPPORTING CULTURE AND HEALTH

LEONARDO COMMITTEE

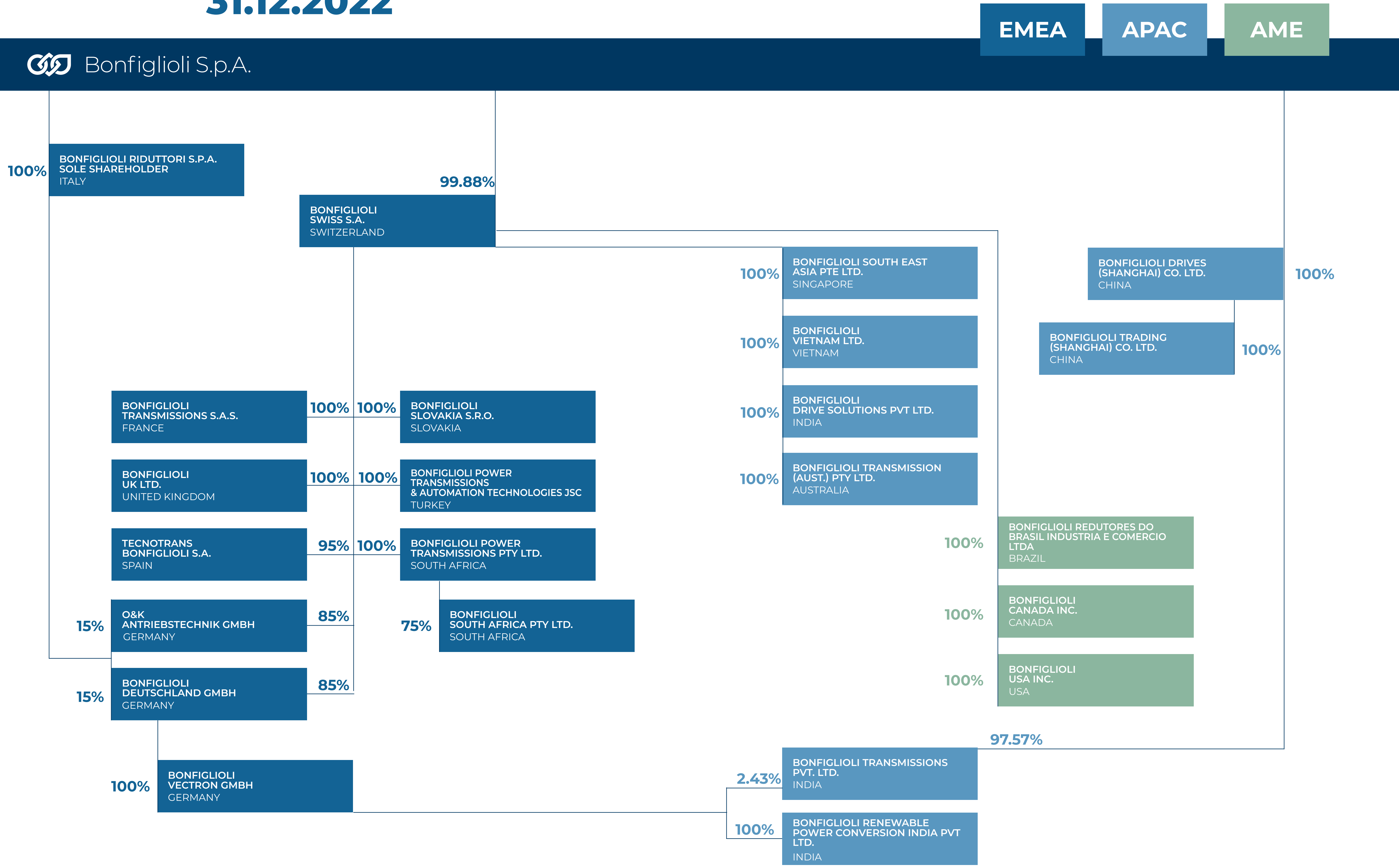
Clementino Bonfiglioli prize

IT, robotics and 3D design lab

ANNUAL REPORT22

5 FINANCIAL DATA

GROUP CHART AS OF 31.12.2022



ORGANIZATION CHART

CHAIRWOMAN

CHIEF EXECUTIVE OFFICER

RESEARCH & DEVELOPMENT

REAL ESTATE & FACILITY MANAGEMENT

INFORMATION TECHNOLOGY & DIGITAL

HUMAN CAPITAL

LEGAL & CORPORATE AFFAIRS

ADMINISTRATION, FINANCE & CONTROLLING

STRATEGIC PURCHASING

QUALITY, HSE & AFTER SALES SERVICES

STRATEGIC PLANNING, M&A & COMMUNICATION

DISCRETE MANUFACTURING & PROCESS INDUSTRIES BUSINESS UNIT

MOBILITY & WIND INDUSTRIES BUSINESS UNIT

MOTION & ROBOTICS BUSINESS UNIT

AMER

EMEA

INDIA

CHINA

SEA

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

Alessandro Gualtieri > Chairman

Monica Marisaldi > Member

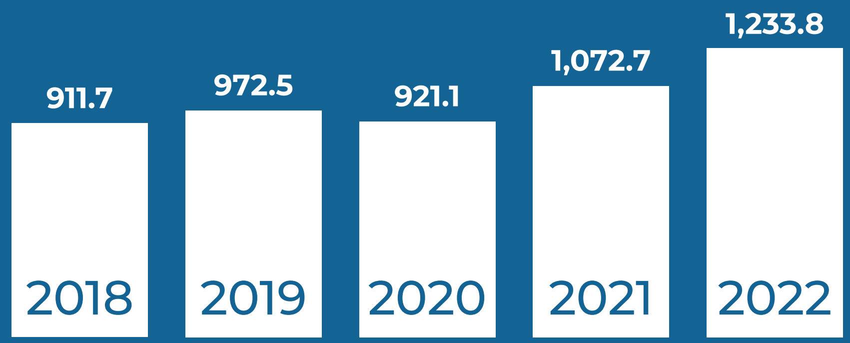
Biones Ferrari > Member

INDEPENDENT AUDITOR

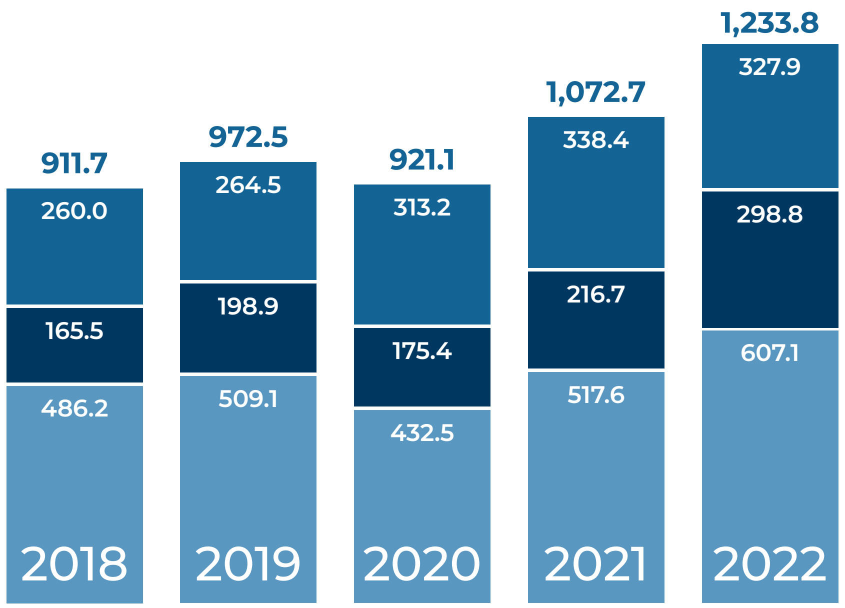
EY S.p.A.

FINANCIAL HIGHLIGHTS

GROUP TURNOVER
(EURO/MILLION)

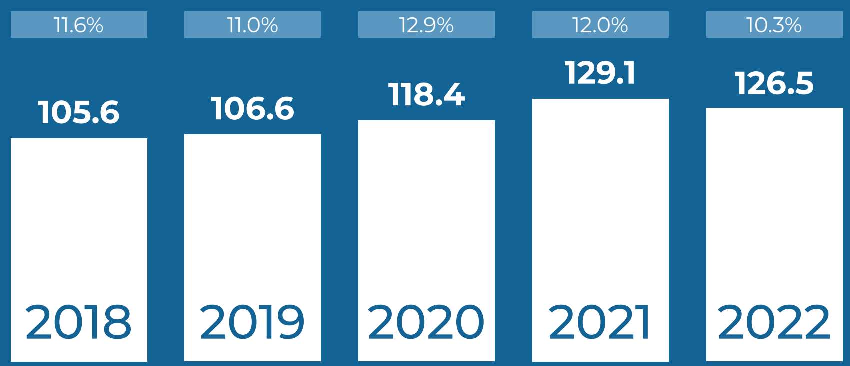


SALES BY GEOGRAPHICAL AREA
(EURO/MILLION)

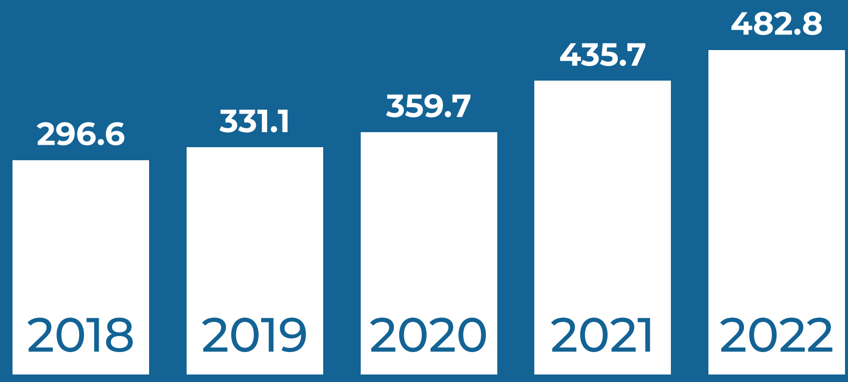


EMEA
AME
APAC

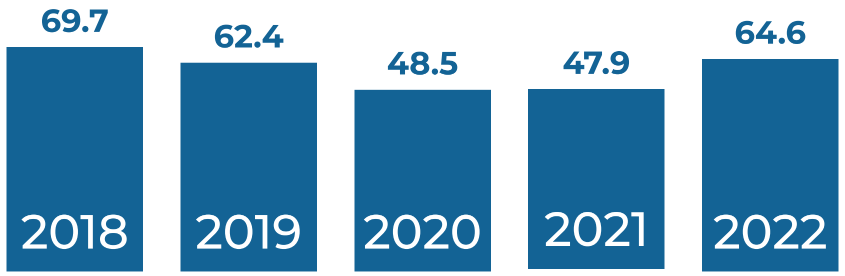
EBITDA
(EURO/MILLION - % OF TURNOVER))



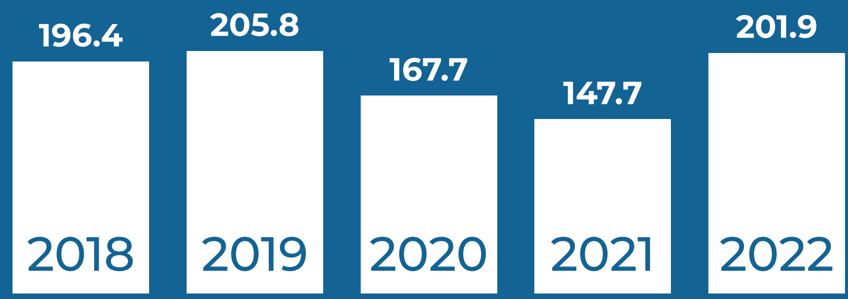
GROUP SHAREHOLDERS' EQUITY
(EURO/MILLION)



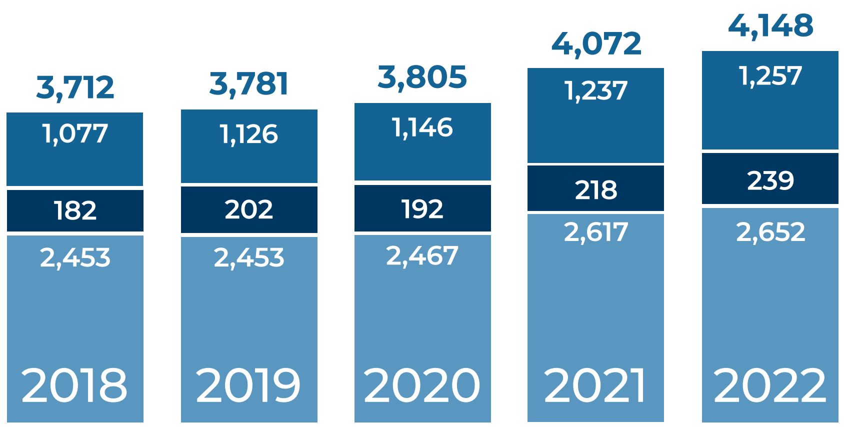
NET CAPITAL EXPENDITURE
(EURO/MILLION)



NET CASH POSITION (NCP)
(EURO/MILLION)



NUMBER OF EMPLOYEES



EMEA
AME
APAC

6 MANAGEMENT REPORT

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

FOREWORD

This management report accompanies the Consolidated Financial Statements of Bonfiglioli Group as of December 31, 2022 consisting of the financial statements and related illustrative notes and drafted in accordance with the 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.

ECONOMIC SITUATION

The year 2022 will be remembered for the global fight against inflation, the war in Ukraine and the resurgence of COVID-19 in China. The first two factors are expected to continue to weigh heavily in 2023.
As revealed in the "World Economic Outlook", published by the International Monetary Fund (IMF) at the end of January, despite these headwinds, real GDP was surprisingly strong in the third quarter of 2022 in many economies, including the US, the Eurozone and major emerging markets. The sources of these surprises were in many cases domestic: private consumption and investment were higher than expected in a tight labour market environment combined with fiscal support above expectations. Households spent more, particularly on services, partly by reducing their savings reserves. Business investment increased to meet demand. On the supply side, the easing of bottlenecks and the gradual decline in transport costs reduced pressure on purchase prices, enabling a rebound in previously constrained sectors, such as the automotive industry. Energy markets, for their part, adapted more quickly than expected to the shock caused by the war in Ukraine.
However, in the fourth quarter of 2022, this increase was estimated to have faded in most major economies. Nevertheless, US growth remains stronger than expected, with consumers continuing to erode their savings (the personal savings rate is at a more than 60-year low) and unemployment close to record lows. However, elsewhere, indicators show a general slowdown. Economic activity in China slowed in the fourth quarter due to numerous large COVID-19 outbreaks in Beijing and other densely populated locations. The authorities first reacted by imposing new lockdowns and then moved to a general easing of restrictions through to full reopening, causing a further freeze in activity as the outbreaks multiplied. Real estate investments continued to fall, a sign of the continuing crisis in the real estate market. The authorities responded with a further loosening of monetary and fiscal policy, new vaccination targets and measures to support the completion of unfinished real estate projects. However, consumer and business confidence remained subdued at the end of 2022.
European economic growth in 2022 was more resilient than expected in the face of the strong negative shock caused by the war in Ukraine. This resilience, evident in the consumption and investment data for the third quarter, partly reflects the government support for households and businesses affected by the energy crisis as well as the dynamism seen as economies reopened. Gas prices rose less than expected due to the use of alternatives to the Russian pipelines and liquefied natural gas flows, as well as a warmer-than-average winter. However, the boost provided by the reopening already appears to be slowing down. The indicators for the fourth quarter suggest that the manufacturing and service sectors are contracting. Consumer and business confidence has deteriorated. With inflation at 10% or higher in several Eurozone countries and the UK, household budgets remain strained. The rapid pace of rate hikes by central banks is tightening financial conditions and cooling demand in the real estate sector and beyond.
Global growth, estimated at 3.4% in 2022, is expected to fall to 2.9% in 2023 before rising to 3.1% in 2024. Compared to the October forecast, the estimate for 2022 and the forecast for 2023 are both around 0.2 percentage points higher, reflecting positive surprises and greater-than-expected resilience in many economies. Negative global GDP growth or GDP per capita growth, which often accompany a global recession, are no longer expected. However, the forecast global growth in 2023 and 2024 is below the historical annual average (2000-19) of 3.8%. The low growth forecast in 2023 reflects the rate hikes imposed by central banks in major advanced economies to combat inflation and the contraction caused by the war in Ukraine. In contrast, growth is expected to pick up in China and the major emerging markets in 2023. The expected recovery in 2024 in both groups of economies reflects the gradual recovery from the effects of the war in Ukraine and the expected decline in inflation. Following the trend in global demand, the growth in world trade is expected to decline to 2.4% in 2023, before rising to 3.4% in 2024. These forecasts are based on a number of assumptions, primarily regarding fuel and non-fuel commodity prices, generally revised downwards since October, and interest rates, generally revised upwards. In 2023, oil prices are expected to fall by around 16%, while non-fuel commodity prices are expected to decline by an average of 6.3%. Forecasts for global interest rates have been revised upwards, reflecting the monetary policy stance of the major central banks since October.
For the advanced economies, growth is expected to fall sharply from 2.7% in 2022 to 1.2% in 2023 before recovering to 1.4% in 2024. Around 90% of the advanced economies are expected to see a decline in growth in 2023. In the US, growth is expected to fall from 2.0% in 2022 to 1.4% in 2023 and 1.0% in 2024. Growth in the Eurozone is expected to bottom out at 0.7% in 2023 (from 3.5% in 2022) before rising to 1.6% in 2024. 2023 will benefit from the carry-over effect from 2022, lower energy prices and measures to protect purchasing power. The minus sign has disappeared from the forecasts for Italy and Germany for 2023, in contrast to the IMF report in October, which had assumed negative growth. The United Kingdom is the only economy, among those considered by the IMF, that is expected to remain in recession for the whole of 2023, with a GDP contraction of 0.6%, the result of the tightening of interest rates and still high energy prices weighing on household budgets.
Growth in the emerging Asian economies is expected to increase in 2023 and 2024 to 5.3% and 5.2%, respectively, after a sharper-than-expected slowdown to 4.3% in 2022, attributable to the Chinese economy. The slowdown in China's real GDP in the fourth quarter reduced the growth estimates for China in 2022 to 3%, for the first time in more than 40 years below the global average. China is expected to grow at 5.2% in 2023 and 4.5% in 2024 before stabilizing below 4% in the medium term. Growth in India is expected to decline from 6.8% in 2022 to 6.1% in 2023 before rising to 6.8%, thanks to the resilience of domestic demand. Growth in the ASEAN-5 countries (Indonesia, Malaysia, Philippines, Singapore, and Thailand) will slow to 4.3% in 2023 (from 5.2% in 2022) before rising to 4.7% in 2024.
Around 84% of the countries are expected to have lower overall inflation (consumer price index) in 2023 than in 2022. Headline inflation is expected to fall from 8.8% in 2022 (annual average) to 6.6% in 2023 and 4.3% in 2024. The disinflation envisaged partly reflects the international decline in the price of fuels and non-fuel products due to weaker global demand as well as the cooling effects of monetary policy. However, the momentum of price decreases will be slow: by 2024, annual average headline and core inflation will still be above pre-pandemic levels in 82% and 86% of the economies, respectively.
Important challenges await global policy makers in the near future.
Ensuring global disinflation: for most economies, the priority continues to be achieving a sustained reduction in inflation towards target levels.
Containing the resurgence of COVID-19: addressing the ongoing pandemic requires coordinated efforts to increase access to vaccinations and drugs in countries where coverage remains low as well as the deployment of pandemic preparedness measures, including a global push towards sequencing and data sharing.
Ensuring financial stability: based on country specifics, macro-prudential tools can be used to address pockets of high vulnerability in the financial sector. Monitoring developments in the housing sector and implementing stress tests in economies where house prices have risen significantly in recent years. At global level, data and supervisory gaps need to be addressed in the less regulated non-banking financial sector, where risks may have accumulated to a less obvious extent. The recent turmoil in the cryptocurrency area also highlights the urgent need to introduce common standards and strengthen supervision.
Restoring debt sustainability: lower growth and higher borrowing costs have increased public debt in several economies. Where debt is unsustainable, implementing timely restructuring or re-profiling as part of a reform package can prevent the need for more disruptive adjustments later on.
Supporting the vulnerable: soaring global energy and food prices have triggered a cost-of-living crisis. Governments have

acted quickly with support to households and businesses, which has helped cushion the effects of the crisis by limiting the transmission from energy prices to overall inflation. Temporary and broad measures are becoming increasingly expensive and should be withdrawn and replaced by targeted approaches.
Strengthening the supply side: supply-side policies should address the main structural factors hampering growth by reducing bottlenecks and easing price pressures. A concerted push for investments along the green energy technology supply chain would strengthen energy security and help advance the green transition.
Strengthening multilateral cooperation: urgent action is needed to limit the risks stemming from geopolitical fragmentation and ensure cooperation in key areas of common interest.
Accelerating the green transition: to meet the climate change targets set by governments, rapid action and credible mitigation policies are needed. In addition, global cooperation is needed to build resilience to climate shocks, also by providing aid to vulnerable countries.

CONSOLIDATION AREA

As of December 31, 2022, the consolidation area includes, along with the Parent Company, 22 subsidiaries representing the following manufacturing and industrial organization:
- 15 production plants (4 in Italy, 3 in India, 2 in Germany, 2 in China and 1 each in the United States, Brazil, Slovakia and Vietnam) covering various areas of the extensive Bonfiglioli product range;
- Directly controlled commercial companies in 16 countries, covering development, marketing and sales, logistics, customization and final assembly of the Group's products, pre-sales and after-sales assistance and customer support.

With reference to the consolidation area, please note, as better detailed in the Illustrative Notes:
- the establishment by Bonfiglioli Swiss S.A. of the wholly owned Indian company "Bonfiglioli Drive Solutions Private Ltd.";
- the entry of third party shareholders belonging to the "BEE" (Broad-Based Black Economic Empowerment Act) program into the South African company "Bonfiglioli South Africa Pty Ltd" for 25% of the share capital;
- the repurchase from SIMEST S.p.A. of 26.18% of the share capital of the Brazilian subsidiary Bonfiglioli Redutores Do Brasil Ltda;
- the entry of SIMEST S.p.A. into the share capital of Bonfiglioli Swiss S.A. with a 0.12% stake;
- the transfer by contribution in kind to Bonfiglioli Swiss S.A. of 100% of the shares held in the companies Bonfiglioli Redutores do Brasil Ltda and Bonfiglioli Transmissions (Aust) Pty Ltd;
- the early dissolution of the company Bonfiglioli Ennowing S.p.A.

ANALYSIS OF 2022 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	2022	2021	2020	2022	2021	2020
TURNOVER	**1,233.8**	**1,072.7**	**921.1**	**100.0%**	**100.0%**	**100.0%**
COST OF SALES	(976.6)	(827.6)	(706.1)	(79.2)%	(77.2)%	(76.7)%
GROSS MARGIN	**257.2**	**245.1**	**215.0**	**20.8%**	**22.8%**	**23.3%**
STRUCTURE & OPERATING EXPENSES	(183.2)	(160.5)	(142.7)	(14.8)%	(15.0)%	(15.5)%
EBIT	**74.0**	**84.5**	**72.3**	**6.0%**	**7.9%**	**7.9%**
Financial income and expenses	(7.5)	(5.2)	(6.2)	(0.6)%	(0.5)%	(0.7)%
Exchange rate differences	(0.4)	2.3	(2.1)	(0.0)%	0.2%	(0.2)%
Dividends, income and charges from securities valuation	0.2	0.3	0.3	0.0%	0.0%	0.0%
EBT	**66.2**	**81.8**	**64.3**	**5.4%**	**7.6%**	**7.0%**
Current Taxes	(15.3)	(17.4)	(14.8)	(1.2)%	(1.6)%	(1.6)%
Deferred Taxes	4.7	(1.7)	4.3	0.4%	(0.2)%	0.5%
CONSOLIDATED NET INCOME	**55.5**	**62.7**	**53.9**	**4.5%**	**5.8%**	**5.8%**
Minority	(0.0)	(0.0)	(0.0)	(0.0)%	(0.0)%	(0.0)%
NET GROUP INCOME	**55.5**	**62.6**	**53.8**	**4.5%**	**5.8%**	**5.8%**
PERSONNEL COSTS	**(211.0)**	**(194.0)**	**(173.8)**	**(17.1)%**	**(18.1)%**	**(18.9)%**
DEPRECIATION/AMORTIZATION	**(47.4)**	**(42.6)**	**(42.5)**	**(3.8)%**	**(4.0)%**	**(4.6)%**
PROVISIONS FOR DOUBTFUL RECEIVABLES AND RESERVES	**(5.1)**	**(2.0)**	**(3.6)**	**(0.4)%**	**(0.2)%**	**(0.4)%**
EBITDA	**126.5**	**129.1**	**118.4**	**10.3%**	**12.0%**	**12.9%**

	ROTATION			VALUES (*)		
STATEMENT OF FINANCIAL POSITION	2022	2021	2020	2022	2021	2020
Net working capital	364.2	303.8	257.3	106	102	101
Fixed assets	359.7	343.2	332.4	105	115	130
Other invested capital	(38.5)	(63.0)	(61.8)	(11)	(21)	(24)
Minority	(0.5)	(0.5)	(0.5)	(0)	(0)	(0)
CAPITAL EMPLOYED	**684.8**	**583.4**	**527.4**	**200**	**196**	**206**
Group Shareholders' Equity	482.8	435.7	359.7	141	146	141
Net Cash Position (NCP)	201.9	147.7	167.7	59	50	66
FUNDS	**684.8**	**583.4**	**527.4**	**200**	**196**	**206**

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

TURNOVER BY GEOGRAPHICAL AREA	VALUES 2022	VALUES 2021	VALUES 2020	% OF TURNOVER 2022	% OF TURNOVER 2021	% OF TURNOVER 2020
EMEA	607.1	517.6	432.5	49.2%	48.3%	47.0%
AME	298.8	216.7	175.4	24.2%	20.2%	19.0%
APAC	327.9	338.4	313.2	26.6%	31.5%	34.0%
TOTAL TURNOVER	**1,233.8**	**1,072.7**	**921.1**	**100.0%**	**100.0%**	**100.0%**

INDICATORS	2022	2021	2020	DESCRIPTION
ECONOMIC				
Net ROE	11.5%	14.4%	15.0%	(Net profit/Shareholders' equity)
ROI	10.8%	14.5%	13.7%	(EBIT/Capital employed)
ROS	6.0%	7.9%	7.9%	(EBIT/Turnover)
EBITDA/ Net financial charges	16.8	24.7	19.1	
EQUITY AND STRUCTURE				
Primary structural balance ratio	1.3	1.3	1.1	(Shareholders' equity/Fixed assets)
Financial indebtedness ratio	0.4	0.3	0.5	(NCP/Shareholders' equity)
NCP/EBITDA ratio	1.6	1.1	1.4	(NCP/EBITDA)
Shareholders' equity tangibility ratio	0.9	0.9	0.9	(Equity-Intangible assets/Equity)
OTHER				
Average number of employees	4,128	3,925	3,775	Annual average
Turnover per employee	299	273	244	Data EURO THOUSAND

The following events are significant for the financial year 2022.

The Bonfiglioli Group also expanded its offering of 4.0 training outside the company, with the "adopt a classroom" project. A 100-hour project, with the contribution of professional teachers and tutors, culminating in the issuance of an internationally recognized certificate, to prepare for the world of work through a course on the subjects of artificial intelligence, big data, Internet of Things and robotics. In April 2022, Sonia Bonfiglioli and Fausto Carboni, respectively the Chairwoman and the CEO of the Group, presented the AI and Robotics diploma and the related certification (issued in collaboration with the certification body RINA) to the young people who took the training course offered by the Bonfiglioli Group and passed the final exam. For the entire duration of the project work, the youngsters were guests of the Bonfiglioli Group at EVO site, supervised by internal tutors to put into practice the theory acquired during the classroom lessons, engaging with company managers and getting the chance to use Bonfiglioli technologies. The role of a "responsible" company" – notes Sonia Bonfiglioli – is also to take responsibility for the education of future generations, who represent our future. The ability to interpret the needs of the labour market and the demand for new professional skills must be directed towards training, in order to contribute to acquiring the specific skills demanded by the changes brought about by the digital transformation. We have always believed that training is the only tool that will allow human beings to remain at the centre of future the changes: not to endure them, but to manage them in the best possible way and exploit their full potential.

As described more fully in the section on Research and Development, in early 2022 Bonfiglioli joined MOLIERE, a European Union-funded project included in the EIT Manufacturing Agenda. The main goal of the project is the industrialization of an ultra-high resolution MEMS (microelectromechanical systems) strain sensor. EIT Manufacturing, co-funded by the European Union, was launched in 2019 with the goal of helping to make Europe and its manufacturing sector more competitive and sustainable. By accelerating innovation to improve everyday life at global level, it also aims to meet

Europe's climate goals and ensure a well-prepared workforce to meet tomorrow's challenges. This is possible by bringing together a network of top industry partners, leading academic and research institutions, innovative startups, scaleups and SMEs.

In April 2022, as the state of emergency came to an end, the Bonfiglioli vaccine hub in Calderara di Reno closed after having achieved important results thanks to the excellent teamwork and synergies created with local authorities. From June 2021, a total of 50,370 vaccinations were carried out in our hub, in addition to the vaccinations carried out in the other two hubs in the municipality, 687 at the polyclinic and 23,343 in the Pederzini hub. Thanks to the awareness campaign, vaccination coverage reached 92.4% for the local population. The results achieved and the knowledge that we have made an important contribution to the community at a time of emergency make us even more proud of our work.

On September 14, we celebrated the 10th anniversary of the Rovereto Centre of Excellence in the presence of local government officials and social partners. Originally established as an applied research centre dedicated to mechatronics, today it is the heart of Bonfiglioli's Motion & Robotics systems. It was exciting to relive together the moments that have accompanied the development and establishment of the centre, as well as the innovations and expansions that have taken place over all these years! A special moment was dedicated to rewarding colleagues who have accompanied the development of the Rovereto Center of Excellence since its inception. This was to emphasize, once again, the importance of people in achieving ambitious goals and the significance of teamwork.

On November 23, Tecnotrans Bonfiglioli S.A., our Spanish subsidiary, inaugurated its new headquarters in the town of Castellbisbal, in the province of Barcelona, in the presence of our Chairwoman Sonia Bonfiglioli, Fausto Carboni (CEO) and the entire local team. The new plant occupies an area of 14,000 square meters, and has 6,900 square meters spread across the offices and logistics area. The facilities have been designed to provide open and brightly lit spaces to produce stimulating and dynamic environments, to create the ideal climate for continuous collaboration and communication between colleagues. The assembly area has been expanded while, at the logistics level, improvements have been implemented to optimize the flow of materials. As regards the storage area, the new warehouse has a more agile system due to its allocation to a single floor. Plans have also been made for the installation of solar panels that will enable the production of 35% of the energy needed. A clear commitment to sustainability and energy efficiency, a core value for Bonfiglioli.

The project started with Save the Children at the end of 2021 to celebrate the achievement of the Group's first billion in turnover continued. We are proud that our donation was used to finance the construction of housing for four teachers at a school located in one of the most densely populated regions of Uganda, the Wakiso district. The project will provide better schooling for at least 122 children, increasing literacy rates and creating new opportunities for the local community. In addition to low literacy rates, up to 13% of school-age children in Uganda do not attend school. One of the main problems in the country's education system is the absenteeism of teachers, who are unable to reach schools located in remote and isolated areas. The accommodation built thanks to our grant was completed in September 2022, which means that teachers are now able to prepare and hold regular classes for the children. Local children, many of whom have to successfully combine school and household duties, are also able to reach teachers whenever they need to. In keeping with our commitment to social responsibility, we stand together with Save the Children in the belief that education is necessary to ensure that children can build a better future for themselves and their community. And we are very proud to have made a concrete contribution!

On December 8, we celebrated the "Bhoomi puja" for the new 42,500-square-meter assembly plant in Pune, India, in the presence of customers, partners, government authorities, the management team and employees. Our Indian company, Bonfiglioli Transmissions Pvt Ltd, already has a 7,500-square-meter assembly plant in Pune. The new, much larger, facility will feature high-tech, real-time intelligent assembly operations and will boast a people-friendly environment. Production is scheduled to start by the end of 2023.

With reference to the Group's performance in 2022, the consolidated turnover increased by 15% compared to the previous year (1,233.8 M€ compared to 1,072.7 M€ in 2021). The increase in turnover was more consistent in Europe and in the United States, while the APAC area continued to be affected by the contraction in China.

The Consolidated Income Statement shows a Group Gross Operating Result (EBITDA) of 126.5 M€, equal to 10.3% of the turnover, slightly down compared to the previous year in percentage terms (-1.7%) and in absolute value (-2.5 M€).

The analysis of the various components shows that:

- cost of sales for 2022 came to 79.2% of turnover. The decrease in margins compared to 2021 (-2%) is mainly attributable to the significant increase in raw material costs and energy consumption, which the Group preferred not to pass on in full to customers;
- structural costs show an increase compared to 2021 of 22.7 M€ in absolute value, while remaining essentially constant in terms of percentage of turnover (14.8% compared to 15.0% last year);
- the total labour cost went from 194.0 M€ to 211.0 M€, though with an improvement in terms of percentage of turnover (17.1% compared to 18.1% last year);
- amortization, depreciation and other provisions increased in absolute value compared to the previous year (52.5 M€ compared to 44.6 M€ in 2021) but remained constant in terms of percentage of turnover (4.2%);
- net financial charges in absolute value increased by 2.3 M€ compared to 2021 (7.5 M€ compared to 5.2 M€ last year) but remained practically constant in terms of percentage of turnover (0.6% in 2022 compared to 0.5% in 2021);
- exchange rate dynamics led to profits of 0.4 M€, in line with the exchange rate dynamics observed during the year and caused mainly by the appreciation of the Euro against all the main currencies used within the Group.

The Group's Net Working Capital increased in absolute value from 303.8 M€ to 364.2 M€, with a slight increase in the rotation on turnover (106 average days of rotation compared to 102 in 2021).
The Net Cash Position (NCP) recorded an increase in borrowing in absolute value (from 147.7 M€ in December 2021 to 201.9 M€ in December 2022) also due to the increase in NWC and investments made during the year. The leverage, i.e. the ratio between NCP and EBITDA, was 1.6 at the end of the year.

Net investments amounted to 64.6 M€ (of which 7.4 M€ related to rights of use), as follows:

VALUES IN M€	2022	2021	2020
Land and buildings	15.0	0.4	20.2
Plant and machinery	18.2	17.5	17.6
Equipment	13.8	13.2	12.7
Other assets	4.5	5.3	4.5
Assets under construction	10.8	7.6	(9.2)
Tangible assets	**62.3**	**44.0**	**45.8**
Development costs	7.2	-	-
Licenses, trademarks, patents	2.0	2.6	1.7
Others (including assets under construction)	(6.9)	1.3	1.0
Intangible assets	**2.3**	**3.9**	**2.7**
Total Investments	**64.6**	**47.9**	**48.5**

The Group's main investments for 2022 are described below:

- the changes in the item land and buildings mainly concerned the Spanish subsidiary for the construction of the new plant in Castellbisbal (5.7 M€), discussed in the sections above, and the Parent Company (2.7 M€). These were accompanied by the investments in the right of use of property totalling 6.3 M€ of which 4 M€ relating to the right 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. (20.9 M€). Additional investments were made in Vietnam (2.6 M€), India (1.6 M€), China (1.7 M€), O&K (0.5 M€) and Spain (0.4 M€);
- investments for other assets are mainly represented by leased cars and forklifts, hardware and office furniture of the various Group companies;
- tangible assets under construction, gross of the completion of those in progress at the end of 2021, mainly relate to real estate investments in progress by the Parent Company (9.7 M€) as well as advances to suppliers for machinery and equipment manufactured by the various Group factories;
- the item Development costs relates to the completion of the AxiaVert project on the German subsidiary Bonfiglioli Vectron Gmbh, previously recognized under intangible assets under construction;
- investments in software, trademarks and patents mainly relate the purchase of enterprise software by the Parent Company;
- investments in other intangible assets, gross of the completion of those in progress at the end of 2021, mainly relate to advances to suppliers mainly paid by the Parent Company for software development.

ALTERNATIVE PERFORMANCE MEASURES

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, and cost of raw materials, 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 we are witnessing between Russia and Ukraine.

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 import-export 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

During 2022, 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 2022, the Group's operating staff counted 4,617 people (of which 4,148 employees and 469 temporary workers). Geographical presence is most marked in the EMEA area with 64% of employees. The remaining part is divided between the geographical areas of APAC (30%) and AME (6%).
During the year the Bonfiglioli Group continued to evolve its organization and operating model. Work was carried out on the introduction of regional organizational structures (AME, EMEA, INDIA, CHINA, and SEA) as geographical coordination centres with the mission of supporting the Business Units in developing projects and initiatives in line with the Group's strategic direction.
In addition, in line with the reorganization by sectors of the Sales functions carried out in 2021, a new organizational structure of the Research and Development function was introduced with the aim of creating competence centres

focused on offering integrated solutions. The main changes included the creation of an "electronic platform" and the creation of the roles of "Solutions Development Leaders," focused by sector, whose main task is to study and implement solutions capable of integrating the most advanced mechanical, electrical, electronic and hydraulic technologies.

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.

In 2022, the entire selection process was digitized 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 and provides them the opportunity to best describe themselves and their experiences through the video interview tool. In addition, candidates are given the opportunity to monitor their own selection journey at each stage of the process.

The new selection process is also a valuable tool for the internal managers because it enables meaningful comparison between the demands for professional skills and the abilities of the interviewed candidates.

Alongside the selection process, the "International Job Posting" process was also digitized, making it increasingly a global talent development process by promoting international mobility.

The connection between the Skills Management model, introduced in 2021, and talent attraction and development strategies has also been strengthened.

In 2022, the Skills Management model saw the creation of a portal dedicated to sharing the main roles and skills in the company to create greater awareness of the organization.

2022 was also a very good year for our Bonfiglioli Academy. We conducted over 40,000 hours of training and involved 80% of our people. The highest peak was in Italy with 97% of employees involved in training activities. We have continued to develop training programs, increasing the number of customized courses aimed at disseminating and preserving the company know-how.

The focus on HSE issues in 2022 was reflected in the Safety Breaks that involved 1,660 employees on the topic of the Circular Economy with the support of Legambiente.

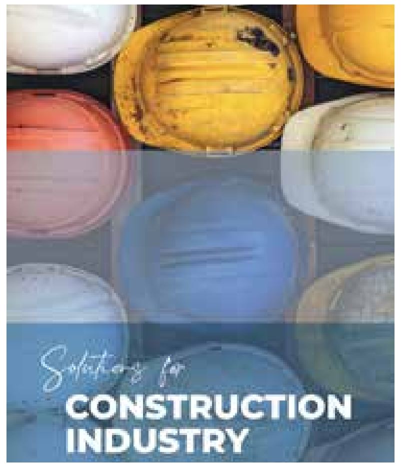
In 2022 we took centre-stage in a successful project, the Bonfiglioli Robotics and AI License, which involved eighteen 17- to 18-year-olds at the EVO plant in Calderara di Reno. This project, which started in March 2022, featured 60 hours of classroom training, a 40-hour project work carried out at our plant, and a final exam that led to obtaining the Bonfiglioli Diploma certified by an external body (RINA).

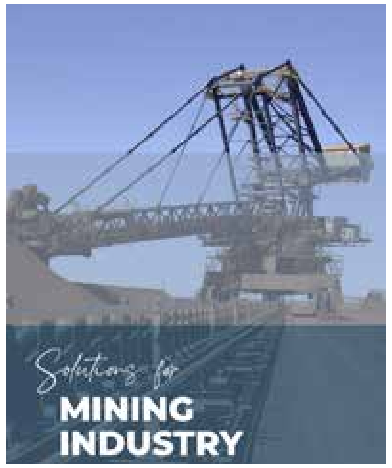
This first edition has reinforced Bonfiglioli's belief that we can only create value and prepare young people for the world of work through training and collaboration with schools. Our future goal is to create a virtuous circle that will allow us to overcome the skills mismatch, for some roles in the labour market, between those required by companies and those actually possessed by candidates by sharing our portfolio of knowledge to new generations and the local communities where we operate.

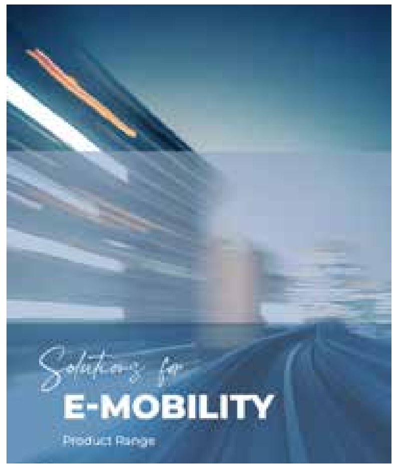
The Bonfiglioli Group's focus on building participatory industrial relations that support business development led in 2022 to the renewal of the main supplementary company contracts for the Italian plants (Bologna, Forlì, Rovereto, and Carpiano) which established important collective initiatives aimed at improving the engagement and motivation of people, including a performance bonus also based on improving skills through forms of long life learning.

RESEARCH AND DEVELOPMENT

Expenditures in 2022 in the area of Research and Development totalled around 17.9 M€ at Group level
A breakdown of the main development projects is given below.







APPLICATIONS IN THE EARTH MOVING, CONSTRUCTION AND MINING SECTOR

In 2022, R&D activities related to the construction and earth moving vehicle sectors were still focused on the optimization of travel drives in the O&K Antriebstechnik range.

The redesign of the specific product range for tracked excavator travel drives mainly aimed at the Asian market also continued: in addition to the 20T vehicles, 3 additional sizes were developed for vehicles up to 90 tons, and all versions include the possibility of integrating the axial piston hydraulic engine and have been designed with a priority focus on the production footprint in order to ensure robustness and reliability as well as the competitiveness needed in this market.

Also in the earth moving vehicles sector, the setting up was completed for the project of rationalization and optimization of the product range relating to 7T drives intended for rotation systems for track and wheeled excavators: the architecture of these products has been redesigned taking into account the technical solutions developed in recent years in the ranges of drives used in wind power applications, which make it possible to significantly reduce weight and axial dimensions, while also maximizing the standardization of the internal components.

Lastly, the development work related to angled-plate axial-piston hydraulic engines continued, particularly in relation to the continuously variable displacement versions intended for the travel drive for compact skid steer loaders.

APPLICATIONS IN THE AGRICULTURE SECTOR

The developments related to the Agriculture sector focused on the optimization of travel drives for self-propelled machinery, which typically require solutions with small dimensions and excellent thermal performance.

Bonfiglioli is also looking with interest at the evolution of the agricultural machinery sector towards "Precise Agriculture", a key area for autonomously guided sensor-equipped applications, which the Group will be able to contribute to developing and transforming through its integrated solutions and systems.

APPLICATIONS IN THE ELECTROMOBILITY SECTOR

The electrification activities in the construction machinery sector initially focused on the development of compact electric motors intended mainly for the turret rotation of small and medium excavators, up to around 5 tons, drives and pump motors, with peak powers from 15 kW up to 40 kW (BPM200 family). The technology used is derived from the ranges of engines designed for industrial automation.

The drive towards the electrification of earthmoving machinery has also been strengthened with the introduction of prototypes of rotation systems for heavier machines of up to 20 tons, in which, as a result of the greater freedom in terms of space, it was possible to incorporate liquid-cooled electric motors derived from those used in the traction systems of

electric commercial vehicles.
The implementation also continued of the project to create an electric transmission platform capable of providing a complete solution for replacing endothermic engines.
The new EDS platform, currently undergoing bench validation, is designed to integrate an electric motor, transmission, DC/DC converter, inverter and power control unit with power ratings ranging from 70 kW to 145 kW into a single highly engineered solution.

APPLICATIONS IN THE MARINE SECTOR

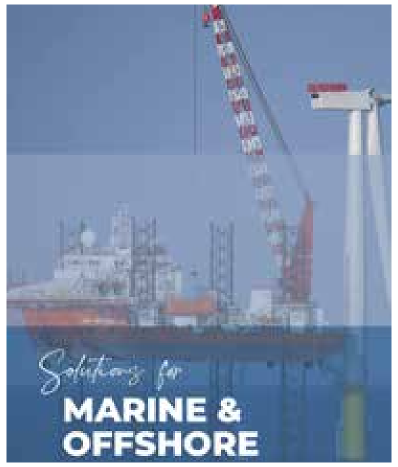
In the Marine sector, following the completion of the design of the new range of 800W series planetary drives dedicated specifically to winch applications, bench product testing was initiated for the sizes 815 and 818.
Also in the Marine area, the development a new range of large drives (FWX has been completed of), with a capacity to transmit output torques of up to 3,000 kNm, which use the technical and technological solutions of the traditional series of O&K products.
Finally, for the offshore market specifically for jack-up applications, the first prototype of a large gearbox (JD2000) fully equipped with sensors for IOT has been developed for the platform jack-up systems for the installation of wind turbines or other oil and gas operations. In addition, the study work has been completed for two other sizes, to complete the product range and better meet the needs of these applications.

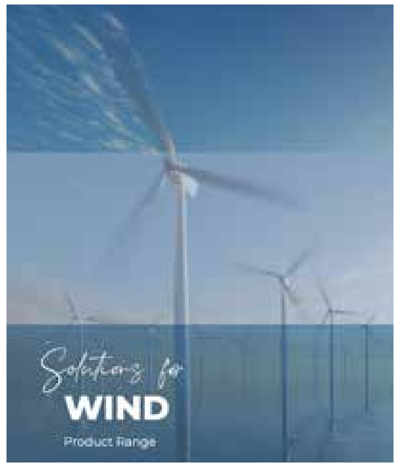
APPLICATIONS IN THE RENEWABLE ENERGY SECTOR

In the wind turbine market, following the completion of the renewal of the entire range of planetary drives for blade and turret rotation, which includes compact solutions with higher power density and lower lubricant use with a focus on the environmental impact of the product and its life cycle, the optimization and customization work has been initiated to meet the different needs of various customers and markets.
In relation to the development of electric motors for wind power applications, the development continued of new sizes and versions of permanent magnet synchronous electric motors, both internal (IPM) and surface (SPM), and high-efficiency asynchronous motors.
The developments of IOT systems also continued, thanks in part to the involvement in European-funded projects that, by integrating sensors with proprietary technology, enable the detection of the workload of the actual application throughout the life cycle of the product along with other specific measurements. These are then transferred to the platform, which is able to process them and promptly identify any malfunctions, prevent unforeseen failures, and optimize the maintenance service, in order to maximize the efficiency of the machinery and consequently of the energy production.
Lastly, in the area of renewable energy and in particular "solar tracker" applications, the development work has been completed on a specific worm drive that integrates a torque limiter designed to protect the entire drive system in the event of overloads.

APPLICATIONS IN THE HEAVY DUTY AND RECYCLING SECTORS

In the heavy duty sector, the work continued on the development and range expansion of the HDP and HDO drives series, which include new variants, among which in particular the introduction of new engine configurations designed to





improve thermal performance.
With regard to the planetary solutions, the work continues on the development of integrated solutions aimed at the recycling market, where the R3 range has been developed, which consists of three different sizes with double planetary drive architecture accompanied by the possibility of mechanical synchronization.
In 2022, a project was also initiated for the optimization of connection interfaces between the HDO/HDP series products and the 300 series planetary drives.

APPLICATIONS IN THE INDUSTRIAL AUTOMATION SECTOR

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 650 Nm of output torque.
Following the completion of the development work on the range of electric motors for industrial operating machines with IE3 efficiency class, called EVOX, with power ratings from 0.12 kW to 30 kW, the design work was also completed in 2022 for the IE1 series, which were revised to use the modular mechanics common to the EVOX range and also completed the certification process for the North American market for all the planned discontinuous cycles.
The production support activities also continued, aimed at ensuring the gradual increase in production volumes and optimizing the assembly process in the Vietnamese plant. Specifically, some modifications were made to facilitate and speed up the winding insertion phase, the materials were reviewed in order to ensure their global availability, and lastly, several improvements were introduced in order to reduce noise especially in the brake versions.
In parallel, the prototyping and validation phases also continue on the series of new self-starting assisted reluctance synchronous motors, also in IE4 class, and available in standard IEC axis heights from 80 to 112. This new series is particularly important because it does not require control via a frequency converter and can therefore be powered directly from the mains, and the design was also able to align the maximum inertial imbalance that can be borne by the drives with that of the motors, overcoming the known starting capacity issues.

ELECTRONIC DRIVES SECTOR

In 2022, many resources were devoted on a priority basis to managing the shortage of electronic components: this situation required frequent interventions to find alternatives and ensure adequate service levels for many customers.
In addition to the component shortages due to the global economic and geopolitical situation, another priority issue that was decisively addressed during the year was the management of obsolescence of several families of microcontrollers related to the ACT and ACU product series. This required a significant commitment in person hours in R&D, as well as Application Engineering for the software development necessary to carry out the upgrade to the new processors for the Infineon family, particularly in relation to the implementation and validation of special customized functions for certain customers.
In 2022, the Midterm Roadmap was finalized, which clearly sets out the vision and development strategies and identifies their priorities to maximize the effectiveness of the implementation. Thanks to the sharing of this work, it was decided to initiate several strategic marketing activities, in preparation for the launch of projects for the development of new product ranges, intended to replace some existing series, particularly for applications in the logistics sector.
With regard to the development of the new premium product series, 2022 saw the completion of the development work for the AxiaVert range, Bonfiglioli's new high-performance modular drive (inverter and servo drive) in sizes 1-4, and the design work continued for the next sizes, which are currently undergoing industrialization.
The research and development department also continued to work on improving the control strategies of the synchronous and asynchronous motors, both open and closed circuit.
The collaboration also carried on with other functions aimed at exploiting opportunities for mechatronic integration and extending the digitization of the overall drive solutions, which include inverter, motor, and drive.

CROSS-CUTTING RESEARCH INTO PRODUCTS, DIGITIZATION AND IOT SYSTEMS

In 2022, the integrated and modular predictive and prognostic analysis system, based on Bonfiglioli specifications, underwent further development and sampling to take into account the results obtained during the first field tests. In particular, special attention was paid to extreme operating conditions, the optimization of fastening supports, and the communication data management protocols.
In particular, in the area of prognostics, specific work was carried out on drive sensorization using devices for measuring

and acquiring torque and speed signals. The objective was to detect the actual usage conditions of the gearmotors and, consequently, estimate their remaining life.
In the wind sector, the diagnostic monitoring of the nacelle on wind turbines continued, with all the data management carried out through Bonfiglioli's dedicated cloud platform, which enables the collection and visualization of data acquired from the field.
The implementation has been successfully completed of the IoTwins project, funded by the European Community as part of the Horizon 2020 program, in which Bonfiglioli acted both as coordinator of a consortium of 25 companies, universities and international research centres, and as leader of an experimental project for the creation of a modular and scalar platform for the predictive maintenance of wind turbines based on artificial intelligence models. For this project, 8 sensor-equipped yaw drives were installed on 2 wind turbines at a wind farm in Northern Ireland, in collaboration with project partners. Sensor data were acquired from the turbines via the IoTwins platform and, using a "hybrid" approach, these data were synchronized with the general data of the turbine for processing using a digital twin model of the turbines. The aim was to diagnose any problems and improve energy production efficiency. The project has been successfully completed in terms of meeting the technical objectives and is currently in the financial reporting phase.
In early 2022, the EIT Manufacturing funding was approved for the Moliere project, which involves the development and industrialization of an innovative MEMS sensor capable of detecting surface deformations with a sensitivity 10,000 times higher than conventional strain gauges. The 12-month project was completed in December 2022, with the production of the first industrialized samples, and the case studies carried out (torque and speed measurement of a large gearbox, hydraulic motor pressure measurement, load measurement of a mining truck) all provided excellent correlation with the instrumental sensors used in the comparison. Work will continue with applications for potential customers.
In the area of artificial intelligence applied to the predictive and prognostic maintenance of industrial drives and electric motors, in 2022 we achieved significant results in two funded projects. In the first project, AIOT, funded by the Autonomous Province of Trento, an algorithm was developed to estimate the remaining life of the gears on different types of drives, through prognostics and calculation of specific parameters. The second project, Kinema, funded by the BiRex Competence Center, laid the groundwork for the development of advanced algorithms for estimating the remaining life and thermal output of the drives.

DEVELOPMENT AND OPTIMIZATION OF PRODUCT DEVELOPMENT SUPPORT PROCESSES

As a result of the major organizational changes made in the function, which included the integration of Electronic design and the introduction of Solution Development teams organized according to application areas and split between the Industrial and the Mobility & Heavy Duty parts, a major restructuring of the PDP product development process has been initiated to increasingly orient it towards the development of complete and innovative solutions based on the most advanced technologies in the mechanical, electrical, electronic and hydraulic fields.
With regard to the information systems supporting sales, the product configurators for both the industrial drives and asynchronous electric motors, available on the Mosaic platform and E-commerce shops, have been enhanced with new sizes, new options and new certifications.

DIGITAL&IT (INFORMATION TECHNOLOGY)

In the first half of 2022, the technical operation was validated of the "IOT end to end" (sensor to cloud) solution, which the joint R&D and Digital&IT teams have been working together on in recent years. While, the level of technical maturity of the solution was therefore achieved and verified with numerous internal tests, it was also determined that the number of use cases on which the viability of the solution could be tested in the field was not sufficient to allow the solution to be tested among the customers. It was necessary to increase the level of knowledge of the solution by making sure, on the one hand, that the technical solution was understood by the sales force and, on the other hand, that the salespeople were familiar with the diversity of the business models governing the sale of those services and solutions to our customers and to their end users. To this end, in the second half of 2022, training workshops were organized and delivered, each lasting a full day, aimed at training the sales force in understanding the customer-relevant technical aspects of Bonfiglioli's IOT solution and stimulating them in participating in and developing new business models. Following the workshops, there was a significant increase in customer interest in adopting Bonfiglioli's IOT solution (more than 20 use cases already by the end of 2022).
The Digital@Bonfiglioli project funded by the Innovation Agreements of the Ministry of Economic Development continued in 2022. In 2022, the first grant funding was received with the consequent possibility of continuing to invest in all the project streams of these agreements, in particular the factory predictive maintenance part.
After the positive experiences of BiRex and the European consortia in Horizon2020 and Horizon Europe, in 2022, Bonfiglioli extended its network of connections with universities and research centres by joining the iFAB consortium to gain access to a preferential channel of cooperation with the technological hub and its supercomputing centre which is scheduled for launch in Bologna in the first quarter of 2023.
Lastly, the use of the "scrum agile" project management approach has continued successfully.
In order to simplify the access to Bonfiglioli's systems for customers and suppliers, the PINGOne Identity Management platform has also been implemented, which aims to unify the management of external accounts that access the multiple services Bonfiglioli offers on the web and will be gradually extended to all services presented outside the Organization.
In the Manufacturing & Supply Chain area, the release was completed of the process for the generation and management of product identifiers (Digital Product IDs), a necessary requirement for the activation of advanced functions based on IoT technologies on Bonfiglioli's product portfolio.
In this area, a comprehensive software selection project has also been initiated with the aim of identifying a MOM (Manufacturing Operations Management) tool, which is an evolution of the MES (Manufacturing Execution System) solutions, that can support the consolidation and standardization of production processes across all the Group's production sites.
A major and extensive evolutionary project on the Salesforce platform began in 2022 aimed at standardizing the main processes of the pre-sales and post-sales areas, with a specific focus on the management of maintenance and service agreements and bids, the maintenance planning, the management of on-site service interventions, and the collaboration with external vendors.
Within Finance & Controlling, the first phase of the Vendor Invoice Automation project has been completed, with the activation of the process of automatic registration of incoming Invoices for the Italian companies. The workflow for the management of discrepancies detected on incoming documents will be activated in early 2023 and, subsequently, the rollout will begin for the other group companies, starting with those with the most critical issues identified in this particular process.
Following the discontinuation of the Expense Notes registration application, a software selection was conducted to identify a new tool that could be deployed throughout the Group and enable more precise management of this type of cost. This activity led to the identification of SAP Concur, a solution that was deployed in the Italian companies in the final months of the year, following a brief implementation project.
During 2022, the Forecast management was also implemented on the Board application, which was confirmed as the tool to support the Budget process and the closing of the Group's consolidated financial statements.
During the year, a major and complex project was conducted for the migration of the infrastructure supporting the main

R&D applications (the Teamcenter PLM and NX CAD, both from Siemens) to the cloud. The accompanying shift from a traditional architecture based on local clients to a next-generation architecture based on virtual desktops has enabled over 400 users to be supported, on a global scale, through a pool of twelve servers, creating the conditions for more efficient and secure management of the entire application ecosystem.
The integration has been completed of the IT infrastructure of SAMP Gears, which was acquired during 2021.
In relation to security, work continued on the consolidation and evolution of the solutions adopted to protect the company's information assets, completing a process of transition to the cloud also for one of the main tools used in this area.
The notable results included the completion of the deployment of multi-factor authentication to the entire white collar population at global level, reinforcing a key component in the system of protection from cyber attacks.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT

In 2022, the supervision was carried out on the certification of the Group quality management system certification to the standard ISO 9001:2015 and the certification of the integrated safety and environment management system to the standard ISO 14001: 2015 and ISO 45001:2018.
Increasing attention is being paid to social, environmental and energy sustainability issues, which fully reflect the Group's core principles and values. Part of the compliance with these principles is the decision to extend the energy management system certification according to ISO 50001:2018, obtained in 2021 for the Italian plant in Forlì, to the EVO plant located in Calderara di Reno. Again in relation to sustainability, a Roadmap has been drawn up that sets out the medium- to long-term goals and the actions to be taken in accordance with those goals.
In terms of monitoring of company performance, the use of a Group Scorecard is now consolidated in such a way as to make the data easily available and monitorable. Specific "Environmental KPIs" have also been established at Group level on which annual targets have been set.
In relation to supplier quality, work has been done to optimize the supply chain by developing strategic suppliers in line with the corporate strategy. Specifically, in 2022 work was carried out on optimizing the supply chain in India and China, in addition to the consolidation of the supplier base, to ensure the increase in volumes planned for 2023.
The work continued on the auditing of production processes and defining standards valid at Group level, as well as support to plants in the installation of new assembly benches and new production lines using methods such as "Internal PPAP".
The first core project to develop a component and process traceability standard was initiated in 2022 and will continue throughout 2023.
On the product side, support continued to the local Quality departments for claims management, root cause analysis, and consequent corrective actions management.
In addition, the support continued to be provided during approval and surveillance audits by customers, as well as the coordination of the quality functions within new product development projects and support during their release and approval stages.
To ensure proper use of the risk analysis tool at the P5 stage of product development, the tool has been "digitized" and included in the PLM, and the closure has become the responsibility of Product Quality.
In addition, in July, the Service Delivery function was created, also in After Sales, whose main objective is to implement the organization, structure and processes to ensure better management of the service, from proposal to execution. To this end, a Salesforce CRM development project has been launched to help Bonfiglioli manage service requests.

MANAGEMENT REPORT

BUSINESS OUTLOOK

Group sales at the end of February 2023 maintained a slight increase over the previous year (+6.2%) in line with the budget expectations. The performance of orders is also in line with expectations for 2023. As already mentioned, uncertainty about the outcome of the conflict in Ukraine and the global effort to contain inflation are factors that will undoubtedly also influence the macroeconomic trends for 2023. The Group is strongly committed to the pursuit of the value creation targets set in the 2023 budget, whose forecasts are currently confirmed.
For information on the significant events after the year end, see the specific section in the Notes to the Financial Statements.
However, we consider it also worth mentioning here that in early February 2023 Bonfiglioli S.p.A. reached an agreement for the acquisition of Selcom Group S.p.A. from funds controlled by Avenue Capital Group and Europa Investimenti S.p.A. Selcom Group S.p.A. specializes in the design, manufacture and sale of electronic boards, electronic products, and software and solutions for customers in the industrial, biomedical, automotive, intralogistics and home-appliance sectors. Selcom Group S.p.A., headquartered in Castel Maggiore (BO), achieved sales of around 150 M€ in 2022 and has around 750 employees deployed in 4 production plants in Italy and 2 plants in Shanghai.
Selcom is also notable for its engineering area where it employs around 70 people across Italy and China. This company area includes R&D and process engineering for Hardware, Software and Mechanical as well as the in-house design of product validation test methods, which, together with a high level of service and close cooperation with the customer, complete the company's distinctive positioning in the market.
Selcom Group S.p.A. represents a significant strengthening of Bonfiglioli's electronic heart, which was established in 2001 with the acquisition of Germany's Vectron Elektronik Gmbh, now Bonfiglioli Vectron Gmbh, a group company that designs and manufactures electronic drives for electric motors mainly for industrial uses. This acquisition will increase Bonfiglioli's development capacity, ensuring greater verticalization of production, increased competitiveness and stronger control over quality standards.
The transaction was completed on March 23, 2023.

FURTHER INFORMATION

OWN SHARES
The parent 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, 2023
for The Board of Directors

The Chairwoman
Sonia Bonfiglioli

7 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

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

BONFIGLIOLI S.P.A. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

(EURO THOUSAND)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31.12.2022	31.12.2021	Changes
NON CURRENT ASSETS				
Tangible assets	1	318,212	298,638	19,574
Development costs	2	6,483	-	6,483
Other Intangible Assets	2	34,888	44,450	(9,562)
Share investments	3	83	64	19
Non current derivatives	4	2,146	-	2,146
Other non current financial assets	5	1,381	1,089	292
Deferred Tax assets	6	34,257	34,147	110
Other non current receivables and assets	10	12,038	9,153	2,885
TOTAL NON CURRENT ASSETS		**409,488**	**387,541**	**21,947**
CURRENT ASSETS				
Inventory	7	393,980	351,216	42,764
Trade receivables	8	295,870	234,891	60,979
Current derivatives	4	1,899	168	1,731
Corporate Tax receivables	9	5,465	4,170	1,295
Other current receivables and assets	10	29,001	21,063	7,938
Cash and cash equivalents	11	82,969	90,477	(7,508)
TOTAL CURRENT ASSETS		**809,184**	**701,985**	**107,199**
TOTAL ASSETS		**1,218,672**	**1,089,526**	**129,146**

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

EQUITY AND LIABILITIES	Notes	31.12.2022	31.12.2021	Changes
GROUP EQUITY				
Share Capital	12	50,000	50,000	-
Reserves	12	139,866	122,809	17,057
Retained earnings (losses) carried forward	12	237,479	200,252	37,227
Group's Income (Loss)	12	55,495	62,631	(7,136)
TOTAL GROUP EQUITY		**482,840**	**435,692**	**47,148**
TOTAL MINORITY INTERESTS		546	499	47
TOTAL EQUITY		**483,386**	**436,191**	**47,195**
NON CURRENT LIABILITIES				
Non current borrowings	13	224,494	192,581	31,913
Non current derivatives	4	-	395	(395)
Non current provisions	14	14,380	15,081	(701)
Non current employee benefit obligations	15	12,875	17,866	(4,991)
Deferred Tax liabilities	6	10,326	12,281	(1,955)
Other non current payables and liabilities	17	5,636	4,945	691
TOTAL NON CURRENT LIABILITIES		**267,711**	**243,149**	**24,562**
CURRENT LIABILITIES				
Current borrowings	13	61,778	46,702	15,076
Current derivatives	4	584	390	194
Current provisions	14	16,219	15,904	315
Current employee benefit obligations	15	1,187	1,172	15
Trade payables	16	325,693	282,340	43,353
Corporate Tax payable	9	979	3,899	(2,920)
Other current payables and liabilities	17	61,135	59,779	1,356
TOTAL CURRENT LIABILITIES		**467,575**	**410,186**	**57,389**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,218,672**	**1,089,526**	**129,146**

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

BONFIGLIOLI S.P.A. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

(EURO THOUSAND)

CONSOLIDATED INCOME STATEMENT

	Notes	31.12.2022	31.12.2021	Changes
Revenues from sales and services	18	1,233,764	1,072,707	161,057
Material costs	19	(750,935)	(625,936)	(124,999)
Payroll costs	20	(211,002)	(194,029)	(16,973)
Services, leases and rentals	21	(170,423)	(147,293)	(23,130)
Other operating income	22	31,201	29,053	2,148
Other operating costs	23	(6,115)	(5,441)	(674)
GROSS OPERATING PROFIT (EBITDA)		**126,490**	**129,061**	**(2,571)**
Depreciation and impairment	24	(47,390)	(42,561)	(4,829)
Bad Debt provision		(224)	(175)	(49)
Other risks provisions		(4,890)	(1,794)	(3,096)
OPERATING PROFIT (EBIT)		**73,986**	**84,531**	**(10,545)**
Financial income and (costs)	25	(7,525)	(5,235)	(2,290)
Foreign exchange gain and (losses)	26	(427)	2,266	(2,693)
Investments' income and (costs)	27	167	282	(115)
PROFIT BEFORE TAXES		**66,201**	**81,844**	**(15,643)**
Taxes	28	(10,659)	(19,166)	8,507
CONSOLIDATED INCOME (LOSS)		**55,542**	**62,678**	**(7,136)**
Minority		(47)	(47)	0
GROUP INCOME (LOSS)		**55,495**	**62,631**	**(7,136)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31.12.2022	31.12.2021	Changes
CONSOLIDATED INCOME (LOSS)	55,542	62,678	(7,136)
Actuarial gains (losses) on employee benefit obligations	4,689	517	4,172
Tax effect	(1,390)	(180)	(1,210)
Items that will not be reclassified to income statement	**3,299**	**337**	**2,962**
Foreign exchange currency conversion reserve variation	(2,767)	17,971	(20,738)
Reserve for hedging derivatives variation	4,121	1,383	2,738
Tax effect	(989)	(332)	(657)
Items that may be reclassified to income statement	**365**	**19,022**	**(18,657)**
CONSOLIDATED COMPREHENSIVE INCOME	**59,206**	**82,037**	**(22,831)**
Minority	(47)	(47)	0
GROUP INCOME (LOSS)	**59,159**	**81,990**	**(22,831)**

CONSOLIDATED CASH FLOW AS OF 31.12.2022

(EURO THOUSAND)

		31.12.2022	31.12.2021
A.	**Opening Cash and Cash equivalents**	**90,477**	**75,342**
B.	**OPERATING ACTIVITIES**		
	Group Income (Loss)	55,495	62,631
	Minority	47	47
	Depreciation and impairment	47,390	42,561
	Bad Debt provision	224	175
	Other risks provisions	4,890	1,794
	Interests	7,525	5,235
	Current and deferred Taxes	10,659	19,166
	Cash flow before operative capital employed variation	**126,230**	**131,609**
	Trade Receivables variation	(61,532)	(12,449)
	Inventory variation	(41,720)	(89,561)
	Trade Payables variation	44,114	66,375
	Derivatives FMV variation	(946)	(220)
	Risk Provision variation	(5,276)	(4,555)
	Employee benefit obligations variation	(1,686)	(477)
	Current and deferred Taxes variation	1,006	(2,887)
	Current taxes paid	(17,945)	(15,747)
	Other assets and liabilities variation	(10,080)	2,991
	Interests paid	(8,663)	(5,032)
B.	**Cash flow originating from (used for) operating activities**	**23,502**	**70,047**

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

		31.12.2022	31.12.2021
C.	**INVESTING ACTIVITIES**		
	CAPEX Tangible	(62,307)	(44,025)
	CAPEX Intangible	(2,327)	(3,886)
	Share investments	(20)	-
C.	**Cash flow originating from (used for) investing activities**	**(64,654)**	**(47,911)**
D.	**FINANCING ACTIVITIES**		
	Third-party funding		
	Borrowings variation	6,802	(2,640)
	New Loans	17,617	18,687
	Loans extinction	(27,873)	(22,095)
	New bonds	50,000	-
	Own funds		
	Dividends paid	(12,002)	(6,003)
	Other variations (Derivatives/DBO/Others)	-	1
D.	**Cash flow originating from (used for) financing activities**	**34,544**	**(12,050)**
E.	**CASH FLOW FOR THE YEAR (B+C+D)**	**(6,608)**	**10,086**
F.	**Exchange rate variation on Opening Cash and Cash equivalents**	**(900)**	**5,049**
G.	**Closing Cash and Cash equivalents (A+E+F)**	**82,969**	**90,477**

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EURO THOUSAND)

	SHARE CAPITAL	REVALUATION RESERVE	LEGAL RESERVE	HEDGING RESERVE	IAS19 RESERVE	FTA RESERVE	CONVERSION RESERVE	OTHER RESERVES	RETAINED EARNINGS (LOSSES)	NET INCOME (LOSSES)	GROUP EQUITY	MINORITY NET INCOME (LOSS)	MINORITY RESERVES	MINORITY INTERESTS	CONSOLIDATED EQUITY
Closing at 31.12.2020	**50,000**	**40,096**	**10,000**	**(1,417)**	**(1,143)**	**(8,819)**	**(29,606)**	**101,776**	**144,986**	**53,836**	**359,709**	**16**	**436**	**452**	**360,161**
Previous year result allocation		(945)							54,781	(53,836)	-	(16)	16	-	-
Dividends' distribution								(6,000)	(3)		(6,003)			-	(6,003)
IFRS 9 Derivatives Reserve variation				1,051							1,051			-	1,051
IAS19 Reserve variation					337						337			-	337
Currency Conversion Reserve variation							17,971				17,971			-	17,971
Reclassification								(487)	487		-			-	-
Others					(5)				1		(4)			-	(4)
Income (Loss) for the year										62,631	62,631	47		47	62,678
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)
IFRS 9 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)
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**

8 ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

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

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

FOREWORD

Bonfiglioli S.p.A. (hereinafter also referred to as the "Company" or "Bonfiglioli") is a joint stock company having its domicile in Calderara di Reno (BO) ITALY, via Cav. Clementino Bonfiglioli, 1. Bonfiglioli is an Italian family-run business with a global presence. With its worldwide network, Bonfiglioli Group (hereinafter also referred to as the "Group") can support customers anywhere, any time. 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.

The consolidated financial statements of Bonfiglioli Group as of December 31, 2022 were prepared in accordance with European Regulation no. 1606/2002, in compliance with the International Financial Reporting Standards (IFRS) in force on December 31, 2022, 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, 2022 are as follows:

NAME	Country	Currency	Share Capital	Shareholding 31/12/22	Shareholding 31/12/21
Bonfiglioli S.p.A.	Italy	€	50,000,000	Parent company	
Bonfiglioli Riduttori S.p.A. sole shareholder	Italy	€	50,000,000	100%	100%
Bonfiglioli Ennowing S.p.A. sole shareholder (^)	Italy	€	50,000	-	100%
Bonfiglioli Swiss S.A.	Switzerland	CHF	25,100,000	99.88%	100%
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	20,000,000	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%	73.82%
Bonfiglioli Power Transmission Pty Ltd (*)	South Africa	ZAR	64,001	100%	100%
Bonfiglioli South Africa Pty Ltd (***)	South Africa	ZAR	8,000,000	75%	100%
Bonfiglioli Transmission Pvt Ltd (****)	India	INR	1,311,229,940	100%	100%
Bonfiglioli Drive Solutions Private Ltd (*)	India	INR	166,100.00	100%	-
Bonfiglioli Renewable Power Conversion India Pvt Ltd. (*****)	India	INR	372,500,000	100%	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%
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
(******) Subsidiary indirectly controlled through Bonfiglioli Drives (Shanghai) Co. Ltd
(^) Subsidiary indirectly controlled at December 31, 2021 through Bonfiglioli Riduttori S.p.A. and liquidated in December 2022

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

- on April 4, 2022, the company Bonfiglioli Swiss S.A. established the Indian company "Bonfiglioli Drive Solutions Private Ltd", with a gear manufacturing plant. The company, which is a wholly owned subsidiary, was established with a registered capital of 166.1 MINR (about 2 M€) and headquarters in Chennai;
- during the month of August, the exit of the third party shareholders belonging to the "BEE" (Broad-Based Black Economic Empowerment Act) program from the South African company "Bonfiglioli South Africa Pty Ltd" was finalized through the disposal of a holding of 25% of the share capital by the parent company "Bonfiglioli Power Transmission Pty Ltd". The price paid for the investment in the company has been recognized under financial payables for a corresponding value at the year end of 144 K€;
- also during the month of August, the Parent Company completed the repurchase from SIMEST S.p.A. of 26.18% of the share capital of the Brazilian subsidiary Bonfiglioli Redutores Do Brasil Ltda at a price of 3.7 M€;
- during the month of October, an agreement was signed for an investment by SIMEST S.p.A. in the share capital of Bonfiglioli Swiss S.A. representing a 0.12% stake at a price of 300 K€, recorded under financial payables;
- during the month of October Bonfiglioli S.p.A. completed transfer by contribution in kind to Bonfiglioli Swiss S.A. of 100% of the shares held in Bonfiglioli Redutores do Brasil Ltda and Bonfiglioli Transmissions (Aust) Pty Ltd. The transfer by contribution in kind was carried out at FMV by increasing the reserves in the transferee company;
- during the third quarter, the liquidation of the Bonfiglioli Ennowing S.p.A was approved, which concluded with the dissolution of the company at the end of December 2022;
- the operations for the liquidation of the no longer operating company "Bonfiglioli Renewable Power Conversion India Pvt Ltd" continued. The liquidation process should end with the dissolution of the company in the course of 2023.

CONSOLIDATION AREA CHANGES

With respect to the consolidated financial statements for the year ended 31.12.2022, no consolidation area changes occurred except as noted above.

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.

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

CHANGE IN ACCOUNTING PRINCIPLES AND NOTES

The valuation and measurement criteria are based on the IFRS principles in force on December 31, 2022 and approved by the European Union. The following main changes in accounting policies occurred with reference to the 2022 financial year. Several other amendments and interpretations apply for the first time in 2022, 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. The Group has estimated the impact of adjusting the balance sheet values for the purpose of the relevant accounting standard: the total assets of the subsidiary Bonfiglioli Power Transmission Jsc as of December 31, 2022 was 8.4 M€ and the main items consisted of tangible assets (right of use of property, plant and equipment), trade receivables, inventories and trade payables. The adjustment of the assets would have had a total effect of 100 K€, whereas the items in the working capital would not have had a significant impact from the adjustment (about 400 K€) since they had already been recognized at a value close to the current value. Given the completely negligible effects on the Consolidated Financial Statements (totalling 500 K€), IAS 29 "Financial Reporting in Hyperinflationary Economies" has not been applied. The Group will periodically assess the possible future application of the standard, considering the significance of the effects resulting from the adjustment.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM JANUARY 1, 2022 AND ADOPTED BY THE GROUP

Effective 2022, the Group has applied the following new accounting principles, amendments and interpretations as revised by the IASB:

- **Amendments to IAS 37 - Onerous contracts – Costs of Fulfilling a Contract**
  An onerous contract is one in which the unavoidable costs (for example costs that the Group cannot avoid because it is a party to a contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendment specifies that in determining whether a contract is onerous or loss-making, an entity must consider costs directly related to the contract for the provision of goods or services that include both incremental costs (e.g., the cost of direct labour and materials) and costs directly attributable to the contract activities (e.g., depreciation of equipment used to fulfill the contract as well as costs for management and supervision of the contract). General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the Group's consolidated financial statements.
- **Amendments to IFRS 3 – Business combinations - Reference to the Conceptual Framework**
  The purpose of the amendments is to replace the references to the "Framework for the Preparation and Presentation of Financial Statements" with the references to the "Conceptual Framework for Financial Reporting" published in March 2018 without any significant change in the requirements of the standard. The amendment added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day 2" losses or gains from liabilities and contingent liabilities that would come under the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if contracted separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, instead of the Conceptual Framework, in determining whether a present obligation exists at the acquisition date. The amendment also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognizable assets at the acquisition date. These amendments had no impact on the Group's consolidated financial statements.
- **Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before intended use**
  The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of goods sold during the period in which that asset is brought to the location or the conditions needed

for it to be capable of operating in the manner for which it was designed by management. An entity accounts for the revenue from the sale of such products, and their manufacturing costs, in the income statement. These amendments had no impact on the Group's consolidated financial statements.

> **Annual Improvements 2018-2020 Cycle:**

(i) IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

This amendment allows a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts accounted for by the parent company, taking into account the parent company's date of transition to IFRS, if no adjustments were made in the consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1. This amendment had no impact on the Group's consolidated financial statements.

(ii) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or lender on behalf of others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement. This amendment had no impact on the Group's consolidated financial statements.

> **IAS 41 Agriculture – Taxation in fair value measurements**

The amendment removes the requirement in paragraph 22 of IAS 41 to exclude cash flows for taxation when measuring the fair value of an asset within the scope of IAS 41. This amendment did not have an impact on the consolidated financial statements as it concerns an accounting standard that is not relevant to the Group's business.

NEW ACCOUNTING PRINCIPLES AND AMENDMENTS NOT YET APPLICABLE AND NOT EARLY 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 the Group's 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 IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Disclosure of Accounting policies".**

On February 12, 2021, the IASB published an amendment to this principle to assist companies in choosing which accounting principles to disclose in their financial statements. The amendment will be effective for the financial years beginning on January 1, 2023. Early application is permitted.

> **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates".**

The IASB issued an amendment to this standard on February 12, 2021 to introduce a definition of "accounting estimates" and clarify the distinction between changes in accounting estimates, changes in accounting principles and correction of errors. It also clarifies how entities should use measurement techniques and inputs to produce accounting estimates. The amendment will be effective for the financial years beginning on or after January 1, 2023. Early application is permitted provided this fact is disclosed. The amendments are not expected to have a significant impact on the Group.

> **Amendments to "IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction".**

The IASB published an amendment to this standard on May 7, 2021, narrowing the scope of the initial recognition exception included in IAS 12, which should no longer be applied to transactions that give rise to equal taxable and deductible temporary differences. The amendments are to be applied to transactions occurring after or at the beginning of the comparative period presented. In addition, at the beginning of that comparative period, deferred tax assets (where there is sufficient taxable income) and deferred tax liabilities must be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendment will be effective for the financial years beginning on January 1, 2023. Early application is permitted.

> **IFRS 17: Insurance Contracts.**

The IASB published the new standard on May 18, 2017, as well as the amendments on June 25, 2020, replacing IFRS

4, issued in 2004. The new standard is aimed at helping investors and others better understand the insurers' risk exposure, profitability and financial position. IFRS 17 will be effective from January 1, 2023, but early application is permitted. This standard does not apply to the Group as it is not relevant to its business.

> **Amendments to "IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information".**

On December 9, 2021, the IASB published an amendment to the transitional provisions of IFRS 17. The amendment provides insurers with an option to improve the relevance of disclosures to investors in the initial application of the new standard. The amendment will be effective for the financial years beginning on January 1, 2023. Early application is permitted. These changes relate to accounting principles and/or amendments that are not relevant to the Group's business.

> **Amendments to IAS 1 – "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current".**

The IASB published this amendment on January 23, 2020 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

(i) what is meant by the right to defer settlement;

(ii) the right to defer settlement must exist at the reporting date;

(iii) the classification is unaffected by the likelihood that an entity will exercise its deferral right;

(iv) 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, on October 31, 2022, the IASB published the amendments concerning "Non-current Liabilities with Covenants". This amendment clarifies that only covenants that an entity must meet by or on the reporting date will affect the classification of the liability as current or non-current.

The new amendment will apply on or after January 1, 2024, and must be applied retrospectively. The Group is currently assessing the impact that the amendments will have on the current situation, but does not expect significant impacts in connection with them.

> **Amendments to IFRS 16 – "Leases: Lease Liability in a Sale and Leaseback".**

On September 22, 2022, the IASB issued an amendment to this standard that specifies how a seller-lessee should apply the measurement requirements to the lease liability that arises in the sale and leaseback transaction, to ensure that the seller-lessee does not recognize any amount of the gain or loss relating to the right of use it retains. The amendment aims to improve the requirements for sale and leaseback transactions in IFRS 16, but does not change the accounting for leases not related to sale and leaseback transactions. The amendment will be effective from January 1, 2024, but earlier application is permitted.

CONSOLIDATION PROCEDURE

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 31.12.2022	2022 ER average	ER 31.12.2021	2021 ER average
Bonfiglioli Transmission (Aust) Pty Ltd	AUD	1.5693	1.5167	1.5615	1.5749
Bonfiglioli Redutores Do Brasil Ltda	BRL	5.6386	5.4399	6.3101	6.3779
Bonfiglioli Canada Inc.	CAD	1.444	1.3695	1.4393	1.4826
Bonfiglioli Drives Shanghai Co. Ltd.	CNY	7.3582	7.0788	7.1947	7.6282
Bonfiglioli Trading Shanghai Co. Ltd	CNY	7.3582	7.0788	7.1947	7.6282
Bonfiglioli Transmission Pvt Ltd	INR	88.171	82.6864	84.2292	87.4392
Bonfiglioli Drive Solutions Private Limited	INR	88.171	82.6864	-	-
Bonfiglioli Renewable Power Conversion India Pvt Ltd	INR	88.171	82.6864	84.2292	87.4392
Bonfiglioli U.K. Ltd	GBP	0.88693	0.85276	0.84028	0.85960
Bonfiglioli South East Asia Pte Ltd	SGD	1.43	1.4512	1.5279	1.5891
Bonfiglioli USA Inc.	USD	1.0666	1.053	1.1326	1.1827
Bonfiglioli Power Transmission Pty Ltd	ZAR	18.0986	17.2086	18.0625	17.4766
Bonfiglioli Power Transmission JSC	TRY	19.9649	17.4088	15.2335	10.5124
Bonfiglioli Vietnam Ltd	VND	25,183.0	24,630.01167	25,819.0	27,129.50775

There are no companies consolidated using the Net Equity Method.

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

VALUATION CRITERIA

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 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.

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

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:

- 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. 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.

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:

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.

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

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, equity investments are measured at fair value. When fair value cannot be reliably determined, investments are measured at cost adjusted for impairment and are subject to impairment testing, where impairment indicators have been identified. If the aforementioned loss in value is no longer considered lasting following positive performance of the company, the investment is revalued 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 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.

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 de 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,

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

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 IFRS 9.

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 PLAN

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:

DESCRIPTION	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Share investments	-	-	83	-	-	64
Non current positive derivatives	-	2,146	-	-	-	-
Current positive derivatives	-	1,899	-	-	168	-
Non current negative derivatives	-	-	-	-	(395)	-
Current negative derivatives	-	(584)	-	-	(390)	-
Non current borrowings	-	-	(444)	-	-	(3,600)
Current borrowings	-	-	-	-	-	-
Other current liabilities (Purchase of share investments)	-	-	-	-	-	-
Total	**-**	**3,461**	**(361)**	**-**	**(617)**	**(3,536)**

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. 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 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.

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

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.

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

COMMENTS ON THE SINGLE ITEMS OF THE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

1. PROPERTY, PLANT, MACHINERY AND OTHER TANGIBLE ASSETS

The column "Other changes" mainly includes reclassifications connected with the completion of assets under construction at year-end, the transfer of ownership of assets that were in right of use at the end of the previous year, as well as exchange differences.

During the year, the Group made investments mainly related to the purchase of plant, machinery and equipment (32 M€) mainly used by the Group's production plants.

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

DESCRIPTION	31.12.2020	INCREASES	DECREASES	OTHER CHANGES	31.12.2021	INCREASES	DECREASES	OTHER CHANGES	31.12.2022
HISTORIC COST									
- Land and buildings	193,025	1,257	(18,676)	13,936	189,542	6,090	-	2,569	198,201
- Right to use land and buildings	39,276	5,404	(1,255)	724	44,149	6,446	(2,510)	(617)	47,468
- Plant and machinery	266,110	15,266	(12,409)	(2,509)	266,458	16,622	(6,194))	2,783	279,669
- Right to use plant and machinery	3,403	85	(17)	(802)	2,669	24	(34)	(2,249)	410
- Industrial and commercial equipment	132,283	12,568	(5,834)	2,536	141,553	13,391	(3,720)	(17)	151,207
- Other tangible assets	33,577	2,586	(4,640)	525	32,048	2,899	(1,207)	(67)	33,673
- Right to use other tangible assets	6,800	2,495	(1,493)	(141)	7,661	1,582	(1,226)	(69)	7,948
- Assets in progress and advances	8,498	12,442	-	(4,169)	16,771	15,579	-	(4,944)	27,406
Total (A)	**682,972**	**52,103**	**(44,324)**	**10,100**	**700,851**	**62,633**	**(14,891)**	**(2,611)**	**745,982**
ACCUMULATED AMORTIZATION									
- Land and buildings	50,837	4,787	(10,970)	10,247	54,901	5,035	-	(116)	59,820
- Right to use land and buildings	9,483	3,709	(1,179)	181	12,194	4,056	(2,435)	(127)	13,688
- Plant and machinery	200,200	13,736	(12,305)	(6,191)	195,440	15,582	(6,183)	869	205,708
- Right to use plant and machinery	2,189	321	(6)	(524)	1,980	73	(34)	(1,755)	264
- Industrial and commercial equipment	105,461	10,639	(5,763)	1,057	111,394	12,689	(3,616)	(541)	119,926
- Other tangible assets	24,563	2,684	(4,601)	40	22,686	2,737	(1,198)	(47)	24,178
- Right to use other tangible assets	3,441	1,730	(1,422)	(131)	3,618	1,820	(1,190)	(62)	4,186
Total (B)	**396,174**	**37,606**	**(36,246)**	**4,679**	**402,213**	**41,992**	**(14,656)**	**(1,779)**	**427,770**
NET VALUES									
- Land and buildings	142,188	(3,530)	(7,706)	3,689	134,641	1,055	-	2,685	138,381
- Right to use land and buildings	29,793	1,695	(76)	543	31,955	2,390	(75)	(490)	33,780
- Plant and machinery	65,910	1,530	(104)	3,682	71,018	1,040	(11)	1,914	73,961
- Right to use plant and machinery	1,214	(236)	(11)	(278)	689	(49)	-	(494)	146
- Industrial and commercial equipment	26,822	1,929	(71)	1,479	30,159	702	(104)	524	31,281
- Other tangible assets	9,014	(98)	(39)	485	9,362	162	(9)	(20)	9,495
- Right to use other tangible assets	3,359	765	(71)	(10)	4,043	(238)	(36)	(7)	3,762
- Assets in progress and advances	8,498	12,442	-	(4,169)	16,771	15,579	-	(4,944)	27,406
Total (A-B)	**286,798**	**14,497**	**(8,078)**	**5,421**	**298,638**	**20,641**	**(235)**	**(832)**	**318,212**

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

2. DEVELOPMENT COSTS AND OTHER INTANGIBLE ASSETS

DEVELOPMENT COSTS	31.12.2020	INCREASES	DECREASES	OTHER CHANGES	31.12.2021	INCREASES	DECREASES	OTHER CHANGES	31.12.2022
HISTORIC COST (A)	2,719	-	-	-	2,719	-	(2,719)	7,204	7,204
ACCUMULATED AMORTIZATION (B)	2,175	544	-	-	2,719	721	(2,719)	-	721
NET VALUES (A-B)	**544**	**(544)**	**-**	**-**	**-**	**(721)**	**-**	**7,204**	**6,483**

OTHER INTANGIBLE ASSETS	31.12.2020	INCREASES	DECREASES	OTHER CHANGES	31.12.2021	INCREASES	DECREASES	OTHER CHANGES	31.12.2022
HISTORIC COST									
- Patents and right to use intellectual properties	46,711	2,475	(37)	137	49,286	1,803	(76)	156	51,169
- Concessions, licenses, trademarks and similar rights	16,854	11	-	-	16,865	20	-	-	16,885
- Customer List	17,657	-	-	-	17,657	-	-	-	17,657
- Other intangible assets	198	5	(23)	-	180	-	(88)	-	92
- Assets in progress and advances	6,305	1,396	(1)	(95)	7,605	505	-	(7,425)	685
Total (A)	**87,725**	**3,887**	**(61)**	**42**	**91,593**	**2,328**	**(164)**	**(7,269)**	**86,488**
ACCUMULATED AMORTIZATION									
- Patents and right to use intellectual properties	33,439	2,673	(37)	15	36,090	2,949	(76)	(56)	38,907
- Concessions, licenses, trademarks and similar rights	4,750	837	-	-	5,587	836	-	-	6,423
- Customer List	4,415	883	-	-	5,298	883	-	-	6,181
- Other intangible assets	173	18	(23)	-	168	9	(88)	-	89
- Assets in progress and advances	-	-	1	(1)	-	-	-	-	-
Total (B)	**42,777**	**4,411**	**(59)**	**14**	**47,143**	**4,677**	**(164)**	**(56)**	**51,600**
NET VALUES									
- Patents and right to use intellectual properties	13,272	(198)	-	122	13,196	(1,146)	-	212	12,262
- Concessions, licenses, trademarks and similar rights	12,104	(826)	-	-	11,278	(816)	-	-	10,462
- Customer List	13,242	(883)	-	-	12,359	(883)	-	-	11,476
- Other intangible assets	25	(13)	-	-	12	(9)	-	-	3
- Assets in progress and advances	6,305	1,396	(2)	(94)	7,605	505	-	(7,425)	685
Total (A-B)	**44,948**	**(524)**	**(2)**	**28**	**44,450**	**(2,349)**	**-**	**(7,213)**	**34,888**

Intangible assets do not include assets with an indefinite useful life.
The column "Other changes" mainly includes reclassifications related to the completion of assets in progress at year-end and exchange differences.
For an analysis of the investments made during the year we refer you to the Management Report.

DEVELOPMENT COSTS

The costs related to the product development project co-funded by the Province of Trento called "SMART GEARBOX," which were incurred for the development of high-efficiency mechatronic systems, were written off as they had been fully amortized at the end of the year.
In 2022, Bonfiglioli Vectron GmbH completed 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 therefore been accounted for in the relevant item and will be amortized over 10 years, equal to the estimated life cycle of the products developed. These costs were already included in the assets in progress at December 31, 2021. 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 6.16% 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, 2022 amounts to 7.8 M€)
- Trademark for 16 M€ (the net book value as of December 31, 2022 amounts to 10.4 M€)
- Customer list for 17.7 M€ (the net book value as of December 31, 2022 amounts to 11.5 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	31.12.2020	INCREASES	DECREASES	31.12.2021	INCREASES	DECREASES	31.12.2022
Share investments in other companies	63	1	-	64	20	(1)	83
Total	**63**	**1**	**-**	**64**	**20**	**(1)**	**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). The increases for the year relate to the Parent Company's participation in the IRIS Lab consortium, while the decreases relate to exchange rate changes.

4. FINANCIAL DERIVATIVES

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Non current positive derivatives	2,146	-	2,146
Current positive derivatives	1,899	168	1,731
Total (A)	**4,045**	**168**	**3,877**
Non current negative derivatives	-	395	(395)
Current negative derivatives	584	390	194
Total (B)	**584**	**785**	**(201)**
Total (A-B)	**3,461**	**(617)**	**4,078**

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	31.12.2022	NOTIONAL	31.12.2021
USD sales	USD 1,181,947	1	USD 3,621,747	41
GBP sales	GBP 780,000	18	-	-
AUD sales	AUD 3,979,000	54	AUD 2,469,504	8
CNY sales	CNY 7,200,000	19	CNY 3,100,000	1
EUR sales	-	-	EUR 4,168,474	75
EUR purchase	EUR 8,480,000	431	-	-
JPY purchase	JPY 734,411,230	126	JPY 347,633,851	32
AUD purchase	-		AUD 895,000	11
CNY purchase	CNY 10,100,000	12	-	-
IRS Bonfiglioli SpA	EUR 50,020,000	3,384	-	-
Total		**4,045**		**168**

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

	NOTIONAL	31.12.2022	NOTIONAL	31.12.2021
GBP sales	GBP 19,500	1	GBP 987,000	9
USD sales	USD 1,218,422	17	-	-
AUD sales	AUD 757,552	9	AUD 4,675,000	45
CNY sales	CNY 7,900,000	8	CNY 30,900,000	76
EUR sales	EUR 9,501,254	505	-	-
JPY sales	JPY 349,938,780	42		
EUR purchase	-	-	EUR 3,325,000	41
JPY purchase	-	-	JPY 280,609,082	21
AUD purchase	AUD 160,000	2	-	-
IRS Bonfiglioli S.p.A.	-	-	EUR 61,500,000	593
Total		**584**		**785**

5. OTHER FINANCIAL ASSETS

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Other non current financial assets	1,381	1,089	292
Other current financial assets	-	-	-
Total	**1,381**	**1,089**	**292**

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	31.12.2022	31.12.2021	CHANGE
Deferred Tax assets (A)	34,257	34,147	110
Deferred Tax liabilities (B)	10,326	12,281	(1,955)
Total (A-B)	**23,931**	**21,866**	**2,065**

Details of the changes are outlined below:

	Deferred Tax assets		Deferred Tax liabilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Opening balance	34,147	36,310	(12,281)	(12,667)
Variation of the year	2,177	(1,651)	2,267	386
Taxes recognized in “OCI”	(2,067)	(512)	(312)	-
Closing balance	**34,257**	**34,147**	**(10,326)**	**(12,281)**

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 accounting for 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.

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

	31.12.2022			31.12.2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and machinery	1,929	(3,331)	(1,402)	1,705	(3,111)	(1,406)
Intangible assets	1,734	(12,175)	(10,441)	2,470	(13,248)	(10,778)
Share investments	44	-	44	44	-	44
Inventory	14,092	(44)	14,048	14,252	(20)	14,232
Trade receivables	625	-	625	2,031	-	2,031
Risk reserves	6,274	-	6,274	6,225	-	6,225
Employee benefit obligations	1,903	(244)	1,659	2,006	-	2,006
Payables to employees	3,147	-	3,147	3,934	-	3,934
Trade payables	693	-	693	432	-	432
Other Equity reserves	93	(1,955)	(1,862)	570	(11)	559
Losses carried forward	10,737	-	10,737	4,900	-	4,900
Others	1,686	(1,277)	409	586	(899)	(313)
Reclassification for reporting	(8,700)	8,700	-	(5,008)	5,008	-
Total	**34,257**	**(10,326)**	**23,931**	**34,147**	**(12,281)**	**21,866**

The item "Losses carried forward" relates to deferred tax assets on losses for the year or previous years that the companies Bonfiglioli Do Brasil Ltda (1.5 M€), Bonfiglioli Transmission (Aust) Pty Ltd (0.6 M€), Bonfiglioli Canada Inc, (0.2 M€), Bonfiglioli Deutschland Gmbh (1.2 M€), Bonfiglioli S.p.A. (5.3 M€), Bonfiglioli South East Asia Ltd (0.2 M€), Tecnotrans Bonfiglioli SA (0.6 M€) and O&K Antriebstechnik Gmbh (1.1 M€) have recognized by assessing the existence of assumptions of their future recoverability 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 5.4 M€ of losses that have not been accrued 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 5.3 M€ related to 31 M€ of losses that have not been accrued and can be carried forward indefinitely.

7. INVENTORY

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Raw materials, supplies and consumables	60,048	59,435	613
Work in progress and semi finished goods	168,955	151,664	17,291
Finished goods and goods for resale	164,738	139,706	25,032
Advances	239	411	(172)
Total	**393,980**	**351,216**	**42,764**

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	31.12.2022	31.12.2021	CHANGE
Raw materials, supplies and consumables	5,812	5,069	743
Work in progress and semi finished goods	15,056	15,142	(86)
Finished goods and goods for resale	12,837	9,187	3,650
Total	**33,705**	**29,398**	**4,307**

Changes in the obsolescence reserve are shown below:

	31.12.2022	31.12.2021
Opening balance	29,398	28,904
Increases	7,084	2,037
Decreases	(2,758)	(2,574)
Other changes	(19)	1,031
Closing balance	**33,705**	**29,398**

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

8. TRADE RECEIVABLES

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Trade receivables	313,640	253,759	59,881
Bad debt reserve	(12,175)	(13,360)	1,185
Advances from customers	(5,595)	(5,508)	(87)
Total	**295,870**	**234,891**	**60,979**

Changes in bad debt reserve are shown below:

	31.12.2022	31.12.2021
Opening balance	13,360	16,016
Increases	224	175
Decreases	(1,416)	(3,106)
Other changes	7	275
Closing balance	**12,175**	**13,360**

Decreases for the year consists of 0.7 M€ for the use of the reserve to close old receivables considered unrecoverable and 0.7 M€ for the release of the reserve in line with forecast collections for specific positions.
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:

	31.12.2022	31.12.2021	2022%	2021%
EMEA (Europe - Middle East - Africa)	154,992	122,348	52.4%	52.1%
AME (America)	53,795	39,619	18.2%	16.9%
APAC (Asia - Pacific)	87,083	72,924	29.4%	31.0%
Total	**295,870**	**234,891**	**100.0%**	**100.0%**

The increase in trade receivables in the EMEA and AME areas is consistent with the trend in turnover which, as indicated in the management report, was affected by a slowdown in the APAC area, especially in China.

9. CURRENT TAXES

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Corporate Tax receivables (A)	5,465	4,170	1,295
Corporate Tax payables (B)	979	3,899	(2,920)
Total (A-B)	**4,486**	**271**	**4,215**

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	31.12.2022	31.12.2021	CHANGE
Tax receivables	9,503	6,002	3,501
Other receivables	2,535	3,151	(616)
Other non current receivables and assets (A)	**12,038**	**9,153**	**2,885**
Tax receivables	25,855	17,604	8,251
Other receivables	1,346	1,393	(47)
Prepaid expenses and accrued income	1,800	2,066	(266)
Other current receivables and assets (B)	**29,001**	**21,063**	**7,938**
Total (A+B)	**41,039**	**30,216**	**10,823**

A breakdown is given below:

TAX RECEIVABLES	31.12.2022	31.12.2021
Direct Taxes	2,511	1,179
Direct Taxes to be refunded	403	58
Indirect Taxes	6,589	4,665
Indirect Taxes to be refunded	-	100
Other Taxes to be refunded	-	-
Total non current Tax receivables (A)	**9,503**	**6,002**
Direct Taxes	8,987	3,518
Direct Taxes to be refunded	43	45
Indirect Taxes	14,210	10,934
Indirect Taxes to be refunded	2,434	2,733
Other Taxes	37	9
Other Taxes to be refunded	144	365
Total current Tax receivables (B)	**25,855**	**17,604**
Total Tax receivables (A+B)	**35,358**	**23,606**

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 starting the procedures for using the receivable due from the local authorities.
The increase in current indirect Taxes is due to VAT receivables that will be deducted in subsequent settlements within the first half of 2023 and mainly relate to the Italian companies.
There are no tax receivables with a duration of more than five years.

Other receivables are broken down as follows:

OTHER RECEIVABLES	31.12.2022	31.12.2021
Guarantee deposits	906	869
Public grants to be received	1,629	2,282
Total other non current receivables (A)	**2,535**	**3,151**
Guarantee deposits	321	101
Receivables from employees	108	398
Receivables from social security institutions	112	155
Refunds to be received	370	447
Other receivables	435	292
Total other current receivables (B)	**1,346**	**1,393**
Total other receivables (A+B)	**3,881**	**4,544**

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	31.12.2022	31.12.2021
Interests	761	980
Insurances	346	495
Rentals and maintenance	450	324
Others	243	267
Total prepaid expenses and accrued income	**1,800**	**2,066**

11. CASH AND CASH EQUIVALENTS

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Banks and postal accounts	82,936	90,435	(7,499)
Cash on hand	33	42	(9)
Total	**82,969**	**90,477**	**(7,508)**

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 equivalents, please refer to the detailed section on financial payables and to the cash flow statement.

12. SHAREHOLDERS' EQUITY

As at December 31, 2022, 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, 2022 OF THE PARENT COMPANY BONFIGLIOLI S.P.A.

	Result for the year	Shareholders' equity
Bonfiglioli S.p.A. Separate financial statements	**26,694**	**389,175**
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	26,612	117,110
Shareholders' equity and profit attributable to minority interests	(47)	(546)
Elimination of infragroup profits on stock	3,009	(18,804)
Reversal of extraordinary infragroup transactions (contributions/disposals)	82	(1,257)
Others	(855)	(2,838)
Consolidated financial statements	**55,495**	**482,840**

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

13. NET CASH POSITION AND BORROWINGS

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

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Banks and postal accounts	82,936	90,435	(7,499)
Cash on hand	33	42	(9)
Cash and cash equivalents	**82,969**	**90,477**	**(7,508)**
Financial receivables from other companies	1,381	1,089	292
Other non current financial assets	**1,381**	**1,089**	**292**
Bonds	-	(250)	250
Payables to banks - Bank overdraft	(25,386)	(13,209)	(12,177)
Payables to banks	(30,737)	(27,827)	(2,910)
Lease liabilities (IFRS 16)	(5,466)	(5,235)	(231)
Payables to other financial institutions	(189)	(181)	(8)
Current borrowings	**(61,778)**	**(46,702)**	**(15,076)**
Bonds	(77,205)	(26,893)	(50,312)
Payables to banks	(122,771)	(135,557)	12,786
Lease liabilities (IFRS 16)	(23,682)	(25,982)	2,300
Payables to other financial institutions	(836)	(4,149)	3,313
Non current borrowings	**(224,494)**	**(192,581)**	**(31,913)**
Net Cash Position (NCP)	**(201,922)**	**(147,717)**	**(54,205)**

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

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Current bonds	-	250	(250)
Non current bonds	77,205	26,893	50,312
Bonds	**77,205**	**27,143**	**50,062**
Current payables to banks	56,123	41,036	15,087
Non current payables to banks	122,771	135,557	(12,786)
Payables to banks	**178,894**	**176,593**	**2,301**
Current lease liabilities (IFRS 16)	5,466	5,235	231
Non current lease liabilities (IFRS 16)	23,682	25,982	(2,300)
IFRS 16 Payables	**29,148**	**31,217**	**(2,069)**
Current payables to other financial institutions	189	181	8
Non current payables to other financial institutions	836	4,149	(3,313)
Payables to other financial institutions	**1,025**	**4,330**	**(3,305)**
Total borrowings	**286,272**	**239,283**	**46,989**

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

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

	31.12.2021	INCREASES	DECREASES	OTHER CHANGES	31.12.2022	DUE WITHIN 12 MONTHS	OVER 12 MONTHS WITHIN 5 YEARS	BEYOND 5 YEARS
Parent company	27,143	50,000	-	62	77,205	-	6,000	71,205
Bonds	**27,143**	**50,000**	**-**	**62**	**77,205**	**-**	**6,000**	**71,205**
Parent company	151,762	15,000	(25,077)	133	141,818	27,104	101,377	13,337
Bonfiglioli Slovakia sro	1,937	-	(432)	-	1,505	432	1,073	-
Bonfiglioli Vietnam Ltd.	4,809	2,617	(1,769)	18	5,675	2,542	3,133	-
Tecnotrans Bonfiglioli SA	837	-	(301)	-	536	305	231	-
Bonfiglioli Canada Inc.	42	-	-	-	42	42	-	-
Bonfiglioli USA Inc.	3,997	-	(294)	229	3,932	312	1,250	2,370
Medium/long-term borrowings	**163,384**	**17,617**	**(27,873)**	**380**	**153,508**	**30,737**	**107,064**	**15,707**
Overdrafts	**13,209**	**15,587**	**(2,767)**	**(643)**	**25,386**	**25,386**	**-**	**-**
Parent company	1,610	400	(817)	-	1,193	693	500	-
Bonfiglioli Riduttori S.p.A.	4,360	867	(900)	-	4,327	917	2,622	788
O&K Antriebstechnik GmbH	13,249	211	(1,076)	-	12,384	1,083	11,294	7
Bonfiglioli Transmission Pvt Ltd	637	632	(585)	(42)	642	420	222	-
Bonfiglioli Vectron GmbH	6,313	103	(630)	-	5,786	630	2,476	2,680
Bonfiglioli UK ltd	2,169	22	(216)	(104)	1,871	189	637	1,045
Bonfiglioli Drives Shanghai Co. Ltd	1,020	958	(767)	(42)	1,169	633	536	-
Other subsidiaries	1,859	1,320	(1,242)	(161)	1,776	901	873	2
Lease liabilities (IFRS 16)	**31,217**	**4,513**	**(6,233)**	**(349)**	**29,148**	**5,466**	**19,160**	**4,522**
Parent company	4,330	300	(3,782)	-	848	182	366	300
Bonfiglioli Power Transmission South Africa	-	167	-	(23)	144	-	144	-
Bonfiglioli Transmission (Aust.) Pty Ltd.	-	41	(7)	(1)	33	7	26	-
Payables to other financial institutions	**4,330**	**508**	**(3,789)**	**(24)**	**1,025**	**189**	**536**	**300**
Total	**239,283**	**88,225**	**(40,662)**	**(574)**	**286,272**	**61,778**	**132,760**	**91,734**

"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, 2027. This bond, issued for a total of 3.75 M€, was recognized at the end of 2022 for 2.625 M€. The remaining debt recognized is due 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 31.12.2022 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 instalments, 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) and the loan amount of 0.3 M€, maturing on 31.05.2030, received during the year from SIMEST on the capital of the Swiss subsidiary. The negative change in the year for the Parent Company is mainly related to the early repayment of the 3.7 M€ loan received from SIMEST on the capital of the Brazilian subsidiary. A further change in the year is the payable to minority shareholders of the South African subsidiary amounting to 0.1 M€, mentioned in the introduction.

With regard to payables to banks, the only new transaction carried out during 2022 was the Parent Company's signing of a loan agreement for 15 M€ with BNP Paribas maturing on 30.09.2034. The loan was made by signing up to the SACE Green accord through which SACE counter guarantees loans provided to finance investments aimed at facilitating the transition to a low environmental impact economy. On the other hand, the 2020 Pool loan, recognized at amortized cost for a total of 67.8 M€, the loan with the European Investment Bank for 16.4 M€, the CDP loan, recognized at amortized cost at the reporting date for 26.2 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 16.5 M€, remain outstanding.

The average variable rate of the Group's medium-long term debt is 1.85%.

Medium/long-term lines of credit recorded by the Parent Company have standard covenants linked to the Group Net Cash Position and EBITDA, which as of 31.12.2022 have been fully respected.

14. PROVISIONS FOR RISKS AND CHARGES

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Current provisions	16,219	15,904	315
Non current provisions	14,380	15,081	(701)
Total	**30,599**	**30,985**	**(386)**

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

DESCRIPTION	Warranty reserve	Sales agents' indemnity reserve	Tax assessment reserve	Other reserves	Total
31.12.2021	**22,366**	**1,703**	**979**	**5,937**	**30,985**
Provisions	4,190	289	68	710	5,257
Uses/Reversals	(3,735)	(236)	(209)	(1,240)	(5,420)
Other changes	(62)	-	(36)	(125)	(223)
31.12.2022	**22,759**	**1,756**	**802**	**5,282**	**30,599**

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 potential liabilities identified by several Group companies.

15. EMPLOYEE BENEFIT OBLIGATIONS

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Non current employee benefit obligations	12,875	17,866	(4,991)
Current employee benefit obligations	1,187	1,172	15
Total	**14,062**	**19,038**	**(4,976)**

This item includes the "employee severance indemnity" of Italian companies, consistent with applicable legislation, 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 9.5 M€.

Details of the changes are outlined below:

	31.12.2022	31.12.2021
Opening balance	19,038	19,847
Service costs	486	350
Interest	195	158
Settlements	(1,214)	(795)
Actuarial changes	(4,426)	(509)
Exchange rate differences	(17)	(13)
Closing balance	**14,062**	**19,038**

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 limited, approximately 110 K€ in all):

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%	-

2021	Italy	France	Germany
Discount rates	0.97%	0.77%	1.18%
Salary increase rates	2.70%	2.55%	2.00%
Inflation rates	1.70%	1.80%	-

By uniformly varying the discount rate by +/- 50 b.p., the consolidated liability at 31.12.2022 would have been approximately 0.8 M€ lower or 0.9 M€ higher.

16. TRADE PAYABLES

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Trade payables	327,941	283,150	44,791
Advances to suppliers	(2,248)	(810)	(1,438)
Total	**325,693**	**282,340**	**43,353**

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

	31.12.2022	31.12.2021	2022%	2021%
EMEA (Europe - Middle East - Africa)	249,285	215,467	76.5%	76.3%
AME (America)	3,228	3,454	1.0%	1.2%
APAC (Asia - Pacific)	73,180	63,419	22.5%	22.5%
Total	**325,693**	**282,340**	**100.0%**	**100.0%**

17. OTHER PAYABLES AND LIABILITIES

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Payables to social security institutions	329	84	245
Payables to employees	3,037	1,304	1,733
Other payables	-	1,560	(1,560)
Accrued expenses and deferred income	2,270	1,997	273
Other non current payables and liabilities (A)	**5,636**	**4,945**	**691**
Tax payables	11,202	11,877	(675)
Payables to social security institutions	11,424	11,824	(400)
Payables to employees	27,183	29,609	(2,426)
Other payables	9,025	3,818	5,207
Accrued expenses and deferred income	2,301	2,651	(350)
Other current payables and liabilities (B)	**61,135**	**59,779**	**1,356**
Total (A+B)	**66,771**	**64,724**	**2,047**

A breakdown is given below:

TAX PAYABLES	31.12.2022	31.12.2021
Direct Taxes	5,372	6,066
Indirect Taxes	4,888	5,323
Other Taxes	942	488
Total current Tax payables	**11,202**	**11,877**

OTHER PAYABLES	31.12.2022	31.12.2021
Payables to directors	1,172	1,846
Payables to shareholders for dividends	6,000	-
Other payables	1,853	3,532
Total other payables	**9,025**	**5,378**

ACCRUED EXPENSES AND DEFERRED INCOME	31.12.2022	31.12.2021
Interests	1,055	752
Insurances	-	-
Deferred income from public contributions	3,114	3,233
Others	402	663
Total accrued expenses and deferred income	**4,571**	**4,648**

Other payables include the debt of Bonfiglioli Riduttori S.p.A. relating to the acquisition of Sampingranaggi for a total of 1.6 M€ due in May 2023.
With regard to deferred income from public contributions, these are:

- 2.7 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 0.9 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) and 0.1 M€ of the deferred contribution as a participant in the Horizon 2020 "KnowlEdge" project for a duration of 3 years. The current portion amounts to 0.1 M€;
- The residual amount of 0.2 M€ refers to the residual contribution due to the Parent Company as Coordinator of a Horizon 2020 project (IoTwins Project), which was officially approved and financed by the European Commission in June 2019. In 2023, upon completion of the reporting by all the partners, it is reasonably expected that the final grant on the project will be disbursed.

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

INCOME STATEMENT

18. REVENUES FROM SALES AND SERVICES

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

DESCRIPTION	2022	2021	CHANGE	2022%	2021%
EMEA (Europe - Middle East - Africa)	607,130	517,611	89,519	49.2%	48.3%
AME (America)	298,711	216,711	82,000	24.2%	20.2%
APAC (Asia - Pacific)	327,923	338,385	(10,462)	26.6%	31.5%
Total	**1,233,764**	**1,072,707**	**161,057**	**100.0%**	**100.0%**

With reference to the Group's performance in 2022, the consolidated turnover increased by 15% compared to the previous year (1,233.8 M€ compared to 1,072.7 M€ in 2021). The increase in turnover was higher in Europe and in the United States, while the APAC area was affected by the contraction in China. For more details on the Group performance, we refer you to the Management Report.

19. MATERIAL COSTS

DESCRIPTION	2022	2021	CHANGE
Purchases from third parties	794,058	713,901	80,157
Delta stock	(43,123)	(87,965)	44,842
Total	**750,935**	**625,936**	**124,999**

20. PERSONNEL COSTS

DESCRIPTION	2022	2021	CHANGE
Wages and salaries	161,382	148,380	13,002
Social contributions	41,929	39,108	2,821
Defined benefit and contribution plans costs	5,961	5,205	756
Other personnel costs	1,730	1,336	394
Total	**211,002**	**194,029**	**16,973**

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

	31.12.2022	31.12.2021	2022 AVERAGE	2021 AVERAGE
Executives and managers	172	174	170	174
White collars and middle management	2,011	1,948	1,988	1,890
Direct and indirect blue collars	1,965	1,950	1,970	1,861
Temporary workers	469	475	499	452
Total	**4,617**	**4,547**	**4,627**	**4,377**

21. SERVICES, LEASES AND RENTALS

DESCRIPTION	2022	2021	CHANGE
Subcontracting and external operation	40,540	36,577	3,963
Transport and porterage	42,833	41,183	1,650
Maintenance and utilities	40,467	30,538	9,929
Travel, fairs and advertising	7,728	4,435	3,293
Consultancies	13,800	12,107	1,693
Services to employees	6,669	5,690	979
Fees for directors, statutory auditors and independent auditors	2,916	3,053	(137)
Other	15,470	13,710	1,760
Total	**170,423**	**147,293**	**23,130**

22. OTHER OPERATING INCOME

DESCRIPTION	2022	2021	CHANGE
Sales to vendor and other minor sales	8,112	6,804	1,308
Transport and packaging refunds	7,172	5,657	1,515
Claims to vendor	885	903	(18)
Capital gains and contingent assets	1,700	2,892	(1,192)
Received grants and contributions	8,361	6,712	1,649
Reserve reversal	3,302	3,610	(308)
Insurances and other refunds	529	396	133
Revenues from internal projects costs capitalized	-	1,038	(1,038)
Other	1,140	1,041	99
Total	**31,201**	**29,053**	**2,148**

23. OTHER OPERATING COSTS

DESCRIPTION	2022	2021	CHANGE
Other Tax & levy	3,499	3,148	351
Purchase of low value items	937	907	30
Association fees	421	328	93
Donations	715	720	(5)
Capital losses and contingent liabilities	158	249	(91)
Other	385	89	296
Total	**6,115**	**5,441**	**674**

24. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

DESCRIPTION	2022	2021	CHANGE
Amortization of intangible assets	5,398	4,955	443
Impairment of intangible assets	-	-	-
Depreciation of tangible assets	35,943	31,825	4,118
Depreciation of rights to use tangible assets	5,949	5,760	189
Impairment of tangible assets	100	21	79
Impairment of rights to use tangible assets	-	-	-
Total	**47,390**	**42,561**	**4,829**

25. FINANCIAL INCOME AND COSTS

DESCRIPTION	2022	2021	CHANGE
Financial income	1,660	2,330	(670)
Financial costs	(9,185)	(7,565)	(1,620)
Total	**(7,525)**	**(5,235)**	**(2,290)**

A breakdown is given below:

FINANCIAL INCOME	2022	2021	CHANGE
Bank interest income	1,447	2,144	(697)
Commercial and other interest	213	186	27
Total	**1,660**	**2,330**	**(670)**

FINANCIAL COSTS	2022	2021	CHANGE
Bank interest expenses	2,236	2,016	220
Interest on bonds	1,437	739	698
Interest payable on borrowings	2,085	1,722	363
Interest from lease liabilities (IFRS 16)	967	941	26
Discounts, premiums and expenses on derivatives (IRS and forward contracts)	1,993	1,845	148
Interest on employee benefits	227	168	59
Other	240	134	106
Total	**9,185**	**7,565**	**1,620**

26. FOREIGN EXCHANGE GAIN AND LOSSES

DESCRIPTION	2022	2021	CHANGE
Foreign exchange gains	24,988	17,950	7,038
Foreign exchange losses	(25,415)	(15,684)	(9,731)
Total	**(427)**	**2,266**	**(2,693)**

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" (292 K€), to dividends received from the liquidation of Bonfiglioli Ennowing SpA (24 K€), the income from the adjustment of the payable to the minority shareholders BEE in South Africa (16 K€), and the charges related to the higher cost of the investment in the Brazilian company repurchased by SIMEST (165 K€).

28. TAXES

DESCRIPTION	2022	2021	CHANGE
Current Taxes	13,730	14,502	(772)
Deferred Tax assets	(4,439)	705	(5,144)
Deferred Tax liabilities	(249)	1,033	(1,282)
Non-deductible withholdings and prior year Taxes	1,617	2,926	(1,309)
Total	**10,659**	**19,166**	**(8,507)**

The item non-deductible withholdings mainly includes withholdings incurred on the distribution of dividends by the Indian company net of adjustments for lower taxes recognized in the 2021 tax return.

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

DESCRIPTION	2022	2021
Theoretical income taxes	**28,910**	**33,202**
Theoretical tax rate	**30.61%**	**30.44%**
Fiscal effect on temporary differences	315	(2,862)
Fiscal effect on permanent differences on tax incentives and subsidies	(5,492)	(4,656)
Fiscal effect on other permanent differences	(8,373)	(8,831)
Fiscal effect on tax losses offset	(1,458)	(2,199)
Other fiscal effects	(172)	(153)
Current Taxes	**13,730**	**14,502**
Deferred (Tax Assets) and Tax Liabilities	(4,688)	1,738
Prior year direct taxes and non-deductible withholding taxes	1,617	2,926
Total taxes for the year	**10,659**	**19,165**
Profit before tax	**66,201**	**81,844**
Effective tax rate	**16.10%**	**23.42%**

FURTHER INFORMATION

COMMITMENTS

DESCRIPTION	31.12.2022	31.12.2021	CHANGE
Guarantees provided	19,365	21,794	(2,429)
Guarantees received	(6,168)	(5,841)	(327)
Collateral	38,810	31,765	7,045
Total	**52,007**	**47,718**	**4,289**

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 collateral relates to the following:

- Collateral on movable assets as detailed below:
  - Bonfiglioli Trasmission Pvt Ltd for 16.3 M€
  - Bonfiglioli Slovakia Sro for 0.5 M€
- Collateral on real estate as detailed below:
  - Bonfiglioli S.p.A. for 16.5 M€ (the amount indicated in 2021 of 20 M€ did not take into account the loan instalments already repaid for 1.2 M€)
  - Bonfiglioli USA for 4 M€
  - Bonfiglioli Slovakia Sro for 1.5 M€.

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022

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 2022 from national administrations or equivalent national bodies is given below.

FUNDING BODY	RECIPIENT COMPANY	AMOUNTS IN EURO	REASON
BI-REX Big Data Innovation & Research Excellence (Tax Code 03747661209)	Bonfiglioli S.p.A.	116,914	Grants on technological innovation projects
EIT MANUFACTORING ASBL (Siret number: 880 778 576 00012)	Bonfiglioli S.p.A.	103,076	Grants on technological innovation projects
MISE (Ministry of Enterprise and Made in Italy) (Tax Code 80230390587)	Bonfiglioli Riduttori S.p.A.	839,247	Grants on technological innovation projects

BI-REX, based in Bologna, was established as a public-private Consortium in 2018 and is one of the 8 national "Competence Centres" set up by the Ministry of Economic Development as part of the government's Industry 4.0 plan. The Consortium, which is the only industry-led Competence Centre, facilitates the development of technological innovation projects and the exchange of expertise by bringing together in partnership 56 players including Universities, Research Centres and Companies of excellence, mainly from the territory, with a specialized focus on Big Data.
EIT Manufacturing, headquartered in Paris, is an innovation community within the European Institute of Innovation and Technology (EIT), which connects key manufacturing players in Europe seeking to add value to European products, processes and services for globally competitive and sustainable manufacturing.
From 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, Tax credits for research and development, energy tax credit and other facilities such as “Cassa Integrazione Guadagni”) are not included 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.

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	2022	2021
Directors	2,117	2,294
Statutory Auditors/Independent Auditors	799	759
Total	**2,916**	**3,053**

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. (formerly Bonfiglioli Riduttori 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 under 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

In early February 2023, Bonfiglioli S.p.A. reached an agreement to acquire Selcom Group S.p.A. from funds controlled by Avenue Capital Group and Europa Investimenti S.p.A. Selcom Group S.p.A. specialized in the design, manufacture and sale of electronic boards, electronic products, and software and solutions for customers in the industrial, biomedical, automotive, intralogistics and home-appliance sectors.
Selcom Group S.p.A., headquartered in Castel Maggiore (BO), had a turnover of around 150 M€ in 2022. The company employs around 750 people deployed across 4 production plants in Italy and 2 plants in Shanghai.
Selcom is also notable for its engineering area where it employs around 70 people across Italy and China. This company area includes R&D and process engineering for Hardware, Software and Mechanical as well as the in-house design of product validation test methods, which, together with a high level of service and close cooperation with the customer, complete the company's distinctive positioning in the market.
Selcom Group S.p.A. represents a significant strengthening of Bonfiglioli's electronic heart, which was established in 2001 with the acquisition of Germany's Vectron Elektronik Gmbh, now Bonfiglioli Vectron Gmbh, a group company that designs and manufactures electronic drives for electric motors mainly for industrial uses. This acquisition will increase Bonfiglioli's development capacity, ensuring greater verticalization of production, increased competitiveness and stronger control over quality standards.
The transaction was completed on March 23, 2023.

Calderara di Reno (Bologna), March 29, 2023
for The Board of Directors

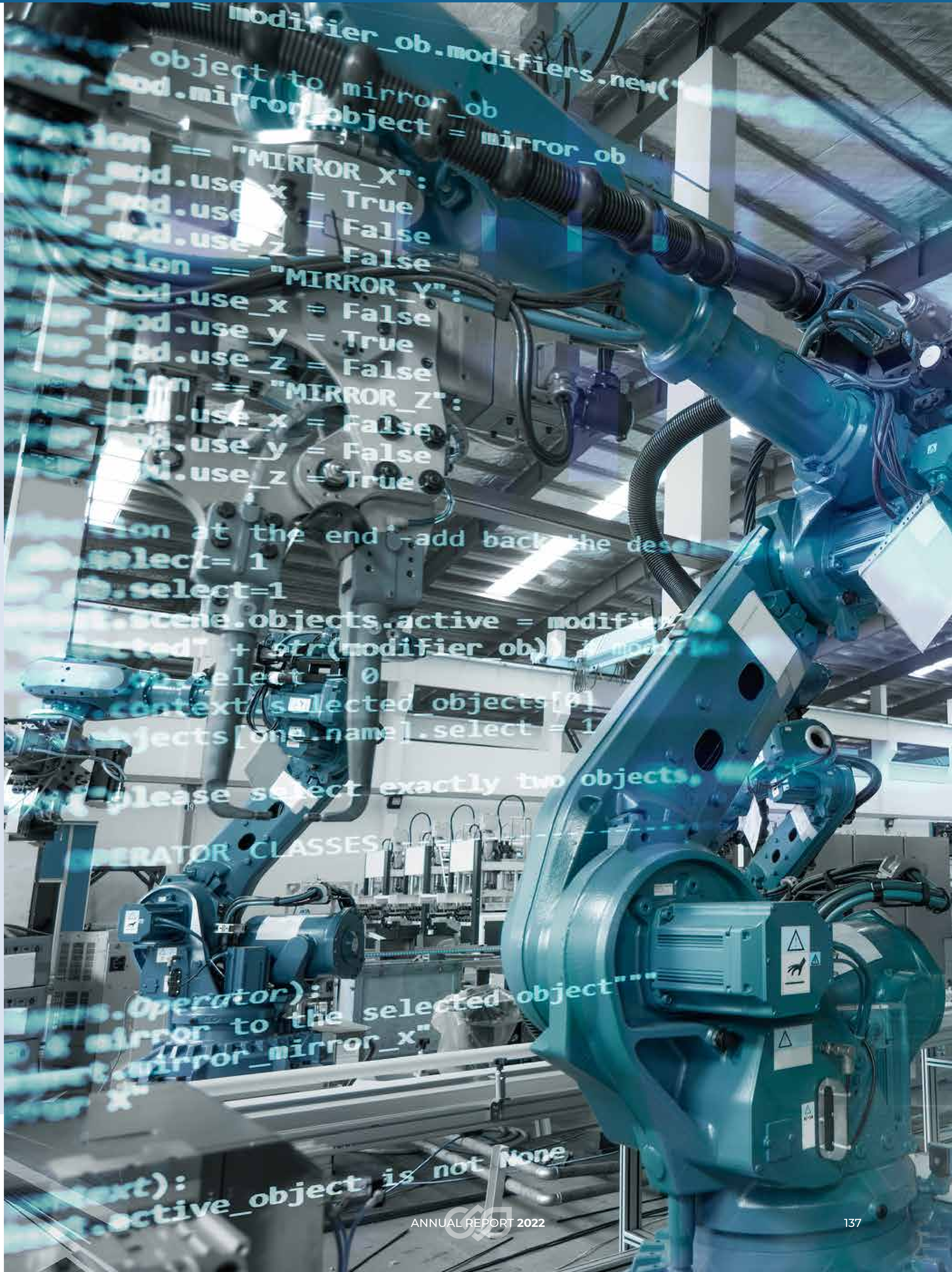
The Chairwoman
Sonia Bonfiglioli

ANNEX A

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

		2022	2021
A.	**Opening Net Cash Position**	**(147,717)**	**(167,682)**
B.	**OPERATING ACTIVITIES**		
	Group's Income (Loss)	55,495	62,631
	Minority	47	47
	Depreciation and impairment	41,441	36,801
	Depreciation and impairment IFRS16	5,949	5,760
	Bad Debt provision	224	175
	Other risks provisions	4,890	1,794
	Current and deferred Taxes	10,659	19,166
	Cash flow before operative capital employed variation	**118,705**	**110,386**
	Net Working Capital variation	(60,614)	(46,691)
	Derivatives FMV variation	(946)	(220)
	Risk Provision variation	(5,276)	(4,555)
	Employee benefit obligations variation	(1,686)	(477)
	Current and deferred Taxes variation	1,006	(2,887)
	Current taxes paid	(17,945)	(15,747)
	Other assets and liabilities variation	(8,776)	5,559
B.	**Cash flow originating from (used for) operating activities**	**24,468**	**61,356**
C.	**INVESTING ACTIVITIES**		
	CAPEX	(57,264)	(40,369)
	CAPEX IFRS16	(7,370)	(7,542)
	Share investments	(20)	-
C.	**Cash flow originating from (used for) investing activities**	**(64,654)**	**(47,911)**
D.	**FINANCING ACTIVITIES**		
	Dividends paid	(12,002)	(6,003)
	Currency Conversion Reserve variation	(2,767)	17,971
	Exchange rate (gains) losses on CAPEX	329	(4,909)
	Exchange rate (gains) losses on CAPEX IFRS16	420	(539)
	Exchange rate (gains) losses on Share Investments	1	(1)
	Other variations	-	1
D.	**Cash flow originating from (used for) financing activities**	**(14,019)**	**6,520**
E.	**CASH FLOW FOR THE YEAR (B+C+D)**	**(54,205)**	**19,965**
F.	**Closing Net Cash Position (A+E)**	**(201,922)**	**(147,717)**

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2022



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INDEPENDENT AUDITOR'S REPORT

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

Building a better working world

Bonfiglioli S.p.A.

Consolidated financial statements as at 31 December 2022

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

Building a better working world

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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 S.p.A. and its subsidiaries (the "Bonfiglioli Group" or the "Group"), which comprise the statement of financial position as at 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows the for the year then ended, and illustrative notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
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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 Ita lia) 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 concern;
- 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 or business activities 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 of Bonfiglioli Group as at 31 December 2022, 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 31 December 2022 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

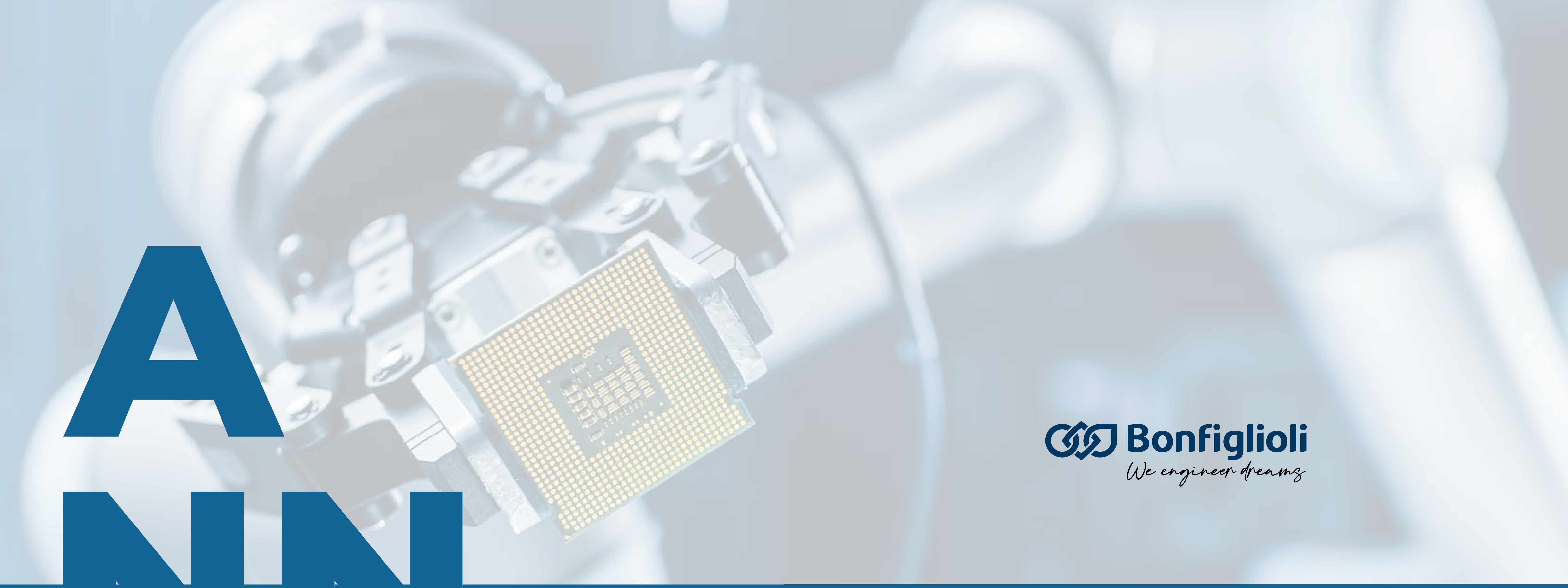
In our opinion, the Report on Operations is consistent with the consolidated financial statements of Bonfiglioli Group as at 31 December 2022 and comply with the applicable laws and regulations.

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, 12 April 2023

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.



ANNUAL REPORT22

Bonfiglioli
We engineer dreams

Bonfiglioli

We have a relentless commitment to excellence, innovation & sustainability. Our team creates, distributes and services world-class power transmission & drive solutions to keep the world in motion.

HEADQUARTERS

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