R

ANNUAL REPORT

31 DECEMBER 2019

BIESSEGROUP

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THE BIESSE GROUP

DIRECTORS' REPORT ON OPERATIONS

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LETTER TO SHAREHOLDER

DEAR SHAREHOLDER,

2019 was a year in which we saw the first signs of correction of the positive series, which in Biesse meant significant growth in both revenues and margins. From an equity and financial point of view, we remained strongly focused on cash generation, thus creating the conditions to be able to close 2019 with a Net Financial Position which, net of IFRS16 effects, remained positive at approximately 8 million euros. All this in a context of significant investments in both tangibles and intangibles, i.e. aimed at expanding both production capacity, distribution and service but also innovation and more generally Research & Development. These investments strengthened the Group's position despite the obvious political and economic uncertainties that arose, particularly in the second half of the year.

From a geographical point of view, Italy represents only 16.2% of consolidated revenues, confirming the strong export propensity of consolidated sales. In perspective, however, we believe it is imperative to extend those forms of tax incentives that have done so much good for the productivity and competitiveness of the national industry, especially in difficult contexts such as the current ones.
At the international level, the strong growth of the North American market share (+27.9%) is confirmed, while the signs of recovery in the Russian market are cautious. Brazil and Turkey are still awaiting recovery, where both countries are far from the volumes of the recent past.

On the financial markets, Biesse shares - listed on the STAR segment of the Italian Stock Exchange BSS.MI - have not been isolated from the growing volatility and macro-economic uncertainties have inevitably weighed on the performance of Biesse shares, which have not reflected the real value of the company in their prices.

As regards the Group's Income Statement, consolidated turnover decreased by 4.8% compared to the previous year, EBITDA amounted to 77 million euros while EBIT reached 39.6 million euros, before non-recurring events.
Net profit was 13 million euros (with an incidence on revenues of 1.8%) with a tax rate of 44.5%. Net profit was also penalised by approximately € 10M of non-recurring charges (following the decision to dispose of the Chinese production facilities), and by a worsening of the tax rate, which was affected by the lower tax incidence of the patent box and by the missing recognition of deferred tax assets in certain subsidiaries (China, and Australia). EPS 0.48 euros per share.

In 2019, Biesse put in place strategies and programmes aimed at structuring and consolidating its organisation at a national and international level which, although with inevitable impacts on the cost structure, are to be considered essential in order to sustain the planned growth.

Considering the progressive deterioration of the context, which worsened during the first few months of 2020, as well as increasing economic uncertainty linked to social and health events, it was decided not to distribute the planned ordinary dividend, increasing the Group's financial resources, despite the evident financial solidity.

In compliance with the need for ever greater transparency, we have provided extensive disclosure of the projects contained in our most recent Three-Year Plan and their economic and financial implications, and received considerable interest during recent meetings with the Italian and foreign financial community (Milan - Paris - London).

Indeed, on 21 February 2020, the new Three-Year Business Plan (2020-2021-2022) was approved, containing clear references to the Group's future development, not only in the traditional business sectors, but also in "adjacent" industries where our technology can be effectively employed, as moreover demonstrated by the recent successes in the sector of machinery for the processing of Advanced Materials (plastics, composites and aluminium). In this area, HSD (mechatronics division) already represents the most significant expression of high technical expertise in support of constant geographic expansion.

Important investments in qualified personnel and cutting-edge tools are confirmed for the next three years, with the aim of offering our customers the best possible solutions of the 4.0 industrial revolution, continuing above all the path of servitization that Biesse has undertaken over the past few years, also through the dissemination of its SOPHIA platform, whose success with customers is growing day by day.

Last, but not least, is the unconditional appreciation for the great commitment and valuable dedication of all our employees. It would not have been possible to achieve the goals reached or to plan those expected without their energy and professionalism. We extend our heartfelt thanks to all of them.

Chief Executive Officer
Roberto Selci

THE GROUP

BIESSEGROUP

BIESSE
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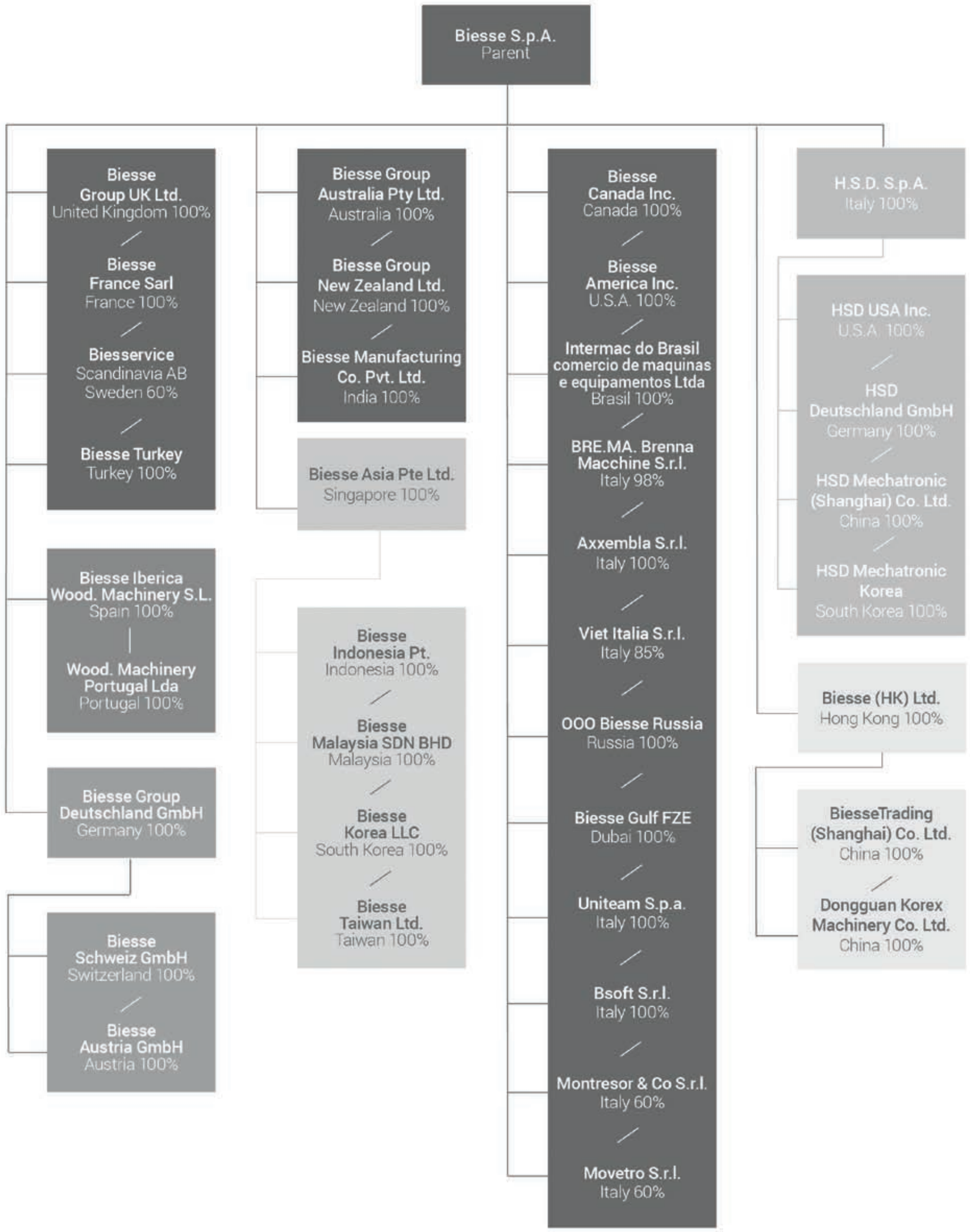
MECHATRONICS

Biesse Group is a global leader in technologies for processing wood, glass, stone, plastic and metal. Founded in Pesaro in 1969 by Giancarlo Selci, the company has been listed on the STAR sector of Borsa Italiana since June 2001 and is currently a constituent of the FTSE IT Mid Cap index.

GROUP STRUCTURE

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



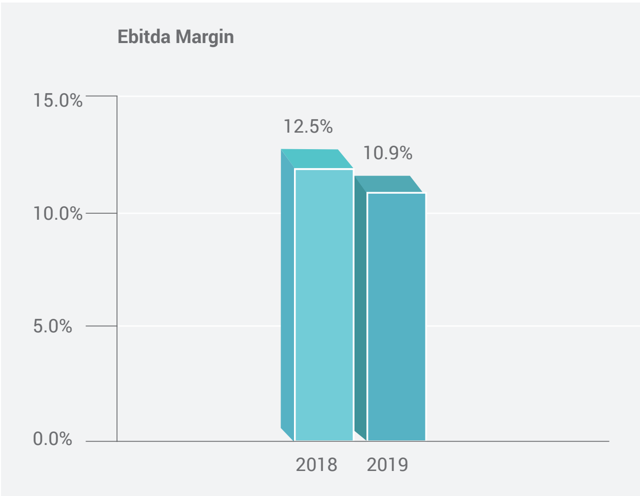
Notes: the different colours represent the subgroups of the control chain.

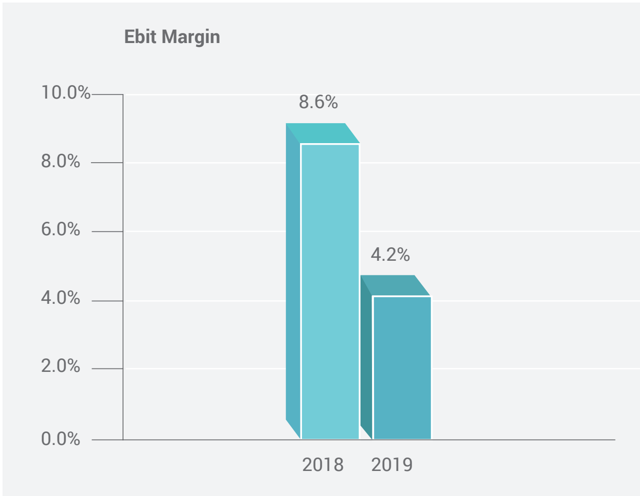
FINAN CIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Compared with the financial statements for the year ended 31 December 2018, the consolidation scope underwent no changes.

EURO 000'S	31 DECEMBER 2019	% ON SALES	31 DECEMBER 2018	% ON SALES	Change %
Revenue from sales and services	**705,872**	**100.0%**	741,527	100.0%	(4.8)%
Normalised Added value [(1)]	**297,789**	**42.2%**	307,229	41.4%	(3.1)%
Normalised EBITDA (Normalised gross operating profit) [(1)]	**76,732**	**10.9%**	92,676	12.5%	(17.2)%
Normalised EBIT (Normalised operating profit) [(1)]	**39,554**	**5.6%**	67,669	9.1%	(41.5)%
EBIT (Operating profit) [(1)]	**29,644**	**4.2%**	63,772	8.6%	(53.5)%
Profit for the year	**13,002**	**1.8%**	43,851	5.9%	(70.3)%

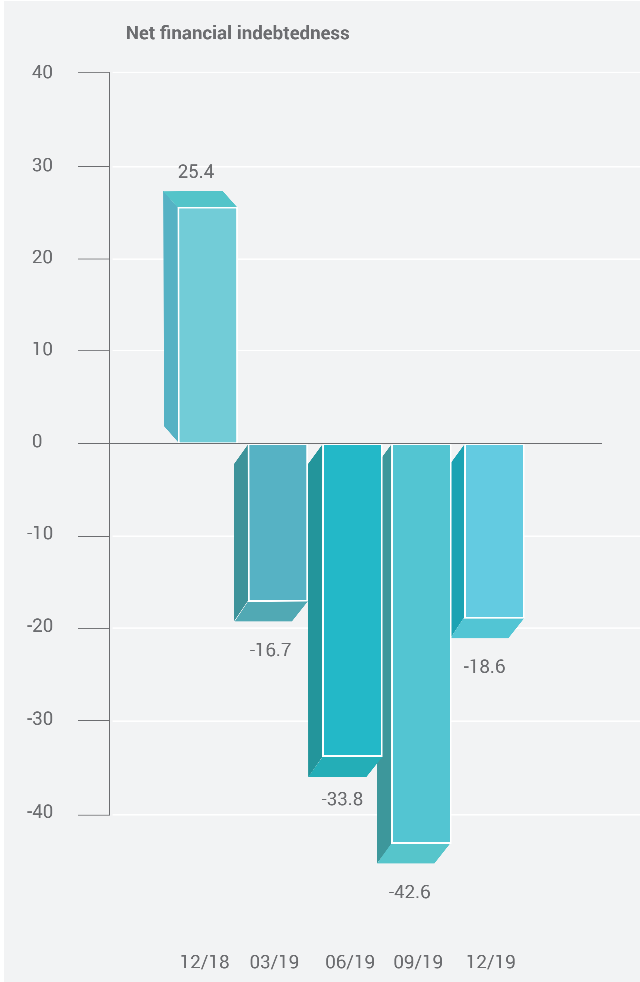


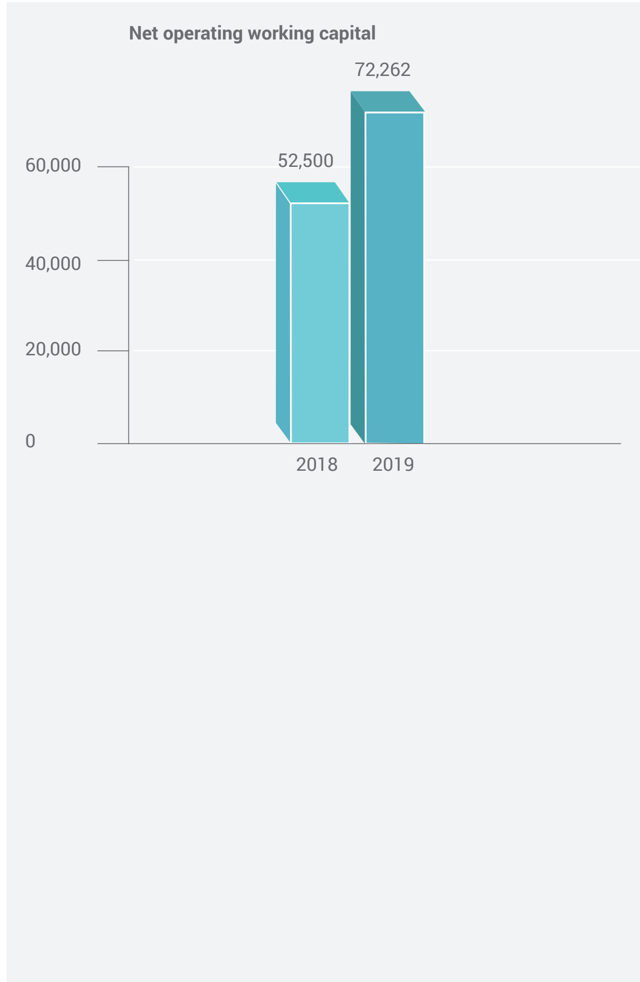


Statement of financial position data and financial ratios

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Net invested capital [(1)]	**237,285**	194,127
Equity	**218,675**	219,536
Net financial position [(1)]	**18,609**	(25,407)
Net operating working capital [(1)]	**72,262**	52,500
Gearing (net financial position/equity)	**0.09**	(0.12)
Fixed asset/standing capital ratio	**0.98**	1.17
Order intake	**507,647**	611,788

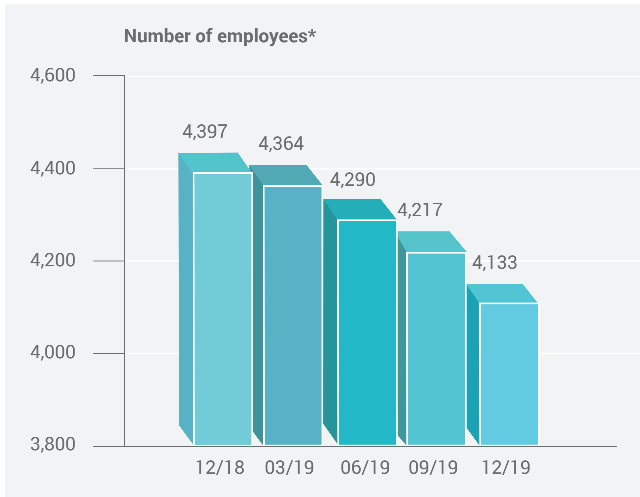
[(1)] The criteria for determining amounts relating to interim results and aggregate equity and financial data are described in the Directors' Report on Operations and the Notes to the Financial Statements.

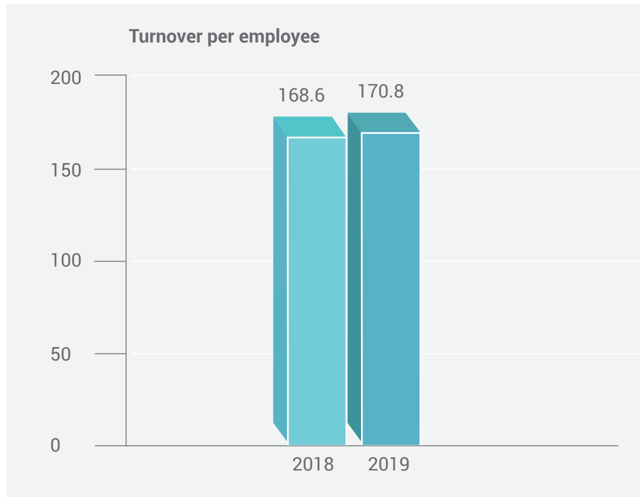




Personnel

	31 DECEMBER 2019	31 DECEMBER 2018
Number of employees at year end	**4,133**	4,397





* the figure includes temporary staff.

CORPORATE BODIES

BOARD OF DIRECTORS

Chairman	Giancarlo Selci
Chief Executive Officer	Roberto Selci
Executive Director and General Manager	Stefano Porcellini
Executive Director	Alessandra Parpajola
Executive Director	Silvia Vanini
Lead Independent Director	Elisabetta Righini
Independent Director	Federica Palazzi
Independent Director	Giovanni Chiura

BOARD OF STATUTORY AUDITORS

Chairman	Paolo de Mitri
Standing Statutory Auditor	Dario de Rosa
Standing Statutory Auditor	Silvia Cecchini
Alternate Statutory Auditor	Silvia Muzi

CONTROL AND RISKS COMMITTEE
REMUNERATION COMMITTEE
RELATED PARTY COMMITTEE

Elisabetta Righini (Lead indipendent Director)
Federica Palazzi

SUPERVISORY BODY

Giuseppe Carnesecchi (Chairman)
Domenico Ciccopiedi
Elena Grassetti

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.








DIRECTORS’

REPORT ON OPERATIONS

GENERAL ECONOMIC OVERVIEW

GLOBAL ECONOMIC TREND

The outlook for global economic activity (excluding the Eurozone) remains weak despite signs of stabilisation. The world Manufacturing Purchasing Managers' Index (PMI) (excluding the Eurozone) rose moderately in December. In particular, in the manufacturing sector there was a recovery in the final quarter, marking consolidation of global manufacturing, which as from the start of 2018 had gradually weakened. The services sector remained resilient and grew further in December.

The risks for global economic prospects were stabilising until mid-February.

However, in recent weeks, with the increase in contagion from COVID-19 in Europe and its potential spread in North America, volatility and, consequently, the prospects of a slowdown in the global economy rose markedly. The restriction on the movement of goods and people and the adoption of restrictive measures triggered a drastic fall in output and demand in China. The impact on the rest of the world, albeit for the moment less severe, has entailed a sharp fall in work-related travel and tourism, and a reduction in the general confidence indicators. These circumstances, which are extraordinary in terms of their nature and extension, have direct and indirect impacts on economic activity and have created a context of general uncertainty, the developments and related impacts of which are not currently predictable.

The partial commercial agreement between the United States and China eases trade tensions and was positively received. The so-called "Phase 1" of the agreement includes China's commitment to buy from the United States a considerable quantity of a wide range of goods and services, agricultural and otherwise. This could impact on the demand for EU exports to China. In addition, the agreement aims to bring changes in sectors ranging from exchange rate policy to protecting intellectual property and technology transfer.

Financing conditions remain accommodating when viewed historically. Looking forward, in 2020 financing conditions will benefit from stable expectations on inflation rates, growth prospects for company profits in the United States and in the other main economies, and a possible further easing of commercial tensions.

In November, consumer inflation over 12 months in countries belonging to the Organization for Economic Co-operation and Development (OECD) rose to 1.8%, partly due to high inflation for food prices in some emerging economies, including China and India.

UNITED STATES

In the United States, economic growth remained moderate in the third quarter of 2019. The annualised US GDP growth in real terms was 2.1%. Despite a modest recovery in business compared to a growth of 2.0% in the second quarter, economic activity slowed owing to limited investments, the ending of the impact of fiscal reform undertaken in 2018 and the maturing of the economic cycle. The risks to the prospects for the economy fell slightly, but remain in any case negative. At the start of the year, for 2020 moderate growth was predicted, going from 2.3% in 2019 to 2% and a further fall to 1.7% in 2021. This reflects the return to a neutral fiscal position and the envisaged fall in support through a further easing of monetary policies.

Currently, the forecasts of a spread of COVID-19 in North America are having a negative impact on confidence indicators.

JAPAN

In Japan, the Government has prepared a stimulus package to support economic growth. At the start of December, Prime Minister Abe's Government announced a fiscal package to address the downward risks for economic activity due to the weakness of the external context and the recent natural disasters. The package envisages an increase in public spending of 2.4% of GDP, which makes it one of the most important fiscal stimulus packages introduced under "Abenomics". This package will be largely implemented in 2020-2021. It must be stressed that the impact of the measures on the economy partly offsets the recent increase in VAT; in addition, the weakness of the manufacturing sector pushed down growth to negative territory in the final quarter of 2019.

UNITED KINGDOM

In the United Kingdom, economic activity seems to have recorded a gradual fall in the final quarter of 2019. Confidence indicators remain modest and well below their historic averages. At the start of the year, growth was forecast to stabilise at 1.4% in 2020 and 1.5% in 2021. The growth forecast was based on an ordered exit from the European Union at the end of January, followed by a gradual transition to a new economic relationship. For the United Kingdom too the spread of COVID-19 risks having a profound impact on the growth rate for 2020.

EMERGING COUNTRIES

The Chinese economy experienced a sharp slowdown due to COVID-19 contagion. At the start of March, the Chinese Government announced the restart of manufacturing and the normalisation of business, setting important growth targets for coming months. In addition, exports should benefit from Phase 1 of the trade agreement with the United States. The agreement may further support growth by improving net trade and reducing the uncertainty over trade. At the same time, in December overall inflation for the twelve months of 2019 measured on the consumer price index (CPI) stabilised at 4.5%, in any case remaining above the official target. The figure for December remained high owing to the marked and continuing inflation on food items caused by the spread of African swine fever and its impact on pork prices: in December there was a 97% increase on the corresponding prior-year period, down from the 110% recorded in November. At the same time, in December CPI inflation net of energy and food was unchanged at 1.4%.

For the group of emerging markets and developing economies, pre-COVID-19 growth should have risen to 4.4% in 2020 and 4.6% in 2021 (0.2% down for both years compared to the WEO in October) compared to the 3.7% estimated for 2019. The growth profile for the area reflects a combination of a forecast recovery from deep recessions for some stressed and underperforming emerging economies and an ongoing structural slowdown in China.

The growth in emerging and developing Asia pre-COVID-19 should have risen slightly from 5.6% in 2019 to 5.8% in 2020 and to 5.9% in 2021. The easing off of growth largely reflects a downward revision of forecasts for India, where internal demand experienced a sharper slowdown than forecast owing to the stress of the non-banking financial sector and the fall in lending growth. Growth in India was estimated at 4.8% in 2019, with a forecast pre-COVID-19 improvement to 5.8% in 2020 and 6.5% in 2021, supported by monetary and fiscal stimuli and by low oil prices. Growth in China prior to the impact of COVID-19 was forecast to fall slightly from the 6.1% estimated for 2019 to 6.0% in 2020 and 5.8% in 2021. After a slowdown to 4.7% in 2019, prior to COVID-19 the growth in the ASEAN-5 countries had been forecast as being stable in 2020, before starting to grow again in 2021. Growth prospects were revised slightly down for Indonesia and Thailand, where the persistent weakness of exports also impacts internal demand.

EUROZONE

In the third quarter of 2019, real GDP in the Eurozone continued to grow at a moderate rate. Internal demand contributed negatively to GDP growth, as did the change in inventories, albeit to a lesser extent; net foreign trade instead made a positive contribution. However, these contributions to growth are affected by the volatility of the data. The economic indicators for the final quarter of 2019 saw continuing, albeit moderate, growth. Labour markets in the Eurozone remained resilient, despite a slight drop-off in growth. The increase in employment was generalised and involved various countries and sectors. The most recent data and the latest indicators taken from sample-based surveys continued to show positive growth in employment for the future, although tailing off.

The growth in employment and income levels continued to support consumer spending. The recent economic slowdown did not have significant impacts on households' real disposable income. In addition, the reduction in direct taxation and social security contributions owing to the fiscal policies adopted in various countries in the Eurozone had a positive impact on households' purchasing power. Looking forward, private consumption should continue to support growth in the Eurozone.

In a situation of continuing great uncertainty and low profit margins, investments by companies, albeit supported by favourable financial conditions, should remain limited. The most recent quarterly national accounting data for the Eurozone indicates that in the third quarter of 2019 investments in sectors other than construction fell sharply (-7.7% in quarterly terms) after the marked growth recorded in the second quarter (10.3% in quarterly terms). The most recent data for the Eurozone indicates growth in investments which is quite moderate or even negative. For example, the annual growth in capital expenditure for machinery and equipment slowed gradually starting from 2018. As for short-term trends, in October and November 2019 industrial production of capital goods stood on average at 1.4% lower than its average level in the previous quarter; in the period up to December, the confidence recorded in the industrial sector in regard to the production of capital goods stabilised at lower values than its historic average. The worsening of investment prospects reflects a general deterioration in economic, political and regulatory expectations over the next twelve months. Also the half-yearly investment survey undertaken by the European Commission for the Eurozone indicates, as from the end of November, a modest expansion in industrial investments in 2020. More positively, the favourable financing conditions continue to support corporate investments. Investments in the residential construction sector should maintain a moderate upward growth in the short term, supported by lively demand and favourable financing conditions, albeit slowed down by restrictions on supply.

Growth in the Eurozone prior to the impact of COVID-19 was forecast to increase from 1.2% in 2019 to 1.3% in 2020 and 1.4% in 2021 owing to the forecast improvements in external demand to support the foreseen consolidation in growth.

ITALY

The latest information available suggests that GDP remained roughly unchanged in Italy in the final quarter of 2019, above all owing to the weakness of the manufacturing sector. In the third quarter, GDP rose by 0.1%, supported by domestic demand and above all by household spending; growth was driven also by the variation in inventories. Investments fell, in particular those in capital goods. The contribution from foreign trade was negative, owing to a slight reduction in exports and a marked increase in imports. Added value fell in manufacturing and agriculture; it rose slightly in construction and services. On the basis of these evaluations, it can be estimated that overall GDP growth in 2019 was around 0.2%.

On the basis of the quarterly indicators available, it is estimated that in the final quarter industrial output fell. Assessments by companies remain prudent, albeit indicating an improvement in expectations for orders in the current quarter. Expectations on the trend in demand show a growth in sales in the current quarter and an improvement in foreign demand – in particular in manufacturing – which are, however, opposed by continuing unfavourable judgements on the general economic situation, above all by service companies and in the areas of the South and the Centre. In the third quarter, investments dropped slightly, owing to the fall in purchases of capital goods, while investments in construction rose.

In reference to the COVID-19 global health emergency, which started from China at the end of 2019 and reached Europe and Italy at the beginning of 2020, at the date of approving these financial statements, given the exponential increase in cases and the number of countries involved, the World Health Organization declared a global pandemic. In consideration of the provisions issued with the Prime Ministerial Decrees of 8/3/2020, 9/3/2020 and 11/3/2020, regarding urgent measures to contain the contagion throughout Italy, while balancing the necessary attention to business continuity, but also taking account of the occupational health and safety of employees, we promptly adopted all the provisions recommended by the Government, i.e. smart working, using up holiday leave and suspension of some activities, extended through to 3 April.

The economic situation is equally worrying, and it cannot be ruled out that the possible consequences may include a general slowdown in the global economy; moreover, currently it is certainly possible to forecast that there will be important repercussions for the economies of the countries worst hit by the epidemic, including Italy.

BUSINESS SECTOR REVIEW

UCIMU – SISTEMI PER PRODURRE

In the last quarter of 2019, the collection of machine tool orders also showed a negative sign. In particular, in the fourth quarter of 2019 the UCIMU index of machine tool orders showed a 16% decrease on the prior-year period. The absolute value of the index was 105.5 (100 base in 2015).

The overall result was affected by the negative performance of the domestic market and by the weakness in foreign demand.

In particular, domestic orders fell by 21.2% compared to the final quarter of 2018. The absolute value of the index stood at 172, therefore still positive despite the fall.

As for foreign orders, they fell by 13.8% compared to October-December 2018. The absolute value of the index was 91.5.

On an annual basis, the total index fell by 17.9% compared to the previous year. The result was determined by the fall registered on the domestic (-23.9%) and foreign (-15.4%) markets.

"The fall recorded in the final quarter of 2019 – stated Massimo Carboniero, Chairman of UCIMU-SISTEMI PER PRODURRE – confirms our forecasts, showing a gradual reduction in the propensity to invest by both the domestic and foreign markets".

"On the domestic front – noted the Chairman of UCIMU-SISTEMI PER PRODURRE – the index of orders collected in Italy in 2019 saw a gradual fall. This shows that Italian consumption of production systems is returning to levels typical of our market. Indeed, we could not expect Italian demand to continue to maintain the growth rates that we became accustomed to in 2016-2018".

"Having said that, we must prevent a new block on investments, which would put our manufacturing sector back years, nullifying the good done with the Industry 4.0 Plan, with the risk of interrupting the process of technological transformation that is ongoing in Italian industry".

The last survey carried out by UCIMU, in 2014, on machinery installed in Italy, highlighted a very dangerous ageing of production systems in manufacturing companies. In 10 years – from 2005 to 2014 – the country's factories innovated very little and so the average age of machinery was the worst ever, almost 13 years' old.

"While the instruments for competitiveness envisaged by the Industry 4.0 Plan have certainly made a valid contribution to making up that gap – stated Massimo Carboniero – we certainly cannot think that everything has been solved. Also because, in the meantime, foreign competitors continue to invest and we must keep an eye on them if we want to preserve the competitiveness of Italian manufacturing".

"In this regard we believe that the new tax credit measures included in the Budget Law for 2020, in place of super and hyper depreciation, are technically suitable for the purpose of supporting the modernisation of machinery and the digital transformation of Italian industry. What is not suitable, is their time span which is still linked to just 12 months".

"On the foreign front – Carboniero went on – the situation is very complex, since there are different factors which contribute to making the short/medium-term scenario uncertain. From the general economic and political instability of numerous parts of the world, to the proven difficulty of the German locomotive, which is struggling to get moving again, weighed down by the great uncertainty over the development of electric cars. From the sanctions affecting exports to important markets for manufacturers, especially Russia and Iran, to the slowdown in China, to the protectionist approach of some major countries such as the United States".

"Pending the situation become clearer, Italian manufacturers of machine tools, who have always been very flexible and quick in redirecting their sales to areas with higher demand, have for some time been paying particular attention to two areas which see continuous growth: ASEAN and India. These areas are engaged in a rapid and marked process of industrial and infrastructure development, but do not have adequate local industry for production and automation systems. Therefore, in order to support their growth rate, they need to buy cutting-edge technology from abroad and Made in Italy is a valid response to this need".

"Besides the Asian countries, UCIMU-SISTEMI PER PRODURRE is paying increasing attention to the countries of Sub-Saharan Africa, where it would be useful to have a coordinated initiative among various manufacturing sectors across the supply chain. The project should be developed with the support of the Italian Ministry of Foreign Affairs and International Cooperation which, building on positive past experiences, could support and coordinate the creation of a training hub aimed at training local technicians on the use of Italian machinery and technologies, thus contributing to the growth of production in those countries".

"Of course, all this is not enough: we need a wide-ranging policy dedicated to internationalisation which is fundamental for a manufacturing and exporting country such as Italy. In this regard, we ask the Government to present, as soon as possible, a major structural plan of initiatives that can effectively support the work of our SMEs overseas".

2019 TREND

At the end of 2019, Biesse Group revenues amounted to € 705,872 thousand, down 4.8% from the previous year. The result obtained is in line with management expectations and is the consequence of the less than brilliant performance of the second and fourth quarters (which respectively fell by 9.9% and 11.4% compared to the same periods in 2018).

In addition, it is noted that on 21 June 2019, following the marked easing in demand recorded in the first five months of the year, which averaged around a negative 15%, Biesse SpA issued revised guidance for 2019. The Board of Directors, since it was unable to avoid this downward trend, prudently adjusted the forecasts for 2019, revising down the expectations on consolidated revenue and margins. Consequently, consolidated revenue was prudently revised to a range of € 680-690 million and EBITDA to a range of € 62-65 million. Nonetheless, the Group expected net financial position to be positive by year end, also in light of the above revision. The Group also assumed that the targets originally set for 2021 would be postponed to 2022.

The above-mentioned drop in volumes was reflected in the operating result for the period, as indicated by EBITDA, which, gross of non-recurring charges, amounted to € 76,732 thousand, down by 17.2%. Normalised EBIT decreased in the current year as well (€ 39,554 thousand in 2019 compared to € 67,669 thousand in 2018), with a negative delta of € 28,115 thousand; as a percentage of revenue, it decreased from 9.1% to 5.6%.

The order backlog amounted to around € 197 million, down 12.8% compared to December 2018: this decline was mainly due to the reduction of the Systems component, which in 2018 benefited from orders for large systems, destined for the North American market.

Order intake was down 17% compared to December 2018, with a stable trend compared to the figure recorded in the previous quarters. This result reflects the general trend of the Machinery and Capital Equipment sectors, which were affected by difficulties experienced by most European and Asian markets.

As for the breakdown of revenue by operating segment, except for the Glass & Stone Division, which recorded a result in line with 2018 (growth of 0.5%), all the divisions fell. The main decreases related to the Components Division and the Mechatronics Division (down by 13.7% and 13.2% respectively), while the Wood Division and the Tooling Division had more limited contractions (down by 4.6% and 2.4% respectively).

An analysis of turnover by area shows growth in North America, largely due to the delivery and installation of orders for large Systems, acquired in 2018. Western Europe still maintains its role as the reference market with sales amounting to € 333,015 thousand, though with a decrease of 5.8% compared to the previous year. Asia-Oceania and Eastern Europe recorded a rather significant fall (down by 21.5% and 17% respectively). Finally, the Rest of the World achieved substantially stable results (€ 27,138 thousand, down 2.5%).

It should be noted that the Group's result for the current year was negatively affected by "non-recurring events and impairment" for a total of € 9,911 thousand. As established in the Board of Directors' meeting held on 20 December 2019 and in the press release issued on the same date, the Group will restructure its strategy in China, focusing more on the needs of the medium to large key accounts, through automated technological solutions created in the Italian and Indian factories. The gradual closure, or sale, of manufacturing activities is therefore being pursued, in such a time and manner as is currently being evaluated by the Directors, who are analysing the solutions which will be considered best suited to achieve the goal, aware that this could take more than 12 months. The downsizing of Chinese manufacturing operations (originally focused on the entry-level segment) and the ongoing restructuring led to estimating non-recurring costs of € 4,207 thousand. In addition, on the basis of the Group's strategic guidelines, which were confirmed in the industrial plan for 2020-22 approved on 21 February 2020, the Group will continue in the process of technological innovation, in order to maintain its leadership in key sectors. Consequently, some R&D projects linked to technological solutions and products that are being phased out were written down for € 4,070 thousand. Finally, personnel expense was recognised in regard to leaving incentives and provisions for non-recurring retirement benefits for € 1,634 thousand.

As regards the financial situation, net operating working capital increased by around € 20 million compared to December 2018. This change was mainly a result of the significant decrease in trade payables equal to around € 29.9 million, linked to payables to suppliers (due to the slowdown in production activities). The trend linked to customer relations (trade receivables and contractual assets/liabilities) is slightly down (net decrease of € 2.6 million), while inventories decreased by € 7.3 million.

The Group's Net Financial Position as at 31 December 2019 was negative at around € 18.6 million, down compared to the figure of December 2018 (positive to the tune of € 25.4 million).

The NFP figure was affected by the first-time adoption, with effect from 1 January 2019, of IFRS 16, which had a negative impact (due to higher payables for right-of-use assets) of around € 26.6 million.

Again, following the first-time adoption of IFRS 16, there was an increase of € 26.4 million in property, plant and equipment as at 31 December 2019.

CONSOLIDATED NON-FINANCIAL STATEMENT

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

The NFS is published with a separate and specific document. It refers to the financial year ended 31 December 2019 and includes data from the parent company BIESSE S.p.A. and the companies consolidated on a line-by-line basis. In regards to this, reference should be made to the paragraph 'scope of consolidation' in the Notes to the Consolidated Financial Statements. The Consolidated NFS was approved by the BIESSE S.p.A. Board of Directors on 13 March 2020 and is subject to separate certification of compliance by the independent auditors.

2019 MAIN EVENTS

SYSTEMS, SOFTWARE AND SERVICES TO AUTOMATE FACTORIES

Trade fairs and events are at the heart of the marketing and communication strategy of Biesse Group, an important opportunity to develop the relationship with the local area, where the Group's technical and commercial specialists can meet customers and study the needs of the specific market. It is an opportunity for those who want to get to know the company at first hand and who want to discover technological innovations, systems, software and services to automate and digitise factories.
From its Headquarters, the Group directly manages, through branches and in collaboration with the main resellers, over 100 trade fairs and events each year in the various sectors of woodworking, advanced materials, glass, stone and metal, in various types of exhibition areas, from small areas with standalone technologies up to institutional international fairs, with reproductions of real factories with interconnected technological solutions, automated systems and advanced services.

THE FUTURE THAT MAKES HISTORY, FUTURE ON TOUR

In 2019, Biesse Group celebrated its 50 years of history through a series of events around the world dedicated to its customers and having a single common denominator: future. Believing in the future also means putting important investments into play to produce tools and machinery that provide customers with greater production efficiency and simplify their work safely, by improving the integration between mechanics, electronics and software and making "smart" and "collaborative" products. "Future on Tour" started in January at the Headquarters in Pesaro and ended with the Grand Opening in Ulm, Germany, for a total of 18 events in 15 countries over the year.

EVENTS AND TRADE FAIRS AROUND THE WORLD

Biesse Group took part in Milan Design Week as the technological partner of two leading Italian design brands, LAGO and Arpa | Fenix, with whom it shares values, a commitment to environmental sustainability, and investments in research and technology. The Group joined the prestigious Leonardo Committee, whose over 160 members include entrepreneurs, artists, scientists and cultural figures eager to share the goal of enhancing Italy and its originality through the organisation of prestigious cultural and economic events. Thanks to its collaboration with Accenture and the Marche Polytechnic University within the scope of the SOPHIA project, it participated in the 2019 MESA - Middle East Studies Association - conference in California, dedicated to Machine Learning in the context of predictive maintenance for Industry 4.0, demonstrating the Group's on-going collaboration with universities.

Under the Biesse brand, the Group participated in numerous trade fairs for the wood industry: the international CIFM/Interzum trade fair in Guangzhou, dedicated to woodworking and furniture production, Delhiwood in India, AWFS in Las Vegas, WMF 2019 in Shanghai, TUYAP Woodtech in Istanbul. In addition, various tech tours and events took place at the Biesse headquarters and campuses around the world, in Brianza, Triveneto, Middle East, Asia, France and India. The main event attended by Biesse in 2019 was the Ligna Trade Fair (Hannover, Germany) where it demonstrated how man and machine can connect: 49 technologies and three totally automated process solutions were on show at its 6,000 square metre stand.

In the Advanced Materials sector, the Group took part in the Mecspe (Parma) and Jec World (Paris) trade fairs, dedicated to technologies for processing advanced materials, and in the K fair in Düsseldorf, the global reference for plastic and rubber processing. Among the main events for the Intermac brand was China Glass, Lamiera, You+Tech, the exclusive event dedicated to industry specialists, which took place at the Intermac plants in Pesaro, and CamEurasia Glass Fair, organised together with the dealer Sorglas Glass Machines at the TÜYAP Convention Center. Intermac and Diamut participated in Glass Build America, a trade fair in the glass sector,

and Vitrum 2019. Intermac, Donatoni Macchine and Montresor exhibited in partnership at the Marmomac fair in Verona dedicated to operators in the marble sector.

In October, the Pesaro Campus opened its doors to customers for a new edition of the Inside Biesse event: 3 days, over 3,000 visitors, 41 technologies for wood and advanced material processing, with the chance to visit factories and attend workshops. The Holz trade fair, dedicated to the woodworking industry and to trends and new technologies for woodworking, took place in Basel, Switzerland, while the One2One event, focused on sanding and entitled "Perfect finishes: innovation, design and sustainability" took place in Brianza (near Milan).
In Germany, the innovative "Ulm Campus" was inaugurated near Nersingen: 6,000 m2 dedicated to technology display, training and meetings with the Group's specialists. The last trade fair of 2019 which the Group took part in was Zak Glass Technology Expo in India, where Intermac and Diamut attended with cutting-edge solutions dedicated to professionals in the glass sector.

DIRECTORS' REPORT ON OPERATIONS OF THE BIESSE GROUP

As indicated in the Notes to the Financial Statements, the accounting standards adopted in the consolidated financial statements as at 31 December 2019 were applied in the same way also to the comparative period, except as described in section 5.1 "Accounting standards, amendments and IFRS interpretations applied by the Company as from 1 January 2019" of the Notes. As from 1 January 2019, the Company decided to set out, under specific items of the Statement of financial position, the Assets and Liabilities arising from contracts signed with customers, then proceeding to offset assets and liabilities connected to the construction of machines and systems to order related to the same contract; consequently, financial position figures relating to 2018 were reclassified for comparative purposes. In addition, the consolidated financial statements as at 31 December 2019 reflect some other reclassifications of income data. The reclassifications, summarised in the Notes to the Financial Statements, do not affect equity or prior-year result.


Ready, It's Tomorrow
SMARTWARE
CONNECTED INDUSTRY
Machines communicate

INCOME STATEMENT HIGHLIGHTS

INCOME STATEMENT AS AT 31 DECEMBER 2019 HIGHLIGHTING NON-RECURRING ITEMS

EURO 000'S	31 DECEMBER 2019	% on sales	31 DECEMBER 2018	% on sales	CHANGE %
Revenue from sales and services	**705,872**	**100.0%**	**741,527**	**100.0%**	**(4.8)%**
Change in inventories, wip, semi-finished products and finished products	652	0.1%	14,026	1.9%	(95.4)%
Other Revenues	6,417	0.9%	5,361	0.7%	19.7%
Revenue	**712,940**	**101.0%**	**760,913**	**102.6%**	**(6.3)%**
Raw materials, consumables, supplies and goods	(286,429)	(40.6)%	(309,430)	(41.7)%	(7.4)%
Other operating costs	(128,723)	(18.2)%	(144,255)	(19.5)%	(10.8)%
Normalised added value	**297,789**	**42.2%**	**307,229**	**41.4%**	**(3.1)%**
Personnel expense	(221,057)	(31.3)%	(214,553)	(28.9)%	3.0%
Normalised gross operating profit	**76,732**	**10.9%**	**92,676**	**12.5%**	**(17.2)%**
Depreciation and amortisation	(33,851)	(4.8)%	(22,820)	(3.1)%	48.3%
Provisions	(3,327)	(0.5)%	(2,187)	(0.3)%	52.2%
Normalised operating profit	**39,554**	**5.6%**	**67,669**	**9.1%**	**(41.5)%**
Impairment losses and non recurring-items	(9,911)	(1.4)%	(3,897)	(0.5)%	-
Operating profit	**29,644**	**4.2%**	**63,772**	**8.6%**	**(53.5)%**
Financial income	497	0.1%	350	0.0%	42.1%
Financial expense	(2,987)	(0.4)%	(2,362)	(0.3)%	26.5%
Net exchange rate losses	(3,711)	(0.5)%	(3,472)	(0.5)%	6.9%
Pre-tax profit	**23,443**	**3.3%**	**58,287**	**7.9%**	**(59.8)%**
Income taxes	(10,441)	(1.5)%	(14,436)	(1.9)%	(27.7)%
Profit for the year	**13,002**	**1.8%**	**43,851**	**5.9%**	**(70.3)%**

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

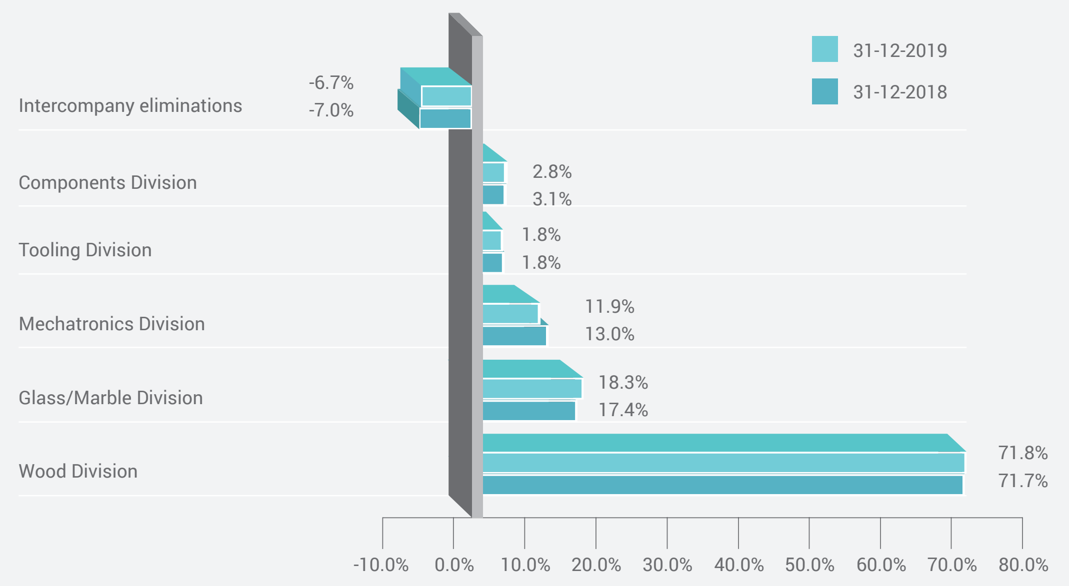
In 2019, **Revenue from sales and services** amounted to € 705,872 thousand, compared to € 741,527 thousand in 2018, down by 4.8% over the previous year.

As for the breakdown of revenue by operating segment, except for the Glass & Stone Division, which recorded a result in line with 2018 (growth of 0.5%), all the divisions fell. The main decreases related to the Components Division and the Mechatronics Division (down by 13.7% and 13.2% respectively), while the Wood Division and the Tooling Division had more limited contractions (down by 4.6% and 2.4% respectively).

Analysing the breakdown of revenue by geographical area, there was significant growth in North America (+27.9%, from € 117,750 thousand to € 150,554 thousand in 2019), largely due to the delivery and installation of orders for large Systems, acquired in 2018. Western Europe still maintains its role as the reference market with revenues amounting to € 333,015 thousand (47.2% of the Group total, down by 5.8% compared to the previous year). Asia-Oceania recorded a rather significant fall (-21.5%) dropping from € 134,970 thousand in December 2018 to € 105,947 thousand in 2019, along with Eastern Europe, which fell by 17%, recording revenues of € 89,217 thousand in 2019 compared to € 107,469 thousand in 2018. Finally, the Rest of the World achieved substantially stable results (€ 27,138 thousand, down 2.5%).

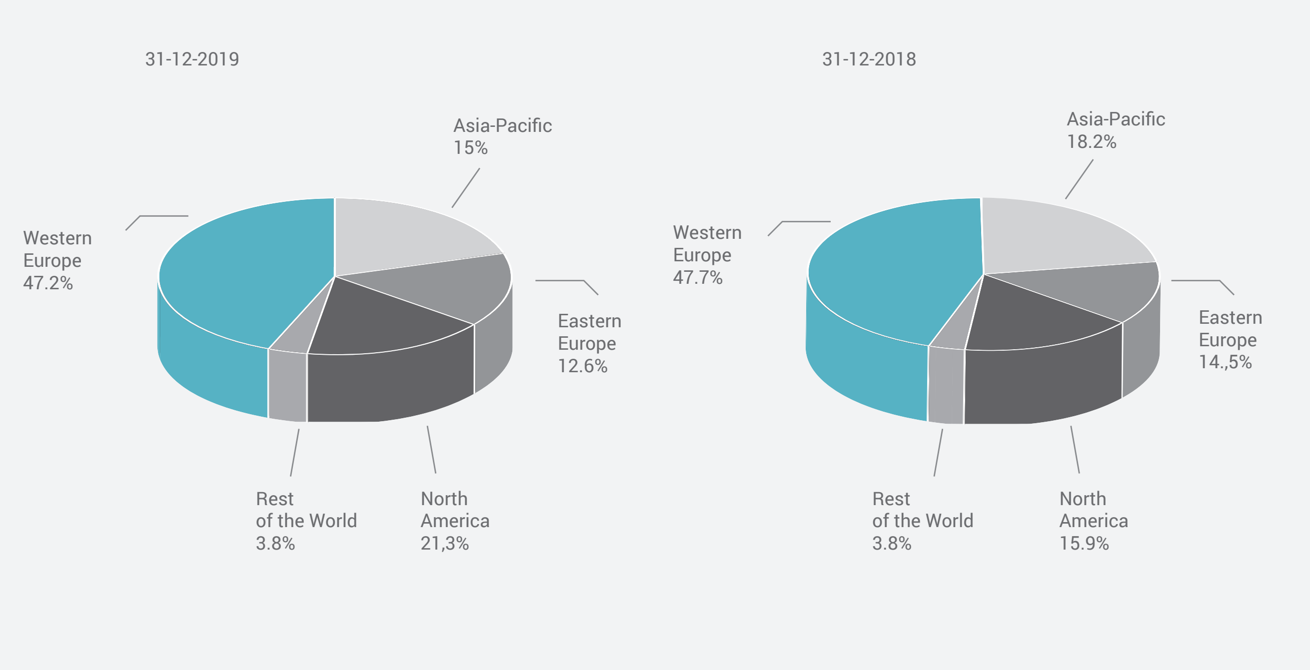
BREAKDOWN OF REVENUE BY OPERATING SEGMENT

EURO 000'S	31 DECEMBER 2019	%	31 DECEMBER 2018	%	CHANGE %
Wood Division	**507,134**	**71.8%**	531,793	71.7%	(4.6)%
Glass/Marble Division	**129,364**	**18.3%**	128,695	17.4%	0.5%
Mechatronics Division	**83,970**	**11.9%**	96,699	13.0%	(13.2)%
Tooling Division	**12,926**	**1.8%**	13,245	1.8%	(2.4)%
Components Division	**19,762**	**2.8%**	22,912	3.1%	(13.7)%
Intercompany eliminations	**(47,283)**	**(6.7)%**	(51,817)	(7.0)%	(8.8)%
Total	**705,872**	**100.0%**	**741,527**	**100.0%**	**(4.8)%**



BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

EURO 000'S	31 DECEMBER 2019	%	31 DECEMBER 2018	%	CHANGE %
Western Europe	333,016	47.2%	353,514	47.7%	(5.8)%
Asia-Pacific	105,947	15.0%	134,970	18.2%	(21.5)%
Eastern Europe	89,217	12.6%	107,469	14.5%	(17.0)%
North America	150,554	21.3%	117,750	15.9%	27.9%
Rest of the World	27,138	3.8%	27,825	3.8%	(2.5)%
Total	**705,872**	**100.0%**	**741,527**	**100.0%**	**(4.8)%**



The **value of production** amounted to € 712,940 thousand, down by 6.3% compared to 31 December 2018 (€ 760,913 thousand).

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

EURO 000'S	31 DECEMBER 2019	%	31 DECEMBER 2018	%
Revenue	**712,940**	**100.0%**	**760,913**	**100.0%**
Raw materials and goods	286,429	40.2%	309,430	40.7%
Other operating costs	128,723	18.1%	144,255	19.0%
Service costs	113,872	16.0%	124,220	16.3%
Use of third party assets	2,876	0.4%	11,740	1.5%
Sundry operating expense	11,975	1.7%	8,295	1.1%
Added value	**297,789**	**41.8%**	**307,229**	**40.4%**

The analysis of consumption and other operating expenses as a proportion of value of production, rather than of revenue, shows a decreased absorption of raw materials (40.2 % compared to 40.7% as at 31 December 2018), due to the different product mix.

Other operating expenses were down in absolute terms (€ 15,350 thousand) and decreased on a percentage basis (from 19% to 18.1%). This performance was largely due to the item Costs for the use of third-party assets, which fell by € 8,864 thousand, mainly due to the adoption of IFRS 16, which envisages the "reclassification" of operating lease fees under depreciation. Service costs fell by € 10,348 thousand (-8.3% compared to December 2018), mainly due to the reduction in costs related to the production process, consultancy and costs for trade fairs and advertising. Other operating costs increased by € 3,862, mainly due to the reclassification of ancillary costs relating to operating lease contracts, following the application of IFRS 16.

Finally, it should be noted that added value as at 31 December 2019 was € 297,607 thousand, down by 3.1% compared to the same period in 2018 (€ 307,229 thousand). As a percentage of the value of production, it improved from 40.4% to 41.7%, as a result of the application of IFRS 16.

As at 31 December 2019, **personnel expense** amounted to € 221,057 thousand, up € 6,504 thousand (+3%) compared to the same prior-year period (€ 214,553 thousand). The change is mainly attributable to wages and salaries (4.0% over the same period in 2018) and is due to the effect of costs linked to hiring new staff in the second half of 2018. This was done as part of the structural reinforcement policy that is required for supporting development plans. An increase in uncertainty has been recorded in the core markets, making it necessary to pay particular attention to business efficiency and organisational streamlining. This has led to a subsequent and consequent reduction in personnel expense. In fact, when broken down by quarter, the figure shows that, with the exception of the first quarter, the performance in 2019 is in line with the corresponding periods in 2018.
Finally, it should be noted that, due to the drop in volumes, this item increased by around 2.0% as a percentage of revenue, from 28.9% in 2018 to 31.3% this year.

EBITDA as at 31 December 2019 was € 76,732 thousand (€ 92,676 thousand at the end of December 2018). As noted above, there were positive effects on EBITDA owing to lower costs for the use of third-party assets following the adoption of the new IFRS 16 for € 9,096 thousand.

Depreciation and amortisation grew overall by 48.3% (from € 22,820 thousand in 2018 to € 33,851 thousand in 2019): the change is mainly attributable to property, plant and equipment, which almost doubled at the end of 2019, from € 9,936 thousand to € 19,544 thousand (up € 9,608 thousand). This phenomenon refers mainly to the first-time adoption of IFRS 16, which determined an increase in depreciation for € 8,181 thousand. The share related to intangible assets increased by € 1,423 thousand (up 11% from € 12,884 thousand to € 14,307 thousand).

Recurring **provisions** increased by 52.2% compared to 2018 (€ 3,327 in 2019 compared to € 2,187 in 2018) mainly due to the adjustment of the product warranty provision, largely due to legal risks and penalties for disputes with customers.

Normalised operating profit was positive to the tune of € 39,554 thousand, down by 41.5% compared to the previous year (€ 67,669 thousand).

It should be noted that the Group's result for the current year was negatively affected by "non-recurring events and impairment" for a total of € 9,911 thousand. As already indicated in the previous paragraphs, the Group estimated non-recurring costs of € 4,207 thousand for the strategic restructuring which was decided for the Chinese market. This will entail a repositioning to support the medium/large key accounts, to the detriment of entry-level segments; consequently, Chinese manufacturing, which was originally aimed at this market segment, will be cut back. In addition, on the basis of the Group's strategic guidelines, the Group will continue in the process of technological innovation, in order to maintain its leadership in key sectors. Consequently, some R&D projects linked to technological solutions and products that are being phased out were written down for € 4,070 thousand. Finally, personnel expense was recognised in regard to leaving incentives and provisions for non-recurring retirement benefits for € 1,634 thousand.

Operating profit amounted to € 29,644 thousand, down compared to the previous year (€ 63,772 thousand).

As regards financial operations, financial expense amounted to € 2,987 thousand, up compared to the figure for 2018 (€ 625 thousand). The increase due to the impact of the first-time adoption of IFRS 16 was equal to € 915 thousand.

Exchange risk management resulted in a loss of € 3,711 thousand, worsening compared to the € 3,472 thousand loss in the prior-year period.

Pre-tax profit thus amounted to € 23,443 thousand.

The balance of **income taxes** was negative to the tune of € 10,441 thousand. This is attributable to the following factors: current IRES (Italian corporate income tax) and IRAP (Italian regional business tax) taxes amounting to € 3,841 thousand and € 1,549 thousand, respectively; provisions for income taxes relating to foreign subsidiaries (€ 4,660 thousand), previous-year taxes (negative to the tune of € 449 thousand), net deferred taxes (positive to the tune of € 33 thousand).

The significant increase in the tax rate is mainly due to the presence of two combined elements: (i) the lower impact of the tax benefit connected to the Patent Box, as the figures for the year ended 31 December 2018 included contingent tax assets also relating to prior years (pursuant to the agreement signed by Biesse S.p.A. in 2019 but referring also to the 2015-2016-2017-2018 financial years), while in 2019 only the benefit calculated for the current year was recognised; (ii) a higher level of losses recorded in China owing to the restructuring of the local business, in respect to which the related deferred tax assets have not been recognised.

The Group therefore recorded a profit for the year of € 13,002 thousand.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Intangible assets	83,228	84,240
Property, plant and equipment	139,710	102,774
Financial assets	2,640	2,847
Non-current assets	**225,578**	**189,862**
Inventories	155,498	162,786
Trade receivables and contract assets	116,973	127,957
Trade payables	(132,673)	(162,591)
Contract liabilities	(67,536)	(75,652)
Net operating working capital	**72,262**	**52,500**
Post-employment benefits	(12,711)	(12,550)
Provision for risk and charges	(18,053)	(10,737)
Other net payables	(40,249)	(34,933)
Net deferred tax assets	10,458	9,985
Other net liabilities	**(60,555)**	**(48,235)**
Net invested capital	**237,285**	**194,127**
Share capital	27,393	27,393
Profit for the previous year and other reserves	177,397	147,577
Profit for the year	13,027	43,672
Non-controlling interests	858	893
Equity	**218,675**	**219,536**
Bank loans and borrowings and loans and borrowings from other financial backers	107,323	57,900
Other financial assets	(2,653)	(288)
Cash and cash equivalents	(86,061)	(83,020)
Net financial position	**18,609**	**(25,407)**
Total sources of funding	**237,285**	**194,127**

The "Net Financial Position" is not identified as an accounting measure under the International Accounting Standards and, therefore, the criterion used by the Company to determine it may not be consistent with that adopted by other companies and/or groups in the sector and, consequently, this figure may not be comparable.

Net invested capital amounted to € 237 million, up compared to December 2018 (€ 194.1 million).
Compared to December 2018, net assets increased by approximately € 34.2 million.
The main impact is due to the first-time application of IFRS 16, following which rights to use leased assets are recorded under property, plant and equipment for a value of € 26.4 million as at 31 December.
In addition to expenses related to the normal replacement of work tools, new investments made during the period included the construction of a high-bay warehouse and the purchase of new machine tools for the Pesaro campus (around € 5.2 million), as well as the opening of the new Biesse Deutschland showroom (around € 2.3 million).

Net operating working capital increased by around € 20 million compared to December 2018. This change was mainly a result of the significant decrease in trade payables equal to around € 29.9 million, linked to payables to suppliers (due to the slowdown in production activities). The trend linked to customer relations (trade receivables and contractual assets/liabilities) is slightly down (net decrease of € 2.6 million), while inventories decreased by € 7.3 million.

Equity amounted to € 218.7 million (€ 219.5 million as at 31 December 2018).

NET FINANCIAL POSITION

EURO 000'S	31 DECEMBER 2019	30 SEPTEMBER 2019	30 JUNE 2019	31 MARCH 2019	31 DECEMBER 2018
Financial assets:	88,714	69,518	84,115	67,788	83,308
Current financial assets	*2,653*	*2,128*	*2,147*	*35*	*288*
Cash and cash equivalents	*86,061*	*67,391*	*81,968*	*67,753*	*83,020*
Short-term financial lease payables	(7,415)	(2,158)	(485)	(350)	(349)
Short-term bank loans and borrowings and loans from other financial backers	(46,859)	(47,373)	(47,179)	(26,287)	(22,161)
Short-term net financial position	**34,440**	**19,988**	**36,450**	**41,151**	**60,798**
Medium/Long-term financial lease payables	(27,043)	(29,879)	(32,565)	(27,167)	(1,569)
Medium/Long-term bank loans and borrowings	(26,006)	(32,728)	(37,726)	(30,700)	(33,821)
Medium/Long-term net financial position	**(53,049)**	**(62,607)**	**(70,291)**	**(57,867)**	**(35,390)**
Total net financial position	**(18,609)**	**(42,619)**	**(33,841)**	**(16,716)**	**25,407**

The Group's Net Financial Position as at 31 December 2019 was negative at around € 18.6 million, down compared to the figure for the previous year (positive to the tune of € 25.4 million).

The NFP figure was affected by the first-time adoption, with effect from 1 January 2019, of IFRS 16, which had a negative impact (due to higher payables for right-of-use assets) of around € 26.6 million as at 31 December 2019.

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

OPERATING RISKS

RISKS RELATING TO GENERAL ECONOMIC CONDITIONS

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

RISKS RELATED TO THE LEVEL OF COMPETITIVENESS AND CYCLICAL NATURE OF THE INDUSTRY

Demand is cyclical and depends on general economic conditions, end customers' propensity to consume, credit availability, and any government stimulus measures. A negative trend in demand, or the Group's inability to adapt effectively to external market conditions, could have a significant negative impact on the Group's business prospects as well as on its results and financial position.
All of the Group's revenues substantially come from the mechanical tool sector, which is a competitive industry. The Group competes in Europe, North America and in the Asia Pacific region with other major international players. These markets are all highly competitive in terms of product quality, innovation, price and customer service.

RISKS RELATING TO SALES ON INTERNATIONAL MARKETS AND EXPOSURE TO SHIFTING LOCAL CONDITIONS

A significant part of the Group's production and sales is carried out in countries outside the European Union. The Group is exposed to risks inherent to operating on a global scale, including risks relating to exposure to local economic and political conditions and to the potential implementation of policies restricting imports and/or exports.
In addition, being exposed to compliance with several tax regimes, the Biesse Group is therefore subject to transfer pricing risks.
In particular, the Biesse Group operates in several markets including India, Russia, China and Brazil. The Group's exposure to these countries has gradually increased; therefore, any adverse political or economic development in these areas could have a negative impact on the Group's prospects and business as well as on its results.

RISKS RELATING TO FLUCTUATIONS IN THE PRICES OF RAW MATERIALS AND COMPONENTS

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

tends to transfer their management and economic impact to its own suppliers, agreeing with them, where necessary, purchase prices that ensure stability for periods of at least one quarter.
The high level of competition and fragmentation of the sector in which Biesse operates often makes it difficult to transfer sudden and/or significant increases in purchase prices entirely on to sales prices.

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

RISKS RELATING TO MANAGEMENT
The success of the Group depends in large part on the ability of its executive directors and other management members to effectively manage the Group and its individual business divisions. The loss of an executive director, senior manager or other key personnel as a result of organisational changes and/or the company's restructuring, with no timely and adequate replacement and reorganisation, as well as the inability to attract and retain new and qualified staff, could therefore have a negative impact on the Group's business prospects as well as on its results and/or its financial position.

RISKS RELATING TO RELATIONS WITH SUPPLIERS
The Group purchases raw materials, semi-finished goods and components from a large number of suppliers and relies on services and products provided by other companies outside the Group.
Close collaboration between the manufacturer and its suppliers is customary in the sectors in which Biesse operates: on the one hand, it can result in economic benefits in terms of cost reduction; on the other, the Group's reliance on these suppliers implies that the difficulties they experience (whether due to internal or external factors) could negatively affect the Group.

RISKS RELATING TO OFFSHORING
The Group has been relocating its manufacturing operations for a few years now. This process involved China and India, both by opening new production plants and acquiring existing ones. As a result, the Group's exposure to the performance of these countries has increased in recent years. Political and economic developments in these emerging markets, including any situation of crisis or instability, could significantly affect negatively the Group's business prospects in the future.

RISKS RELATING TO CLIMATE CHANGE
The growing focus on the global consequences of climate change and its potential economic, social and environmental impacts now requires companies to also assess the impacts on business which potentially must be faced in the medium term.
For these reasons, the Group is engaged in the constant search for solutions to guarantee responsible use of natural resources, the increased efficiency of energy consumption and the management of atmospheric emissions. Biesse Group has envisaged the implementation of a project aimed at contributing positively to the protection and safeguarding of the environment through the gradual deployment of a structured and continuous monitoring system for energy carriers and the power correction of individual energy-intensive machinery, as well as the rationalisation of water use.
Consistent with its commitment to contributing to a sustainable and decarbonised economy, as from 2020, besides enhancing the energy efficiency measures already in place, for most Italian companies energy will be bought from renewable sources with a Guarantee of Origin (GO) certificate, with the aim of significantly reducing the emissions of CO_2 (Scope 2 market based).

RISKS RELATING TO CYBER SECURITY
The growing interrelation between technology and business and the increasing use of networks to share and transfer information entail different and multiple risks linked to the vulnerability of the information systems adopted in business. Potential cyber-attacks could regard important data and information held by the company, such as patents, hi-tech projects or strategic plans which have not been disseminated to the market, with consequent economic, financial, regulatory or image damages.
The Group ICT Department has implemented an Information Security strategy that clarifies the governance structure adopted by the Group and the guidelines to manage cyber security risks in terms of IT architecture and corporate processes.

FINANCIAL RISKS

RISKS RELATING TO FINANCIAL REQUIREMENTS
The liquidity risk is normally defined as the risk that the company might be unable to meet its payment obligations due to the difficulty in raising funds (funding liquidity risk) or sell assets on the market (asset liquidity risk). The result is a negative impact on profit or loss should the company be forced to bear additional costs to meet its obligations or, in the worst-case scenario, a situation of insolvency threatening its viability as a going concern.
The Group has a high availability of credit lines – higher than actual needs – hence debt consists almost entirely of residual amounts relating to previous unsecured loans.

CREDIT RISK
The Group is exposed to various concentrations of credit risk in the various markets in which it operates, although credit exposure is divided across a large number of counterparties and customers.
Financial assets are recognised net of impairment losses calculated based on counterparty default risk, taking into account available information on the customer's solvency as well as historical-statistical data.

RISKS RELATING TO EXCHANGE RATE FLUCTUATIONS
The Biesse Group, as it operates in several markets around the world, is naturally exposed to market risks relating to the fluctuation in interest and exchange rates. The exposure to exchange rate risks is mainly related to the different geographical distribution of its commercial activities, which leads to having cash flows from exports denominated in currencies different from that of the production region. In particular, the Biesse Group is primarily exposed on net exports going from the Eurozone to other currency areas (mainly US dollar, Australian dollar, British pound, Swiss franc, Indian Rupee, Hong Kong dollar and Chinese Renminbi). In order to keep improving performance in managing currency risk, and to be increasingly consistent in the way it is reported in the accounts, the Biesse Group has adopted an Exchange Rate Risk Management Policy, aimed at establishing, among other things, stringent rules for tackling and mitigating risk related to exchange rate fluctuations. In said Policy, the instruments through which exchange rate risk hedges are to be carried out – both in a centralised (prevalent) and decentralised (limited) way – are also determined. Nevertheless, sudden fluctuations in exchange rates could have a negative impact on the Group's results.

RISKS RELATING TO INTEREST RATE FLUCTUATIONS
The Group, even if it has an almost neutral net financial position, is in any case exposed to an interest rate fluctuation risk. The Group's exposure to interest rate risk mainly arises from the volatility of financial expense related to floating-rate debt partially offset by the remuneration rates (which are also variable) of available assets.
The Group's operating and financial policies are aimed at minimising the impact of such risks on the Group's performance by improving its results and net financial position.

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

CORPORATE GOVERNANCE

The Corporate Governance system of Biesse S.p.A. complies with the principles set out in the Corporate Governance Code for Listed Companies and the international best practices. The Board of Directors approved on 13 March 2020 the Corporate Governance and Ownership Structure Report pursuant to Article 123-bis of the Consolidated Law on Finance, for financial year 2019.
Said Report is published on the Company's website www.biesse.com in the "Investor Relations" section, "Corporate Governance" subsection, and constitutes a reference for legal purposes.
Biesse S.p.A. has adopted a traditional governance and control model as envisaged by Italian Law, with a Shareholders' Meeting, a Board of Directors, a Board of Statutory Auditors and Independent Auditors. The corporate bodies are appointed by the Shareholders' Meeting and hold office for three years. The representation of Independent Directors, as defined in the Code, and their role in both the Board and the Company's Committees (Internal Control and Risk Management Committee, Related-Party Transactions Committee, Remuneration Committee), are fit for ensuring the interests of all shareholders are balanced and all sides of a discussion are freely aired in the meetings of the Board of Directors.

PERSONNEL

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

RESEARCH AND DEVELOPMENT ACTIVITIES

As in 2018, the Group's research and development activity continued. As at 31 December 2019, development costs amounted to € 34.4 million, including 14.9 recognised under fixed assets in progress; these costs were incurred mainly by the parent Biesse S.p.A. and to a very small extent by HSD S.p.A., and were added to the research costs already recognised in profit or loss. For further details on the main projects, reference should be made to the specific section of the Biesse S.p.A. Directors' Report on Operations.

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

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

EURO 000'S	EQUITY 31/12/2019	PROFIT FOR 2019	EQUITY 31/12/2018	PROFIT FOR 2018
Equity and profit for the year of the parent	**186,390**	**4,063**	**195,838**	**32,013**
Elimination of carrying amount of consolidated equity investments:				
Difference between carrying amount and amount of equity held	44,147	-	39,235	-
Pro-quota results contributed by investees	-	8,007	-	20,415
Derecognition of impairment losses/reversal of impairment losses on equity investments	-	8,900	-	8,500
Dividends	-	(11,653)	-	(13,596)
Elimination of the effects of transactions between consolidated companies:	-	-	-	-
Intercompany losses included in closing inventories	(12,156)	3,711	(15,867)	(3,661)
Intercompany losses on non-current assets	(564)	-	(564)	-
Equity and profit of the year attributable to owners of the parent	**217,817**	**13,027**	**218,642**	**43,672**
Non-controlling interests	858	(25)	893	180
Total equity	218,675	13,002	219,535	43,851

TRANSACTIONS WITH ASSOCIATES, PARENTS AND THE LATTER'S SUBSIDIARIES

With reference to transactions with the parent Bi.Fin. S.r.l. details are reported below.

EURO 000'S	REVENUE		CLOSING	
	CLOSING PERIOD AT 31/12/2019	CLOSING PERIOD AT 31/12/2018	CLOSING PERIOD AT 31/12/2019	CLOSING PEIOD AT 31/12/2018
Parent				
Bi. Fin. S.r.l.	-	-	31	433

EURO 000'S	REVENUE		CLOSING	
	CLOSING PERIOD AT 31/12/2019	CLOSING PERIOD AT 31/12/2018	CLOSING PERIOD AT 31/12/2019	CLOSING PERIOD AT 31/12/2018
Parent				
Bi. Fin. S.r.l.	977	977	1.499	16

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

OTHER RELATED-PARTY TRANSACTIONS

The following have been identified as related parties: the Board of Directors, the Board of Statutory Auditors, SEMAR S.r.l., Wirutex S.r.l. and Fincobi S.r.l. (the first is a related party owing to family relationships with the owner, the second and the third are subsidiaries of Bi. Fin. S.r.l., the parent company of the Parent).
During the year, transactions with the aforementioned parties were as follows:

EURO 000'S	REVENUE		COSTS	
	FOR THE YEAR ENDED 31/12/2019	FOR THE YEAR ENDED 31/12/2018	FOR THE YEAR ENDED 31/12/2019	FOR THE YEAR ENDED 31/12/2018
Parent				
Bi. Fin. S.r.l.	-	-	31	433
Other related companies				
Fincobi S.r.l.	1	1	1	14
Se. Mar. S.r.l.	15	22	2,507	3,075
Wirutex S.r.l.	40	38	1,456	1,489
Other related companies		1	-	-
Members of the Board of Directors				
Members of the Board of Directors	1	1	2,913	3,217
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	146	116
Total	**57**	**63**	**7,022**	**7,910**
Total	**58**	**63**	**7,054**	**8,345**

EURO 000'S	RECEIVABLES		PAYABLES	
	FOR THE YEAR ENDED 31/12/2019	FOR THE YEAR ENDED 31/12/2018	FOR THE YEAR ENDED 31/12/2019	FOR THE YEAR ENDED 31/12/2018
Parent				
Bi. Fin. S.r.l.	977	977	1,499	16
Other related companies				
Fincobi S.r.l.	-	-	43	-
Edilriviera S.r.l.	-	-	-	-
Se. Mar. S.r.l.	4	2	880	894
Wirutex S.r.l.	13	18	479	516
Other	-	30	-	-
Members of the Board of Directors				
Members of the Board of Directors	-	-	1	190
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	111	73
Total	**17**	**50**	**1,514**	**1,673**
Total	**994**	**1,027**	**3,013**	**1,689**

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

BIESSE SPA'S OFFICES AND LOCAL BRANCHES

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

- Via Toscana, 81 Pesaro
- Via Toscana, 75 Pesaro
- Via dell'Economia, SN Pesaro
- Piazzale Alfio de Simoni, SN Pesaro
- Via della Tecnologia, SN Pesaro
- Via Zanica, 19 k Grassobbio (BG)
- Via C. Porta, 67 Seregno (MB)
- Via Marcello Malpighi, 8 Lugo (RA)
- Via D'Antona e Biagi, SN Novafeltria (RN)
- Via Cavour, 9/A Codognè (TV)
- Via della Meccanica, 12 Thiene (VI)

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

INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

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

- all the Significant Companies outside the EU draw up a reporting package for the purposes of preparing the Consolidated Financial Statements; their statement of financial position and income statement are made available to the shareholders of Biesse S.p.A. within the terms and timeframes provided for by the relevant regulations;
- Biesse S.p.A. obtained the articles of association as well as the composition and powers of the corporate bodies of the Significant Companies outside the EU;
- the Significant Companies outside the EU:
  - provide the independent auditors of the parent with the information required for auditing the annual and interim financial statements of the parent itself;
  - have an administrative and accounting system fit for submitting on a regular basis to the management and the independent auditors of Biesse S.p.A. the data related to performance, financial position and cash flows required for preparing the Consolidated Financial Statements.

SHARES IN BIESSE AND/OR ITS SUBSIDIARIES

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

	NO. OF SHARES HELD DIRECTLY AND INDIRECTLY AT 31/12/2018	NO OF SHARES SOLD IN 2019	NO OF SHARES PURCHASED IN 2019	NO. OF SHARES HELD DIRECTLY AND INDIRECTLY AT 31/12/2019	% OF SHARE CAPITAL
Giancarlo Selci	13,970,500			13,970,500	51.00%
Chairman					
Roberto Selci	0			0	0.00%
Managing Director					
Alessandra Parpajola	1,000	1,000		0	0.00%
Executive Director					
Silvia Vanini	0			0	0.00%
Executive Director					
Stefano Porcellini	0			0	0.00%
Executive Director and General Manager					
Elisabetta Righini	0			0	0.00%
Lead indipendent Director					
Giovanni Chiura	0			0	0.00%
Independent Director					
Federica Palazzi	0			0	0.00%
Independent Director					
Paolo De Mitri	0			0	0.00%
Chairman of the Board of Statutory Auditors					
Claudio Sanchioni	0			0	0.00%
Member of the Board of Statutory Auditors					
Dario de Rosa	0			0	0.00%
Member of the Board of Statutory Auditors					
Silvia Cecchini	0			0	0.00%
Member of the Board of Statutory Auditors					

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

In 2019, there were no such transactions.

OUTLOOK

On 21 February, the Board of Directors of Biesse S.p.A. approved the 2020-2022 three-year Group plan; this plan confirms the strategy being implemented by the Company, which focuses on product and service innovation, taking full advantage of current trends in terms of automation, digitalisation and servitisation. Despite this focus, the current macro-economic context does not allow for forecasting the same growth rates as in previous years, and therefore the approved plan provides for an average growth of 3.2 % in the 2020-2022 three-year period; this forecast is more balanced if compared with previous years but confirms an effective business strategy and a higher trend than that reported by reference markets. This is due to the fact that growing demand for technology as a result of the 4.0 industrial revolution will also be strong in coming years, regardless of the cyclical trend of the world economy.

Growth forecasts for the next three years therefore remain positive, supported also by the backlog of € 197 million (-13% compared to 2018) recorded at the end of 2019.

The new industrial plan, therefore, must be seen in keeping with the previous plans: Biesse wishes to maintain the strategy of continuing with its ongoing investments, with the aim of confirming the growth trend achieved in recent years.

Moreover, it is necessary to highlight, as is common knowledge, that, as from January 2020, the national and international scenario has been characterised by the spread of Coronavirus and by the consequent restrictive measures to contain it adopted by the public authorities of the countries involved. These circumstances, which are extraordinary in terms of their nature and extension, have direct and indirect impacts on economic activity and have created a context of general uncertainty, the developments and related impacts of which are not currently predictable. The potential effects of this phenomenon on the financial statements cannot currently be determined and will be constantly monitored as the year progresses.

Biesse, on the basis of these recent developments, is assessing and implementing some actions aimed at containing costs: as for personnel expense, use by employees of prior years' and current year's holiday leave, and use of social safety nets, such as the COVID-19 temporary redundancy fund (CIGO) and the "ordinary" CIGO; and as for other costs, detailed analysis is underway to identify and defer all non-essential items. The current trend in orders in the sector (which is however common to all of Biesse's main competitors) suggests that the actions currently being defined [CL(-B1] must necessarily continue at least until midway through 2020. This should help contain the impacts of the reduction in revenue on Group profits, which in any case are forecast to fall. Nonetheless, Biesse's Directors are convinced that the company is ready to face this acute phase of the cycle, thanks to its strategy, organisation, management and financial solidity.

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

As indicated in the Notes to the Financial Statements of Biesse S.p.A., the accounting standards adopted in the separate financial statements as at 31 December 2019 were applied in the same way also to the comparative period, except as described in section 5.1 "Accounting standards, amendments and IFRS interpretations applied as from 1 January 2019" of the Notes. As from 1 January 2019, the Company decided to set out, under specific items of the Statement of financial position, the Assets and Liabilities arising from contracts signed with customers, then proceeding to offset assets and liabilities connected to the construction of machines and systems to order related to the same contract; consequently, financial position figures relating to 2018 were reclassified for comparative purposes. In addition, the financial statements as at 31 December 2018 reflected some other reclassifications of income data. The reclassifications, summarised in the Notes to the Financial Statements, do not affect equity or prior-year result.

INCOME STATEMENT HIGHLIGHTS

Income Statement as at 31 December 2019 highlighting non-recurring items

EURO 000'S	31 DECEMBER 2019	% OF SALES	31 DECEMBER 2018	% OF SALES	CHANGE %
Revenue from sales and services	**425,282**	**100.0%**	**472,412**	**100.0%**	**(10.0)%**
Change in inventories, wip, semi-finished products and finished goods	8,669	2.0%	2,187	0.5%	-
Other Revenue	7,169	1.7%	5,874	1.2%	22.0%
Revenue	**441,120**	**103.7%**	**480,473**	**101.7%**	**(8.2)%**
Raw materials, consumables, supplies and goods	(235,958)	(55.5)%	(252,236)	(53.4)%	(6.5)%
Other operating costs	(64,561)	(15.2)%	(66,167)	(14.0)%	(2.4)%
Normalised added value before	**140,601**	**33.1%**	**162,070**	**34.3%**	**(13.2)%**
Personnel expense	(106,984)	(25.2)%	(107,771)	(22.8)%	(0.7)%
Normalised gross operating profit	**33,617**	**7.9%**	**54,299**	**11.5%**	**(38.1)%**
Depreciation and amortisation	(19,785)	(4.7)%	(15,732)	(3.3)%	25.8%
Provisions	(2,440)	(0.6)%	(886)	(0.2)%	175.4%
Normalised operating profit before non recurring-items	**11,392**	**2.7%**	**37,680**	**8.0%**	**(69.8)%**
Impairment losses and non recurring-items	(6,129)	(1.4)%	(1,311)	(0.3)%	-
Operating profit	**5,263**	**1.2%**	**36,369**	**7.7%**	**(85.5)%**
Net financial expense	(676)	(0.2)%	(631)	(0.1)%	7.1%
Net exchange rate losses	(2,656)	(0.6)%	(2,544)	(0.5)%	4.4%
Value adjustments to financial assets	(8,900)	(2.1)%	(8,500)	(1.8)%	4.7%
Gains / losses on financial assets	120	0.0%	15	0.0%	-
Dividends	11,653	2.7%	11,882	2.5%	(1.9)%
Pre-tax profit	**4,804**	**1.1%**	**36,592**	**7.7%**	**(86.9)%**
Income taxes	(741)	(0.2)%	(4,578)	(1.0)%	(83.8)%
Profit for the year	**4,063**	**1.0%**	**32,013**	**6.8%**	**(87.3)%**

In 2019, **Revenue from sales and services** amounted to € 425,282 thousand, compared to € 472,412 thousand in 2018, down by 10% over the previous year. As already shown in the Group's sales analysis, it should be noted that the Wood Division decreased, while the Glass/Stone Division's performance was in line with 2018. Reference should be made to what has already been said with respect to the Group's sales analysis.

The **value of production** amounted to € 441,120 thousand, compared to € 480,473 thousand as at 31 December 2018, representing a decrease of about 8.2 % over the previous year. For a better reading of the Company's margins, below a breakdown of costs as a percentage of the value of production is shown.

EURO 000'S	31 DECEMBER 2019	%	31 DECEMBER 2018	%
Revenue	**441,120**	**100.0%**	**480,473**	**100.0%**
Raw materials and goods	235,958	53.5%	252,236	52.5%
Other operating costs	64,561	14.6%	66,167	13.8%
Service costs	57,658	13.1%	59,452	12.4%
Use of third party assets	1,150	0.3%	3,534	0.7%
Sundry operating expense	5,753	1.3%	3,182	0.7%
Added value	**140,601**	**31.9%**	**162,070**	**33.7%**

Added value as a percentage of the value of production decreased by 1.8% compared to the previous year (from 33.7% in 2018 to 31.9% in 2019). This decrease is due both to higher consumption (from 52.5% in 2018 to 53.5% in 2019) and to other operating expenses (13.9% in 2018 compared to 14.6% in 2018); the latter decreased in absolute terms by € 1,606 thousand.
Other operating expenses were down in absolute terms (€ 1,606 thousand) but increased on a percentage basis (from 13.9% to 14.6%). Such increase is mainly due to service costs. Costs for the use of third-party assets decreased by € 2,384 thousand due to the application of IFRS 16, which envisages the "reclassification" of operating lease fees under depreciation. Other operating costs increased by € 2,571, mainly due to the reclassification of ancillary costs relating to operating lease contracts, following the application of IFRS 16.

Personnel expense in 2019 was € 106,984 thousand, compared to € 107,771 thousand as at 31 December 2018, with a decrease of € 784 thousand in absolute terms, equal to 0.7%. The fixed component of wages and salaries increased by about € 1,503 thousand (1.4%) due to the effect of costs linked to hiring new staff in the second half of 2018. This was done as part of the structural reinforcement policy that is required for supporting development plans. The variable component (performance bonuses, other bonuses and related social security contributions) decreased by some € 2,289 thousand, while the capitalisation of wages and salaries for staff employed in R&D activities slightly decreased compared to the previous year (€9,010 in 2019 compared to €9,198 in 2018).
An increase in uncertainty has been recorded in the core markets, making it necessary to pay particular attention to business efficiency and organisational streamlining. This has led to a subsequent and consequent reduction in personnel expense.
Finally, it should be noted that, due to the drop in volumes, this item increased by around 2.3% as a percentage of revenue, from 22.9% in 2018 to 25.2% this year.

Gross operating profit (EBITDA) was € 33,617 thousand (€ 54,299 in 2018). The positive effects on EBITDA, owing to lower costs for the use of third-party assets following the adoption of the new IFRS 16, amounted to € 1,878 thousand.

Depreciation and amortisation grew overall by 25.8%, (from € 15,732 thousand in 2018 to € 19,785 thousand in 2019): the change is mainly attributable to the € 2,712 thousand increase in property, plant and equipment (from € 4,628 thousand to € 7,340 thousand). This phenomenon refers mainly to the first-time adoption of IFRS 16, which determined an increase in depreciation for € 1,781 thousand. The portion related to intangible assets increased by € 1,341 thousand (up 12.1% from € 11,105 thousand to € 12,446 thousand).

Recurring **provisions** remarkably increased compared to 2018 (€ 2,440 thousand in 2019 compared to € 886 thousand in 2018) mainly due to penalties risks relating to disputes with customers.

Normalised operating profit was positive to the tune of € 11,392 thousand, down by 69.8% compared to 2018 (€ 37,680 thousand).

It should be noted that the Company's result also for the current year was negatively affected by "non-recurring events and impairment" for a total of € 6,129 thousand. The Company carried out impairment on some R&D projects, linked to phase-out technological products and solutions, for € 3,219 thousand, software licenses no longer used for € 1,527 thousand, provisions for non-recurring retirement benefits and personnel expense relating to leaving incentives for € 1,383 thousand.
Operating profit was positive to the tune of € 5,263 thousand, down by 85.5% compared to 2018 (€ 36,369 thousand).

As regards financial operations, financial expense amounted to € 676 thousand, up compared to the figure for 2018 (€ 631 thousand). The increase, due to the impact of the first-time adoption of IFRS 16, was equal to € 97 thousand.

Exchange risk management resulted in a loss of € 2,656 thousand, slightly worse than the € 2,544 thousand loss in the prior-year period.

Value adjustments to financial assets – whose balance is negative to the tune of € 8,900 thousand (negative to the tune of € 8,500 thousand in 2018) – refer to the impairment of certain equity investments following impairment tests. Impairment concerned:

- Biesse Group Australia Pty Ltd.: € 4,800 thousand;
- Biesse Hong Kong Ltd: € 2,300 thousand;
- Biesse Gulf FZE: € 1,800 thousand.

Dividends totalled € 11,653 thousand, detailed as follows:

- HSD S.p.A.: € 4,271 thousand.
- Biesse America Inc.: € 3,231 thousand;
- Biesse France Sarl: € 900 thousand;
- Biesse Group UK Ltd: € 571 thousand;
- Biesse Iberica Woodworking Machinery s.l.: € 950 thousand;

- Biesse Canada Inc.: € 890 thousand;
- Biesse Asia Pte. Ltd.; € 440 thousand;
- Axxembla Srl: € 400 thousand.

Pre-tax profit amounted to € 4,804 thousand, decreased compared to € 36,592 thousand in 2018.

The balance of **income taxes** was negative to the tune of € 741 thousand. This is attributable to the following factors: current IRES (Italian corporate income tax) and IRAP (Italian regional business tax) taxes amounting to € 1,309 thousand and € 755 thousand, respectively; previous-year taxes (negative to the tune of € 239 thousand), net deferred taxes (positive to the tune of € 1,084 thousand). Given the significant drop in the result, the Company did not calculate the estimated Patent Box benefit for 2019.
The Company therefore reported a positive **result for the year** of € 4,063 thousand (€ 32,013 in 2018).

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Intangible assets	54,847	55,754
Property, plant and equipment	67,918	56,844
Financial assets	98,672	107,059
Non-current assets	**221,437**	**219,657**
Inventories	68,230	59,792
Trade receivables	107,111	130,194
Trade payables	(136,962)	(166,901)
Net operating working capital	**38,379**	**23,085**
Post-employment benefits	(9,955)	(10,188)
Provision for risk and charges	(7,518)	(4,395)
Other net payables/receivables	(22,016)	(21,561)
Net deferred tax assets	3,409	2,324
Other net liabilities	**(36,080)**	**(33,820)**
Net invested capital	**223,736**	**208,922**
Share capital	27,393	27,393
Profit for the previous year and other reserves	154,934	136,432
Profit for the year	4,063	32,013
Equity	**186,390**	**195,838**
Bank loans and borrowings and loans and borrowings from other financial backers	109,037	84,223
Other financial assets	(33,027)	(16,161)
Cash and cash equivalents	(38,664)	(54,978)
Net financial indebtness (position)	**37,346**	**13,084**
Total sources of funding	**223,736**	**208,922**

Net intangible assets decreased by € 1 million compared to 2018. In the year the Company increased its investments for a total of € 16.2 million, including those relating to the capitalisation of R&D (around € 10.3 million). The decrease was due to the effect of the higher amount for amortisation (€ 12.4 million) and impairment (€ 4.7 million) on R&D projects which are being phased out.

As regards property, plant and equipment, the net value rose by € 11 million. The increase was due to both to the effect of the first-time adoption of IFRS16 following which the Company recorded, under property, plant and equipment, the rights of use relating to leased assets for a value of € 6 million as at 31 December, and to new investments relating for € 3.6 million to the purchase of a high-bay warehouse, for € 1,5 million to the purchase under a lease of machinery for the workshop, for € 1.1 million to the restructuring of an existing building, in addition to investments linked to the normal replacement of equipment that is needed for routine manufacturing.

Financial assets fell by € 8.3 million due to impairment on the equity investments in Biesse Australia (€ 4.8 million), Biesse Hong Kong (€ 2.3 million) and Biesse Gulf (€ 1.8 million) and capital increases in Biesse Russia.

Net working capital increased as a whole by around € 14.9 million compared to December 2018, due to the decrease in trade payables (€ 23 million) as a result of the decrease in sales in the last part of the year, the increase in inventories (€ 8.4 million) and the decrease in trade payables (€ 30 million) in light of the drop of purchases.

The item other net assets/(liabilities) was negative to the tune of € 36 million (€ 33.8 million in 2018) and showed a negative increase in the item other provisions for risks and charges, following provisions for penalties with respect to customers.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NET FINANCIAL POSITION

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Cash	1,165	2,841
Cash and cash equivalents	37,499	52,137
Cash and cash equivalents	**38,664**	**54,978**
Financial assets	2,620	444
Financial assets versus related parties	30,407	15,717
Current bank loans and borrowings	(473)	(489)
Short term portion of non current liabilities	(33,767)	(11,842)
Other current financial debt	(520)	(1,039)
Other current financial debt versus related parties	(43,718)	(38,693)
Short-term financial indebtness (position)	**(78,478)**	**(52,063)**
Short-term net financial indebtness (position)	**(6,787)**	**19,076**
Other non current financial indebtness (position)	(30,558)	(32,161)
Long-term financial indebtness (position)	**(30,558)**	**(32,161)**
Net financial indebtness (position)	**(37,345)**	**(13,085)**

The "Net Financial Position/Debt" is not identified as an accounting measure under the International Accounting Standards and, therefore, the criterion used by the Company to determine it may not be consistent with that adopted by other companies and/or groups in the sector and, consequently, this figure may not be comparable.

The Net Financial Position as at 31 December 2019 was negative for some € 37.3 million, down compared to € 24.3 million in the previous year.

The NFP figure was affected by the first-time adoption, with effect from 1 January 2019, of IFRS 16, which had a negative impact (due to higher payables for right-of-use assets) of around € 6.1 million.
It should also be noted that the figure as at 31 December 2019 takes into account the payment of the 2018 dividend to shareholders, amounting to approximately € 13.1 million (€ 13.1 million in 2018).

RESEARCH AND DEVELOPMENT ACTIVITIES

The following list details research and development activities undertaken during the year:

WOOD DIVISION
Biesse Unit - Machining centres

Edgebanding Units and deflectors
Development to reduce assembly costs and increase the level of testing of both post-edgebanding aggregates - to be used on Rover Edge – and of deflector aggregates, was completed.

5X head auto-calibration
Development of equipment for automating the adjustment and calibration of 5-axis heads in production lines, for the purpose of reducing traverse times and increasing machine precision on assembly lines, has continued.

Volumetric compensation
The development of the software to detect and compensate the absolute position of the electrospindle in the working area of the machine, in order to increase the precision of the parts machined by the machine, was started.

Safety devices
Development of a new safety system using non-contact devices for detecting workers within the danger zone of a machining centre has continued.

ECS copier
The development of an electronic copier to be mounted on the milling drum (electrospindle) was completed, with the aim of allowing processing at constant depth from the upper surface of the panel.

Peripheral Devices Diagnostics
Development of diagnostics to be applied to all fieldbus peripheral devices present in the machining centre with the aim of enabling the monitoring and diagnosis of any anomalies.

Inverter Management
Development to optimise the management by the inverters of the various sizes of electrospindles and milling motors present in the range of machining centres was started, in order to maximise the power that can be supplied and minimise the acceleration and deceleration ramps with the variation in the weight and inertia of the processing tools.

Edge GU60C Unit
Development to optimise the edgebanding unit currently present on the low, mid and high-end range Rover Edges was started, in order to increase their edgebanding autonomy, improve productivity by increasing the efficiency of the post-edgebanding process.

Edge GU80CA Unit
Development of a new version of the edgebanding unit for use on mid and high-end Rover Edges was started, in order to increase the type of edges that can be processed by using different edgebanding technologies, increasing the thickness of the panels that can be processed and the possibility of also edgebanding panels with inclined edges.

Integration of Robots on the Rover
Development to implement in the machining centre the necessary arrangements to enable the interface of the machining centre itself with loading/unloading robots was started.

PDL Evolution
Development of a new workbench for machining centres with bar tables that are more performing both in terms of set-up speed and of functionality and ergonomics of use of the locking devices has continued.

PdL FT L & FT PLUS
Development to create two new versions of continuous workbenches for machines dedicated to nesting processing of wood panels and advanced materials has continued.

Security 2.0 Project
Development to update the machinery security devices in order to comply with the new standardised UNI ISO 19085-1/3 regulation for machining centres was started. This regulation replaces UNI EN 848-3.

Eplan Repository
Development to create a master for the electric plan of all the machining centres was started, with the aim of rationalising the components used and improving their reliability.

RFS
Development to increase the performance of the edgebanding unit, which is used on the various Rover machining centres, aimed at allowing also the management of edges (PP, ABS or PVC material) with layers that are functionally suitable to be melted, was completed.

Rover A 12 15 18XX
Development of a medium/low-end gantry machining centre with bar tables for the processing of shaped panels and solid wood elements, in order to serve the needs of workshops, was started, with specific attention to the ergonomics of use and minimisation of the overall size.

Rover A 15-18XX Edge
Development of a gantry machining centre for milling and edgebanding shaped panels, in order to meet the needs of the artisan market, was completed.

Rover A 1532 Smart
Development of a machining centre with economic 5-axis operating unit and low-end bar tables with gantry structure, dedicated to the machining of both shaped panels and solid wood elements to serve the needs of emerging markets, has started.

Rover A 16XX Step5
Development of a mid-end cantilever machining centre for the artisan market has continued. New solutions to maximise the width of the pieces to be processed given the same installation space will be designed.

Rover A 1YXX
Development to increase the functions available to the market was started and completed, both with respect to the 5-axis operating unit and to the bar table for the Rover A 16XX cantilever machining centre for the artisan market.

Rover A FT (Step2)
Development of a mid/low-end gantry 5-axis machining centre for nesting processing of both wood-based and plastic materials has continued.

Rover B-C 2019 product list
Development to increase the functions available to the market with respect to the Rover B and C product range was started and completed.

Rover B FT & Plast machining centre
Development to include double Y configurations on all the size variants of high-end machining centres dedicated to nesting processing, with the aim of addressing the various production needs of customers operating in a highly competitive sector, was completed.

Rover B FT machining centre Step3
The development of a machining centre characterised by X-Y axes with high vector speed and elevated acceleration, with the aim of increasing productivity for applications on flexible production panel lines, has continued.

Rover K 12-1532 Smart
Development of an entry-level gantry machining centre with bar tables dedicated to the machining of shaped panels was started.

Rover K FT Step2
Development of an entry-level gantry machining centre for nesting processing of multi panels for manufacturers of barrels has continued, with particular attention being paid to the ergonomics of use and the minimisation of the overall space requirements.

Skipper HP
Development of a machining centre for high-productivity drilling on single and double panels with manual or automatic loading has continued.

Sophia 2020
Development of new functions has begun for Sophia, Biesse's

digital platform that allows customers to optimise resource management in order to obtain greater value from machines.

bSolid 3.0.8
Work has begun on defining the checklists for the new functions included in 3.0.8 version of bSolid.

Cutter
Development of operating units for cutting plastic and composite materials, through the use of knife-shaped processing tools that can be oriented around their longitudinal axis, has started. These processing tools can also be equipped with an oscillating movement and copying devices. These units will allow for an increased performance of machining centres for the advanced materials sector.

Machine Cyclical Speeds
Development of software to optimise all the cycles of the PLC cycle was started, with the aim of improving the performance of machining centres.

Virtual Operator
The project to increase the ergonomics and usability of the machining centres was started, in order to provide the instruments to assist the operator in all the stages of their work.

WinLine 16XX 2020
Development to expand the WinLine range was started, thanks to the introduction of configurations which envisage dedicated 5X heads which are optimised to machine solid wood and window & door fixtures.

COMIL-RBO - DRILLING AND INSERTION

Transverse milling range – Easy Assembly – KHM vertical
In 2017, partnership activities were launched with companies that manufacture woodworking machines, in order to produce an EASY ASSEMBLY product. The production of the prototype was concluded in 2019.

Transverse flexible drilling machine (FTF)
In 2019, the FTF transverse flexible drilling machine project continued (the project underwent a change in the operating units, which required a revision); it includes 3 main modules and a particularly innovative SW package for optimisation of processing and tooling. Prototyping is planned for 2021.

Techno_Line_Restyling 2018
2018 Techno Line Restyling drilling machines range completed. Machines restyled and revised with improved technological content and possibility of communicating with the Sophia Application for remote diagnostics and data exchange. The range of machines entered production for sale during the year.

Techno Line BT FDT MN
In 2018 the prototyping activities related to the Techno BT MN drilling machine – a transverse flexible drilling machine – were completed; checks and tests were carried out, and the interface SW was implemented. For in-depth information on PLC SW development and interface, also necessary for the future implementation of the CN machine, check activities were carried out. The machine will be delivered to a beta-test customer at the beginning of 2020.

Techno Line BT FDT CN
In 2019, the work on the mechanical and electrical assembly of the machine was completed. The deployment of dedicated resources on other activities extended the duration of SW testing, which will be completed in 2020.

HANDLING PROJECTS

Prod High Edgebanding Loop
In 2019, a work cell project was started, involving the machines relating to the horizontal movement of panels and edgebanding machines. The aim is to make an edgebanding loop with a high level of productivity and flexibility for edgebanding the panel.

Restyling Transfer
The classic product for industrial automation will be revised to increase transportation functions, plant engineering and sensors that allow for an increase in speed and transport reliability.

Rover B FT Power Transfer
The project aims to standardise the integration of the load transfer of the panel to be machined on the Rover B FT machining centre. The integration of the transfer envisages, besides the mechanical design, also a system integration and definition of the software.

WINSTORE 3D K2 evo (Winstore X2)
Horizontal storing system for rapid handling for the management of wooden panels and similar items. The structures and vacuum management device were renewed. The storing system was designed in 2018 and prototyped during 2019.

WINSTORE 3D K3 evo (Winstore X3)
Horizontal storing system for the management of wooden panels and similar items. Performance and vacuum management were renewed. The storing system was entirely prototyped and presented at LIGNA 2019 trade fair. It was launched on the market at the end of 2019.

PROJECTS FOR CROSS-CUTTING DEVELOPMENT OF SW AND ELECTRICS

RD.P8
Renewal of SW and methodological tools to create electric plans. The work envisages a reclassification of components data and a development of the electric configurations of the machines. Design method applied to most of the Handling products, completion for all products by the end of 2020.

OPC UA_Plug&Work
Site for developing and updating the SW platform and interfaces for machines. Activity carried out in collaboration with centralised Automation Area.

TFS_SeedXP
Site for developing and updating the SW platform and libraries. Activity carried out in collaboration with centralised Automation Area.

TFS_THMI
Site for developing and updating the interface functions installed on the machines. Activity carried out in collaboration with centralised Automation Area.

EDGE UNIT - EDGEBANDING

Foster 2019
The automatic panel feeder for Stream B was redesigned in contexts of automated lines. The product is enhanced with functions to increase performance in terms of process reliability, productivity and panel formats.

NEW AK1300 / 1400 Cabinets
Expansion of the machine cabinets volumes to accommodate new functional units and enhance the performance of the range of machines, with a specific focus on emerging demands for flexibility in the management of various glue technologies.

New Entry-Level Range (Akron 1100)
The linear edgebanding range of Biesse before this initiative had always covered the needs of evolved customers that require CNCs and automated options in the typical set-up of a processing change. The range comprises three models: Akron1110, Akron1120 and Akron1130; they are designed to have all the features offered by competitors in this market segment, with better performance (greater process speed and greater panel thickness).

Stream A/A Smart
A new range of machines is created, which can bridge the product gap in the mid-range of solutions offered by Biesse. It is classified between the Stream A and Akron1400 ranges in order to meet performance needs on multiple shifts and closed option packages for greater economic competitiveness.

Stream MDS 2019
After its presentation to the market in 2014, the batch edgebanding process machine with the integrated square-edgebanding module was revised significantly.
It was completely redesigned in the area of chip insertion and removal by introducing derivation units from Stream C and introducing new linear motion systems for increased performance and reduced maintenance.

CN Entry Level Rounding Unit
New single-engine rounding unit with electronic ignition designed for mid-end machines (Stream A and Stream A Smart) in contexts of high productivity and frequent processing changes. It is characterised by the absence of manual adjustments.

G Force
Innovative glue melting and application system on the panel which drastically reduces the replacement time for the glue type, thereby minimising the amount of glue that is wasted. The technology that was developed is covered by a Biesse patent.

Hyfuse Project
Innovative edge application system based on activation of the adhesive layer for energy transfer. The system, covered by a patent, completes the range of solutions offered by Biesse in this segment.

Stream A 2019
Revision of the project which has been on the market since 2015, with increased ergonomics (longer bases), new transport system with reduced friction and elimination of the integral cabinet to make room for new glue application systems and new grinding units.

Ergo 2019 Roller Holder
The on-board coil storage system was redesigned to allow for better ergonomics during the loading phases of the latter. In particular, the system drastically reduces the roll insertion time.

Stream Grinding Units
Development and unification of the range of Stream A/B/C grinding machines, integrating management of the new products released onto the market in terms of processing tools. The new units will have the “Smart Length Management” and “Working Line Management” software functions aimed at the smart use of the two tools and at minimising the process errors due to the operator’s action during routine maintenance.

RF03/RB03-2020 Finishing Units
Redesign of the operator units which fit out the middle edgebanding range with the aim of reducing the variety of solutions currently available, standardising the solution on the concept of vertical bars to obtain greater reliability and maximise the image of structural solidity. In terms of performance, they will expand the processing speed range by up to 50% with technological solutions that allow the increase in costs to be limited.

2019 IN_GLUING UNIT
New gluing system, which will fit out the top linear edgebanding range. Besides the increase in performance (speed, flexibility, reduction of the “glue strip” and compatibility with new quality tests), it aims to unify the range of devices which are currently available, with native integration of the solutions for energy-transfer activation and commercial solutions for premelters that have been marketed in recent years.

2019 IN_ROUNDING UNIT
New single-engine rounding unit designed for the top linear edgebanding range, both in contexts of high productivity and frequent processing changes. It will be equipped with linear drives and integrated solutions so as to guarantee high performance and at the same time annul manual set-up initiatives by operators.

IN_TRIMMING UNIT IT90 LINEAR
Expansion of the range of solutions for the trimming process for the top range of squaring and edgebanding machines with the aim of maximising performance in terms of speed and reliability. The objective of increasing the maximum speed by 50% also reflects a technological change aimed at maximising the energy efficiency of the whole system.

SELCO UNIT - SIZING

Selco WN6 Ros Panel-Sizing Centres
Design of the new range of single-line panel-sizing centres with the use of a robot that performs unloading functions continued. Development of new sizes and optional features.

Selco WN2 Panel-Sizing Centres
Design work on the new low-end range of single line panel-sizing centres continued. Development of missing and optional sizes.

Selco WN4 Panel-Sizing Centres
Design work and development of the new low/medium-end single-line panel-sizing centres continued. Development of sizes and optional features.

WNA8 Panel-Sizing Centres
Design work on the new high-end angular panel-sizing centres (WNA 8) continued. New SW functions were implemented and new sizes developed.

Selco Plast WN7 Panel-Sizing Centres
Design and development of a new range of single-line panel-sizing centres for the plastic materials market continued. Development of sizes and optional features.

Osi Interface, Plc And Optiplanning Optimiser And LPRINT 1.XX
SW developments of the PLC and OSI interface and of the Optiplanning optimiser continue with new implementations to speed up, optimise, simplify the use of the machines and manage new machine models.

TOOLING DIVISION

Metal Hot Pressing For Ceramics
Study and design of various types of metal-bonded cup grinding wheels (Diameter: 300/250) which are suitable for wet and dry squaring of porcelain stoneware tiles.

Resins For The Dry Processing Of Ceramics
Study and design of various types of resinoid-bonded cup grinding wheels (Diameter: 300/250) which are suitable for dry squaring of porcelain stoneware tiles.

Free Sintering
Study of a new theoretical process that allows onsite sintering of metal binders on a steel structure, without the aid of pressing.

Presetter Project
Project to replace the machine currently in production, with development of a model dedicated to the Diamut production process.

New Presetter Development
Development of an automatic tool measuring machine for the stone and glass market with CNC machine interface.

GLASS & STONE DIVISION

bSolid Intermac
Development of software for the design of products including different processing with simplified-use architecture for requirements regarding the realisation of products in glass, stone and metal, up to projects for complex form products.

Tool Change On Rounding Unit
Innovative development of rapid tool change function on units to create joints, applicable on machines for straight grinding of glass and synthetic/ceramic materials slabs, through diamond and polishing tools, for processing required by the furniture and building industries, aimed at the artisan and industrial sector.

EPS Flat-Table Machining Centre
The testing phase of an innovative CNC machining centre for the furniture and building industries, with a workbench that facilitates the positioning of part blocking systems – to be used for processing flat glass, natural or synthetic stone slabs through mechanical cutting – started..

Genius 38 CT Plus
An innovative project has been developed and the prototypes of the second dimensional size have been prepared for a range of machinery designed to cut monolithic slabs for automatic production lines. This machinery can be equipped with functional groups, which allow it to perform multiple functions, which are mainly used in the construction, energy, furniture, and automotive industries.

Genius 38 St Plus Line
An innovative project has been developed for a range of machinery designed to handle and support regular monolithic slabs for automatic production lines. This machinery can be equipped with functional groups, which allow it to perform multiple functions, which is mainly necessary in the construction, energy, furniture, and automotive industries.

Genius 49 LM H
An innovative project has been developed, two prototypes have been realized and tests have been performed concerning an up-market, high-performance in-line machine for cutting laminated monolithic slabs, used mainly in the building industry, is under development with the main purpose of increasing productivity and automatic sequential cycle.

Genius 61 ST Plus Line
An innovative project has been developed for a range of machinery designed to handle and support jumbo monolithic slabs for automatic production lines. This machinery can be equipped with functional groups, which allow it to perform multiple functions, which is mainly necessary in the construction, energy, furniture, and automotive industries.

Genius Line Plus J H49
An innovative project has been developed, a prototype has been realized and tests have been performed concerning an up-market, high-performance in-line machine for cutting laminated slabs, used mainly in the building industry, is under development with the main purpose of increasing productivity and automatic sequential cycle.

Master Cell Suction Cups
Innovative development of a CNC machining centre, for products in glass, natural or synthetic stone with mechanical cutting, through diamond tools for processing required by the furniture and building industries, whose workbench is equipped with systems to fix the products with an automatic matrix. The aforementioned machine also includes an automatic loading system, through an interlocking robot.

Primus 402 Tilt-Table
Development of an automatic loading/unloading system on a machine to cut glass, stone, steel, aluminium and plastic materials, with a very high-pressure water jet, aimed at facilitating the movement of semi-finished and finished products, safely and ergonomically.

TSF iCam
Software development continued for the processing needs relating to the production of glass, stone and metal items, due to the need for simplicity and ease of use, to meet the requirements for the construction of complex shapes.

Vertmax New Step 1
Functional and reliability tests and review of the design of innovative mechanical-cutting machining centre for manufacturers of industrial glass or plastic products, featuring tools for drilling, milling, grinding and polishing. They will come in a range of sizes to meet the needs of craftsmen and industries in the building, furniture and energy sector.

Vertmax Machining Centre 1.2
Functional and reliability tests and review of the design of entry-level mechanical-cutting machining centre for manufacturers of industrial glass or plastic products, featuring tools for drilling, milling, grinding and polishing. They will meet the needs of workshops and industrial facilities in the building, furniture and energy sector.

SOFTWARE AND COMPONENTS

HARDWARE

Machinery diagnostics (TFS_DIAGNOSTICS MACC iOT)
Research and development to achieve the goal of precise diagnosis of electric/electronic malfunctions in machine systems continued. Development of new HSD forms that can provide electrical and physical measurements as well as precise information on system/sensor anomalies and breakdowns in order to facilitate the work of the technical service.

bPad (TFS_bPad)
Design and creation of prototypes of wrap-around seals for the wireless palmtop device, to provide an adequate level of protection in humid and/or dusty environments found in glass or marble factories.

Quadruple Drive For Brushless Motors (TFS_HARDWARE)
An improvement step for the drive of 4 motors is being studied. In particular, a system with a backup battery to maintain the absolute position of the motor - a feature which is increasingly requested by the market - is being introduced. The extreme compactness of the solution is the main challenge in its study.

SOFTWARE

WRT CNC (TFS_WRT)
Work continues for the development of new functions available to the automation departments of the various machines in order to improve the performance of production machines or prototypes with new features. In particular:

BORN Project
The implementation of new debugging tools and the operational analysis aimed at significantly streamlining the development of new machinery or finding hidden defects in automation processes are still in progress.

System For Automatic Updating Of The Security PLC Software
The aim of the project is to make available tools that allow the updating of the security PLC without the on-site intervention of the technician.

Integration of SeedXP framework on WRT
Design and creation of an environment that can house Biesse's SeedXP framework on WRT to create a unified infrastructure for the development of the PLCs.

Software Compensation For Mechanical Errors
Continuation of new studies and developments aimed at improving the precision of the machines through software compensation.

Automated Tests
The enhancement of the automatic test functions aimed at increasing the quality of the CNC software has continued. In particular, specific tests were introduced to validate the automatic Windows updates.

Matlab AR70 Design And Simulation
With this project, the intention is to verify how the approach with systems that simulate the behaviour of a complex mechanical unit can help in the development of automation software and in predicting the behaviour of the unit itself.

SW PLATFORMS AND COMPONENTS 2019

bSolid 3.0.6 - 3.07 (CAD/CAM)
In 2019, development continued of a new integrated programming system for wood and plastics processing. The focus was on the development of new features:
- Management and simulation of new Rover machines;
- Componentise architecture;
- New sw functions.

The unique realistic simulation allows the engineering of a product before manufacturing it and removes many of the uncertainties arising from the use of complex machines such as machining centres.

bProcess
In 2019, bProcess completed the contract of the customer "Cubo Design", from the order to putting into production to shipping, through the management of warehouses and assembly instructions. Support for group machines has also been increased.

bWindows
Add-in for bSolid for designing and manufacturing windows. In 2019 new functions were implemented to manage different types of windows.

bEdge
Add-in for bSolid for the management of machining centres for wood edgebanding. The aim of this project is to simplify as

much as possible the use of these machines that is very difficult today, through the massive use of simplified interfaces and technologies arising from operational research and artificial intelligence, which allow bEdge to carry out all those edgebanding design phases that are carried out manually today.

bNest
bNest achieves extreme simplicity of use and total integration with bSuite, allowing the customer to work in a more organised and controlled way, thanks to the bSolid simulation. Based on a bProcess platform, it allows a direct connection with the cabinet designing software and integration into the most popular ERP systems. In 2019 the development of this bSuite component continued through the addition of some functions: grain matching, manual nesting, Common Cut, Guillotine Cut, Multi Torque.

bCabinet
In 2019, BrainSoftware continued the development of bCabinet in accordance with Biesse specifications. The development involved the integration of the functions for monitoring machines in production.

bOpty & bSopty
Optimiser of the positioning of rectangular-shaped parts on slabs and remnants of different sizes for panel sizing centres. The choice of slabs and remnants is made in order to minimise the number of slabs, waste and cost.

BiesseWorks
CAD/CAM application for Biesse machining centres. In 2019, minimum adjustments to market requirements were implemented for machining centres.

Import Catalog
SW tool for the automatic creation of the logical and three-dimensional model of the machine inside the bSuite platform.

bSuite Installer
SW tool for the remote installation of new versions of bSolid with the ability to restore and automatically resume the download in case of interruption. The aim is to increase the level of customer service.

OTHER INFORMATION

Finally, it should be noted that the Company does not own shares/stakes of parent companies nor did it own or trade them during 2019. There is therefore nothing to disclose for the purposes of Article 2428, paragraph 2, sections 3 and 4 of the Italian Civil Code. Pursuant to Article 2497-bis paragraph 4 of the Italian Civil Code, note must be taken that Bi.Fin. S.r.l., with its registered office in Pesaro in viale F.lli Rosselli 46, manages and controls Biesse S.p.A.

PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING

In light of the continuous unfolding of recent events and the resulting strong negative impacts on all international markets, the Board of Directors proposes not to proceed with the distribution of dividends from net profit.
Therefore, you are invited to resolve on the allocation of the profit for the year of € 4,062,882.80 to the extraordinary reserve.
It is proposed to allocate € 79,364.39 to the Extraordinary Reserve for foreign exchange gains.

Pesaro, 13/03/2020

The Chairman of the Board of Directors

Giancarlo Selci

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EURO 000'S	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
Revenue	5	705,872	741,527
Other operating income	6	6,417	5,361
Change in inventories of finished goods and work in progress		652	14,026
Purchase of raw materials and consumables	7	(287,038)	(309,561)
Personnel expense	8	(221,576)	(214,841)
Depreciation, amortisation and impairment	9	(45,957)	(25,270)
Other operating costs	10	(128,726)	(147,470)
Operating profit		**29,644**	**63,772**
Financial income	11	7,867	9,267
Financial expense	11	(14,068)	(14,752)
Pre-tax profit		**23,443**	**58,287**
Income taxes	26	(10,441)	(14,436)
Profit for the year		**13,002**	**43,851**
Attributable to owners of the parent		13,027	43,672
Attributable to non-controlling interests		(25)	180
Earnings per share	12	0.48	1.59
Diluted (€/cents)	12	0.48	1.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURO 000'S	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
Profit for the year		13,002	43,851
Translation differences of foreign operations	23	(80)	747
Items that may be reclassified to profit or loss		**(80)**	**747**
Measurement of defined-benefit plans	23	(625)	(142)
Income taxes not on other comprehensive income	23	150	25
Items that will not be reclassified to profit or loss		**(475)**	**(117)**
Total comprehensive income for the year		**12,447**	**44,481**
Attributable to:			
Owners of the parent		(35)	175
Partners of the parent company		12,482	44,307

CONSOLIDATED STATEMENT OF FINANCIAL POSITION[1]

EURO 000'S	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	13, 14	139,710	102,774
Goodwill	15	23,550	23,542
Other intangible assets	16	59,678	60,699
Deferred tax assets	26	13,334	12,323
Other financial assets and receivables (inluding derivatives)	17	2,640	2,847
Total non current assets		**238,912**	**202,185**
Inventories	18	155,498	162,786
Trade receivables and contract assets	19, 20	116,973	127,957
Other revcevables	21	22,890	28,052
Other financial assets and receivables (inluding derivatives)	17, 31	2,653	494
Cash and cash equivalents	22	86,061	83,020
Total current assets		**384,074**	**402,308**
TOTAL ASSETS		**622,987**	**604,494**

EURO 000'S	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
EQUITY AND LIABILITIES			
Share capital		27,393	27,393
Reserves		177,397	147,577
Profit for the year		13,027	43,672
Equity attributable to the owners of the parent	23	**217,817**	**218,642**
Non-controlling interests		858	893
TOTAL EQUITY		**218,675**	**219,536**
Financial liabilities	14, 24	53,049	35,390
Post-employment benefits	25	12,711	12,550
Deferred tax liabilities	26	2,876	2,338
Provisions for risks and charges	27	1,429	1,091
Other liabilities	30	925	1,102
Total non current liabilities		**70,989**	**52,471**
Financial liabilities	14, 24	54,274	22,510
Provisions for risks and charges	27	16,625	9,646
Trade payables	28	132,673	162,591
Contract liabilities	29	67,536	75,652
Other liabilities	30	56,293	57,955
Tax payables	26	5,921	4,134
Total Current liabilities		**333,322**	**332,488**
LIABILITIES		**404,311**	**384,959**
TOTAL EQUITY AND LIABILITIES		**622,987**	**604,494**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EURO 000'S	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
OPERATING ACTIVITIES			
Profit for the year		13,002	43,851
Change for:			
Income taxes		10,441	14,436
Depreciation and amortisation of current and non-current owned assets		24,700	22,479
Depreciation and amortisation of current assets in leasing		8,586	341
Gains/losses from sales of property, plant and equipment		(23)	17
Impairment losses on intangible assets		4,875	217
Accrual to post-employment benefits		9,769	4,238
Income from investment activities		(120)	0
Net Financial expense		2,942	3,046
SUBTOTAL OPERATING ACTIVITIES		**74,172**	**88,624**
Change in trade receivables and contract assets		10,197	(14,951)
Change in inventories		7,043	(19,576)
Change in trade payables and contract liabilities		(39,307)	20,108
Change in post-employment benefits and in others funds		(1,176)	(1,513)
Other changes in operating assets and liabilities		1,454	(3,570)
Cash flow Cash flow generated / (absorbed) by operating activities		**52,383**	**69,122**
Tax paid		(7,006)	(14,813)
Interest paid		(2,557)	(550)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**42,821**	**53,759**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(14,544)	(24,392)
Proceeds from sale of property, plant and equipment		260	2,054
Acquisition of inangible assets		(18,051)	(22,791)
Proceeds from sale of intangible assets			457
Change in other financial assets		(2,410)	(182)
Interest received		120	94
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(34,624)**	**(44,760)**
FINANCING ACTIVITIES			
Change in financial activites/liabilities (including derivatives)		16,779	15,561
Finance lease payments		(8,790)	(312)
Other changes		(159)	(7,051)
Dividends paid		(13,149)	(13,144)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(5,318)**	**(4,946)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,878**	**4,054**
OPENING CASH AND CASH EQUIVALENTS		**83,020**	**78,902**
Effect of exchange rate fluctuations on cash held		163	64
CLOSING CASH AND CASH EQUIVALENTS	22	**86,061**	**83,020**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURO 000'S	NOTE	ATTRIBUTABLE TO THE OWNERS OF THE PARENT							
		SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES AND TREASURY SHARES	PROFIT FOR THE YEAR	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Opening balances at 01/01/2018	**23**	**27,393**	**(6,815)**	**36,202**	**88,047**	**42,558**	**187,385**	**951**	**188,336**
Other comprehensive income			752		(119)		**633**	(5)	**629**
Profit for the year						43,672	**43,672**	180	**43,851**
Total comprehensive income/expense for the year			**752**		**(119)**	**43,672**	**44,305**	175	**44,480**
Dividends paid					(13,144)		**(13,144)**		**(13,144)**
Allocation of profit for the previous year					42,558	(42,558)			-
Other changes					96		**96**	(234)	**(138)**
Closing balances at 31/12/2018	**23**	**27,393**	**(6,063)**	**36,202**	**117,438**	**43,672**	**218,642**	**893**	**219,536**

EURO 000'S	NOTE	ATTRIBUTABLE TO THE OWNERS OF THE PARENT							
		SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES AND TREASURY SHARES	PROFIT FOR THE YEAR	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Opening balances at 01/01/2019	**23**	**27,393**	**(6,063)**	**36,202**	**117,438**	**43,672**	**218,642**	**893**	**219,536**
Other comprehensive income			(78)		(468)		**(545)**	(10)	**(555)**
Profit for the year						13,027	**13,027**	(25)	**13,002**
Total comprehensive income/expense for the year			**(78)**		**(468)**	**13,027**	**12,482**	**(35)**	**12,447**
Dividends paid					(13,149)		**(13,149)**		**(13,149)**
Allocation of profit for the previous year					43,672	(43,672)			-
Other changes					(158)		**(158)**	(0)	**(159)**
Closing balances at 31/12/2019	**23**	**27,393**	**(6,140)**	**36,202**	**147,335**	**13,027**	**217,817**	**858**	**218,675**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

The subject preparing the financial statements

Biesse S.p.A. is an Italian company with registered office in Pesaro. It is the parent of the Biesse Group and operates in the market for machinery and systems for processing wood, glass and stone. The company is listed on the STAR segment of the Milan Stock Exchange. The Consolidate Financial Statements as at 31 December 2019 incorporate the financial statements of Biesse S.p.A. and subsidiaries which it controls directly or indirectly (hereinafter defined as the "Group") and the amount of its equity investment, in proportion to the percentage held, in associates. The draft consolidated financial statements as at 31 December 2019 were submitted to the Board of Directors on 13 March 2020.

Reporting criteria

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

Scope of consolidation

The consolidated statement of financial position and income statement as at 31 December 2019 include the financial statements of the Parent company Biesse S.p.A. and of its subsidiaries, which are listed below.

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

NAME AND REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	DIRECTLY CONTROLLED	INDIRECTLY CONTROLLED	OWNERSHIP VEHICLE	BIESSE GROUP
Parent Company						
Biesse S.p.A.	EUR	27,393,042				
Via della Meccanica, 16						
Loc. Chiusa di Ginestreto (PU)						
Italian subsidiaries:						
HSD S.p.A.	EUR	1,141,490	100%			100%
Via della Meccanica, 16						
Loc. Chiusa di Ginestreto (PU)						
Bre.Ma. Brenna Macchine S.r.l	EUR	70,000	98%			98%
Via Manzoni, snc						
Alzate Brianza (CO)						
Viet Italia S.r.l.	EUR	10,000	85%			85%
Via della Meccanica, 16						
Loc. Chiusa di Ginestreto (PU)						
Axxembla S.r.l.	EUR	10,000	100%			100%
Via della Meccanica, 16						
Loc. Chiusa di Ginestreto (PU)						
Uniteam S.p.A.	EUR	390,000	100%			100%
Via della Meccanica 12						
Thiene (VI)						
BSoft S.r.l.	EUR	10,000	100%			100%
Via Carlo Cattaneo, 24						
Portomaggiore (FE)						
Montresor & Co. S.r.l.	EUR	1,000,000	60%			60%
Via Francia, 13						
Villafranca (VR)						
Movetro S.r.l.	EUR	51,000	60%			100%[1]
Via Marco Polo, 12						
Carmignano di Sant'Urbano (PD)						

NAME AND REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	DIRECTLY CONTROLLED	INDIRECTLY CONTROLLED	OWNERSHIP VEHICLE	BIESSE GROUP
Foreign subsidiaries:						
Biesse America Inc. 4110 Meadow Oak Drive Charlotte, North Carolina – USA	USD	11,500,000	100%			100%
Biesse Canada Inc. 18005 Rue Lapointe – Mirabel (Quebec) – Canada	CAD	180,000	100%			100%
Biesse Group UK Ltd. Lamport Drive Daventry Northamptonshire - Great Britain	GBP	655,019	100%			100%
Biesse France Sarl 4, Chemin de Moninsable Brignais – France	EUR	1,244,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 Elchingen (Ulm) – Germany	EUR	1,432,600	100%			100%
Biesse Schweiz GmbH Luzernerstrasse 26 6294 Ermensee – Switzerland	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%
Biesse Austria GmbH Am Messezentrum, 6 Salisburgo – Austria	EUR	685,000		100%	Biesse G. Deutschland GmbH	100%
Biesservice Scandinavia AB Maskinvagen 1 Lindas – Sweden	SEK	200,000	60%			50%
Biesse Iberica Woodworking Machinery s.l. C/De La Imaginaciò, 14 Poligon Ind. La Marina – Barcellona – Spain	EUR	699,646	100%			100%
WMP- Woodworking Machinery Portugal, Unipessoal Lda Sintra Business Park, 1 São Pedro de Penaferrim, – Sintra – Portugal	EUR	5,000		100%	Biesse Iberica W. M. s.l.	100%
Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park Sydney – Australia	AUD	15,046,547	100%			100%
Biesse Group New Zealand Ltd. Unit B, 13 Vogler Drive Manukau Auckland – New Zealand	NZD	3,415,665	100%			100%
Biesse Manufacturing Co. Pvt. Ltd. Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk – Bangalore – India	INR	1,224,518,391	100%			100%
Biesse Asia Pte. Ltd. Zagro Global Hub 5 Woodlands Terr. – Singapore	EUR	1,548,927	100%			100%
Biesse Indonesia Pt. Jl. Kh.Mas Mansyur 121 Jakarta – Indonesia	IDR	2,500,000,000		100%	Biesse Asia Pte. Ltd.	100%

NAME AND REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	DIRECTLY CONTROLLED	INDIRECTLY CONTROLLED	OWNERSHIP VEHICLE	BIESSE GROUP
Foreign subsidiaries:						
Biesse Malaysia SDN BHD No. 5, Jalan TPP3 47130 Puchong -Selangor, Malaysia	MYR	5,000,000		100%	Biesse Asia Pte. Ltd.	100%
Biesse Korea LLC Geomdan Industrial Estate, Oryu-Dong Seo-Gu – Incheon – South Korea	KRW	100,000,000		100%	Biesse Asia Pte. Ltd.	100%
Biesse (HK) Ltd. Room 1530, 15/F, Langham Place, 8 Argyle Street Mongkok, Kowloon – Hong Kong	HKD	325,952,688	100%			100%
Dongguan Korex Machinery Co. Ltd Dongguan City Guangdong Province – China	RMB	239,338,950		100%	Biesse (HK) LTD	100%
Biesse Trading (Shanghai) Co. Ltd. Room 301, No.228, Jiang Chang No.3 Road Zha Bei District – Shanghai – China	RMB	76,000,000		100%	Biesse (HK) LTD	100%
Intermac do Brasil Comercio de Maquinas e Equipamentos Ltda. Andar Pilotis Sala, 42 Sao Paulo – 2300 – Brasil	BRL	12,964,254	100%			100%
Biesse Turkey Makine Ticaret Ve Sanayi A.S. Şerifali Mah. Bayraktar Cad. Nutuk Sokak No:4 Ümraniye,Istanbul –Turkey	TRY	45,500,000	100%			100%
OOO Biesse Group Russia Mosrentgen area, settlement Zavoda Mosrentgen, Geroya Rossii Solomatina street, premises 6, site 6, office 3, 108820 Moscow, Russian Federation	RUB	59,209,440	100%			100%
Biesse Gulf FZE Dubai, Free Trade Zone United Arab Emirates	AED	6,400,000	100%			100%
Biesse Taiwan 6F-5, No. 188, Sec. 5, Nanking E. Rd. Taipei City 105, Taiwan (ROC)	TWD	500,000		100%	Biesse Asia Pte Ltd.	100%
HSD Mechatronic (Shanghai) Co. Ltd. D2, 1st floor, 207 Taiguroad, Waigaoqiao Free Trade Zone Shanghai – China	RMB	2,118,319		100%	Hsd S.p.A.	100%
Hsd Usa Inc. 3764 SW 30th Avenue Hollywood – Florida – USA	USD	250,000		100%	Hsd S.p.A.	100%
HSD Mechatronic Korea LLC 414, Tawontakra2, 76, Dongsan-ro Danwon-gu, Ansan-si 15434, South Korea	KWN	101,270,000		100%	Hsd S.p.A.	100%
HSD Deutschland GmbH Brükenstrasse,2 Gingen – Germany	EUR	25,000		100%	Hsd S.p.A.	100%

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

Compared with the financial statements for the year ended 31 December 2018, the consolidation scope underwent no changes.

STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Statement of compliance with international financial reporting standards and general standards

The consolidated financial statements as at 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as with the implementing provisions issued pursuant to article 9 of Italian Law Decree 38/2005 and the Consob regulations and provisions regarding financial statements.

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

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

Financial statements

All statements conform to the minimum content requirements set by the International Financial Reporting Standards and the applicable provisions laid down by national legislation and Consob. The statements adopted are considered fit for fairly presenting the Group's performance, financial position and cash flows; in particular, we believe that the financial statements reclassified by nature provide reliable and material information for the purposes of correctly representing the Group's performance. The statements composing the Financial Statements are:

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position

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

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

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

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

Consolidated Statement of Changes in Equity

This statement shows the changes in the equity items related to:

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

Consolidated Statement of Cash Flows

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

Income and expense relating to interests, dividends and income taxes are classified as cash flows according to the type of underlying transaction that generated them.

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

1. MEASUREMENT CRITERIA AND USE OF ESTIMATES

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

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

Allowance for impairment

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

Allowance for inventory write-downs

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

Recoverable amount of non-current assets (including goodwill)

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

Product Warranties

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

Pension plans and other post-employment benefits

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

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

Contingent liabilities

The Group is subject to legal and tax claims regarding a wide range of issues that are within the jurisdiction of various countries. Owing to the uncertainties inherent to these issues, it is hard to make a reliable estimate of the outflow of resources that could arise from said disputes. The claims and disputes against the Group frequently arise from complex and difficult legal issues, subject to varying degrees of uncertainty, including the facts and circumstances inherent to each case, as well as the jurisdiction and the different laws applicable to each case. In the ordinary course of business, management consults with its own legal advisors as well as legal and tax experts. The Group recognises a liability for said disputes when it deems it probable that an outflow of financial resources will be required to settle the obligation and the relevant amount can be measured reliably. If an outflow of financial resources becomes probable but its amount cannot be determined, this fact is reported in the notes to the financial statements.

2. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA ADOPTED

Main accounting standards adopted

The accounting standards adopted in the consolidated financial statements as at 31 December 2019 were applied in the same way also to the comparative period, except as described in the following section 3.a) "Accounting standards, amendments and IFRS interpretations applied by the Group as from 1 January 2019". As from 1 January 2019, the Group decided to set out, under a specific item of the Statement of financial position, the Liabilities arising from contracts signed with customers, then proceeding to offset assets and liabilities connected to the construction of machines and systems to order related to the same contract; consequently, financial position figures relating to 2018 were reclassified for comparative purposes. In addition, the financial statements as at 31 December 2019 reflected some other reclassifications of income data. The reclassifications, summarised in the following table, do not affect equity or prior-year result:

ITEM CONSOLIDATED FIGURES IN THOUSANDS OF EURO	BALANCE AS AT 31 DECEMBER 2018	RECLASSIFICATIONS	RESTATED BALANCE AS AT 31 DECEMBER 2018
Trade receivables (item relating to invoices to be issued on orders)	134,331	(6,373)	127,957
Trade payables (item relating to advances from customers)	244,024	(81,432)	162,591
Contractual liabilities (formerly advances from customers)	-	75,652	75,652
Revenue from sales and services	740,159	1,368	741,527
Other income	6,729	(1,368)	5,361

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

A. CONSOLIDATION CRITERIA

General standards

The consolidated financial statements as at 31 December 2019 include the financial statements of the parent company Biesse S.p.A. and of its subsidiaries. Control exists when the parent is exposed to variable returns deriving from its relationship with the entity, or has rights to such returns, while at the same time having the ability to influence those returns by exercising its power over the entity itself.
Financial statements of subsidiaries are included in the consolidated financial statements from the time when the parent begins to exercise control until the date on which such control ceases.
Where material differences arise, these financial statements are reclassified and adjusted as appropriate to conform to the accounting policies and measurement criteria adopted by the parent company. All Group companies end their financial year on 31 December, except for the Indian subsidiary whose financial year ends on 31 March and which, as a result, is consolidated using specific interim financial statements as at 31 December.
The carrying amount of equity investments in consolidated companies is eliminated to offset the corresponding share of equity of the investees by attributing their fair value at the date of acquisition to the relevant individual assets or liabilities. Any residual difference, if positive, is included in non-current assets and, secondarily, in the goodwill item; if negative, it is recognised in profit or loss.
The results of subsidiaries acquired or divested during the year are included in the consolidated income statement from the effective date of acquisition to the effective date of disposal.
Non-controlling interests in the acquiree are initially measured at their proportionate interest in the fair value of reported assets, liabilities and contingent liabilities.
Receivables and payables, income and expense, and gains and losses arising from intra-group transactions are eliminated. Capital gains and losses on intra-group sales of capital goods are eliminated where they are deemed to be material. Any share in net assets and profits attributable to third parties are recorded under the corresponding item of the financial statements.

Translation of foreign currency financial statements

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

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

Exchange rate differences emerging from the conversion process are recorded in other comprehensive income and included under equity in the hedging and translation reserve.
On disposal of the economic entity that gave rise to exchange rate gains/losses, the cumulative amount of exchange differences recognised in a separate component of equity will be reclassified to profit or loss.

Shown below are the exchange rates used as at 31 December 2019 and 31 December 2018 for converting finance and equity entries in foreign currency (source www.bancaditalia.it):

CURRENCY		31 DECEMBER 2019		31 DECEMBER 2018
	Closing	Final	Closing	Final
US Dollar / Euro	1.1195	1.1234	1.1810	1.1450
Brazilian Real / Euro	4.4134	4.5157	4.3085	4.4440
Canadian Dollar / Euro	1.4855	1.4598	1.5294	1.5605
Pound Sterling / Euro	0.8778	0.8508	0.8847	0.8945
Swedish Krone / Euro	10.5891	10.4468	10.2583	10.2548
Australian Dollar / Euro	1.6109	1.5995	1.5797	1.6220
New Zealand Dollar / Euro	1.6998	1.6653	1.7065	1.7056
Indian Rupee / Euro	78.8361	80.1870	80.7332	79.7298
Chinese Renmimbi Yuan / Euro	7.7355	7.8205	7.8081	7.8751
Swiss Franc / Euro	1.1124	1.0854	1.1550	1.1269
Indonesian Rupiah / Euro	15,835.2674	15,595.6000	16,803.2224	16,500.0000
Hong Kong Dollar /Euro	8.7715	8.7473	9.2559	8.9675
Malaysian Ringgit /Euro	4.6374	4.5953	4.7634	4.7317
South Korean Won /Euro	1,305.3173	1,296.2800	1,299.0713	1,277.9300
Turkish Lira/Euro	6.3578	6.6843	5.7077	6.0588
Russian Rouble/euro	72.4553	69.9563	74.0416	79.7153
UAE Dirham/euro	4.1113	4.1257	4.3371	4.2050
Taiwan Dollar/euro	34.6057	33.7156	35.5864	35.0223

Business combinations

Business combinations are accounted for using the acquisition method. This method requires that the consideration transferred in a business combination be measured at fair value, calculated as the sum of the acquisition-date fair value of the assets transferred and the liabilities assumed and the equity instruments issued by the Group in exchange for control of the acquiree. Transaction-related ancillary charges are recognised in profit or loss as incurred.
At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their acquisition-date fair value, except for the following items, which are measured instead in accordance with the relevant standards:

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

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

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

b) the fair value of the identifiable assets acquired, net of the identifiable liabilities and contingent liabilities assumed, at the date control is obtained.
IFRS 3 also requires:
- separate recognition in profit or loss of ancillary costs relating to the business combination;
- in a business combination achieved in stages, the acquirer shall re-measure its previously held equity investment in the acquiree at the acquisition-date fair value, and separately recognise the resulting gain or loss, if any, in profit or loss for the year.

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

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

B. FOREIGN CURRENCY TRANSACTIONS

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

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

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

C. REVENUE RECOGNITION

Revenue from the sales of goods and services is recognised when the effective transfer of control to the customer takes place. For these purposes, the Group analyses the contracts signed with customers in order to identify the contractual obligations, which may involve the transfer of goods or services, and the possible existence of a number of elements to be recognised separately. In the presence of single contract including a number of services, the Group determines the amount referring to each of the services. The criterion for recognising the revenue from the sales of goods and services depends on the way in which the individual services are provided: in one particular moment or over time. In the former case, revenue is recognised when the customer obtains control of the good or service, a moment which is influenced by the delivery conditions envisaged by the contract. In the case of contractual fulfilment over time, depending on the features of the underlying service, revenue is recognised on a straight line basis over the duration of the contract, or on the basis of the progress of the works by using the percentage of completion method; the latter is determined using the cost-to-cost method, i.e. applying to the overall envisaged revenue the percentage deriving from the ratio between incurred costs and envisaged total costs.

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

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

D. GOVERNMENT GRANTS

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

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

E. EMPLOYEE BENEFITS

Short-term employee benefits

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

Post-employment benefits

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

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

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

Contributions payable under defined-contribution plans are recognised as a cost in the income statement for the financial year in the period in which the employees provided the service. Contributions paid in advance are recognised as assets, to the extent that the advance payment will result in a reduction in future payments or refund.

Share-based payment agreements

The fair value of the amount payable to employees in relation to share appreciation rights, adjusted for cash, is recognised as a cost with a corresponding increase in liabilities in the period during which the employees accrued the unconditional right to receive payment. The liability is valued on the closing date of each financial year, and at settlement date, on the basis of fair value for the share appreciation rights. Any changes in the fair value of the liability are recorded in the profit/(loss).

F. COSTS AND CHARGES

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

G. EXCHANGE RATE GAINS AND LOSSES

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

H. INCOME TAXES

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

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

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

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

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

Deferred tax assets and liabilities are offset only for similar positions and if there is a legally enforceable right to offset them; otherwise, the related payables and receivables are recognised.

I. EARNINGS PER SHARE

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

J. PROPERTY, PLANT AND EQUIPMENT OWNED BY THE GROUP

Recognition and measurement

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

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

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

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

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

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

Subsequent costs

Costs incurred after assets are acquired as well as the costs

associated with replacing various parts of assets in this category are added to the carrying amount of the item to which they refer and capitalised only when the inherent future economic benefit of the asset increases. In this case, the costs are also depreciated on the basis of the remaining useful life of the asset. All other costs are recognised in profit or loss when incurred.
When the cost of replacing asset parts is capitalised, the residual value of the parts being replaced is charged to the income statement.

Depreciation
Depreciation periods start from when the asset is available for use, and end at either the date when the asset is classified as being held for sale in compliance with IFRS 5, or on the date on which useful life of the asset is concluded.
Any changes to the depreciation plans only apply prospectively. The amount to be depreciated represents the original book value less the net expected disposal value of the asset at the end of its useful life when it is material and can be reasonably determined.

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

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

K. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES
In compliance with the provisions of IFRS 16, as from 1 January 2019 the Group identifies as leases those contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has chosen to use the modified retroactive method, therefore the cumulative effect of IFRS 16 has been recognised as an adjustment to the opening balance as at 1 January 2019, without recalculating and restating the comparative information, as set out in detail in section 3 below.

For every lease, starting from its commencement date, the Group records an asset (right-of-use asset) against a corresponding financial liability (lease liability), except for the following cases:
- short term leases, i.e. those whose term is twelve months or less;
- low-value leases applied to situations in which the leased asset has a value of no more than Euro 5 thousand (value as new). The leases for which this exemption has been applied mainly fall in the following categories: computers, telephones and tablets; printers; other electronic devices; fixtures and furnishings.

Therefore, for short-term and low-value contracts the financial lease liability and the corresponding right-of-use asset are not recognised, but the lease payments are charged to the income statement on a straight-line basis for the duration of their respective contracts.
In the case of a complex contract that includes a lease component, the latter is always managed separately compared to the other services included in the contract.
For information on the means of first-time adoption of this new standard, reference should be made to note 3 below.

Lease liabilities
Lease liabilities are shown under Financial liabilities (current and non-current), together with other financial payables of the Group.
At the time of initial recognition, the lease liability is measured at the current value of the lease payments payable over the lease term, discounted at the rate implicit in the lease (i.e. the interest rate which makes the current value of all the payments and the residual value equal to the fair value of the underlying asset plus the initial direct costs incurred by the Group); where this rate is not indicated in the lease or cannot be readily determined, the current value is determined by using the incremental borrowing rate, i.e. the incremental interest rate which, in a similar economic context and in order to obtain a sum equal to the value of the right of use, the Group would have recognised for a loan with similar duration and guarantees.
The lease payments subject to discounting include fixed lease payments; variable lease payments that depend on an index or a rate; the redemption price, where it exists and where the Group is reasonably certain of using it; the size of the payment envisaged given any issue of guarantees on the residual value of the asset; the size of penalties to be paid in the case of exercise of options for the early termination of the lease, where the Group is reasonably certain to exercise such options.
After initial recognition, the lease liability is increased to reflect the interest accrued, determined on the basis of the amortised cost, and is decreased by the lease payments made.
In addition, the lease liability is remeasured to reflect any changes in leases or other situations envisaged by IFRS 16 which entail a change in the amount of the lease payments and/or term. In particular, given situations which entail a change in the estimate of the likelihood of exercise (or non-exercise) of the options for renewal or early termination of the lease or in the possible redemption (or non-redemption) of the asset upon expiry of the lease, the lease liability is remeasured by discounting the new value of the lease payments due on the basis of a new discount rate.

Right-of-use assets
Right-of-use assets are set out under "Property, plant and equipment" together with items of property, plant and equipment owned by the Group, and are broken down by category on the basis of the nature of the asset used through the lease.
At the time of initial recognition of the lease, the right-of-use asset is recognised at a value corresponding to the lease liability, determined as described above, plus the lease payments made in advance and ancillary costs and net of any incentives received. Where applicable, the initial value of the right-of-use asset also includes the related costs for decommissioning and restoring the area.
Situations entailing the remeasurement of the lease liability imply a corresponding change in the value of the right-of-use asset.
After initial recognition, the right-of-use asset is depreciated on a straight-line basis, as from the commencement date of the lease, and subject to write-down in the case of impairment.
Depreciation is carried out on the basis of the lesser period between the lease term and the useful life of the underlying asset; however, should the lease envisage the transfer of ownership, also in the case of the exercise of redemption options included in the value of the right-of-use asset, depreciation is applied on the basis of the useful life of the asset.

L. INTANGIBLE ASSETS AND GOODWILL
Goodwill
Goodwill is an intangible asset with an indefinite useful life that arises from business combinations accounted for using the acquisition method. It is recognised as the positive difference between the acquisition cost and the Group's interest, having measured at fair value all other identifiable assets, liabilities and contingent liabilities attributable to both the Group and non-controlling interests (full fair value method) at the acquisition date.
Goodwill is an intangible asset with an indefinite useful life, and is therefore not subject to amortisation. However, it remains subject to impairment test at least once a year, generally at the consolidated financial statements date, in order to verify that there has been no impairment loss, unless market or management indicators identified by the Group suggest that the impairment test is necessary also when preparing interim reports.
Goodwill is measured by identifying the cash-generating units (CGUs) that benefit from the synergies of the acquisition. The cash flows are discounted at the cost of capital in relation to the specific risks of the unit.
Impairment losses are recognised in profit or loss whenever the discounted cash flow calculation indicates that the recoverable amount of the CGU is lower than its carrying amount. Losses identified in this way are not subject to any subsequent reversal of impairment.

Development costs and other intangible assets
Intangible assets generated by developing Group products are entered as assets only when the following requirements are met:
- the cost attributable to the asset during its development can be reliably measured
- the product or process is feasible in both technical and commercial terms
- future economic benefits are likely
- the Group has sufficient resources available and intends to complete the asset's development, and to use or sell the asset.

These intangible assets are amortised on a straight-line basis over their useful lives. Whenever the above criteria are not met, development costs are recognised in profit or loss for the financial year in which they are incurred.
Capitalised development costs are recognised at cost less accumulated amortisation and/or any accumulated impairment losses.
Research and development costs are recognised in profit or loss as incurred.
Other intangible assets including trademarks, patents and licences, which have a finite useful life, are initially recognised at acquisition cost, and are systematically amortised on a straight-line basis over their useful life or over a period not exceeding that established by the underlying licence or purchase contract.

The annual rates applied by the Group are as follows:

CATEGORY	RATE
Trademarks	10%
Patents	33.33%
Development costs	10% - 50%
Software and licences	20%

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

M. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Non-current assets and discontinued operations consisting of assets and liabilities are classified as held for sale when their carrying amount is expected to be recovered through a sale transaction rather than through their use in company operations. This condition is met only when the sale is highly probable, the assets are available for immediate sale in their present condition, and Management has committed to sell it within twelve months of the date of classification. Assets and liabilities held for sale are reported separately from the other assets and liabilities in the statement of financial position. The corresponding asset values of the previous financial year are not reclassified.
Non-current assets and discontinued operations classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

N. FINANCIAL ASSETS AND LIABILITIES RECOGNITION AND MEASUREMENT

Trade receivables and issued debt securities are recognised at the time they originate. All other financial assets and liabilities are initially recognised on their trading date, i.e. when the Group becomes a contractual party to the financial instrument.
Except for trade receivables which do not involve a significant financing component, financial assets are initially measured at fair value plus or minus – in the case of financial assets or liabilities not measured at FVTPL – the transaction costs directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables which do not have a significant financing component are measured at their transaction price.

Subsequent classification and measurement

At the time of initial recognition, a financial asset is classified on the basis of its measurement: amortised cost; fair value recognised through other comprehensive income (FVOCI) – debt security; FVOCI – equity security; or at fair value through profit or loss for the year (FVTPL).
Financial assets are not reclassified after their initial recognition unless the Group changes its business model to manage financial assets. In this case, all affected financial assets are reclassified on the first day of the first year following the change of the business model.
A financial asset must be measured at amortised cost if both the following conditions are met and it is not measured at FVTPL:

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

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

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

At the time of initial recognition of an equity security not held for trading purposes, the Group can make the irrevocable decision to report subsequent changes in fair value through other comprehensive income. This choice is made for each asset.
All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. All derivative financial instruments are included. At the time of initial recognition, the Group can irrevocably report the financial asset as measured at fair value through profit or loss for the year if this eliminates or significantly reduces an accounting mismatch that would otherwise result from the measurement of the financial asset at amortised cost or at FVOCI.
For the purposes of measurement, ‘principal’ is the fair value of the financial asset at the time of initial recognition while ‘interest’ is the compensation for the time value of money as well as for the credit risk associated with the amount of principal to be repaid during a given period of time and for other risks and basic costs related to the loan (for example, liquidity risk and administrative costs) as well as for the profit margin.
In assessing whether the contractual cash flows are represented solely by payments of principal and interest, the Group considers the contractual terms of the instrument. Therefore, it evaluates, amongst other items, whether the financial asset contains a contractual clause that modifies the timing or the amount of the contractual cash flows such as to not satisfy the following condition. For measurement purposes, the Group considers:

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

The advance payment element is in line with the criterion of “cash flows represented solely by payments of principal and interest” if the amount of the advance payment substantially consists of principal amounts due and the interest accrued on the principal amount to be repaid, which may include reasonable additional compensation for the early termination of the contract. In addition, in the case of a financial asset acquired with a premium or at a significant discount on the contractual nominal amount, any element that allows or requires an advance payment equal to an amount that substantially represents the nominal contractual amount plus the contractual interest which was accrued (but not paid) (which may include reasonable additional compensation for the early termination of the contract) is recognised in accordance with this criterion if the fair value of the advance payment element is not significant at the time of initial recognition.
Financial liabilities are measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, or is a derivative or is designated as such at the time of initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including payable interest, are recognised in profit/(loss) for the year. Other financial liabilities are subsequently measured at amortised cost by using the effective interest method. Payable interest and exchange rate gains/(losses) are recognised in profit/(loss) for the year, as are any profits or losses deriving from derecognition.

Impairment of financial assets

At the end of each year, the Group records an allowance for impairment reflecting expected losses on trade receivables, on contractual assets and on other financial assets valued at amortised cost; for these purposes, the Group adopts an impairment model based on expected credit losses. Provisions to the allowance for impairment are made on the basis of specific assessments of expired credit positions and positions due to expire, and the amount of the relevant provisions is determined on the basis of the current value of the estimated recoverable flows, after taking into account the related recovery costs and the fair value of any collaterals given to the Company. With respect to other receivables, provisions are determined on the basis of information updated as at the financial statement date, taking account both of past experience and of losses expected over the life of the receivable.
The value of trade receivables, contractual assets and other financial assets is shown in the financial statements net of the relevant allowance for impairment, while impairment losses are recognised in the income statement under “Amortisation, depreciation, impairment and provisions”.

Derecognition

Financial assets are derecognised from the financial statements when the contractual rights to the cash flows deriving from them expire, or when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and benefits derive from ownership of the financial asset are transferred, or when the Group neither transfers or substantially maintains all the risks and benefits deriving from ownership of the financial asset and does not maintain control of the financial asset.
The Group is involved in transactions that involve the transfer of assets recognised in the statement of financial position, but retains all or substantially all the risks and benefits deriving from the transferred asset. In these cases, the transferred assets are not derecognised.
The Group derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Group derecognises a financial liability even if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value on the basis of the modified contractual terms.
The difference between the carrying amount of the derecognised financial liability and the amount paid (including assets not represented by transferred liquid funds or assumed liabilities) is recognised in profit/(loss) for the year.

O. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recorded where there are legal or implicit, contractual or otherwise obligations towards third parties, deriving from past events, which are likely to require an outlay of resources whose amount can be reliably estimated.
Whenever it is estimated that these obligations will mature after twelve months and that the related effects will be material, they are discounted at a rate that reflects the time value of money and the risks specific to the recognised liability. In those cases, the increase in the provision due to the passage of time and any effect arising from a change in the discount rate are recognised as a finance expense. Any change in the estimate of provisions is reflected in profit or loss in the reporting period in which they arise.

Contingent liabilities

The Group is subject to legal and tax disputes falling under the jurisdiction of several states, in relation to which a liability is ascertained when it is considered probable that a financial outlay will occur, and the amount of the resulting losses can be reasonably estimated. If an outflow of financial resources becomes probable but its amount cannot be determined, this fact is reported in the notes to the financial statements.
In the ordinary course of business, management monitors the progress of disputes also thanks to the support of its own legal advisors as well as legal and tax experts.

Product warranties

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

P. INVENTORIES

Inventories are valued at the lesser of cost (determined using the weighted average cost method) and the net realisable value, namely, the estimated sale price less all estimated costs related to finalising the goods, the cost of sales, and distribution costs that must be incurred in order to finalize the sale.
The cost comprises the cost of direct materials and, where appropriate, direct labour, general production overheads and other costs incurred in bringing the inventories to their present location and condition.
Obsolete and slow moving inventories are written down in relation to the possibility that they can be used or sold.
The allowance for inventory write-downs reflects management’s estimate of impairment losses expected by the Group and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts, and any losses due to specific activities put into place by the company.

Q. CASH AND CASH EQUIVALENTS

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

R. SHARE CAPITAL

Share capital represents subscribed and paid-up capital. Any incremental costs that are directly attributable to issuing ordinary shares are recognised as a decrease in equity. Income tax relating to capital transaction costs are recognised in accordance with IAS 12.
As provided for under IAS 32, any treasury shares are recognised as a reduction in equity. Any consideration received from a subsequent sale or reissue of such treasury shares would then recognised as an increase in equity. Gains and losses from trading, if any, are recognised under equity, net of tax effects.

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

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

Goodwill, other intangible assets with an indefinite useful life and intangible assets in progress are tested for impairment annually and whenever there is any indication of impairment. The recoverability of the recognised amounts is tested by comparing the carrying amount with the higher of its fair value less costs to sell, where an active market exists, and the value in use. The value in use is determined based on the present value of the future cash flows expected to be derived from continuing use of an asset or group of assets and from its disposal at the end of its useful life.
The Directors determine the recoverable amount of goodwill by calculating the value in use for the cash generating units to which goodwill is allocated. The Cash Generating Units have been defined as a group of similar assets that generate independent cash inflows through continuing use of the assets attributable to it. In line with the provisions of the relevant accounting standards, and consistent with the organisational and business structure, the Biesse Group has identified 5 Cash Generating Units (CGUs); for further details, reference should be made to note 15.
Management makes several assumptions in calculating the present value of future cash flows, including estimates of future increases in sales, gross operating profit, operating expense, the growth rate of terminal values, investments, changes in working capital and the weighted average cost of capital (discount rate), taking account of the specific risks of the asset or of the cash generating units. The expected cash flows used in the model are calculated during the Group's budgeting and planning process. They represent the best estimate of the amounts and timing of future cash flows based on the Group's long-term plan, which is updated annually, reviewed by the strategic management and approved by the parent company's Board of Directors while approving the Group's long-term business plan. Expected sales growth is based on management forecasts. The operating expense estimated in the expected cash flows is also determined on the basis of management estimates for the next three years and are supported by the Group's product development and production plans. The amounts of investments and working capital estimated in the expected cash flows are determined on the basis of several factors, including the information necessary to support expected future growth rates and the product development plan. The carrying amount attributed to the cash-generating unit is determined with reference to the consolidated statement of financial position by direct, where applicable, or indirect allocation criteria.
If the recoverable amount of a tangible or intangible asset (including goodwill) is less than the carrying amount, then the latter is reduced and it is adjusted to match the recoverable amount. This reduction reflects an impairment loss, which will be recognised in profit or loss.
Where there are indications that an impairment loss, recorded in previous years and relating to property, plant and equipment or intangible assets other than goodwill, may no longer exist or may have been reduced, then the recoverable amount of the asset is estimated anew. If the revised value is higher than the net carrying amount, the latter will be increased to match the recoverable amount. The reversal of the impairment loss cannot exceed the carrying amount that would have been determined (net of amortisation, depreciation and write-downs) if no impairment had been recognised in previous years.
The reversal of the impairment loss on an asset other than goodwill is recognised in profit or loss.

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

A) ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2019

The impacts of the first-time adoption of IFRS 16 and of other accounting standards, amendments and interpretations applied as from 1 January 2019 are set out below.

Impacts of first-time adoption of IFRS 16

On 13 January 2016, the IASB issued IFRS 16 - Leases, which replaces the standard IAS 17 - Leases, along with interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases–Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The standard provides a new definition for leases and introduces criteria based on the concept of control over an asset (right-of-use asset) in order to distinguish lease contracts from service supply contracts based on the following: identification of the asset, right of substitution, right to obtain substantially all the economic benefits from using the asset, and lastly, the right to direct the use of the asset underlying the contract.
The standard establishes a unique model for the lessee to recognise and measure leases, which provides for the recognition of the leased asset, including operating leases, under assets, and a corresponding lease liability. By contrast, the standard does not provides for any significant changes for lessors.
The Group has chosen to implement the standard by applying the modified retrospective method, therefore recognising the cumulative effect of first-time adoption as an adjustment to opening equity as at 1 January 2019 as permitted under IFRS 16:C7-C13. The Group has elected not to restate comparative information for the 2018 financial year. In particular, where leases were previously classified as operating leases, the Group has accounted for the following:

a) a financial liability equal to the present value of remaining future payments as at the date of transition, with each contract discounted using the incremental borrowing rate applicable at the date of transition;
b) a right-of-use asset with the same value as the financial liability as at the date of transition, net of any accruals and deferrals related to the lease and recognised in the statement of financial position as at the reporting date.

Summary of impacts of first-time adoption of IFRS 16

The following table shows the impacts of first-time adoption of IFRS 16, as at the date of transition (1 January 2019):

M€	FIRST TIME ADOPTION IMPACT 01-JAN-19
NON CURRENT ASSET	
Right of Use Property	19.0
Right of Use Vehicles	4.5
Right of Use Equipment	0.1
Total	**23.5**
Non current liabilities	
Financial liabilities for non current leasing	20.4
Current Liabilities	
Financial liabilities for current leasing	3.1
Total	**23.5**

Reconciliation of lease commitments

In order to provide guidance for understanding the impacts of first-time adoption of the standard, the following table provides a reconciliation between future lease commitments – already referred to in paragraph U of the 2018 financial statements: "Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted in advance by the Group as at 31 December 2018"– and the impact of adopting IFRS 16 as from 1 January 2019.

M€	
Operating lease commitments as at 31 December 2018	25.1
Mininum payments for finance lease liabilities as at 31 December 2018	2.0
Low-value lease payments	(0.1)
Lease payments due in periods covered by renewal options that were not included in operating lease commitments	3.5
Maintnanced costs included in operating lease commitments as at 31 December 2018 and not included in lease liabilities under IFRS 16	(1.4)
Undiscounted finance lease liabilities as at 1 January 2019	**29.1**
Effect of discounting	(3.6)
Finance lease liabilities as at 1 January 2019	**25.5**
Present value of finance lease liabilities as at 31 December 2018	(1.9)
Additional finance lease liabilities as at 1 January 2019	**23.6**

Please note that the weighted average of the incremental borrowing rate for financial liabilities held as at 1 January 2019 was 2.8%.

The Group took advantage of the exemptions available under IFRS 16 paragraphs 5(a) and (b) relating to, respectively, short-term leases and leases where the underlying asset is categorised as a low-value asset (i.e. the lease underlying assets have a value lower than €5,000 when new). The first exemption has been used for all contracts qualifying as short-term leases; the contracts for which the exemption for low-value assets has been applied mainly belong to the following categories:

- computers, telephones and tablets;
- printers;
- other electronic devices;
- furniture and furnishings.

For these contracts, with the introduction of IFRS 16, lease payments are recognised in the income statement on a straight-line basis for the duration of their respective contracts.

For vehicles and apartments, the non-lease components have been identified and accounted for separately from the lease components.

Finally, with reference to transitional provisions, the Group elected to use the following practical expedients available when using a modified retrospective approach for transition:

- excluding initial direct costs when measuring the right-of-use asset as at 1 January 2019;
- using information available as at the date of transition for determining lease terms, particularly with reference to exercising options to extend the lease term or to terminate the lease early.

On the other hand, the Group did not apply the expedient envisaged by IFRS 16:C10(c) in relation to operating leases for which the lease term ends within 12 months of the transition date.

For leases that were previously classified as finance leases in application of IAS 17, the carrying amount of the asset covered by the lease and the obligations arising from leases recognised in accordance with IAS 17 as at 31 December 2018 are respectively reclassified under right-of-use assets and lease liabilities without any adjustment.

Other accounting standards, amendments and IFRS interpretations applied as from 1 January 2019

Other amendments and IFRS interpretations applied as from 1 January 2019 are the following:

- amendment to IFRS 9 – Prepayment Features with Negative Compensation (published on 12 October 2017). This document specifies that instruments which envisage early repayment might comply with the "SPPI" ("Solely Payments of Principal and Interest") test even if the reasonable additional compensation to be paid in the case of early repayment is negative for the lender;
- IFRIC 23 – Uncertainty over Income Tax Treatments (published by the IASB in June 2017). The document addresses the issue of uncertainty on the tax treatment to be adopted on income taxes. The interpretation envisages that the uncertainty in determining the tax liabilities or assets is reflected in the financial statements only when it is likely that the entity will pay or will recover the amount in question. In addition, the document does not contain any new disclosure obligation, but emphasises that the entity must establish whether it will be necessary to provide information on the considerations made by management and relating to the uncertainty inherent in accounting for taxes, in accordance with the provisions of IAS 1;
- Annual Improvements to IFRSs 2015-2017 Cycle, published by the IASB on 12 December 2017, which transposes the changes to some standards as part of the annual process to improve them. The main changes concern:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. This process is not required if joint control is obtained.
  - IAS 12 Income Taxes: the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified within equity) should be recognised in a manner that is consistent with the transaction generating the profit (income statement, OCI or equity).
  - IAS 23 Borrowing costs: the amendment clarifies that if any borrowings remain outstanding after the related qualifying asset is ready for its intended use or sale, they become part of the total funds used for calculating the borrowing cost.
- On 7 February 2018, the IASB issued "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity should recognise a change to a defined benefit plan (i.e. a curtailment or settlement). The amendments require an entity to update their assumptions and remeasure the net asset or liability arising from the plan. The amendments clarify that after the occurrence of such an event, the entity must use updated assumptions to determine the current service cost and interest for the remainder of the reporting period after the change to the plan.
- On 12 October 2017, the IASB issued "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9 (including impairment requirements) to other long-term interests in associates and joint ventures to which the equity method was not applied.

The adoption of the interpretative document and of the above amendments had no impact on the Group's consolidated financial statements.

b) Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted in advance by the Group as at 31 December 2019

Amendments endorsed by the European Union but not yet applicable as at 31 December 2019 are the following:

- Amendment to IAS 1 and IAS 8 on the definition of "materiality". The amendment was published by the IASB on 31 October 2018 and endorsed by the EU in December 2019. The amendment provides for a different definition of "material", namely: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendment applies to annual periods beginning on or after 1 January 2020.
- Amendment to "References to the Conceptual Framework in IFRS Standards", published on 29 March 2018 by the IASB, endorsed by the EU in December 2019 and applicable as from 1 January 2020; it aims to update the references to the systematic framework in the IFRS, which was revised by the IASB during 2018.
- "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform" published in September 2019 by the IASB and endorsed by the EU in January 2020. In particular, the amendment modifies some specific hedge accounting requirements, envisaging temporary exemptions of the same, in order to provide relief from potential effects of the uncertainty caused by the IBOR reform (still ongoing) on future cash flows in the period preceding its completion. The amendment also requires companies to provide in their financial statements further information on their hedges which are directly affected by the uncertainties created by the reform and to which the aforementioned exemptions apply. The changes are effective as from 1 January 2020.

From an initial examination, the Directors believe that any future adoption of these amendments should not have a significant impact on the Group's financial statements.

c) Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union

It should be noted that, as at the reporting date, approval is still pending for some amendments to IFRS 3 (definition of "business" and introduction of an optional concentration test, which enables the exclusion of the existence of a business if the price paid substantially refers to a single asset or groups of assets) and to IFRS 10 and IAS 28 (in order to resolve the current conflict between IAS 28 and IFRS 10).

In addition, on 18 May 2017 the IASB published IFRS 17 – Insurance Contracts, which will replace IFRS 4 – Insurance Contracts. The aim of the new standard is to guarantee that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued.

On the basis of information that is currently available, no significant impacts are expected for the Group.

4. OPERATING SEGMENTS

IFRS 8 - Operating segments - defines an operating segment as an entity:
- that engages in business activities generating both revenues and expenses
- whose operating results are reviewed regularly by the chief decision maker, and
- for which discrete financial information is available

The Group is currently organised into five operating divisions – Wood, Glass & Stone, Mechatronics, Tooling and Components – for management purposes. These divisions constitute the bases for the Group's reporting of segment information. The main activities are as follows:
- Wood and Advanced materials ("Wood") – production, distribution, installation and after-sales service of machines and systems for woodworking and composite materials processing;
- Glass & Stone – production, distribution, installation and after-sales service of glass and stone processing machines;
- Mechatronics – production and distribution of industrial mechanical and electronic components;
- Tooling – production and distribution of glass and stone processing tools for all the machines on the market;
- Components – production and distribution of other components related to additional precision processing

Third-party customer revenues obtained by the Group are broken down as follows:

EURO 000'S	WOOD	GLASS & STONE	TOOLING	MECHATRONICS	COMPONENTS	ELIMINATIONS	GROUP TOTAL
2019							
External revenue	502,643	129,364	11,965	59,292	2,609	0	705,872
Intrasegment revenue	4,491	0	961	24,677	17,153	(47,283)	0
Total revenue	**507,134**	**129,364**	**12,926**	**83,970**	**19,762**	**(47,283)**	**705,872**
Operating profit of segment	**25,486**	**3,082**	**(175)**	**11,224**	**(42)**	**(0)**	**39,575**
Unallocated ordinary costs							(9,932)
Operating profit							**29,643**
Unallocated financial expense							(6,201)
Pre-tax profit							**23,443**
Income taxes							(10,441)
Profit for the year							**13,002**
2018							
External revenue	529,510	129,072	13,026	66,535	3,384	0	741,527
Intrasegment revenue	2,283	(377)	219	30,164	19,528	(51,817)	0
Total revenue	**531,793**	**128,695**	**13,245**	**96,699**	**22,912**	**(51,817)**	**741,527**
Operating profit of segment	**48,988**	**5,682**	**(356)**	**17,336**	**1,574**	**(0)**	**73,223**
Unallocated ordinary costs							(9,451)
Operating profit							**63,772**
Unallocated financial expense							(5,485)
Pre-tax profit							**58,287**
Income taxes							(14,436)
Profit for the year							**43,851**

In 2019, net revenue from sales and services amounted to € 705,872 thousand, compared to € 741,527 thousand as at 31 December 2018, down by 4.8% compared to the previous year. The Wood Division confirmed its position as the Group's main segment, contributing by 71.8% to consolidated revenues (71.7% in 2018); sales increased from € 531,793 thousand to € 507,134 thousand (-4.6%). The segment's operating profit decreased from € 48,988 thousand to € 25,486 thousand, due to the decrease in operating leverage (lower sales volumes with a consequent decrease in operating margins) and in non-recurring items (in particular, China restructuring). The Glass & Stone segment reported a stable sales trend (€ 129,364 thousand against € 128,695 thousand, up 0.5%), with an impact of 18.3% on consolidated revenue, up compared to the previous year (17.4%). The segment's operating profit decreased from € 5,682 thousand to € 3,676 thousand (impact on revenue decreased from 4.4% to 2.4%). The Mechatronics segment reported, in terms of revenue, a decrease of 13.2% compared to 2018, reducing by 1.1% its contribution to consolidated revenue (11.9% compared to 13% at the end of 2018). The segment's operating profit decreased from € 17,336 thousand to € 11,331 thousand (impact on revenue decreased from 17.9% to 13.4%). The Tooling segment recorded a slight decrease of 2.4% (€ 12,926 thousand compared to € 13,245 thousand at the end of 2018), with a stable impact on consolidated turnover (1.8%). The operating result was negative for € 111 thousand (an improvement compared to the figure in 2018, which was negative for € 356 thousand).

Finally, the Components segment reported a decrease in turnover compared to v2018 (€ 19,762 thousand compared to € 22,912 thousand), due to the fall in orders in the Wood and Glass & Stone divisions; the operating result fell from € 1,574 thousand to € 19 thousand.

The following table shows an inventory breakdown by operating segment:

EURO 000'S	WOOD	GLASS & STONE	TOOLING	MECHATRONICS	COMPONENTS	GROUP TOTAL
2019	109,293	20,725	2,644	18,609	4,227	155,498
2018	110,262	12,598	2,278	25,180	12,468	162,786

BREAKDOWN BY GEOGRAPHICAL AREA

Turnover

EURO 000'S	31 DECEMBER 2019	%	31 DECEMBER 2018	%
Western Europe	333,016	47.2%	353,514	47.7%
Asia - Pacific	105,947	15.0%	134,970	18.2%
Eastern Europe	89,217	12.6%	107,469	14.5%
North America	150,554	21.3%	117,750	15.9%
Rest of the World	27,138	3.8%	27,825	3.8%
Group Total	**705,872**	**100.0%**	**741,527**	**100.0%**

The breakdown of sales by geographical area compared to 2018 shows growth in North America (+27.9%, from € 117,750 thousand to € 150,554 thousand in 2019), largely due to the delivery and installation of orders for large Systems acquired in 2018. Western Europe still maintains its role as the reference market with sales amounting to € 333,015 thousand (47.2% of the Group total, down by 5.8% compared to the previous year). Asia-Oceania recorded a rather significant fall (-21.5%) dropping from € 134,970 thousand in December 2018 to € 105,947 thousand in 2019, along with Eastern Europe, which fell by 17%, recording revenue of € 89,217 thousand in 2019 compared to € 107,469 thousand in 2018. Finally, the Rest of the World achieved substantially stable results (€ 27,138 thousand, down 2.5%).

5. REVENUE FROM SALES AND SERVICES

Revenue from the sale of goods and services provided by the Group as at 31 December 2019 are detailed below:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Revenues from goods	644,164	686,799
Revenues from services	60,328	52,524
Other revenues	1,379	2,204
Revenues	**705,872**	**741,527**

In 2019, revenue from sales and services amounted to € 705,872 thousand, compared to € 741,527 thousand in 2018, down by 4.8% over the previous year.

In line with the provisions of IFRS 15 and as better explained in note 2 above, the Group considers the sale of the good as a performance obligation separate from ancillary services, which are accounted for separately.

6. OTHER INCOME

An analysis of the Group's other income as at 31 December 2019 is as follows:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Lease and rental income	286	85
Income-related grants	1,185	1,584
Gains on sales of assets	51	59
Other non-recurring income and prior year income	4,895	3,633
Total other operating income	**6,417**	**5,361**

The item "Government grants" mainly refers to Biesse Manufacturing in relation to the export of goods manufactured in India, subject to the condition that payment has been received. The item also includes the share of grants receivable for training courses carried out internally by some group companies.

"Other income and contingent assets" include the share of the year's income deriving from the R&D tax credit (€ 1,476 thousand as at 31 December 2019).

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

As at 31 December 2019, this item amounted to € 287,038 thousand, down by 7.3% compared to the previous year (€ 309,561 thousand). This item includes all procurement costs related to production, and primarily consists of € 289,510 thousand for the cost of purchasing raw materials and spare parts, € 8,878 thousand for the cost of purchasing finished products - net of € 12,924 thousand for the recovery of raw material costs - and the negative change of € 5,591 thousand in raw material inventories. For further details the change in this item, reference should be made to the Director's Report on Operations.

8. PERSONNEL EXPENSE

In 2019, personnel expense amounted to € 221,576 thousand – an increase of € 6,735 thousand compared to € 214,841 thousand in the previous year. The item is detailed below:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Wages, salaries and social security contributions	208,654	200,507
Productivity bonus, other bonuses and related social security contributions	10,654	13,770
Accruals to pension plans	8,164	8,023
Other personnel expense	4,539	3,560
Capitalization and recovery of personnel expense	(10,436)	(11,020)
Personnel expense	**221,576**	**214,841**

Personnel expense increased from € 214,841 thousand as at 31 December 2018 to € 221,576 thousand as at 31 December 2019, up € 6,735 thousand (3.1%) compared to the previous year (personnel expense also includes temporary staff).
The change is mainly attributable to wages and salaries (up 4.1% from 2018), due to the effect of costs linked to hiring new staff in the last part of 2018. This was done as part of the structural reinforcement policy that is required for supporting development plans. An increase in uncertainty has been recorded in the core markets, making it necessary to pay particular attention to business efficiency and organisational streamlining. This has led to a subsequent and consequent reduction in personnel expense.
The number of employees decreased from 4,397 as at 31 December 2018 to 4,133 as at 31 December 2019, i.e. a reduction of 264 in headcount.
The item "Recovery and capitalisation of personnel expense" entirely refers to capitalised costs for the development of new products, mainly attributable to the Parent company.

9. AMORTISATION, DEPRECIATION, IMPAIRMENT AND PROVISIONS

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Tangible amortization	18,980	9,936
Intangible amortization	14,307	12,884
Impairment of tangible or tangible assets	4,769	217
Provision	7,901	2,233
Amortizations, depreciation and provision	**45,957**	**25,270**

The item "Amortisation, depreciation, impairment and provisions" increased from € 25,270 thousand as at 31 December 2018 to € 45,957 thousand as at 31 December 2019, up by € 20,687 thousand compared to the previous year.
The increase in depreciation of property, plant and equipment is essentially due to the first-time adoption of IFRS 16 in the financial statements as at 31 December 2019, with effect as from 1 January 2019, as already commented in the introductory part of the Notes. Depreciation of right-of-use assets amounted to € 8,586 thousand in 2019 while depreciation of assets held under finance leases, in accordance with former IAS 17, amounted to € 340 thousand in the previous year.
The item "Impairment (Reversal of impairment) of property, plant and equipment and intangible assets" as at 31 December 2019 refers to the impairment of development projects that were abandoned during the year (€ 3,243 thousand), in line with the Group's strategic guidelines - also confirmed in the 2022 business plan - in terms of technological innovation, which made it necessary to proceed with the impairment of certain development projects related to phase-out products and technological solutions. The item also includes, for the residual portion, the impairment of some licences no longer used. Of the total amount of this item, approximately € 700 thousand is attributable to the aforementioned review of the Group's strategy in China.
Provisions also increased significantly, from € 2,233 thousand in 2018 to € 7,901 thousand in 2019. The increase in provisions is mainly due to the decision taken by the Group to downsize production activities in China, and partially due to pending disputes for specific Systems orders.
For further information on allowances for impairment and on the provision for risks and charges, please refer to notes 20 and 27 below, respectively.

10. OTHER OPERATING EXPENSE

The item Other operating expense of the Group as at 31 December 2019 is detailed below:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Production services	28,361	34,797
Maintenance	5,078	5,150
Sales commissions and transport	20,684	20,583
Consultancy fees	6,615	8,471
Utilities	6,029	6,285
Exhibitions and advertising	10,919	12,337
Insurance	1,736	1,881
Directors, statutory auditors and consultants' remuneration	3,840	3,674
Travel	21,887	20,204
Use of third party assets	2,876	11,940
Other services	20,701	22,147
Other operating costs	**128,726**	**147,470**

The item Other operating expense decreased by € 18,744 thousand overall compared to 2018 (down 12.7%).
The main change was represented by the significant reduction in the costs for the use of third-party assets (decrease of € 9,065 thousand) due to the already-mentioned adoption of IFRS 16 in 2019. For further information on the impact of the new standard application and the transition procedures adopted, please refer to notes 3 and 14 above. As at 31 December 2019, this item included leases pertaining to the year excluded from the application of IFRS 16 because of their short term or low value (€ 2,833 thousand), as further detailed in note 14 below, and other costs for the use of third-party assets (€ 43 thousand).

Production services decreased by € 6,436 thousand (down 18.5% compared to the previous year) mainly due to the decrease in external processing.
Costs for trade fairs and advertising decreased by € 1,419 thousand (-11.5%), while Travel expenses increased by € 1,683 thousand (8.3%) and Other services decreased by € 1,446 thousand (-32.8%) The downtrend in Costs for trade fairs and advertising is due to the biennial planning of some important foreign trade fairs (Awisa in Australia, Fimma in Spain, W18 in Great Britain), which results in cost savings compared to 2018. With regard to Other services, it should be noted that this item also includes services related to car rentals which, until 31 December 2018, were included among the costs for the use of third-party assets, while - following the application of the new IFRS 16 standard - are recognised separately and included in this item.

The decrease in consultancy costs in 2019 is mainly due to the presence of non-recurring costs in 2018 relating to consultancy services for the listing of the subsidiary HSD S.p.A., which was discontinued in 2018.

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

SERVICES	SERVICE SUPPLIER	BENEFICIARY	FEES (2019)
Annual and quarterly audit	Deloitte & Touche S.p.A.	Biesse S.p.A.	120
	Deloitte & Touche S.p.A.	Subsidiaries	80
	Deloitte Network	Subsidiaries	173
Other certification services			0
Other services			0
Total			**373**

11. FINANCE INCOME AND EXPENSE

The item Finance income is detailed below:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Bank interest	161	107
Interest from customers	7	8
Interest from others	32	47
Other financial income	297	188
Exchange rate gains	7,370	8,917
Total financial income	**7,867**	**9,267**

The item Finance expense is detailed below:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Bank, mortgage and financing interest	1,102	1,258
Right of Use interest	1,085	-
Financial lease interest (ex IAS 17)		60
Interest expense to others	44	40
Impairment losses on current financial assets	77	303
Other financial expense	679	701
Exchange rate losses	11,081	12,390
Financial expense	**14,068**	**14,752**

Interest expense on leases amounted to € 1,085 thousand in 2019 (of which € 915 thousand relating to lease contracts not subject to former IAS 17 in the previous year).
Exchange rate gains and losses include realised and unrealised exchange rate differences, arising both from the conversion into Euro of ordinary transactions and from the adjustment of receivables and payables expressed in foreign currency to the exchange rate at the end of the period.
As at 31 December 2019, the Group had recorded net exchange rate losses of € 3,711 thousand, of which € 3,397 thousand came from realised exchange losses and € 314 thousand from unrealised exchange losses.

12. BASIC AND DILUTED EARNINGS PER SHARE

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

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Profit for the year	13,027	43,672
Weighted average number of shares used to calculate basic and diluted earnings per share	27,393	27,393
Base and diluted profit for the year (in Euro)	**0.48**	**1.59**

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,393
Effect of treasury shares	-	
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,393
Dilutive effects	0	0
Weighted average number of outstanding shares – for the calculation of diluted earnings	**27,393**	**27,393**

As there were no dilutive effects, the calculation used for Basic EPS is also applicable to Diluted EPS.
Basic EPS as at 31 December 2019 totalled 0.48 Euro/cent and was calculated by dividing the profit attributable to the owners of the parent, amounting to € 13,027 thousand, by the weighted average number of ordinary shares outstanding during the period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. PROPERTY, PLANT AND EQUIPMENT

EURO 000'S	HISTORICAL COST					
	Land - Property - Right of Use property	Plant and Machinery - Right of Use plant and machinery	Industrial and trade equipment	Other asset - Right of Use Cars, Fixtures, Office equipment	Under construction - Right of Use assets under construction	Total
Value at 31/12/2017	**79,204**	**63,692**	**23,583**	**32,286**	**7,644**	**206,409**
Increases	6,586	3,456	2,919	4,702	6,729	24,392
Disposals	3	(459)	(566)	(2,013)	(847)	(3,882)
Devaluations	-	-	1	-	-	(0)
Exchange diff., reclassification and other changes	6,371	9,028	473	236	(10,089)	6,018
Value at 31/12/2018	**92,164**	**75,718**	**26,409**	**35,210**	**3,437**	**232,937**
Valore al 01/01/2019 - Incremento prima applicazione IFRS 16	18,957	80		4,487		23,524
Increases	17,273	8,195	2,068	4,593	6,344	38,472
Disposals	(452)	(2,169)	(929)	(1,078)	(215)	(4,843)
Exchange diff., reclassification and other changes	602	144	23	26	(6,836)	(6,040)
Value at 31/12/2019	**128,544**	**81,969**	**27,571**	**43,237**	**2,730**	**284,052**

EURO 000'S	DEPRECIATION FUNDS					
Value al 31/12/2017	**24,861**	**46,572**	**19,495**	**24,966**	**-**	**115,894**
Amortisation of the period	2,389	3,213	2,128	2,207	-	9,937
Closing of funds for disposals	252	(841)	23	(1,261)	-	(1,827)
Exchange diff., reclassification and other changes	2,994	2,605	187	374	-	6,159
Value at 31/12/2018	**30,495**	**51,549**	**21,833**	**26,286**	**-**	**130,163**
Amortisation of the period	7,043	3,929	2,295	5,713	-	18,980
Closing of funds for disposals	(451)	(2,158)	(929)	(1,068)	-	(4,606)
Devaluations			1	4	-	5
Exchange diff., reclassification and other changes	527	13	(135)	(609)	-	(204)
Value at 31/12/2019	**37,614**	**53,332**	**23,066**	**30,326**		**144,337**

EURO 000'S	NET BOOK VALUE					
Value at 31/12/2018	61,699	24,169	4,576	8,924	3,437	135,879
Value at 31/12/2019	**90,930**	**28,637**	**4,505**	**12,910**	**2,729**	**139,710**

Since 1 January 2019, property, plant and equipment includes, in addition to owned assets, the so-called Right-of-use assets, introduced by IFRS 16.
In the table illustrating changes, the row "first-time adoption of IFRS 16" shows the impacts of the first-time adoption of the new standard, for which, as already highlighted, the simplified retrospective method was used (leading to an increase of € 23,524 thousand).
New investments amounted to € 38.5 million. These include the purchase of a high-bay warehouse by the Parent company (€ 3.7 million), the lease of the building of the subsidiary HSD S.p.A. in Gradara (€ 5.3 million, as a result of Bi.Fin. S.r.l. taking over the lease and consequent closure of the lease contract with said company for the building) and costs related to the opening of the new showroom of Biesse Deutschland (€ 2.3 million in total between owned and leased assets), as well as the normal replacement of work tools, necessary for ordinary production activities (relating to both owned and leased assets).
For further information on Right-of-use assets, please refer to note 14 below.
Land and buildings owned by the Group are not subject to mortgages.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

For the sake of clarity, the balances on these items as at 31 December 2019 are compared with the impacts arising from the first-time adoption of IFRS 16 as at 1 January 2019 and with the values of assets and liabilities under the former IAS 17 as at 31 December 2018.

EURO 000'S	31/12/19	IFRS 16 FIRST TIME ADOPTION IMPACT 01/01/2019	LEASING ASSETS EX IAS 17 31/12/2018
Non current assets			
Right of Use Land and Property	25,891	18,957	125
Right of Use Vehicles (included in other assets)	7,526	4,487	
Right of Use Equipment	2,449	80	2,616
Total	**35,866**	**23,524**	**2,741**
Non current liabilities			
Non current lease liabilities	27,043	20,445	1,569
Current Liabilities			
Current lease liabilities	7,415	3,079	349
Total	**34,458**	**23,524**	**1,919**

During 2019, right-of-use assets rose in total by € 41,751 thousand, of which € 23,524 thousand from the impact of the first-time adoption of IFRS 16.

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

EURO 000'S	31/12/19
Depreciation of Right of Use :	
Right of Use - Property	4,833
Right of Use - Vehicles	3,448
Right of Use - Equipment	306
Total	**8,586**

EURO 000'S	31/12/19
Other items in Profit & Loss	
Interest expense	1,085
Expense for short term leasing	2,646
Expense for low value leasing	187

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

During 2019, the outflows for payments connected to leases totalled € 12,708 thousand, of which € 8,790 thousand for the repayment of lease payables and the residual amount of € 3,918 thousand for interest payments made on these payables and on short-term or low-value leases.
The breakdown of lease payables by expiry is set out in note 24 below.

15. GOODWILL

Goodwill is allocated to the cash-generating units (CGUs) identified on the basis of the Group's operating segments. Management, in line with the provisions of IAS 36, identified the following CGUs:

1. Wood and Advanced Materials ("Wood") – production, distribution, installation and after-sales service of machines and systems for woodworking and composite materials processing;
2. Glass & Stone – production, distribution, installation and after-sales service of glass and stone processing machines and systems;
3. Mechatronics – production and distribution of industrial mechanical and electronic components;
4. Tooling – production and distribution of glass and stone processing tools for all the machines on the market;
5. Components – production and distribution of other components related to additional precision processing

Please note that the contract for the purchase of the company Movetro S.r.l. provided for a put/call option on non-controlling interests. We have considered the possibility that the old ownership will exercise the put option (on 31 July 2022). We have valued such a transaction at the minimum price provided in the contract (€ 1 million discounted as at today). The consolidation difference generated by this has been allocated to goodwill in the Glass segment.

The following table shows the allocation of goodwill by CGU:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Wood	8.476	8.403
Glass & Stone	5.535	5.599
Mechatronics	5.599	5.599
Tooling	3.940	3.940
Total	**23.550**	**23.542**

Compared to the end of the previous year, goodwill increased by around € 8 thousand, due to the exchange rate differences suffered by the goodwill of the Australian and American subsidiaries.
As required by accounting standards, the Directors determine the recoverable amount of goodwill by calculating the value in use at least once a year. By its nature, this method requires the Directors to materially assess the performance of operating cash flows during the period being used for the calculation, as well as assessing the discount rate and growth rate for said cash flows.

Estimates of operating cash flows for future financial years were made on the basis of the business plan for the 2020-2022 period (hereinafter referred to as the "Plan") as approved by the Board of Directors on 21 February 2020, and based on the estimates of long-term growth in revenues and associated margins.
The recoverable amount of the Cash Generating Unit was verified by determining its value in use, taken as the present value of future cash flows generated by the CGU, and calculated in accordance with the 'Discounted cash flow' method.

Assumptions underlying Discounted cash flow

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

	31 DECEMBER 2019	31 DECEMBER 2018
WACC	8.0 %	8.0 %
CAGR forecast revenue	3.2 %	6.0 %
Growth rate of the final value	1.5 %	1.5 %

For the purposes of the goodwill impairment test, a single Weighted Average Cost of Capital was used for all the Cash Generating Units given that the risk components (country risk, spread risk, interest rate risk, etc.) have been incorporated into the cash flows calculated and estimated for the individual CGUs and consequently not duplicated in the WACC.
In greater detail, the following factors were considered to determine the discount rate:

- with reference to the yield on risk-free securities, reference was made to the yield curve of 10-year Italian Government bonds (based on a 24-month measurement period);
- the systematic risk coefficient (β) considered was that of Biesse (compared to that of comparable businesses in the machinery sector – Euro Area);
- as for the market risk premium (MRP), it was assumed to be 5.5%;
- finally, the rate of the gross cost of debt was assumed to be 1.5%, determined on the basis of the average cost of the Group's debt and takes into account a Biesse spread applied to the Risk-free Rate.

Assumptions underlying cash flow estimates

Operating cash flows used to test for impairment in 2019 were based on the business plan for the 2020-2022 three-year period, as approved by the Biesse S.p.A. Board of Directors on 21 February 2020. For the remaining periods, cash flows have been extrapolated based on the industry's medium/long-term growth rate of 1.5%. The expected future cash flows refer to the CGU in its current condition and exclude the estimates of future cash flows that may arise from future restructuring plans or other structural changes.

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

	31 DECEMBER 2019	31 DECEMBER 2018
Average incidence of the cost of sales on three-year revenue	40.9 %	39.5 %
Average incidence of personnel expense on three-year revenue	32.6 %	29.1 %
Average incidence of fixed operating costs on three-year revenue	15.8 %	19.2 %

Impairment test results

CONSOLIDATED FIGURES IN THOUSANDS OF € (BIESSE GROUP – ALL DIVISIONS)	31 DECEMBER 2019
CGU carrying amount (CA)	237,054
CGU recoverable amount (RA)	574,043
Impairment	-

CONSOLIDATED FIGURES IN THOUSANDS OF € (WOOD DIVISION)	31 DECEMBER 2019
CGU carrying amount (CA)	151,295
CGU recoverable amount (RA)	429,901
Impairment	-

CONSOLIDATED FIGURES IN THOUSANDS OF € (GLASS DIVISION)	31 DECEMBER 2019
CGU carrying amount (CA)	25,814
CGU recoverable amount (RA)	53,810
Impairment	-

CONSOLIDATED FIGURES IN THOUSANDS OF € (MECHATRONICS DIVISION)	AL 31 DICEMBRE 2019
CGU carrying amount (CA)	43,895
CGU recoverable amount (RA)	140,409
Impairment	-

CONSOLIDATED FIGURES IN THOUSANDS OF € (TOOLING DIVISION)	AL 31 DICEMBRE 2019
CGU carrying amount (CA)	8,115
CGU recoverable amount (RA)	10,444
Impairment	-

The above test results did not show the need to impair the Goodwill recorded in the consolidated financial statements as at 31 December 2019.

Breakeven point
In order to write off, at a consolidated level, the excess between value in use and carrying amount, with regard to the impairment test carried out for the year ended 31 December 2019, the cost of capital (WACC) should increase by 7.5 %. Furthermore, growth in "as is" cash flows, as evidenced in the final value, should be negative and 10.6% lower, and EBITDA should be less than the "as is" plan of over € 58.7 million.

For individual CGUs, please see the following table:

	WOOD	GLASS	MECHATRONIC	TOOLING
Wacc	+ 17.80 %	+ 13.32 %	+ 20.26 %	+ 9.64 %
Growth rate	-11.1 %	-4.61 %	-17.14%	-0.37 %
EBITDA	- 39.7	- 4.0	- 13.8	- 0.3

Sensitivity analysis
A sensitivity analysis of the results was also carried out for the CGU in question: with the exception of the Tooling Division, if the CAGR on sales revenue halves, in all other cases the value in use remains higher than the carrying amount, even assuming a deterioration in key parameters such as:

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

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

		WOOD	GLASS	MECHATRONICS	TOOLING
WACC +0.5%	CGU (CA)	151,295	25,814	43,895	8,115
	CGU (RA)	396,458	49,382	129,722	9,618
Growth rate -0.5%	CGU (CA)	151,295	25,814	43,895	8,115
	CGU (RV)	399,962	49,744	131,219	9,698
CAGR -50%	CGU (CA)	151,295	25,814	43,895	8,115
	CGU (RV)	213,935	16,431	119,249	3,332

Finally, it should be noted that the estimates and budget figures to which the aforementioned parameters were applied are calculated by the Group's management on the basis of past experience and expectations about the trend in the markets in which the Group operates. Therefore, the management makes judgements and assumptions in calculating the recoverable amount of the cash-generating unit. The Group cannot guarantee that goodwill will not become impaired in future periods. Indeed, various factors relating also to the evolution of the challenging market conditions could result in adjustments to goodwill. The Group continues to monitor the circumstances and events that could require further impairment testing.

Moreover, in this regard it should be noted that, as from January 2020, the national and international scenario has been characterised by the spread of Coronavirus and by the consequent restrictive measures to contain it adopted by the public authorities of the countries involved. These circumstances, which are extraordinary in terms of their nature and extension, have direct and indirect impacts on economic activity and have created a context of general uncertainty, the developments and related impacts of which are not currently predictable. As a result of the above, there could be effects on the estimates used by management to prepare the impairment test as at 31 December 2019 (such as, by way of example, those relating to the expected cash flows, discount rates applied, growth rate used, etc.) which are currently hard to determine, considering the climate of extreme uncertainty and the developing scenario. The possible impacts, including the accounting effects and those relating to the recoverability of the assets recognised in the financial statements, will in any case be continuously and constantly monitored by directors in the rest of 2020.

16. INTANGIBLE ASSETS

EURO 000'S	HISTORICAL COST			
	Development costs	Patents, brands and other intangible assets	Asset under construction and advances	Total
Value at 31/12/2017	**71,479**	**43,247**	**16,990**	**131,716**
Increases	613	4,065	16,765	21,443
Disposals	-	-86	-670	-756
Devaluations				
Exchange diff., reclassification and other changes	9,708	4,347	-14,111	-56
Value at 31/12/2018	**81,800**	**51,573**	**18,974**	**152,347**
Increases	507	3,328	14,413	18,248
Reversal for Impairment	-5,646	-3,660	-937	-10,243
Exchange diff., reclassification and other changes	8,322	4,682	-13,365	-361
Value at 31/12/2019	**84,984**	**55,923**	**19,085**	**159,991**

EURO 000'S	DEPRECIATION FUNDS			
	Development costs	Patents, brands and other intangible assets	Asset under construction and advances	Total
Value at 31/12/2017	**53,644**	**24,149**		**77,794**
Amortisation of the period	8,902	3,982		12,884
Closing of funds for disposals	-197	-101		-298
Devaluations		29		
Exchange diff., reclassification and other changes	-88	1,330		1,242
Value at 31/12/2018	**62,260**	**29,388**		**91,649**
Amortisation of the period	9,191	5,116		14,307
Closing of funds for disposals	-3,339	-2,134		-5,473
Exchange diff., reclassification and other changes	-267	98		-168
Value at 31/12/2019	**67,845**	**32,468**		**100,314**

EURO 000'S	NET BOOK VALUE			
	Development costs	Patents, brands and other intangible assets	Asset under construction and advances	Total
Value at 31/12/2018	**19,540**	**22,185**	**18,974**	**60,699**
Value at 31/12/2019	**17,138**	**23,454**	**19,085**	**59,677**
DEVALUATIONS 2019	**-2,307**	**-1,526**	**-937**	**-4,770**

As at 31 December 2019, the consolidated financial statements include assets that represent new product development costs of € 36.2 million, of which € 19.1 million appears under capital work in progress and advance payments.
Capitalising development costs involves the Directors making estimates, since the recoverability of these costs depends on cash flows from the sale of products marketed by the Biesse Group.
These estimates are characterised both by a complexity of assumptions underlying the revenue and future margin projections, and by strategic industrial choices made by the Directors.

As already highlighted, from the verification of cash flows expected from the sale of products, which incorporate development projects covered by capitalisation, as at 31 December 2019 it was necessary to proceed with an impairment of costs relating to development projects, both to those which are being amortised and to current ones, which were previously capitalised for € 3,243 thousand, since they are considered as no longer recoverable and/or strategic, and with an impairment of licences that are no longer used, for € 1,526 thousand.
Intangible assets are unencumbered.

17. OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

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

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Non-current financial assets	2,640	2,847
Current financial assets	2,653	494

Non-current financial assets mainly relate to guarantee deposits.
For the current part, the item relates to the fair value of derivatives for € 429 thousand (€ 494 thousand as at 31 December 2018); the difference of € 2,224 thousand refers to the life insurance policy stipulated by the Parent company during 2019 with Generali Spa. This policy, which envisages a period of possession of at least five years but with the possibility of immediate withdrawal, was stipulated by the Directors for the purpose of a temporary investment of liquidity, which may be readily deployed for short-term financial needs.

18. INVENTORIES

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Raw materials, consumables and suppliers	47,634	54,450
Work in progress and semi-finished goods	21,818	16,697
Finished goods	67,219	75,194
Spare parts	18,828	16,445
Inventories	**155,498**	**162,786**

Inventories, amounting to € 155,498 thousand, are net of the allowances for inventory write-downs, amounting to € 3,117 thousand for raw materials (up € 154 thousand compared to 2018), € 2,975 thousand for spare parts (up € 422 thousand compared to 2018) and € 3,839 thousand for finished goods (up € 1,040 thousand compared to 2018).
Allowance for inventory write-downs of raw materials to the historical cost of the related inventories is equal to 6.1% while that for finished products is 5.4 %.
The Group's inventories decreased by € 7,287 thousand compared to the previous year. In detail, inventories of raw materials decreased by € 6,816 thousand and inventories of finished products and goods by € 7,975 thousand, while inventories of work in progress and semi-finished goods increased by € 5,121 thousand and spare parts by € 2,382.
The allowance for inventory write-downs reflects management's estimate of impairment losses expected by the Group and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts.

19. TRADE RECEIVABLES AND CONTRACT ASSETS

The item is broken down as follows:

€ '000	31 DECEMBER 2019	31 DECEMBER 2018
Contract assets	-	5,628
Trade receivables	116,973	122,329
Total	**116,973**	**127,957**

As at 31 December 2019 there were no contractual assets, while this item had a balance of € 5,628 thousand as at 31 December 2018.
These assets relate to the amounts due to the Group based on the progress of the works undertaken exceeding the part already charged to the customer in compliance with the contractual conditions. On the basis of the contractual assets recorded as at 31 December 2018, it was not necessary to make allocations to specific allowances for impairment. The orders outstanding as at 31 December 2018 were completed during 2019, while as at 31 December 2019 there were no contracts with customers that can be considered as sales to be recorded over the time they are in progress.
For further information on trade receivables, please refer to note 20 below.

20. TRADE RECEIVABLES

The Group's trade receivables as at 31 December 2019 and 31 December 2018 are detailed below:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Trade receivables due from third parties	122,895	128,694
Trade receivables due from related parties	17	50
Allowance for impairment	(5,939)	(6,415)
Trade receivables	**116,973**	**122,329**

Management believes that the carrying amount of trade receivables is a reasonable approximation of their fair value.
Trade receivables amounting to € 116,973 thousand reflect a decrease of € 5,356 thousand as compared to the previous year (€ 122,329 thousand in 2018).

Changes in the provisions are shown below:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Opening balance	**6,415**	**5,238**
Accrual for the year	459	2,006
Derecognition of excess provisions	(122)	-
Utilised	(833)	(604)
Exchange rate difference	20	(38)
Other movements	-	(187)
Closing balance	**5,939**	**6,415**

Provisions to the allowance for impairment are made on the basis of both an assessment of specific credit positions where specific disputes exist (and are generally supported by an accompanying legal opinion) and of general, well-founded assessments of historical experience related to other credit positions, also taking into account forward-looking considerations.
The amount of the provisions is calculated on the basis of the present value of estimated recoverable amounts, accounting for the related recovery expenses, if any, and the fair value of the collateral given to the Group, if any.
In any case, the Directors monitor overdue receivables by conducting a periodic analysis of the main positions; receivables that are objectively non-collectable, either partially or totally, are impaired.
For further details on credit management, please see note 32.
For an analysis of trade receivables due from related parties and parents, please see note 33.

21. OTHER RECEIVABLES

A breakdown of other current receivables as at 31 December 2019 is as follows:

€ '000	31 DECEMBER 2019	31 DECEMBER 2018
Consumption tax receivables and other tax receivables	11,600	14,558
Income tax assets	5,959	7,720
Other receivables from related parties	976	977
Other receivables from third parties	4,354	4,797
Other receivables	**22,890**	**28,052**

Consumption tax receivables and other tax receivables of € 11,600 thousand decreased by € 2,958 thousand compared to the previous year. This item includes VAT receivables and other receivables from tax authorities. The decrease is partly due to the reduction in the Parent company's and some subsidiaries' VAT receivables from tax authorities, and is also affected by the reduction in the R&D tax credit.
"Income tax receivables" mainly include IRES tax receivables and decreased by approximately € 1.7 million compared to the previous year.

As from 2008, the company Biesse S.p.A. has participated in the Biesse Group national tax consolidation scheme, along with its subsidiaries Bre.Ma. Brenna Macchine S.r.l, Viet Italia S.r.l., HSD S.p.A., Axxembla S.r.l., Uniteam S.p.A., Montresor S.r.l., Movetro S.r.l., BSoft S.r.l. In this context, pursuant to articles 117 and following of Presidential Decree 917/86, the IRES tax has been determined at an aggregated level by offsetting the positive and negative taxable amounts of the above-mentioned companies. The financial relationships and the mutual responsibilities and obligations between the companies are defined in the regulation governing participation in the Biesse Group's tax consolidation scheme.
The item "Other receivables from third parties" includes deferrals on costs pertaining to subsequent years and sundry receivables, and remains substantially stable compared to the previous year.
With regard to receivables from related parties, please refer to note 33 below.

22. CASH AND CASH EQUIVALENTS

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Bank deposit	84,570	66,926
Cash and cash equivalents	1,491	3,330
Financial asset short term	-	12,764
Disponibilità liquide e mezzi equivalenti	**86,061**	**83,020**

Cash and cash equivalents include bank deposits of € 84,570 thousand and cash or cash equivalents on hand of € 1,491 thousand. As at 31 December 2018, financial assets whose original maturity does not exceed three months primarily referred to very short-term investments mainly made with the investment banks Azimut, Kairos and Amundi.They were entirely liquidated during 2019 without incurring any loss. These investments referred to cash equivalent financial instruments (bonds and cash), whose carrying amount was represented by their mark to market.
For further details regarding the movements that have influenced the availability of cash and cash equivalents, please refer to the Group's Statement of Cash Flows. Furthermore, please refer to note 23 for additional details on the net financial position.
For the purposes of preparing the Statement of Cash Flows, transactions of a financial and investment nature that have been carried out without changes in cash flows were not included. In particular, increases in right-of-use assets and related lease liabilities (€ 41,751 thousand) were not included in the statement as at 31 December 2019.
No term deposits exist as at the reporting date.

23. CONSOLIDATED EQUITY

The statement of changes in consolidated equity as at 31 December 2019 is shown in the accounting schedules section.
Share capital of € 27,393 thousand was unchanged from the previous financial year, and the number of The Parent company's ordinary shares was 27,393,042, with a nominal value of € 1 each. As at the date on which these financial statements were approved, there were no treasury shares held.

Hedging and translation reserve

The item wholly consists of the translation reserve, which includes all the exchange rate gains (losses) arising from the conversion of the financial statements in foreign currency, for the part relating to the group, and was negative for € 6,140 thousand as at 31 December 2019, largely unchanged compared to the prior year (€ 6,063 thousand in 2018).
The "Translation reserve" also includes the exchange rate gains (losses) arising from the consolidation in the Parent company's statutory financial statements of the financial statements of the Dubai branch (€ 4 thousand).

Share capital reserves

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

Other reserves

Other reserves are as follows:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Legal reserve	5,479	5,479
Extraordinary reserve	115,323	96,462
Reserve for treasury shares	-	-
Retained earnings and other reserves	26,534	15,497
Other reserves	**147,335**	**117,438**

The legal reserve includes the Parent company's earnings provision of 5% for each financial year. During this financial year the reserve was not increased, as it had already reached 20% of the total value of the share capital (€ 5,479 thousand).
The extraordinary reserve, amounting to € 115,322 thousand as at 31 December 2019, increased by € 18,860 thousand compared to the previous year due to the allocation of the Parent company's 2018 profit, net of dividends distributed in 2019 for € 13,149 thousand.
Retained earnings and other reserves totalling € 26,534 thousand (€ 15,497 thousand in 2018) increased by € 11,037 thousand. The item other reserves includes the actuarial profit/loss reserve, negative for € 4,982 thousand, consolidated undistributed earnings of € 29,167 thousand and other Parent company's reserves of € 2,349 thousand.
For an analysis of the changes in these reserves, please refer to the Statement of changes in equity.

Non-controlling interests

Non-controlling interests amounted to € 858 thousand as at 31 December 2019 (€ 893 thousand as at 31 December 2018).

24. FINANCIAL LIABILITIES

The following table shows a breakdown of current and non-current financial liabilities as at 31 December 2019 and 31 December 2018.

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Non-current liabilities		
Lease liabilities	27,043	1,569
Other non current financial debt	26,006	33,821
	53,049	**35,390**
Current liabilities		
Lease liabilities	7,415	349
Payables to bank and financial institutions	43,816	21,179
Other loans	2,295	
Derivatives	748	982
	54,274	**22,510**
F inancial liabilities	**107,323**	**57,900**

Lease liabilities

The significant increase in lease payables was caused by the impact of the first-time adoption of IFRS 16 as from 1 January 2019, which was analysed in note 3 above.
The breakdown of lease payables by expiry is set out below:

EURO 000'S	AT 31 DECEMBER 2019	AT 31 DECEMBER 2018
Leasing Liabilities:		
- due within a year	9,033	367
- due over one year, but within five years	18,553	1,597
- due within five year	12,226	
Total	**39,812**	**1,964**
After deduction of charges for future financial charges	(5,354)	(45)
Present Value of lease liabilities	**34,458**	**1,919**
whose:		
Current	7,415	349
Non current	27,043	1,569

The significant increase in lease payables was largely due to the impact of the first-time adoption of IFRS 16, which has already been mentioned and described in more detail in notes 3 and 14 above.
Payables relating to right-of-use assets include liabilities due to related parties of € 42 thousand (of which € 15 thousand in the short term) and due to parent companies for € 1,481 thousand (of which € 128 thousand in the short term).
For further information on Lease liabilities, please refer to note 14 below.

Bank overdrafts and other financial liabilities

For 2019, the average interest rate on loans was 0.67%.
As at 31 December 2019, the amount of granted but unused credit lines in Italy was € 189 million.
As at 31 December 2019, short-term (uncommitted) credit lines accounted for 40.3% of total financing, whereas the remaining part is represented by unsecured loans, in the absence of mortgage restrictions. The credit lines granted also include revolving credit facilities.

Derivatives

Liabilities consisting of derivative instruments are equal to the fair value of foreign currency hedging transactions ('forward' contracts) in place as at 31 December 2019, being € 748 thousand. The Group has chosen not to adopt hedge accounting policies for recognising this type of instrument.

Net financial debt

Shown below is a breakdown of net financial debt as at 31 December 2019 and 31 December 2018. Please note, net financial debt is presented in accordance with the provisions set out by Consob Communication no. 6064293 of 28 July 2006 as well as with ESMA/2013/319 recommendations.

EURO 000'S	AT 31 DECEMBER 2019	AT 31 DECEMBER 2018
Cash	1,491	3,330
Cash and cash equivalents	84,570	66,926
Financial Assets short term		12,764
Cash and cash equivalents	**86,061**	**83,020**
Financial Assets (including derivative financial instruments)	**2,653**	**494**
Short-term lease liabilities	(7,415)	(349)
Current bank debts	(688)	(533)
Short-term loans and current portion of non-current indebtedness	(43,129)	(20,645)
Other current financial liabilities	(3,043)	(1,188)
(Current financial indebtedness)	**(54,274)**	**(22,716)**
(Net current financial indebtedness) / availability	**34,440**	**60,798**
Medium/long-term lease liabilities	(27,043)	(1,569)
Medium and long term bank debts	(26,006)	(33,821)
(Non-current financial indebtedness)	**(53,049)**	**(35,390)**
(Net financial indebtedness) / cash and cash equivalents	**(18,609)**	**25,407**

Reconciliation of cash flows

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

EURO 000'S			NO CASH MOVEMENTS		
	31/12/18	Cash flow	New leasing	Other movements	31/12/19
Bank loans and borrowings	534	157		(3)	688
Loans and derivatives	54,953	16,623		173	71,749
Leasing	1,919	(8,790)	41,325	3	34,458
Total	**57,406**	**7,990**	**41,325**	**173**	**106,894**

25. EMPLOYEE BENEFITS

Defined-contribution plans

As a result of the Supplementary Pension Reform, the amounts accruing from 1 January 2007 - and at the discretion of employees - are allocated to supplementary pension schemes or transferred by the company to the treasury fund managed by INPS (the Italian National Social Security Institution), taking the form of defined-contribution plans (no longer subject to actuarial measurement), starting from when the employee's choice has been formalised. These costs are in addition to those incurred by foreign subsidiaries for defined-contribution plans. The total cost of these employee plans amounts to € 7,823 thousand (€ 7,603 thousand in the previous year).

Defined-benefit plans

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

Changes in the item "Employee benefits" are as follows:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Opening balance	**12,550**	**13,456**
Current services	358	-
Financial (expenses)/revenues	(29)	(29)
Benefits paid out	(840)	(660)
Actuarial gain/(losses)	624	142
Other movements	48	(360)
Closing balance	**12,710**	**12,550**

The assumptions used for measuring severance indemnity obligations are:

ECONOMIC ASSUMPTIONS	31 DECEMBER 2019	31 DECEMBER 2018
Annual rate of inflation	1.20%	1.50%
Annual discount rate	from -0.23% in 2019 to 0.83% in 2033	from -0.18% in 2018 to 1.61% in 2032

DEMOGRAPHIC ASSUMPTIONS	31 DECEMBER 2019	31 DECEMBER 2018
Death	RG48 mortality tables published by the Government General Accounting Office	
Disability	INPS tables broken down by age and sex	
Retirement	100% upon reaching the AGO requirements	
Probability of advances	**3%**	**3%**

The effects of the revaluation of defined-benefit plans were negative to the tune of € 624 thousand as at 31 December 2019; the effect of the taxes calculated on them is € 150 thousand.

Average number of employees

The average number of working units in 2019 was 4,279 (4,340 in 2018).

26. INCOME TAXES

Income taxes recognised in profit or loss

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
IRES and other deferred taxes	3,952	10,785
Income tax related to foreign subsidiaries	4,660	4,680
Other taxes	(26)	(32)
IRES and other taxes for the year	**8,587**	**15,433**
IRAP and other current taxes	1,405	2,679
Income taxes relating to previous years	449	(3,676)
Income taxes	**10,441**	**14,436**

IRES and other deferred taxes, negative to the tune of € 3,952 thousand overall (€ 10,785 thousand in 2018), mainly include the IRES tax expense for the period (determined by the national tax consolidation scheme), and the use of deferred tax assets set aside in previous years.
The balance of tax items was negative to the tune of € 10,441 thousand. This is attributable to the following items: IRES (Italian corporate income tax) and other deferred taxes for € 3,952 thousand and IRAP (Italian regional business tax) for € 1,405 thousand; provisions for income taxes relating to foreign subsidiaries (€ 4,660 thousand) and previous-year taxes, negative to the tune of € 449 thousand.
The significant tax-rate increase is mainly due to two combined factors: (i) the lower impact of the tax benefit connected to the Patent Box, as the figures for the year ended 31 December 2018 included contingent tax assets also relating to prior years (pursuant to the agreement signed by Biesse S.p.A. in 2019 but referring also to the 2015-2016-2017-2018 financial years), while in 2019 only the benefit calculated for the current year was recognised; (ii) a higher level of losses recorded in China owing to the restructuring of the local business, in respect to which the related deferred tax assets have not been recognised.
The provision for taxes of the year can be reconciled with the profit or loss for the year shown in the financial statements as follows:

EURO 000'S		31 DECEMBER 2019		31 DECEMBER 2018
Pre-tax profit	**23,443**		**58,287**	
National income tax rate 24%	(5,626)	24.0%	(13,989)	24.0%
Tax effect of non-deductible expense/exempt profit in determining income	(81)	0.3%	(631)	1.1%
Detection and utilisation of losses not previously recognised	270	(1.2)%	296	-0.5%
Tax effect on losses unrecognised	(3,275)	14.0%	(1,859)	3.2%
Deferred Tax Asset effect unrecognised on previous year	(77)	0.3%	(1,432)	2.5%
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	(168)	0.7%	(614)	1.1%
Other differences	370	(1.6)%	2,795	-4.8%
Income taxes for the year and effective tax rate	**(8,587)**	**36.6%**	**(15,433)**	**26.5%**
IRAP and other current taxes	(1,405)	(6.0)%	(2,679)	4.6%
Income taxes relating to previous years	(449)	(1.9)%	3,676	-6.3%
Income taxes for the year and effective tax rate	**(10,441)**	**44.5%**	**(14,436)**	**24.8%**

Deferred tax assets/liabilities

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

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Accrual to provisions for risks and charges	3,845	2,592
Intercompany profits included in the amount of closing inventories	3,981	5,496
Recoverable tax losses	1,780	1,187
Other	3,729	3,048
Deferred tax assets	**13,335**	**12,323**
Amortisation	2,068	1,901
Godwill Amortisation	-	-
Other	808	437
Deferred tax liabilities	**2,876**	**2,338**
Net deferred tax assets	**10,459**	**9,985**

As at 31 December 2019, the Group recorded deferred tax assets and liabilities with a net positive balance of € 10,458 thousand (€ 9,985 thousand in 2018). Management recognised such deferred tax assets to the extent they are likely to be recovered. The calculation of the various items took into consideration budget results and forecasts for the subsequent years consistent with those used for the purposes of impairment testing, approved by the Board of Directors of the parent company on 21 February 2020, and described in the above paragraph concerning the recoverable amount of non-current assets. Deferred tax assets on past year losses not recognised in the financial statements as at 31 December 2019 were approximately € 10 million.

Income tax payables

Income tax payables amounted to € 5,921 thousand (€ 4,134 thousand as at 31 December 2018) and include income tax payables still to be paid as at the reporting date.

27. PROVISIONS FOR RISKS AND CHARGES

EURO 000'S	AT 31 DECEMBER 2019					
	Guarantees	Retirement of agents	Restructuring	Legal disputes	Tax disputes	Total
Opening balance	**6,737**	**367**		**2,721**	**912**	**10,737**
Non current						1,091
Current						9,646
Accruals	233	835	3,758	2,634	175	7,634
Utilised		(173)		(508)	(190)	(870)
Exchange rate gains and other differences	85		(33)	532	(31)	554
Closing balance at 31 December	**7,055**	**1,029**	**3,725**	**5,379**	**866**	**18,054**
Non current						1,429
Current						16,625

The warranty provision represents the best estimate made by the Parent company's Directors with respect to the obligations deriving from the warranty on products sold by the Group. The provision derives from estimates based on past experience and on the analysis of the level of reliability of the marketed products.
The provision for retirement of agents refers to the liabilities related to existing agency agreements.
Provisions for corporate restructuring mainly refer to the aforementioned review of the Group's strategy in China.
The increase in the provision for legal and tax disputes derives from the increase in provisions for legal and criminal risks and for disputes with customers. These provisions represent the Directors' best estimate with respect to the probable liability that could arise from outstanding disputes.

28. TRADE PAYABLES

The Group's trade payables as at 31 December 2019 and 31 December 2018 are detailed below:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Trade payables to suppliers	131,184	160,927
Trade payables to related parties	1,471	1,648
Trade payables to parent company	18	16
Trade payables	**132,673**	**162,591**

Trade payables amounted to € 132,673 thousand (€ 162,591 thousand in the previous year), down € 29,918 thousand due to the slowdown in production. It should be noted that trade payables are due within the next year and it is believed that their carrying amount at the reporting date is a reasonable approximation of their fair value.
For an analysis of trade payables to related parties and the parent, please see note 33.

29. CONTRACT LIABILITIES

Contractual liabilities amounted to € 67,536 thousand as at 31 December 2019 (€ 75,652 thousand as at 31 December 2018) and are made up as follows:

EURO 000'S	AT 31 DECEMBER 2019	AT 31 DECEMBER 2018
Advances from customers before the sale of the goods	53,434	64,274
Net advances from customers for services	14,102	11,378
Total of liabilities contract	**67,536**	**75,652**

Contractual liabilities mainly relate to advances received from customers for products not yet delivered and for which revenue is recognised when the customer obtains control of the asset. For the remaining part, they relate to advances received from customers for services, recognised over time, for the part that exceeds the activities already carried out.
It should be noted that the contractual liabilities outstanding as at 31 December 2018 were fully reflected in the income statement, under revenue, during 2019.

30. OTHER CURRENT AND NON-CURRENT PAYABLES

Other non-current payables amounted to € 925 thousand (€ 1,102 thousand as at 31 December 2018) and mainly refer to payables relating to the recognition of the Call/Put option in connection with the acquisition of the remaining 40% stake in the subsidiary Movetro S.r.l.
A breakdown of other current payables as at 31 December 2019 is as follows:

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
Tax liabilities	13,187	11,762
Social security liabilities	12,230	13,088
Other payables to employees	22,622	25,084
Other payables to third parties	8,254	7,996
Other liabilities to related parties	1	26
Other payables to parent company		(0)
Other liabilities	**56,293**	**57,955**

Other payables amounted to € 56,293 thousand, decreasing by € 1,662 thousand compared to the previous year.
Other payables to third parties of € 8,254 thousand, slightly up compared to the previous year (€ 7,996 thousand in 2018), mainly consist of deferred income.
For an analysis of payables to parent companies, reference should be made to note 33.

31. FINANCIAL ASSETS/LIABILITIES FOR DERIVATIVE INSTRUMENTS

EURO 000'S		31 DECEMBER 2019		31 DECEMBER 2018
	Asset	Liability	Asset	Liability
Currency derivatives	429	748	494	982
Total	**429**	**748**	**494**	**982**

The value of open contracts at year-end (with a negative balance of € 319 thousand) refers to hedging contracts that are not compatible with the requirements of IFRS 9 for the application of hedge accounting. As from 2016, the Group no longer records financial derivatives with the method envisaged for hedge accounting.

32. FINANCIAL RISK MANAGEMENT

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

The Group's risk management policies aim to identify and analyse the risks to which the Group is exposed. They also endeavour to establish appropriate limits and controls, and to monitor risk and compliance with these limits. These policies and associated procedures are regularly reviewed in order to reflect any changes to market conditions or Group activities.
With regard to the risk connected with the fluctuation in raw material prices, the Group tends to transfer their management and economic impact to its own suppliers by agreeing purchase costs for periods of no less than six months. The impact of the main raw materials, steel in particular, on the average value of the Group's products is marginal compared to the final production cost.
The following paragraphs use sensitivity analysis to assess the potential impact on actual results that hypothetical fluctuations in benchmarks may cause. As required under IFRS 7, these analyses are based on simplified scenarios being applied to actual data for benchmark periods. By their very nature, these analyses cannot be considered to truly evidence the effect of future changes in the benchmark in view of different financial and equity structures as well as different market conditions. Nor are they able to reflect the interrelations and complexity of the reference markets.

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

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

a) Transaction exchange rate risk
This risk comes about due to the individual companies carrying out commercial and financial transactions in currencies other than their normal operating currency. Exchange rates may fluctuate between the time when the commercial/financial relationship begins and the time when the transaction is completed (collection/payment), thus originating gains or losses.
The Group manages such risk by making use of derivative instrument purchases, such as forward exchange contracts and cross currency swaps. As from 2016, the Group, following Biesse S.p.A. Board of Directors' resolution of 11 March 2016 which approved the new exchange risk management policy for the Biesse Group, has put on hold the use of hedge accounting techniques for recognising derivative instruments, since the rules set out in the reference standards were found to be quite stringent to be applied effectively and in full to business operations.

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

EURO 000'S	AT 31 DECEMBER	
	Financial Asset 2019	Financial Liabilities 2019
Australian Dollar	10,907	562
Canadian Dollar	2,074	319
Pound Sterling	3,008	928
Hong Kong Dollar	12,586	15
Indian Rupee	3,418	2,374
US Dollar	22,022	8,366
New Zealand Dollar	844	35
Chinese Renmimbi Yuan	5,255	13,868
Other currencies	2,187	478
Total	**62,299**	**26,945**

In defining the amount exposed to interest rate risk, the Group also includes foreign currency orders acquired in the period before they become trade receivables (shipping-invoicing).
A sensitivity analysis follows, illustrating the expected impact on the income statement of a +15%/-15% appreciation/depreciation of the Euro.
This analysis assumes that all other variables, in particular interest rates, are unchanged.

EURO 000'S	IMPACT ON INCOME STATEMENT	
	If exchange rate > 15%	If exchange rate < 15%
Australian Dollar	(1,349)	1,826
Canadian Dollar	(229)	310
Pound Sterling	(271)	367
Hong Kong Dollar	(1,640)	2,218
Indian Rupee	(136)	184
US Dollar	(1,781)	2,410
New Zealand Dollar	(106)	143
Chinese Renmimbi Yuan	1,124	(1,520)
Total	**(4,389)**	**5,937**

The above amounts are shown gross of hedging.

b) Translation exchange rate risk
The Group holds a controlling interest in companies that prepare their Financial Statements in currencies other than the Euro, which is the currency used for presenting the consolidated financial statements. Therefore this exposes the Group to translation risk, which arises from converting assets and liabilities of these subsidiaries into Euro.
The effects of these changes are accounted for directly under equity in the translation reserve.
The main exposures to translation risk are constantly monitored. As at the reporting date, it was decided not to adopt specific hedging policies for this type of exposure.

Interest rate risk
Interest rate risk represents exposure to changes in the fair value of, or future cash flows from, financial assets or liabilities, due to changes in market interest rates.
The sensitivity analysis aimed at assessing the potential impact of a hypothetical sudden and unfavourable 10% change in short-term interest rates on financial instruments (typically cash and some financial payables) reveals no significant impact on the results or the equity of the Group.

Credit risk
Credit risk represents the Group's exposure to potential financial losses deriving from the failure of commercial and financial counterparties to fulfil their contractual obligations.
The main exposure is towards customers. In order to limit this risk, the Group has implemented procedures for assessing the financial potential and soundness of its customers, monitoring expected cash flows from collections and for any debt collection activities. These procedures typically provide for sales to be finalised by obtaining advance payments. However, for those customers who are considered strategically important by Management, credit can be provided with limits being established and monitored.

The carrying amount of financial assets, net of any impairment for expected losses, represents the maximum exposure to credit risk.
For more information on how the allowance for impairment was determined and on the characteristics of overdue receivables, please refer to Note 20 above on trade receivables.
Shown below is a table, as required by IFRS 9, which reports the allocation of the allowance for impairment by maturity date.

EURO 000'S	AT 31 DECEMBER 2019					
	Current	Overdue by 1 to 30 days	Overdue by 30 to 180 days	Overdue by 180 to 365 days	Overdue more than 365 days	Total
% Estimated loss	0.8%	0.2%	2.0%	5.8%	70.6%	**4.8%**
Receivables	72,155	17,059	20,161	7,178	6,342	**122,895**
Estimates credit losses	606	34	409	417	4,474	**5,939**

Liquidity risk
Liquidity risk is the risk that available financial resources will be insufficient to meet financial and commercial obligations as and when they fall due.
Negotiation and management of banking relationships are centralised at the Biesse Group level, by virtue of the Cash Pooling agreement, so as to ensure that short and medium-term financial needs will be met at the lowest possible cost. Raising medium and long-term capital funds on the market is also optimised with centralised management.
The type of prudent risk management described above implies maintaining an adequate level of cash and/or easily convertible short-term securities. The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers.
The following table shows the expected flows based on the maturities of financial liabilities other than derivatives. Balances relating to financial lease liabilities, bank overdrafts and bank loans are expressed at their contractual value without being discounted, which includes both principal and interest amounts. Loans and other financial liabilities are classified on the basis of the earliest maturity date, and revocable financial liabilities, as well as other liabilities whose maturities are not available, are considered payable on demand ("worst case scenario").

EURO 000'S	AT 31 DECEMBER 2019					
	Less than 30 days	30-180 days	180 days-1 year	1-5 years	After 5 years	Total
Trade and other payables	72,745	88,312	12,360	2,254	108	175,779
Bank loans and borrowings	3,040	29,836	13,503	25,907	218	72,504
Total	**75,784**	**118,149**	**25,863**	**28,160**	**326**	**248,282**

The Group monitors liquidity risk by controlling net flows on a daily basis in order to ensure financial resources are managed efficiently.
The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers.
As at 31 December 2019, the Group had lines of credit arranged for the entire Group through the parent company Biesse S.p.A.

Classification of financial instruments

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

EURO 000'S	31 DECEMBER 2019	31 DECEMBER 2018
FINANCIAL ASSETS		
Designated at fair value through profit or loss:		
Derivative financial assets	429	494
Measured at amortised cost :		
Trade receivables	116,973	122,329
Other assets	5,841	3,825
- other financial assets and non-current receivables	2,640	2,847
- other financial assets short term	2,224	
- other current assets	977	977
Cash and cash equivalents	86,061	83,020
FINANCIAL LIABILITIES		
Designated at fair value through profit or loss:		
Derivative financial liabilities	748	982
Measured at amortised cost :		
Trade payables	132,411	162,591
Bank loans and borrowings	72,117	54,999
Lease liabilities	34,458	1,919
Other current liabilities	**36,283**	**40,628**

The carrying amount of the above financial assets and liabilities is equal to or a reasonable approximation of their fair value. For financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. To this end, IFRS 13 identifies the three levels of FV that have already been indicated in the early part of these financial statements:
Level 1 – input data used in the measurements are represented by quoted prices in active markets for assets or liabilities identical to those being measured;
Level 2 – input data other than quoted prices included within level 1 that are observable in the market, either directly (i.e. prices) or indirectly (i.e. derived from prices);
Level 3 – input data that are not based on observable market data.
Financial instruments measured at fair value are classified under Level 2 (same as in 2018). During the financial year there were no transfers between Levels.

33. RELATED-PARTY TRANSACTIONS

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

Set out below are the Group financial and income balances arising from related-party transactions for the years 2019 and 2018. It should be noted that commercial transactions with these entities were carried out at arm's length and that all transactions were in the interest of the Group.
Furthermore, it should be noted that related parties also include companies owned by close relatives of Board of Directors' members.

EURO 000'S	REVENUE FOR THE YEAR ENDED 31/12/2019	REVENUE FOR THE YEAR ENDED 31/12/2018	COSTS FOR THE YEAR ENDED 31/12/2019	COSTS FOR THE YEAR ENDED 31/12/2018
Parent				
Bi. Fin. S.r.l.	-	-	31	433
Other related companies				
Fincobi S.r.l.	1	1	1	14
Se. Mar. S.r.l.	15	22	2,507	3,075
Wirutex S.r.l.	40	38	1,456	1,489
Others		1	-	-
Members of the Board of Directors				
Members of the Board of Directors	1	1	2,913	3,217
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	146	116
Total	**57**	**63**	**7,022**	**7,910**
Total	**58**	**63**	**7,054**	**8,345**

EURO 000'S	RECEIVABLES FOR THE YEAR ENDED 31/12/2019	RECEIVABLES FOR THE YEAR ENDED 31/12/2018	PAYABLES FOR THE YEAR ENDED 31/12/2019	PAYABLES FOR THE YEAR ENDED 31/12/2018
Parent				
Bi. Fin. S.r.l.	977	977	1,499	16
Other related companies				
Fincobi S.r.l.	-	-	43	-
Edilriviera S.r.l.	-		-	-
Se. Mar. S.r.l.	4	2	880	894
Wirutex S.r.l.	13	18	479	516
Other	-	30	-	-
Members of the Board of Directors				
Members of the Board of Directors	-	-	1	190
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	111	73
Total	**17**	**50**	**1,514**	**1,673**
Total	**994**	**1,027**	**3,013**	**1,689**

The costs incurred in relation to the Parent Bi.Fin. S.r.l. include rents for the first months of 2019, for the use by the subsidiary HSD S.p.A. of the building in Gradara. As already mentioned, from 1 May 2019 the subsidiary took over the lease contract which previously regulated the relationship between the Parent and the lease company. For all the financial years under consideration, no guarantees have been given or received. The Group has not accounted for any losses on receivables from related parties in the current or previous financial years. It should be noted that, as from 31 December 2019, payables to the Parent and to other related parties include lease payables (€ 1,481 thousand) to the Parent Bi.Fin. S.r.l. and € 42 thousand to the related party Fincobi S.r.l.).
Directors' fees are proposed by the Board of Directors and approved at the ordinary shareholders' meeting according to the average market remuneration levels. It should be noted that, as regards managers with strategic functions who perform management and coordination activities, their remuneration (including fees and bonuses) is included under personnel expense.
For full details regarding remuneration of Directors and Statutory Auditors, please refer to the Remuneration Report published on the company website www.biesse.com.

Biesse S.p.A. is subject to management and co-ordination by the Parent Bi.Fin. S.r.l. As required by the Italian Civil Code, below we disclose the key data from the latest consolidated financial statements of Bi.Fin. S.r.l as lodged with the Chamber of Commerce, highlighting that:

- reference should be made to the latest approved financial statements, namely the financial statements as at 31 December 2018;
- given that summary information is required, it was considered appropriate to limit this disclosure to indicating the total amounts for the most material items.

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Value of Production	462	382
Production costs	(637)	(732)
Exchange rate gains and losses	6,821	5,056
Income taxes	(4)	-
Profit (loss) for the year	**6,642**	**4,706**

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Non-current assets	32,647	32,729
Working capital	25,981	24,904
Total assets	**58,628**	**57,366**
Equity		
Share capital	10,569	10,569
Reserves	40,218	41,112
Profit for the year	6,642	4,706
Payables	1,199	1,246
Total liabilities	**58,628**	**57,366**

34. SHARE-BASED INCENTIVE PLANS

The plan became effective in May 2015 and ended on 30 June 2018.
As from 1 July 2018, a new incentive plan was approved, based exclusively on monetary incentives for the top management (LTI), expiring on 30 June 2021.

35. OTHER INFORMATION

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

Commitments and guarantees issued and received
With regard to guarantees issued, the Group has issued a guarantee for the MO.TO. project (credit cards) in favour of Banca Popolare dell'Emilia Romagna (€ 9,300 thousand).
In addition, there are (bank) guarantees in favour of customers for advance payment bonds (€ 3,990 thousand), in favour of Avant to guarantee the debt balance for the purchase of Bsoft Srl (€ 85 thousand) and other minor guarantees.

Atypical and unusual transactions
No transactions of this nature were reported.

Government grants pursuant to Article 1, paragraphs 125-129 of Law no. 124/2017
For details on government aid and the de minimis aid which was received – for which there is the obligation to report to the National Registry of Government Aid, in accordance with Art. 52, Law 234/2012 – express reference is made to said register.

However, the following details are reported:

PROVIDER	GRANT RICEIVED 2019	CAUSAL
FONDIMPRESA	167	Financed training grant
EUROPEAN COMMISSION	71	ZDMP European grant project
FONDIRIGENTI	7	Financed training grant
GSE SPA Energy Services Operator	15	GSE Grant exchange on site

Pesaro, 13 March 2020

The Chairman of the Board of Directors

Giancarlo Selci

ANNEX

ANNEX 1

INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006[1]

EURO 000'S	NOTE	31 DECEMBER 2019	ATTRIBUTABLE TO RELATED PARTIES	% OF INCIDENCE	31 DECEMBER 2018	ATTRIBUTABLE TO RELATED PARTIES	% OF INCIDENCE
Revenue	5	705,872		0.0%	741,527		
Other operating income	6	6,417	58	0.9%	5,361	63	1.2%
Change in inventories of finished goods and work in progress		652		0.0%	14,026		0.0%
Purchase of raw materials and consumables	7	(287,038)		0.0%	(309,561)		0.0%
Personnel expense	8	(221,576)		0.0%	(214,841)		0.0%
Depreciation, amortisation and impairment	9	(45,957)		0.0%	(25,270)		0.0%
Other operating costs	10	(128,726)	(7,054)	5.5%	(147,470)	(8,345)	5.7%
Operating profit		**29,644**	**(6,996)**	**-23.6%**	**63,772**	**(8,282)**	**-13.0%**
Financial income	11	7,867		0.0%	9,267		
Financial expense	11	(14,068)		0.0%	(14,752)		
Pre-tax profit		**23,443**	**(6,996)**	**-29.8%**	**58,287**	**(8,282)**	**-14.2%**
Income taxes	26	(10,441)		0.0%	(14,436)		
Profit for the year		**13,002**	**(6,996)**	**-53.8%**	**43,851**	**(8,282)**	**-18.9%**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006[1]

EURO 000'S	NOTE	31 DECEMBER 2019	ATTRIBUTABLE TO RELATED PARTIES	% OF INCIDENCE	31 DECEMBER 2018	ATTRIBUTABLE TO RELATED PARTIES	% OF INCIDENCE
Non current assets							
Property, plant and equipment	13, 14	139,710	0	0%	102,774	0	0%
Goodwill	15	23,550	-	0%	23,542	-	0%
Other intangible assets	16	59,678	-	0%	60,699	-	0%
Deferred tax assets	26	13,334	-	0%	12,323	-	0%
Other financial assets and receivables (inluding derivatives)	17	2,640	-	0%	2,847	-	0%
Total non current assets		**238,912**	**-**	**0%**	**202,185**	**-**	**0%**
Inventories	18	155,498	-	0%	162,786	-	0%
Trade receivables and contract assets	19, 20	116,973	-	0%	127,957	-	0%
Other revcevables	21	22,890	994	4.3%	28,052	1,027	3.7%
Other financial assets and receivables (inluding derivatives)	17, 31	2,653	-	0%	494	-	0%
Cash and cash equivalents	22	86,061	-	0%	83,020	-	0%
Total current assets		**384,074**	**994**	**0.3%**	**402,308**	**1,027**	**0.3%**
TOTAL ASSETS		**622,987**	**994**	**0.2%**	**604,494**	**1,027**	**0.2%**

EURO 000'S	NOTE	31 DECEMBER 2019	ATTRIBUTABLE TO RELATED PARTIES	% OF INCIDENCE	31 DECEMBER 2018	ATTRIBUTABLE TO RELATED PARTIES	% OF INCIDENCE
EQUITY AND LIABILITIES							
Share capital		27,393	-	0%	27,393	-	0%
Reserves		177,397	-	0%	147,577	-	0%
Profit for the year		13,027	-	0%	43,672	-	0%
Equity attributable to the owners of the parent	**23**	**217,817**	**-**	**0%**	**218,642**	**-**	**0%**
Non-controlling interests		858	-	0%	893	-	0%
TOTAL EQUITY		**218,675**	**-**	**0%**	**219,536**	**-**	**0%**
Financial lease liabilities	14, 24	53,049	-	0%	35,390	-	0%
Post-employment benefits	25	12,711	-	0%	12,550	-	0%
Deferred tax liabilities	26	2,876	-	0%	2,338	-	0%
Provisions for risks and charges	27	1,429	-	0%	1,091	-	0%
Other liabilities	30	925	-	0%	1,102	-	0%
Total non current liabilities		**70,989**	**-**	**0%**	**52,471**	**-**	**0%**
Financial liabilities	14, 24	54,274	-	0%	22,510	-	0%
Provisions for risks and charges	27	16,625	-	0%	9,646	-	0%
Trade payables	28	132,673	3,013	2.27%	162,591	1,689	1.04%
Contract Liabilities	29	67,536	-	0%	75,652	-	0%
Other liabilities	30	56,293	-	0%	57,955	-	0%
Liabilities for income tax	26	5,921	-	0%	4,134	-	0%
Total Current liabilities		**333,322**	**3,013**	**0.90%**	**332,488**	**1,689**	**0.51%**
LIABILITIES		**404,311**	**3,013**	**0.75%**	**384,959**	**1,689**	**0.44%**
TOTAL EQUITY AND LIABILITIES		**622,987**	**3,013**	**0.48%**	**604,494**	**1,689**	**0.28%**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

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

- the adequacy in relation to the characteristics of the business and
- the effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2019.

2. The administrative and accounting procedures for preparing the consolidated financial statements as at 31 December 2019 were defined, and their adequacy was assessed, based on the rules and methods established by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission. This is a reference framework for internationally accepted internal control systems.

3. In addition, they also certify that the consolidated financial statements as at 31 December 2019:

a) are consistent with the entries in accounting ledgers and records;

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

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

Pesaro, 13 March 2020

The Chairman of the Board of Directors

Giancarlo Selci

The Manager in charge of financial reporting

Pierre Giorgio Sallier de La Tour

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AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ART. 14 OF D.LGS. 39 OF 27 JANUARY 2010, AND ART. 10 OF THE REGULATION (UE) 537/2014

To the Shareholders of
Biesse S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Biesse S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position at 31 December 2019, the income statement, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Biesse S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Description of key audit matter

At 31 December 2019, the consolidated financial statements include goodwill of € 23.5 million relating to the Wood, Glass & Stone, Mechatronics and Tooling CGUs.

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The recoverable amount of goodwill is determined by the Directors at least once a year by calculating the value in use. By its very nature, this method requires important assessments to be made by the Directors regarding the trend in operating cash flows during the period used for the calculation, as well as the discount rate and the rate of growth in the said cash flows. The operating cash flows of future years have been estimated on the basis of the business plan for the period 2020-2022 (hereafter the "Plan"), which was approved by the Board of Directors on 21 February 2020, and on the basis of long-term growth estimates of revenues and related profit margins.

Given the subjective nature of the estimates relating to the determination of the cash flows and the key variables of the impairment model, we considered the impairment test on goodwill to be a key matter in our audit of the Company's consolidated financial statements.

The explanatory notes to the consolidated financial statements describe the valuation process carried out by management and note 15 gives the key underlying assumptions and information on the items subject to impairment testing. This includes a sensitivity analysis which shows the effects of changes in the key variables used in the impairment tests.

Audit procedures performed

The audit procedures that we performed, also with the involvement of experts from the Deloitte network, included:

- an understanding of the methods used by management for assessing the recoverability of goodwill, analysing the methods used for the development of the impairment test;
- identification and understanding of the key controls implemented by the Biesse Group over the process of impairment testing;
- analysis of the reasonableness of the main assumptions made in estimating the cash flows, which included using data on the sector's expected growth in revenues and obtaining other information from management;
- analysis of actual data in comparison with the original plans, in order to assess the nature of variances and the reliability of the planning process;
- assessment of the reasonableness of the discount rate (WACC) and the long-term growth rate (g-rate);
- verification of the mathematical accuracy of the model used to determine the value in use of the CGUs;
- verification that the carrying amount of the CGUs was determined properly;
- verification of the sensitivity analysis prepared by management.

We also examined the adequacy of the information provided by the Group about the impairment test and its consistency with the requirements of IAS 36.

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Recoverability of development costs	
Description of key audit matter	At 31 December 2019, the financial statements include € 36.2 million of costs for the development of new products, of which € 19.1 million shown under intangible assets in process and advances. The capitalisation of development costs involves the Directors making estimates, as their recoverability depends on the cash flows that will be generated by selling the Group's products. These estimates are characterised by the complexity of the assumptions about the technical feasibility of the projects and by the complexity of the assumptions underlying the projections of revenues and future margins, as well as by the strategic industrial choices made by the Directors. Given the complexity and subjectivity of making such estimates, we considered the recoverability of development costs as a key audit matter. The explanatory notes to the consolidated financial statements describe the management evaluation process and note 16 reports the information in relation to the item in question.
Audit procedures performed	Our audit procedures included: • an understanding of the company processes and relevant controls to monitor the assessment of the recoverability of development costs; • an analysis of the technical feasibility studies carried out by the Group on the development projects to which costs have been capitalised; • verification of the assumptions underlying the projections of revenues and future margins associated with the development projects to which costs have been capitalised; • an analysis of the valuation models (impairment test) adopted by the Group for assessing the recoverability of development costs; • a review of the appropriateness of the disclosures on development costs made in the notes.

Other matters

The consolidated financial statements of Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2019.

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Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Biesse S.p.A. on 20 June 2018 appointed us to audit the Company's separate and consolidated financial statements for the years ending from 31 December 2019 to 31 December 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2, letter e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Biesse S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Biesse Group at 31 December 2019, including its their consistency with the related consolidated financial statements and its their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Biesse Group at 31 December 2019 and on its their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Biesse Group at 31 December 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Biesse S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is the subject of a separate certificate of conformity on our part.

DELOITTE & TOUCHE S.p.A.

Signed by
Fabio Pompei
Partner

Rome, Italy
March 30, 2020

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