RE
PORT

ANNUAL REPORT

31 DECEMBER 2018

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Cover:

A subject of the Biesse Group 50 years campaign.
1969 The genius and initiative of Giancarlo Selci give rise to Biesse.
2019 World leader in the sector.

IT'S THE FUTURE THAT MAKES HISTORY.

WE HAVE BEEN DESIGNING INNOVATION
FOR THE PAST FIFTY YEARS, DRIVEN BY AN INCREDIBLE
ENGINE, POWERED BY PEOPLE, PASSION AND PRECISION.

BIESSEGROUP.COM/50YEARS

50 YEARS

BIESSEGROUP

LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDER,

the financial year ending 31 December 2018 represents another successful year for the Biesse Group, both for the increase in consolidated revenues and for that of operating margins/net profit. From an equity-financial standpoint, we remained strongly focused on cash generation, creating the prerequisites for a positive Net Financial Position of over 25 million euros at the end of 2018, in the context of substantial investments (Capex> 40 million euros) in production capacity, innovation, distribution and service. Investments which, despite the evident political and economic uncertainties that came up in the second part of the year, have led to the achievement of record goals for the Group.

The results achieved by the 4 main Group Divisions have outperformed growth rates of the respective industries, with a constant increase in market share. From a geographical point of view, Italy represents 18.5% of consolidated revenues, the best result of the last 10 years, even if, in perspective, the need to extend those tax incentives that have stimulated productivity and national industry competitiveness over the past three years has been essential. In the international arena, the driving force of Western Europe (+ 13.9%) and Eastern Europe (+ 16.4%) is noted, while the growth of the North American share is confirmed (+ 5.5%). There are cautious signs of recovery for the Russian market, while we are still waiting for a recovery in Brazil and Turkey, with much lower volumes than the recent past.

As regards the Group's financial statements, consolidated turnover increased by 7.3% compared to the previous year, EBITDA reached almost 93 million euros, while EBIT reached 68 million euros before non-recurring events. Profits, 2.6% higher than in 2017, reached 43.8 million euros with a particularly low tax rate (24.8%), as result of the agreements signed with the Italian Revenue Agency (Patent Box). Net earnings per share (EPS) increased to 1.60 euros per share.

On the financial markets in 2018, Biesse shares listed on the STAR segment of the Italian Stock Exchange recorded all-time highs, going well beyond the 50 euro per share barrier, with a correction in the latter part of the year in line with financial market trends. The ability to create value and the validity of our business model enabled us to propose again this year an ordinary dividend for all shareholders of 0.48 euros per share, to be distributed with value date 8 May 2019 (coupon date 6 May 2019).

In 2018, the Group put in place strategies and programmes to structure and consolidate its organisation at a national and international level which, although they had an inevitable impact on the cost structure, are to be considered indispensable and preparatory for sustaining the expected growth of the three-year plan.

In compliance with the demands for ever greater transparency, we have given a more extensive disclosure of the projects contained in the Three-Year Plan and of their operational and financial implications, stimulating considerable interest during the recent meetings with the Italian and international financial community (Milan-Paris-London).

The new Three-year Business Plan (2019-2020-2021), approved 26 February 2019, contains 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 evidenced by recent successes in the sector of machinery for the processing of Advanced Materials (plastics, composites and aluminium).

In the next three years, significant investments have been planned for more qualified personnel and cutting-edge tools, to offer customers the best possible solutions under the ambit of Industry 4.0, above all continuing the Servitization process that Biesse has been carrying out for several years with the creation of the SOPHIA platform, whose success with customers has grown daily and which has confirmed the soundness of our Plan's strategic investments.

Last but not least, we must thank all our employees for their huge commitment and dedication, without whom it would not have been possible to reach the goals achieved, or to plan for those expected to come.

Executive Director and Group General Manager
Stefano Porcellini

THE GROUP

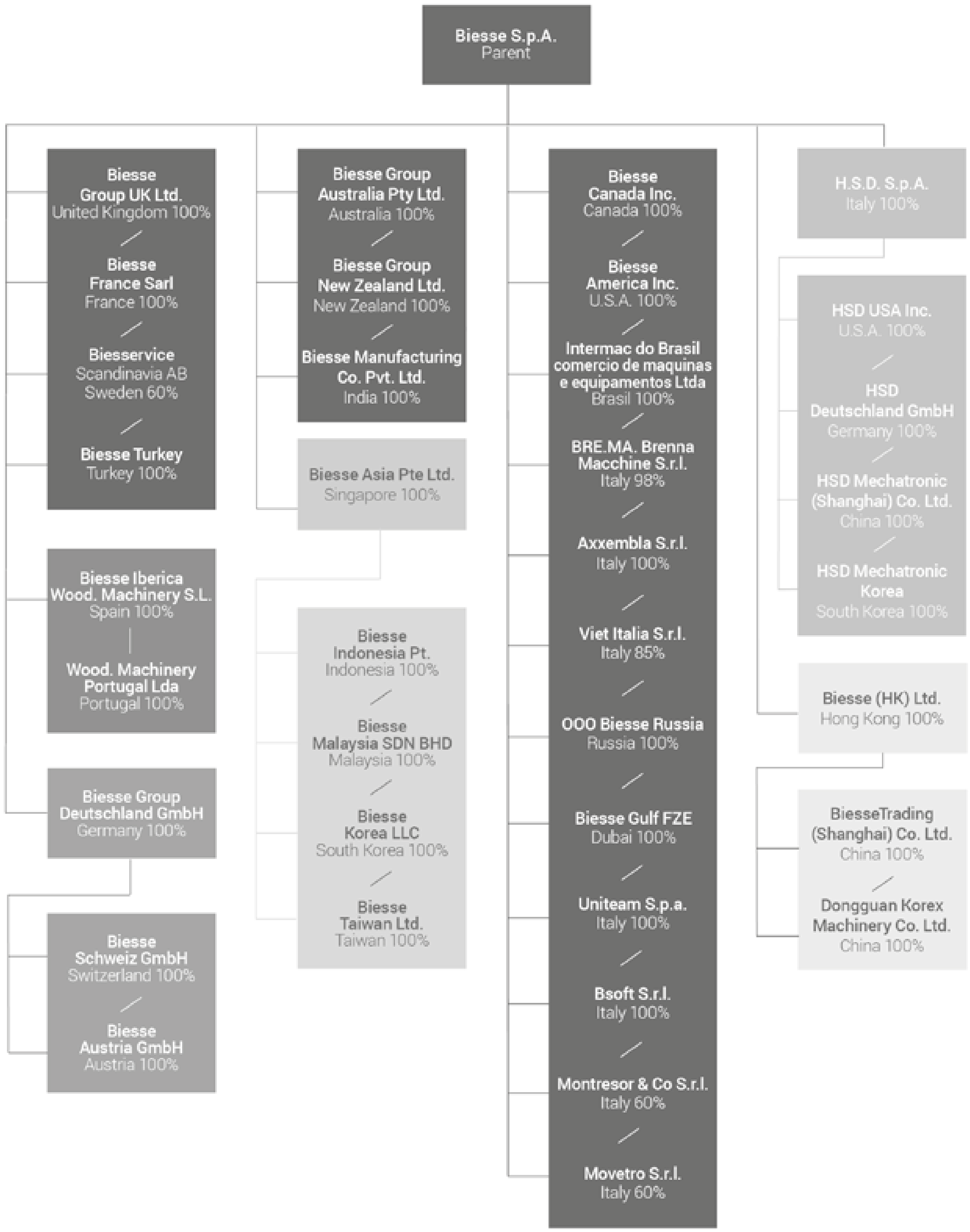
BIESSEGROUP

BIESSE
INTERMAC
DIAMUT
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:



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

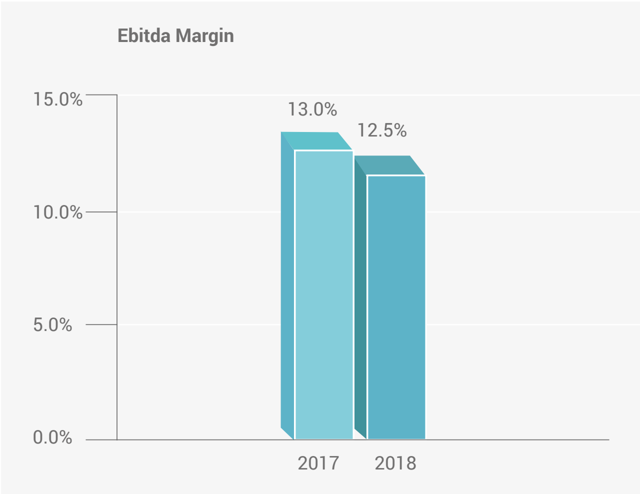
Compared to the financial statements for the year ended 31 December 2017, the scope of consolidation has changed only due to the liquidation of the company Biesse Tecno System S.r.l.; this occurred on 27 December 2018. The transaction did not have significant effects on the consolidated financial statements of the Biesse Group as at 31 December 2018.
As indicated in the Notes to the financial statements, the Group – although it did not formally retain total control over Movetro S.r.l. – nevertheless assessed the effects of the put/call option for the remaining 40%; for this purpose, a liability has been recognised in the financial statements for an amount equal to the current value of the liability estimated on the date of potential exercise and, after assigning the share pertaining to the reversal of the assets of third parties, a higher goodwill was recognised for the residual portion.

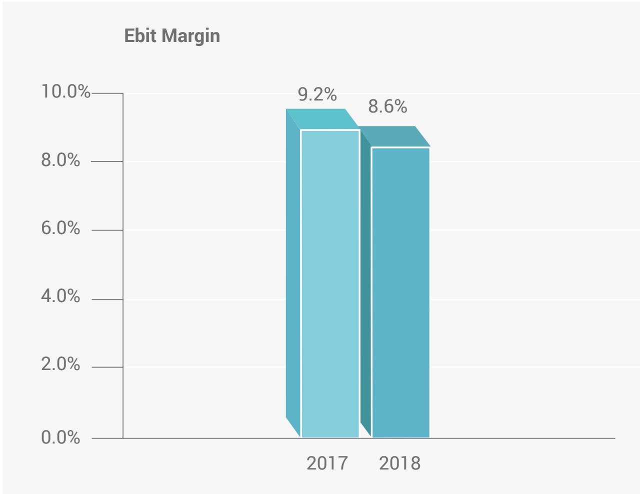
FINAN CIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Economic data

EURO 000'S	31 DECEMBER 2018	% ON SALES	31 DECEMBER 2017	% ON SALES	CHANGE %
Revenue from sales and services	**740,159**	**100.0%**	690,120	100.0%	7.3%
Normalised Added value (1)	**307,229**	**41.5%**	288,607	41.8%	6.5%
Normalised EBITDA (Normalised gross operating profit) (1)	**92,676**	**12.5%**	89,452	13.0%	3.6%
Normalised EBIT (Normalised operating profit) (1)	**67,669**	**9.1%**	66,881	9.7%	1.2%
EBIT (Operating profit) (1)	**63,772**	**8.6%**	63,606	9.2%	0.3%
Profit for the year	**43,851**	**5.9%**	42,738	6.2%	2.6%

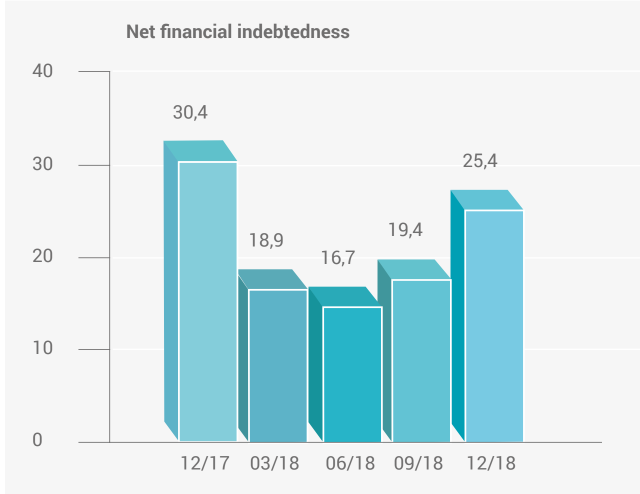


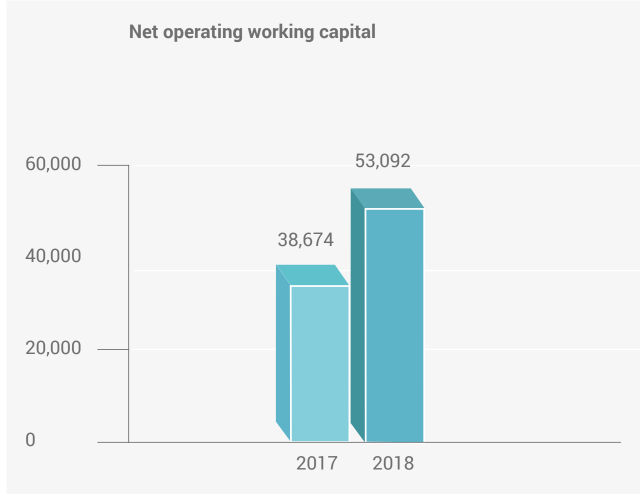


Statement of financial position data and financial ratios

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Net invested capital (1)	**194,127**	157,966
Equity	**219,536**	188,337
Net financial position (1)	**(25,407)**	(30,371)
Net operating working capita (1)	**53,092**	38,674
Gearing (net financial position/equity)	**(0,12)**	(0,16)
Fixed asset/standing capital ratio	**1,17**	1,14
Order intake	**618,952**	596,776

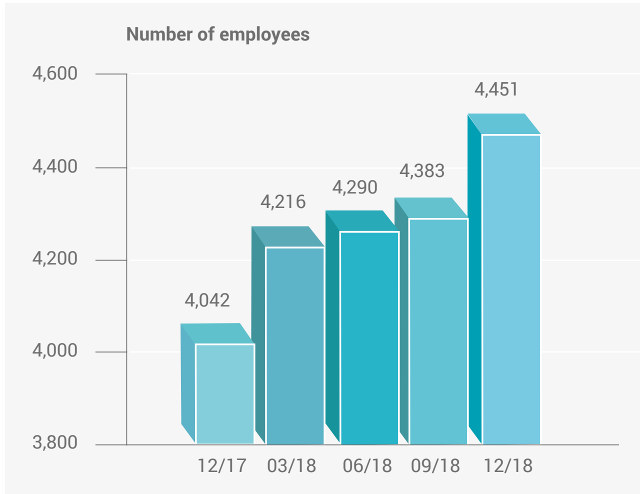
(1) The criteria for determining amounts relating to interim results and aggregate equity and financial data are described in the Directors' Report on Operations and the Notes to the Financial Statements.

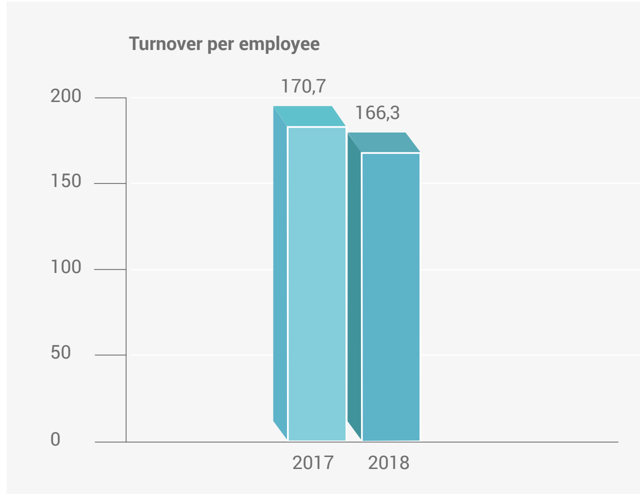




Personnel

	31 DECEMBER 2018	31 DECEMBER 2017
Number of employees at year end	**4,451**	4,042





* the figure includes temporary staff.

CORPORATE BODIES

BOARD OF DIRECTORS

Chairman	Giancarlo Selci
Managing Director	Roberto Selci
Executive Director	Alessandra Parpajola
Executive Director and Group General Manager	Stefano Porcellini
Lead Independent Director	Elisabetta Righini
Independent Director	Giovanni Chiura
Independent Director	Federica Palazzi

BOARD OF STATUTORY AUDITORS

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

CONTROL AND RISKS COMMITTEE – REMUNERATION COMMITTEE – RELATED PARTY COMMITTEE

Elisabetta Righini (Lead Independent Director)
Federica Palazzi

SUPERVISORY BODY

Giuseppe Carnesecchi
Domenico Ciccopiedi
Elena Grassetti

INDEPENDENT AUDITORS

KPMG S.p.A.







DIRECTORS'

REPORT ON OPERATIONS

GENERAL ECONOMIC OVERVIEW

GLOBAL ECONOMIC TREND

The expansionary trend of the world economy has recently slowed down given the context of geopolitical uncertainties and vulnerability in emerging markets.

Global trade decelerated towards the end of 2018 due to persisting and significant risks to the downside associated with unresolved trade tensions and a slowdown in the growth of emerging economies. Although financial conditions are generally favourable, the weakening of the expansionary trend has fuelled the volatility of the stock markets.

In the Euro area, government bond yields fell slightly due to a decrease in risk-free rates worldwide while spreads between sovereign bond yields remained stable. Despite the increase in volatility in individual periods, stock prices in the Euro area remained, on the whole, substantially unchanged. Similarly, yield spreads on corporate bonds reported only a modest increase.

As regards the foreign exchange markets, the Euro depreciated on a trade-weighted basis.

In the third quarter of 2018, real GDP in the Euro area increased by 0.2 per cent with respect to the previous period after a 0.4 per cent growth in the first two quarters. The most recent data continue to indicate a weaker trend compared to expectations due to the slowdown in foreign demand, and to which certain specific factors were added at the country and sector level. Although it is expected that the effects of certain of these factors will cease to exist, it is probable that the short-term expansion trend is weaker than previously expected. Looking ahead, the Euro area growth will continue to be supported by favourable financing conditions, additional increases in employment rates and salaries, lower energy prices, and continued global business expansion, albeit at a slightly lower rate.

In the Euro area, annual HICP inflation decreased from 1.9 to 1.6 per cent between November and December 2018; this was primarily due to the more moderate trend in the energy component. Based on the current prices of oil futures contracts, overall inflation is likely to fall further in the coming months. Overall inflation measures remain contained, but labour cost pressures continue to become stronger and more generalised in the face of the high level of capacity utilisation and tighter labour market conditions. Looking ahead, underlying inflation is forecasted to increase in the medium term, supported by ECB monetary policy measures, continuing economic expansion and stronger wage dynamics.

Overall, risks concerning the Euro area growth prospects forecast downward trends due to the persistent uncertainties associated with geopolitical factors and the threat of protectionism, vulnerabilities in emerging markets and volatility in financial markets.

Risks to the downside for global activity have increased and further tightening of trade tensions could negatively affect global growth. Although deferment of further increases in duties between the United States and China was, on the one hand, a positive sign, on the other hand there remains a considerable degree of uncertainty regarding the outcome of negotiations aiming towards a significant easing of trade tensions between the two countries. Other downside risks are linked to more rapid deterioration in global financial conditions and greater tensions in emerging markets as well as uncertainties relating to economic prospects in China and to political and geopolitical factors, including the risks deriving from Brexit.

Financial conditions have remained generally accommodating, while concerns about economic activity in the United States and the rest of the world have fuelled stock market volatility. In China, fiscal and monetary policy easing was observed, in response to a weakening, particularly in the manufacturing sector. Market expectations of further increases in US interest rates have slightly diminished, while yields on US Treasury bonds continue to fall, partly due to the performance of forward premiums. Looking ahead, the Federal Open Market Committee (FOMC) is proceeding with the gradual normalisation of monetary policy, even though this takes place in a context of greater caution in terms of economic outlook and forecasts of interest rates slightly decreasing.

The trend of world trade registered a slowdown towards the end of 2018. World imports of goods weakened in October while in December global PMI for new orders from abroad reported a decrease for the fourth consecutive month. Overall, data seem to indicate that trade tensions between the United States and China are affecting the situation in the manufacturing sector of both economies and exerting a negative impact on the growth of world trade.

UNITED STATES

Market forecasts of further increases in US interest rates have slightly diminished, while yields on US Treasury bonds continue to fall, partly due to the performance of forward premiums. Looking ahead, the Federal Open Market Committee (FOMC) is proceeding with the gradual normalisation of monetary policy, even though this takes place in a context of greater caution in terms of economic outlook and forecasts of interest rates slightly decreasing.

JAPAN

In Japan, a return to positive real GDP growth is expected for the fourth quarter of 2018, although inflation remains weak. GDP volatility in 2018 was mainly due to the impact of environmental disasters and extreme weather conditions. In the future, the economy should maintain its moderate growth due to the extremely accommodating orientation of monetary policy and the trend in domestic capital spending. The reflationary momentum of the economy has slowed down, reporting a significant reduction in overall inflation in December following the recent weakening of oil and food prices.

UNITED KINGDOM

In the UK, growth is forecasted to decline following the strong performance of the third quarter of 2018. The strong growth of 0.6 percent in the third quarter with respect to the previous quarter reflected a temporary increase in consumption and public investment, as well as a strong recovery in exports. However, business investments have decreased for the third consecutive quarter. Overall, activity should remain moderate over the medium term. In December, annual CPI inflation fell slightly to 2.1 percent, with an average of 2.3 percent in the fourth quarter and following sharp decreases in previous months.

EMERGING COUNTRIES

The Chinese economy is experiencing a loss of momentum, with signs of weakening that are particularly evident in the manufacturing sector. In December 2018, the manufacturing sector PMI fell below 50 for the first time since 2017 while the service sector – which is less exposed to commercial tensions in the United States – showed greater resilience. The central bank of the People's Republic of China has implemented new policies to contain the slowdown, including a 100 basis point reduction in the mandatory reserve ratio at the beginning of January and financing operations for small businesses in December. New measures in budgetary policies are also expected, although spending by local governments in this area may be subject to constraints. In December, annual overall inflation measured by the CPI fell to 1.9 percent; this was due to a lower contribution from non-food goods, while underlying inflation remained stable. In the same month, inflation measured on the producer price index suffered a sharp deceleration, reaching 0.9 per cent; this occurred in response to the decline in oil and raw material prices as well as due to the slowdown in manufacturing activity in China. In Brazil, the macroeconomic situation remains fragile.

EUROZONE

Activity in the Euro area slowed, partly due to temporary factors but also due to a weakening in business expectations and the weakness of foreign demand. In November, industrial production fell significantly in all major economies. Inflation declined in autumn due to the trend in energy prices. The Governing Council of the European Central Bank (ECB) reiterated its intention to preserve a significant degree of monetary accommodation for a long time. In the third quarter, GDP in the Eurozone grew by 0.2 per cent on the previous period, recording a marked slowdown compared to spring months. The substantial stagnation of exports had a negative effect. Domestic demand continued to support GDP by 0.5 percentage points, driven by the change in inventories and, to a lesser extent, by investments. Activities grew in France and decreased in Germany and Italy, also due to the entry into force of the Worldwide Harmonized Light Vehicles Test Procedures (WLTP) concerning emissions in the automotive sector. This regulation has caused a standstill both in production and in the registration of motor vehicles; it has had a particularly significant impact in Germany and Italy due to the strong weight of the sector and related industries in these countries. These negative effects are partly temporary.

In the last months of the year, industrial production suffered a decrease which was higher than expected in Germany, France and Italy. In December, the €-coin indicator prepared by the Bank of Italy, which estimates the underlying GDP trend in the Eurozone, saw a further decrease, and it is currently standing at 0.42, the lowest level since 2016. Qualitative information reported modest growth in the last quarter: PMI indicators fell both in the manufacturing and services sectors; companies' forecasts of foreign sales have worsened due to the uncertain prospects for world trade. Even household assessments remain cautious.

Inflation decreased in the autumn months, reaching 1.6% at the end of the year due to the deceleration of energy prices. Inflation averaged 1.7 percent per year (1.5 in 2017). The core element remains weak: in December it remained at 1.0 percent. Looking ahead, core inflation could be supported by wage increases in certain countries from mid-2017. According to Eurosistema projections released in December, inflation will fall to 1.6 percent in 2019, in line with the forecasts of analysts surveyed by Consensus Economics, and would then gradually rise in the following two years.

ITALY

In Italy, following the interruption in the third quarter of the expansion of economic activity which had been underway for over three years due to the decline in domestic demand, GDP may still decrease in the last three months of 2018. Instead, the recovery of exports continued. In the summer quarter, GDP decreased by 0.1 per cent compared to the previous period, halting the growth underway from the second quarter of 2014. Growth was slowed down above all by the decline in investments (-1.1 per cent), particularly in capital goods, but also by the slight decline in household spending. Demand was also affected by temporary factors, in particular the halt in production and commercial activities within the automotive sector caused by the introduction of new regulations on emissions. Foreign trade has on the whole provided a positive contribution to growth: Italian exports accelerated, registering a greater increase than imports. The added value has decreased in both the manufacturing and services sectors; it increased further in the construction sector. According to information available so far in the autumn, activities may have further decreased. The weakness of the current cyclical phase is confirmed by the Ita-coin indicator prepared by the Bank of Italy, which in the last months of last year fell to negative values (-0.19 in December). Similar signs are also derived from the decrease in corporate purchasing manager indices (PMI's) and from the worsening of indicators of business and consumer confidence which, however, remain at relatively high values. On the basis of these assessments, overall 2018 GDP growth was 1.0 percent based on annual data (0.9 based on seasonally adjusted quarterly data and by taking into account calendar effects). In autumn, industrial production decreased. Investments, after falling in the third quarter, started to increase again. According to business valuations, investment growth will continue during 2019, although slowing down compared to 2018.

Companies are less optimistic about the growth of their demand and the general economic situation compared to the surveys conducted in September. In November, industrial production fell by 1.6 percent compared to the previous month; the fall occurred in all the other main countries of the Euro area. According to some estimates, in the fourth quarter as a whole it decreased by around half a percentage point. The difficulties of the automotive sector that emerged in the third quarter would also have contributed to it. On average – in 2018 – the trend in manufacturing activity slowed to 1.7 per cent from 3.1 in 2017. Last autumn, business confidence continued to worsen. In manufacturing, the PMI indices fell to levels just below the value indicating growth; in services they hover around this threshold, but they have touched the minimum for five years.

The decrease in purchases of capital goods (-2.8 per cent) was offset by the significant increase recorded in the previous period (6.9 per cent). Such accentuated fluctuations reflect the timing of the tax incentives still in force in 2018 and those for 2019, which were included in the recent budget law. Construction investments, on the other hand, continued to increase for the fifth consecutive quarter (0.5 per cent; 0.7 in the second quarter), although they remain well below the levels prior to the financial crisis. According to estimates, investments will return to growth in all sectors in the autumn, although moderately.

BUSINESS SECTOR REVIEW

UCIMU – SISTEMI PER PRODURRE

On an annual basis, in 2018, machine tool orders remained stable compared to 2017 (-0.8%). The UCIMU index of machine tool orders was stationary, with -0.2% in the fourth quarter of 2018 compared to the same period of the previous year. The absolute value of the index was 161.6 (100 base in 2010). The overall result was determined by the positive trend in foreign orders, and by the decrease in orders collected by Italian manufacturers in the domestic market which is, however, still strong. In particular, foreign orders increased by 2.4% compared to the period from October to December 2017. The absolute value of the index was 141.7. As regards the domestic market, Italian machine tool manufacturers recorded a 6.3% decrease in total orders compared to the fourth quarter of 2017. The absolute value of the index was equal to 267.4: this is the best result ever (compared with the same quarter) with the exception, of course, of the record fourth quarter 2017.

It is obvious that we are going through a slowdown phase, but it is still important to consider the leap made in recent years in terms of Italian consumption of machine tools. When considering a representative sample of companies in the sector (extrapolated from the panel that responds to the survey of the index) in the fourth quarter of 2011, the average value of orders collected within the domestic market by each company in the sample was equal to € 1.7 million.

Foreign orders rose by 5.2%. Domestic orders showed an 11.5% decrease. Massimo Carboniero, chairman of UCIMU-SISTEMI PER PRODURRE, the association of Italian producers of machine tools, robots and automated equipment, stated: "The data for the fourth quarter of 2018 confirm the feeling and expectations we already had: the year just ended was definitely positive for Italian manufacturers who attained good results both in Italy and abroad". "The figure for Italy, and therefore the minus sign for the last quarter of 2018 and the entire year, must be analysed with extreme caution: there is no doubt that the collection of orders on the domestic market was weaker than in 2017, and therefore that a certain slowdown occurred, but we could not expect anything different". "The decrease – continued Massimo Carboniero – is the result of a series of factors that must be carefully evaluated. First of all, the figure for the fourth quarter of 2018 is compared with the record figure of 2017. Secondly, the end of the year saw general uncertainty linked to the confusion over the handling of economic matters pertaining to the Budget Law. The alternation of declarations and indications by government authorities regarding the measures that would have been part of the 2019 law certainly did not help those who had to make investments; in these cases, the latter preferred to suspend purchasing decisions pending a clearer picture of the situation". "With reference to the provisions included in the 2019 Budget Law, although the confirmation of hyper-amortisation is certainly positive –this new version is rewarding for SMEs, with a higher rate for small investments, and decreasing as the value of new purchases increases – the elimination of super-amortisation has an extremely negative impact". "With the elimination of super-amortisation – the Chairman of UCIMU-SISTEMI PER PRODURRE pointed out – there is the risk of excluding, from the necessary updating and modernisation process, a significant portion of our SMEs to which the Mini Ires tax does not ensure equal tax benefits and, indeed, it creates application problems and more bureaucracy. And these are companies that have a strong need to modernise their facilities. We cannot leave them behind; for this reason we ask the government to reconsider the adoption of this important measure". "On the other hand, the positive trend of foreign orders is, also with a view to the future, an encouraging sign for Italian companies which have proven to be able to achieve good performance despite the rather complex international context. The slowdown in the automotive sector and the partial closure of certain markets grappling with complex geopolitical issues – as in the case, for example, of Russia and Iran – have not hampered activity in foreign markets, which has grown continuously throughout 2018". "Even in light of the expected slowdown in the domestic market which, in any case – said Carboniero – should be confirmed in 2019 at levels that are very close to those of 2018, it is necessary to provide for measures that support and encourage companies to increasingly work with foreign users". "In our sector an important part of the internationalisation activity is represented by participation in international exhibition events taking place in the most dynamic markets. The growing trend in new trade fairs, however, makes this activity very expensive for SMEs. For this reason, we are requesting the introduction of a system of tax incentives for participation of Italian companies in foreign fairs so as to stimulate the presence of an increasing number of representatives of Made in Italy products at these events". "On the other hand, certain companies participate only in international fairs which take place in Italy given that their promotional budget cannot cover participation in foreign events. For many of them a presence at these events is the only opportunity to meet foreign companies and thereby present their offer within the international market. The task of those who organise the fair is, therefore, to create a complete and interesting event in terms of exposure, contents and experience, which is capable of attracting companies from all over the world". "When developing this activity, trade fair operators, like the companies of the UCIMU group, can always rely on the support of their countries, to which we currently ask to provide for an increase in the resources to be made available for the development of initiatives designed to make our Italian fairs increasingly attractive. These initiatives can take the form of encouraging, first of all, incoming missions of qualified foreign buyers, but also events dedicated to them, with promotional campaigns created specifically in the countries of greatest interest, and events designed to emphasise the culture and excellence of our country".

ACIMALL

In 2018, as it happened in 2017, "Woodworking machines and systems used in the furniture industry continue to show good signs of recovery". All the economic variables examined by the Research Office of Acimall – the Confindustria association representing the companies in the sector – indicate that 2018 was another positive year. Production reached € 2,487 million, 9.5 percent more than 2.27 billion in 2017, and exports also grew (€ 1,694 million, up by 6.5 percent).

A little less optimism is generated from the data of the last quarter of 2018 which reported a slight slowdown in orders for Italian machinery and technologies. The liveliness of the Italian market is confirmed, scoring an excellent increase of 17.9 percent compared to the fourth quarter of 2017, compared however to a decrease of 13.6 percent in foreign orders, a figure that resulted in total orders for the October-December 2018 period to reach minus 3.2 percent. If therefore Italy continues to be characterised by a positive result, the situation of greater uncertainty about international scenarios (Brexit and trade relations between the US and China, first of all) seems to lead foreign investors to greater caution. It should be added that revenue for the fourth quarter of 2018 is still very positive if compared with the same period in 2017, with an excellent increase of 19.2 percent; this has a significant impact on results of 2018 as a whole, as illustrated in more detail above. With regard to the other data provided by the survey of the Confindustria association, we find that the order portfolio, i.e. the months of guaranteed production, is 3.7 months (they were four in the previous quarter), while the change in prices for 2018 as a whole was 1.1 percent, the same value recorded in 2017.

For the future, there is no lack of arguments inducing us to look with a certain amount of concern at what awaits us in the short term: uncertainty on the domestic market is due to the restructuring of the tax incentives for "Industry 4.0", as provided for by the 2019 Budget Law; in addition, there is a decrease in funds for the tax credit on R&D investments and the elimination of the "super-amortisation" measure. With regard to foreign countries, the commentary already made on the impact of Brexit and China-US tensions still applies.

2018 TREND

For the third consecutive year, the Biesse Group closed 2018 with a record turnover of € 740 million; in the fourth quarter the positive trend already seen during the year strengthened, both in terms of turnover (amounting to € 219 million) and economic profitability (normalised gross operating profit amounting to € 31.8 million, accounting for 14.5% of revenue), and with a positive Net Financial Position (equal to € 25.4 million) confirming cash flow generation. As regards sales volumes, Group revenue amounted to € 740,159 thousand at the end of 2018, reporting an increase of 7.3% compared to the prior-year period.

As concerns the machine tools order intake, an overall annual increase of approximately 3.7% was recorded at the end of 2018 (€ 619 million compared to € 597 million of the previous year), with a Group backlog at the end of December 2018 of around € 225 million (approximately +4.9% over the same period of 2017). Normalised EBITDA totalled € 92,676 thousand, up by € 3,224 thousand compared with the same period last year (+3.6%). Normalised EBIT improved in the current year as well, rising by € 788 thousand (€ 67,669 thousand in 2018 compared to € 66,881 thousand in 2017). As a percentage of revenue, it decreased from 9.7% to 9.1%.

The breakdown of sales by segment shows the significant increase in the Glass/Marble Division (+18.9% compared to 2017), from € 108,241 thousand to € 128,695 thousand; therefore, the division slightly increased its share of Group sales (from 15.7% to 17.4%). The performance of the other Divisions show in turn increases compared to 2017. In detail, the Wood and Components Divisions increased by 8.4% and 8%, respectively; the Tooling Division remained in line with 2017, while the Mechatronics Division reported a slight decrease, from € 98,503 thousand to € 96,699 thousand. The breakdown of sales by geographical area compared to 2017 confirms Western Europe as the Group's reference market (accounting for 47.6% of total revenue), up by 13.9% (€ 352,146 thousand against € 309,211 thousand). The positive performance also continued in Eastern Europe, which recorded a 16.4% increase, thereby increasing its share on total consolidated revenue (from 13.4% to 14.5%), in North America, which reported a positive increase of 5.5 percentage points, while Asia-Pacific reported a rather significant drop of 11.9% compared to the previous year, falling from € 153,158 thousand to € 134,970. These trends reflect the events in the global macroeconomic context: first of all, the Trade War and the effects of duties between the United States and China.

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 € 3,897 thousand. These were mainly related to the costs of the IPO of HSD S.p.A. (currently postponed due to the negative performance of the markets), to the extraordinary costs incurred by the Australian branch, to non-recurring personnel expense incurred in the subsidiaries HSD S.p.A. and Biesse Turkey in order to write-down development costs related to projects which are considered no longer strategic and to production phase-outs. Also in 2017, these events had a negative impact on the operating margin for a total of € 3,275 thousand, even if they refer to different cases. As in the income statement of the previous years, in order to make the impact during the period clearer to understand, these events were reported in a separate line of the reclassified income statement in the Directors' Report on Operations. As for the financial position, net operating working capital increased by € 14.4 million, due to the increase in inventories (around € 19.6 million); trade receivables increased by around € 15 million while trade payables increased by around € 20.1 million. The expansionary trend of working capital is closely related to the trend of the order portfolio and to increasing sales of systems, which result in an increase in the transfer time of materials and longer delivery times to the final customer.

As at 31 December 2018, the Group's Net Financial Position was positive to the tune of € 25.4 million (€ 30.4 million in the same period last year). Post-investment cash flows (capex of € 44.8 million) were positive by around € 8 million. Finally, it should be noted that – during the year – ordinary dividends were paid to Biesse shareholders for a total of € 13.1 million (0.48 cents per share). Operating working capital amounted to 7.2% of consolidated revenue, which in any case is very good in percentage terms.

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 2018 and includes data from the parent company BIESSE S.p.A. and the companies consolidated on a line-by-line basis. In regards to this, reference should be made to the paragraph 'scope of consolidation' in the Notes to the Consolidated Financial Statements. The NFS was approved by the BIESSE S.p.A. Board of Directors on 15 March 2019 and is subject to limited audit by the appointed auditors.

MAIN EVENTS

JAN

From 15 to 18 January Intermac took part in the Steelfab trade fair, dedicated to the metal industry. The event took place in Sharjah, in the Middle East. The Primus 322 machine was displayed: it is a waterjet cutting machine that ensures high performance, as well as easy programming and versatility. The decision to attend Steelfab confirms Intermac's commitment to the Middle Eastern market, which is further demonstrated by the use of Waterjet technology at the Biesse Group permanent campus that has been inaugurated in the Dubai Silicon Oasis.
Among the chief events to start off the year was the Back to Business event. It was hosted by the Biesse Campus in Pesaro and customers were invited to discover new business opportunities. In the same time period as the Back to Business event, the Biesse Group also hosted the Academy weeks at the Headquarters. This three-week event is directed at branch employees and business partners around the world, with full days dedicated to exploring product innovations and new sales tools. This regular and ongoing training tracks technological product developments and innovations being made in the Group's service offering, so that we are always able to provide added value to customers.
Biesse participated in the Megan ExpoMueblera event held in Mexico City – a trade fair for getting close to customers in the region and showing them the group's innovative ability born from its guiding philosophy: 'Thinkforward'. It represents the ability to create innovation through integrated solutions, which are sophisticated but simple in their use, in order to have better and greater production, at a lower cost. Having a presence at Klimahouse in Bolzano, an event dedicated to housing where technology meets sustainability, was also important. Customers and visitors were able to make contact with our specialists, and learn about solutions for building the housing of the future.

FEB

On 9 February 2018, Biesse S.p.A. announced its intention to proceed with the listing of its subsidiary HSD S.p.A. on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., in the STAR segment. Following the transaction, Biesse S.p.A., however, will continue to hold a controlling stake in HSD S.p.A. As a result of the listing process, the company HSD S.p.A. has taken steps to comply with legal requirements.
Subsequently – at the meeting of 31 August 2018, given the deterioration of the conditions of the stock market (a trend starting from June) and the consequent effect on the expected valuation – the Board of Directors of Biesse S.p.A. approved the postponement of the transaction to a later period despite the strong appreciation by investors for the company to be listed.
On 27 and 28 February, Biesse Middle East opened its doors to customers and visitors from the entire Region, at the new Dubai Campus that was inaugurated in November 2017.
Intermac took part in the thirteenth exhibition of Stona, the Indian trade fair that took place in Bangalore from 7 to 10 February. It was an opportunity to provide information to professionals in the stone industry about the technological synergy between Intermac, Donatoni Macchine and Montresor.
Biesse Deutschland reaffirmed its presence by attending the trade fair in Cologne, Germany, from 20 to 23 February. This international rendezvous was dedicated to Housing technologies, and the goal was to demonstrate those of Biesse's solutions that are specific to this industry. The Turkish branch attended the CNR Expo and trade fair in Istanbul, focussing on machines dedicated to manufacturing doors. More than 500 customers have lived the Biesse experience with Biesse Iberica's stand at Fimma 2018 - Spain's most important trade fair for the industry. The company had 11 machines on display, which were directed towards all types of specialists in wood, from large factories with high production volumes, to companies that need to produce thousands of products tailored to customer needs, or small businesses with craft-like features. Biesse France participated in Eurobois with an area of 1,000 m2, where visitors could see the innovative technological solutions up close and live the Biesse experience. Star of the event was SOPHIA, the Internet of Things (IoT) platform created in collaboration with Accenture that during the fair won the Innovation Award. On 28 February, the Board of Directors of Biesse S.p.A. approved the updating of its business plan for the three-year period 2018-2020.
The Board – chaired by Roberto and Giancarlo Selci – approved actions to support the growth plan for 2018-2020, always with a focus on investments in innovation, service, and the marketing/sales area. "The plan starts from the excellent results for 2017," – commented the Group General Manager, Stefano Porcellini – "which closed with growth in consolidated revenue of 11.6%, EBITDA of 12.9%, and a significant cash generation that led the Group to achieve a net financial position of over € 30 million."

MAR

Intermac was present from 6 to 9 March at the 18th edition of Xiamen, the stone processing exhibition held in the Chinese city of Xiamen. Also Donatoni Macchine, the company's partner for several years, participated in the event. At the Intermac stand, customers could watch a demo of machinery which, together with the know-how of the technical and commercial staff, were available to visitors to provide practical answers and respond to the needs of players of the stone processing industry.
From 22 to 24 March Intermac opened the doors of its Pesaro Campus in order to show its commitment to developing innovative technologies for industrial automation and exploring new horizons for the transformation and processing of glass. Inside Intermac Glass took place at the completely renewed Tech Center which also houses the technologies of Movetro, the main innovation of this edition. "Intermac can now offer a complete range which offers our customers' factories a level of automation which allows the streamlining of processes, the optimisation of manufacturing layouts and the generation of new opportunities for success and growth for our customers," said Intermac Commercial Director, Franco Angelotti. The Biesse Campus in Pesaro hosted the HP event with a day dedicated to additive manufacturing and to its integration with traditional methods. Biesse showed participants how it integrates the Multi Jet Fusion 4200 additive manufacturing system from HP into its manufacturing model. Biesse Portugal was established in order to be closer to customers, in a location which allows its expansion in the country, the strengthening of its technical service and the chance to offer more direct focus on the Portuguese market and to help companies achieve higher profits. On 23 March the Biesse Campus in Pesaro hosted a conference organised by Confindustria Marche Nord "From a bank-centric system to the open capital market". Inside Intermac Stone ALL IN ONE took place, the event dedicated to specialists in the stone processing sector, and which this year launched the new communication campaign of the three companies, Intermac, Donatoni Macchine and Montresor, "ALL IN ONE" to express a partnership which brings together in a single entity know-how, technological excellence and a widespread distribution network, to support customers in creating smart factories. The flagship of this edition of Inside Intermac Stone was the opening of the Intermac Academy, the new training centre dedicated to our customers, dealers and staff. The structure can rely on a dedicated team which coordinates corporate resources in order to share and spread technological know-how both within the company and to the market. Biesse Group was among the eleven national winners in Italy of the "The Digital Technology Award" at the European Business Awards 2018, the biggest corporate competition sponsored by RSM. The companies, which were selected as the best in the 11 Award categories by a group of independent judges consisting of executives, politicians and academics, will represent their country in the final stage of the competition. Biesse took part in the tenth edition of Indiawood in Bangalore. Indiawood is one of the main trade fairs worldwide for furniture production and the woodworking industry. Over 500 sq.m. exhibition space was available to Biesse, where 11 machines operated over the 5 days of the event.
Biesse Middle East took part in the 13th edition of Dubai Woodshow, the only specific exhibition in the region for the wood and woodworking industry, from 12 to 14 March 2018 at the Dubai World Trade Center. This year's edition of Woodshow was special for Biesse since, besides having almost 200 sq.m. exhibition space with innovative machinery and software, Biesse Middle East at the same time played host to visitors to the new Dubai Campus, located in Dubai Silicon Oasis. Guests were able to take a tour of the biggest structure, unique of its kind, in the Middle East.
Biesse took part in HOLZ-HANDWERK 2018, with the same passion as always, showing the technology of the future. SOPHIA was presented to the public for the second time in Germany, at the exhibition HOLZ-HANDWERK 2018, from 21 to 24 March. This was an excellent opportunity to see at first hand the main advantages offered by the new platform of IoT services and to take a close-up look at all the Biesse technologies. "We work together with our customers to transform their manufacturing business into digital factories which can satisfy all the needs of today's market. We offer machinery that can interact thanks to automation systems and software which can design a product and simulate its construction and testing before it is manufactured", said Jacek Pigorsch, CEO of Biesse Deutschland.

APR

From 9 to 13 April Biesse UK took part in MACH 2018, the international exhibition dedicated to plastics and metal. The stand displayed Biesse technologies, in particular Materia CL, Eko 2.1 Plast and Rover A Plast; SV3, the Viet high-performance machinery for deburring, buffing and brushing metals; and finally Primus, the Intermac technologically advanced waterjet cutting system for metals and plastics.
Excellent result for the inauguration of the new Biesse Group Campus in Istanbul: it involved the participation of over 500 visitors. The three-day event showed visitors the exclusive 2,100 sq.m. location, which includes a 1,500 sq.m. showroom with Biesse machinery and innovations, new modern offices, a training centre, a service and parts area. "We are honoured and proud to open the first, unique and largest showroom and training centre in Turkey. Now more than ever, the new showroom will enable us to immediately provide our commercial partners with excellent services and local support. Undeniably we have a great advantage compared to our competitors since it will ensure the best possible Biesse experience. We would be glad to show you the result of our investment, which shows our Group's commitment to our partners and their satisfaction", stated Federico Broccoli, Subsidiary Division Director – Biesse Group.
Intermac took part in China Glass, the exhibition which took place from 19 to 22 April in Shanghai, China. The machining centre Master 23 – the entry-level, easy to use solution – and Genius 38 CT – the CNC cutting bench for straight and shaped cutting of monolithic glass slabs, in large and half slab formats – were on display at the stand.
The Biesse Group supported the event "Vangi per Pesaro. Quando la cultura d'impresa incontra l'arte" (Vangi for Pesaro. When business culture meets art). On Saturday 21 April the inauguration of the artwork "La scultura della memoria" (The sculpture of memory) by the contemporary artist Giuliano Vangi took place; it

was realised thanks to the contribution of the Biesse Group and is dedicated to Anna Gasparucci Selci. The artwork was unveiled, after two years of creative endeavour, in the wonderful setting of Piazza Mosca in Pesaro and explained by the Florentine artist, who has strong connections with the founder of the Biesse Group, Giancarlo Selci, and the town of Pesaro.
The Shareholders' Meeting of Biesse S.p.A. was held on 24 April, at which the following was resolved:
• Approval of Biesse S.p.A.'s Financial Statements as at 31 December 2017, showing a profit of € 38.8 (thirty eight point eight) million.
• Distribution of profits to shareholders in the form of a dividend of € 0.48 per share, and allocation of the residual profit to the Company's Extraordinary Reserve. The dividend will be paid on 9 May 2018, with ex-dividend date on 7 May 2018 for coupon number 14, and record date on 8 May 2018.
• Decision on the number of members for the Board of Directors to be 7 (seven), with the duration of the appointment established at three financial years. These appointments will therefore continue until the shareholders' meeting scheduled to approve the financial statements as at 31 December 2020. The members of the Board of Directors are: Roberto Selci, Alessandra Parpajola, Giancarlo Selci, Stefano Porcellini, Elisabetta Righini, Federica Palazzi, Giovanni Chiura.
• Appointment of the Board of Statutory Auditors to hold office for the years 2018, 2019, 2020. The members of the Board of Statutory Auditors are: Paolo De Mitri, Claudio Sanchioni, Silvia Cecchini, Silvia Muzi (alternate), Dario de Rosa (alternate).
• Approval, pursuant to Article 123-ter, paragraph 6, of Legislative Decree 58/98, of the section of the remuneration report as per article 123-ter, paragraph 3 of Legislative Decree 58/98.

MAY

Biesse confirmed its position as a leader on the international market at Xylexpo 2018, with 3,000 square metres of stand visited by people from all over the world. While the audience was predominantly European, there were also overseas visitors demonstrating the international character of the event, who were attracted by the Group's strong innovative drive. Biesse registered an important national presence at the stand, which was larger than in the past, accounting for 38% of the total order intake.
"We are very proud of this result which confirms the technological and innovative leadership of Biesse. We are witnessing our customers' desire to evolve towards a more advanced and efficient production and machining methodology, regardless of their size, and with Biesse by their side" said Federico Broccoli, Wood Division Director/Sales and Branch Division Director.
Intermac America took part in Coverings 2018, a four-day trade fair at the World Congress Center in Georgia. This fair gave visitors the opportunity to take part in seminars and live demonstration sessions, along with opportunities to network with thousands of other participants. Intermac also took part in Glass South America in Sao Paulo; during this event the Sao Paulo branch opened its doors to customers, displaying the technologies and solutions directed towards manufacturing companies, confirming the synergy between Diamut, Intermac and the Brazilian branch, aimed at grasping every opportunity offered by the Latin American market.
Biesse Group sponsored FederlegnoArredo's General Meeting that was held at the Rossini Theatre in Pesaro, which represented an opportunity for dialogue, comparison and expansion, and ended in the afternoon with an interesting round table focussing on scenarios for the wooden furniture industry.
From 29 May to 1 June Biesse also took part in Milan's Plast 2018 trade fair, dedicated to technological materials. Biesse's complete range of technologies for the entire composite materials manufacturing processes was on show, from machining and sizing centres to the new thermoformer.
On 14 May 2018, Biesse S.p.A.'s Board of Directors met and approved the consolidated quarterly report at 31 March 2018.


THE GRAIN
LIVE THE
EXPERIENCE
BIESSEGROUP


THINK


BIESSE
biesse
GUEST

JUN

Intermac Deutschland participated in Stone+Tec for the first time, together with partner Donatoni Macchine and Montresor. The triennial Nuremberg exhibition was scheduled for 13 to 16 June. Intermac also exhibited at Vitoria Stone Fair - the Brazilian trade fair held in Espirito Santo. The event is a window on the world, being held in an area which hosts the largest Brazilian industrial park in the country.
At the Campus in Pesaro the 'HR Global Meeting' event was held for the first time, which saw HR Teams from Headquarters and the branch offices gathering together. The meeting centred on the global project 'One Company HR', which was brought into being so as to equip the teams with tools for supporting the main processes and to synchronise activities and procedures between the various companies and branches, aimed at the use of a single model. At the Biesse Group Campus in Pesaro, the first Open House was held, dedicated to the world of technological, plastic and composite materials. It was an opportunity to take in Biesse's innovation in every area. The partnership also continued with CasaClima, the Pesaro event addressed to architects, engineers and designers mindful of sustainable design.
Biesse has been in Triveneto for 25 years, marking an important anniversary, and bearing witness to the bond consolidated between Biesse and an area that has a strong focus on wood. The branch has more than 50 people, including back office staff and technicians who are always working on-site, and it is now a landmark for the whole north-eastern region.
The Inside Biesse India event took place at the end of June, which saw more than 250 visitors coming from the local Indian area and neighbouring regions. They took part in the traditional two-day event dedicated to technological innovations serving those who work with wood.

JUL

The Group confirmed its commitment to training and the desire to support the local area where it operates through its involvement in projects which aim to disseminate knowledge of the most innovative technologies for woodworking. In India Biesse signed a 5-year Memorandum with the Institute of Wood Science & Technology aimed at providing the infrastructure and financing needed for the project. In line with this project, Biesse's Commercial Director visited the IWST and met students and teachers, offering first-hand experience from the world of work.

AUG

IWF 2018, the fair which took place from 22 to 25 August in Atlanta GA, celebrated a new success for North America. On a 27,000-meter stand, the biggest at IWF, Biesse welcomed over 1,400 companies and exhibited a vast range of machinery, including integrated robotics and automated solutions to satisfy production needs at all levels. "The technology we presented at IWF allowed participants to see how our machines have addressed the challenge of sourcing workforce when unemployment levels are at a record low in North America today, as well as offering solutions for greater and constant productivity" (Federico Broccoli, Chairman and CEO of Biesse America and Biesse Canada).

SEP

Intermac, Donatoni Macchine and Montresor took part in Middle East Stone 2018, the most important international event dedicated to the stone, marble and natural ceramics sector from 4 to 6 September at the Dubai Trade Centre, and at Marmomac, the traditional exhibition which is held in Verona and dedicated to operators in the stone industry and stone engineering sector, displaying numerous technological innovations. At the heart of the display was the "All in one" concept which aims to communicate to customers and the market how the combination of technological capacity and the broad distribution network can offer solutions to implement the digital factory and a comprehensive customer care service, through a single contact person.
Intermac America and Intermac Canada saw a record number of visits at GlassBuild 2018. The exhibition, which ended on 14 September at the Convention Center in Las Vegas, allowed hundreds of visitors from seven countries to enjoy demonstrations of the Company's cutting-edge solutions.
Diamut took part for the first time in Tecnargilla, the most important show for the ceramics and brick industry which was held at Rimini Expo Center, displaying its whole range of tools for the processing of ceramic materials.
Biesse Iberica opened the new Campus in Barcelona, which was established to optimise the service for our local customers. The traditional showroom is evolving and is transforming from the simple display of machinery to offering a personal experience, through seminars, training courses, together with technical demonstrations of machinery.
As part of the Italian Equity Week organised by Borsa Italiana, Biesse aroused considerable interest, in particular by participating in the Industrial Day event held in Milan on 5 September. Biesse managers met over 40 Italian and foreign investors and analysts, explaining them the results the company has recently achieved and the short-term economic and financial outlook.

OCT

From 17 to 24 October 2018 the Biesse S.p.A. headquarters in Pesaro hosted the Inside Biesse event which confirmed its status as the key event in the second half of the year for wood technologies and woodworking and advanced material processing.
October saw the end of the first Italian edition of the Deloitte international award supported by ALTIS Università Cattolica, ELITE (the London Stock Exchange Group project which supports the development and growth of high potential companies), and by Confindustria. With the final ceremony at Palazzo Mezzanotte in Milan, Deloitte awarded outstanding companies in terms of organisational capacity, strategy and performance, know-how and commitment to people. On that occasion, Deloitte awarded the Biesse Group for its organisational capacity, strategy, performance, know-how and commitment to people.
During the awards ceremony, Stefano Porcellini, the General Manager of the Biesse Group, said: "Biesse Group is an excellent company because we combine innovation with a very close focus on the customer, which has enabled us to develop not only cutting-edge products, but also a series of services which allow the customer to enjoy a unique experience. The customer is at the heart of our world, which includes a Campus and our own branches in order to completely focus on their needs; this strategy also pays off in terms of growth for the Group". The criterion adopted to select the Best Managed Companies in Italy, developed by Deloitte internationally, was revised and adapted to Italy with the support of ALTIS Università Cattolica, in order to make it more applicable to the Italian economic and social context. After an initial period of collecting candidacies, the project to select companies, which started in November 2017, included an initial assessment stage during which participants were supported by Deloitte staff in analysing some critical success factors, such as corporate strategy, expertise and know-how, commitment and financial performance.

NOV

The SDA Bocconi School of Management – in partnership with J.P. Morgan Private Bank, PwC, Thomson Reuters (currently Refinitiv) and Gruppo 24 Ore – awarded the Biesse Group at the 2018 Best Performance Award for the "Large" category.
The award – the only one of its kind – has reached its second edition and was created with the aim of identifying the best companies by selecting them according to three standards: economic & financial excellence, innovation & technology, human impact, environmental and governance performance.
The Biesse Group, chosen for the "large" category, was awarded for its ethical and innovative values which – due to transparent relationships with all stakeholders, supported by the sharing of knowledge and experience – also become economic values.
"To be awarded on the basis of criteria relating to economic-financial excellence, innovation and technology, human impact, environmental impact and governance performance makes us proud. A recognition that confirms the value of our business plan and the investments which we continue to make to support competitiveness and success of our customers and our main stakeholders" stated Stefano Porcellini, General Manager of the Biesse Group.

DEC

On 21 December 2018, the second edition of Future Lab – the project that involved sixty new graduates hired during 2017 – was completed. Created in order to make newly hired employees increasingly ready to face the challenges in Italy and abroad, the customised program ended with a two-stage training tour: Biesse Academy, where it was possible to understand the importance of training at the Service Center, as well as HSD, where it was possible to discover HSD's production processes and techniques in Gradara (Pesaro).

INCOME STATEMENT HIGHLIGHTS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 HIGHLIGHTING NON-RECURRING ITEMS

EURO 000'S	31 DECEMBER 2018	% ON SALES	31 DECEMBER 2017	% ON SALES	CHANGE %
Revenue from sales and services	**740,159**	**100.0%**	**690,120**	**100.0%**	**7.3%**
Change in inventories, wip, semi-finished products and finished products	14,026	1.9%	15,387	2.2%	(8.8)%
Other Revenues	6,729	0.9%	4,669	0.7%	44.1%
Revenue	**760,913**	**102.8%**	**710,175**	**102.9%**	**7.1%**
Raw materials, consumables, supplies and goods	(309,430)	(41.8)%	(285,501)	(41.4)%	8.4%
Other operating costs	(144,255)	(19.5)%	(136,067)	(19.7)%	6.0%
Normalised added value	**307,229**	**41.5%**	**288,607**	**41.8%**	**6.5%**
Personnel expense	(214,553)	(29.0)%	(199,155)	(28.9)%	7.7%
Normalised gross operating profit	**92,676**	**12.5%**	**89,452**	**13.0%**	**3.6%**
Depreciation and amortisation	(22,820)	(3.1)%	(19,904)	(2.9)%	14.7%
Provisions	(2,187)	(0.3)%	(2,668)	(0.4)%	(18.0)%
Normalised operating profit	**67,669**	**9.1%**	**66,881**	**9.7%**	**1.2%**
Impairment losses and non recurring-items	(3,897)	(0.5)%	(3,275)	(0.5)%	19.0%
Operating profit	**63,772**	**8.6%**	**63,606**	**9.2%**	**0.3%**
Financial income	350	0.0%	350	0.1%	**(0.1)%**
Financial expense	(2,362)	(0.5)%	(2,209)	(0.1)%	-
Net exchange rate losses	(3,472)	-	(1,017)	-	-
Pre-tax profit	**58,287**	**7.9%**	**60,730**	**8.8%**	**(4.0)%**
Income taxes	(14,436)	(2.0)%	(17,992)	(2.6)%	(19.8)%
Profit for the year	**43,851**	**5.9%**	**42,738**	**6.2%**	**2.6%**

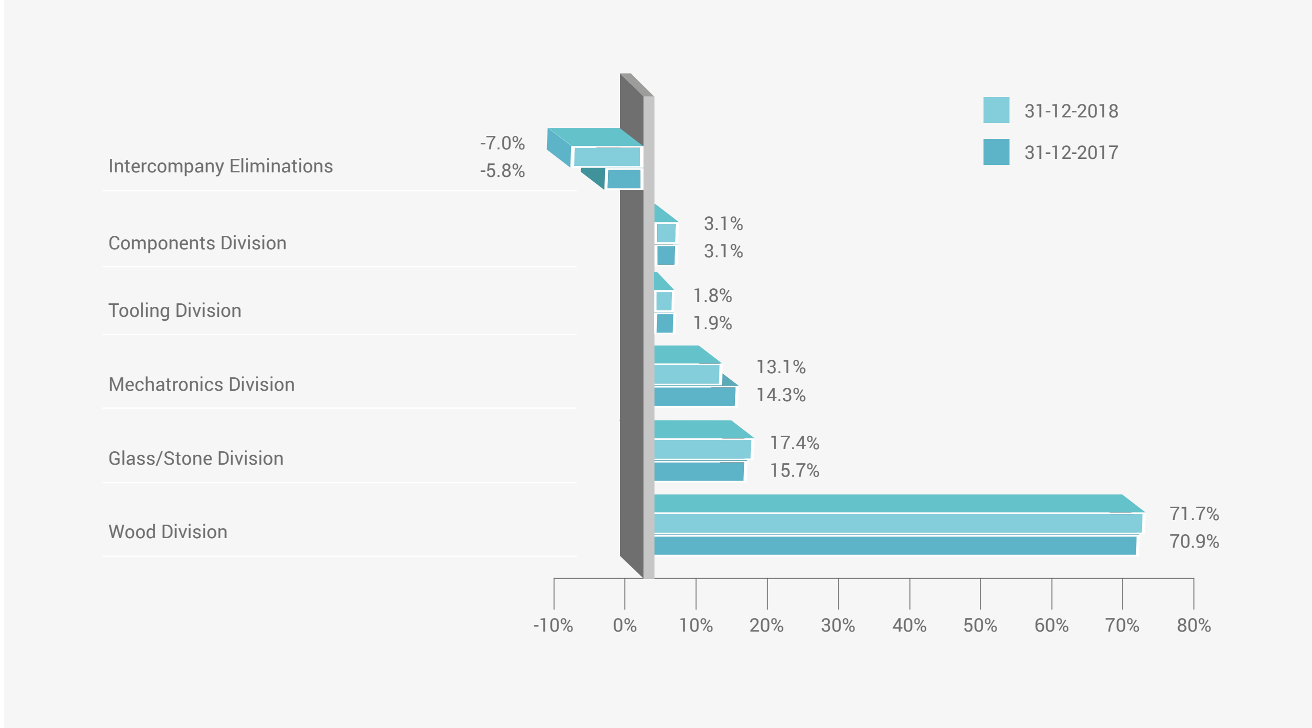
In 2018, **Revenue from sales and services** amounted to € 740,159 thousand, compared with € 690,120 thousand in 2017, up by 7.3% over the previous year.

The breakdown of sales by segment shows the significant increase in the Glass/Marble Division (+18.9% compared to 2017), from € 108,241 thousand to € 128,695 thousand; therefore, the division slightly increased its share of Group sales (from 15.7% to 17.4%). The performance of the other Divisions show in turn increases compared to 2017. In detail, the Wood and Components Divisions increased by 8.4% and 8.0%, respectively; the Tooling Division remained in line with 2017, while the Mechatronics Division recorded a slight decrease, from € 98,503 thousand to € 96,699 thousand.

The breakdown of sales by geographical area compared to 2017 confirms Western Europe as the Group's reference market (accounting for 47.6% of total revenue), up by 13.9% (€ 352,146 thousand against € 309,211 thousand). The positive performance also continued in Eastern Europe, which recorded a 16.4% increase, thereby increasing its share on total consolidated revenue (from 13.4% to 14.5%); North America reported a positive increase of 5.5 percentage points, while Asia-Pacific reported a rather significant drop of 11.9% compared to the previous year, falling from € 153,158 thousand to € 134,970. These trends reflect the events in the global macroeconomic context: first of all, the Trade War and the effects of duties between the United States and China.

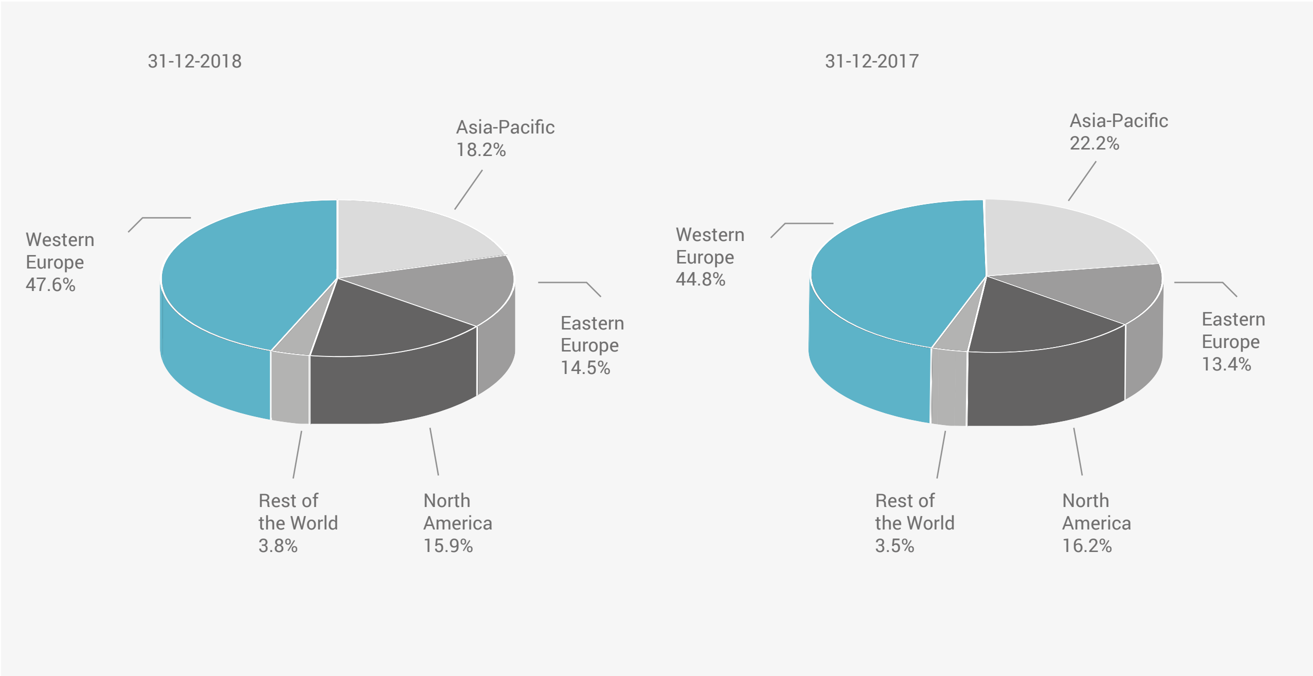
BREAKDOWN OF REVENUE BY OPERATING SEGMENT

EURO 000'S	31 DECEMBER 2018	% ON SALES	31 DECEMBER 2017	% ON SALES	CHANGE %
Wood Division	**530,425**	**71.7%**	489,189	70.9%	8.4%
Glass/Stone Division	**128,695**	**17.4%**	108,241	15.7%	18.9%
Mechatronics Division	**96,699**	**13.1%**	98,503	14.3%	(1.8)%
Tooling Division	**13,245**	**1.8%**	13,250	1.9%	(0.0)%
Components Division	**22,912**	**3.1%**	21,218	3.1%	8.0%
Intercompany eliminations	**(51,817)**	**-7.0%**	(40,281)	(5.8)%	28.6%
Total	**740,159**	**100.0%**	**690,120**	**100.0%**	**7.3%**



BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

EURO 000'S	31 DECEMBER 2018	% ON SALES	31 DECEMBER 2017	% ON SALES	VAR % 2018/2017
Western Europe	352,146	47.6%	309,211	44.8%	13.9%
Asia-Pacific	134,970	18.2%	153,158	22.2%	(11.9)%
Eastern Europe	107,469	14.5%	92,296	13.4%	16.4%
North America	117,750	15.9%	111,585	16.2%	5.5%
Rest of the World	27,825	3.8%	23,871	3.5%	16.6%
Total	**740,159**	**100.0%**	**690,120**	**100.0%**	**7.3%**



The **value of production** amounted to € 760,913 thousand, up by 7.1% compared to 31 December 2017 (€ 710,175 thousand).

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

EURO 000'S	31 DECEMBER 2018	%	31 DECEMBER 2017	%
Revenue	**760,913**	**100.0%**	**710,175**	**100.0%**
Raw materials and goods	309,430	40.7%	285,501	40.2%
Other operating costs	144,255	19.0%	136,067	19.2%
Service costs	124,220	16.3%	118,137	16.6%
Use of third party assets	11,740	1.5%	10,745	1.5%
Sundry operating expense	8,295	1.1%	7,184	1.0%
Added value	**307,229**	**40.4%**	**288,607**	**40.6%**

As a percentage of revenue, the added value before non-recurring events (equal to € 307,229 thousand) was in line with the previous year (40.4% against 40.6%). The impact of raw materials and goods increased by 0.5% (40.7% compared to 40.2% in 2017). Other operating expense showed an increase in absolute terms (€ 8,188 thousand) compared to the previous year, largely due to the item Service costs (which increased from € 118,137 thousand to € 124,220 thousand, up by 5.1%); their impact on the value of production decreased slightly. In detail, this change is attributable to both "variable" cost items (for example: outsourced processing, third-party technical services, sales commissions and transport fees) and to other "fixed" components (travel and lodging expenses, trade fairs and maintenance).

In 2018, the normalised added value totalled € 307,229 thousand, up by 6.5% compared to last year (€ 288,607 thousand) and with an impact on revenue down from 41.8% in 2017 to 41.5% in 2018.

In 2018, **personnel expense** amounted to € 214,553 thousand, compared to € 199,155 thousand as at 31 December 2017, an approximate € 15,398 thousand increase in absolute terms. The impact on revenue was almost unchanged (29.0%). The increase in absolute terms is mainly related to the fixed component of wages, salaries and social security contributions (+ € 16,257 thousand, +8.8% compared to 2017) mainly due to the increase in the headcount in accordance with the recruiting policy adopted by the Group to support the medium-term business strategies. The variable component of bonuses and premiums, on the other hand, decreased (- € 668 thousand, -16.6% compared to the same period in 2017). The decrease refers to the calculation that takes into account different performance indicators of the company.

Normalised gross operating profit was positive to the tune of € 92,676 thousand. As at 31 December 2017 it amounted to € 89,452 thousand.

Depreciation and amortisation increased by 14.7% compared to the previous year (from € 19,904 thousand to € 22,820 thousand) due to investments that have been implemented during the year in order to support the growth of operations. There was an increase in intangible assets by € 1,886 thousand (from € 10,997 thousand to € 12,884 thousand, +17.2%), but also in property, plant and equipment, the depreciation of which increased by € 1,031 thousand (from € 8,905 thousand to € 9,936 thousand, + 11.6%).

Provisions decreased by 18.0% compared to 2017 (€ 2,187 in 2018 compared to € 2,668 in 2017), mainly due to the adjustment of the product warranty provision.
Normalised operating profit was positive to the tune of € 67,669 thousand, slightly increasing by 1.2% compared to the previous year (€ 66,881 thousand).

It should also be noted that the Group's result was negatively affected by "non-recurring events and impairment" for a total of € 3,897 thousand. These were mainly related to the costs of the IPO of HSD S.p.A. (currently the process is suspended and postponed to an indefinite date until market conditions improve), to the extraordinary costs incurred by the Australian branch, to non-recurring personnel expense incurred by the subsidiaries HSD S.p.A. and Biesse Turkey in order to write-down development costs related to projects which are considered no longer strategic and to production phase-outs. The year before, these events had negatively affected the operating margin for a total or € 3,275 thousand.

Operating profit amounted to € 63,772 thousand, in line with the previous year (€ 63,606 thousand).

As regards financial operations, financial expense amounted to € 2,362 thousand (negative), up compared to the negative figure for 2017 of € 2,209 thousand. Financial income, on the other hand, amounted to € 350 thousand, in line with 2017.

With regard to exchange rate risk management, there were negative charges in 2018 totalling € 3,472 thousand with a significant increase compared to 2017, which was negative to the tune of € 1,017 thousand. Exchange rate gains amounted to € 8,917 thousand (€ 6,789 thousand in realised gains and € 2,128 thousand in unrealised gains), while exchange rate losses amounted to € 12,389 thousand (€ 9,578 thousand in realised losses, € 2,812 thousand in unrealised losses). The currencies in which the greatest losses were recorded are the Turkish Lira (which appreciated by 29.7%) and the Russian Rouble (which appreciated by 13.7%). Significant losses were also recorded by the Chinese Renminbi, the Australian Dollar and, to a lesser extent, the US dollar.

Pre-tax profit was € 58,287 thousand.

The balance of **income taxes** was negative to the tune of € 14,436 thousand. This is attributable to the following factors: current IRES (Italian corporate income tax) and IRAP (Italian regional business tax) taxes amounting to € 10,282 thousand and € 2,674 thousand, respectively; provisions for income taxes relating to foreign subsidiaries (€ 4,680 thousand), previous-year taxes (positive to the tune of € 3,676 thousand), net deferred taxes (negative to the tune of € 507 thousand).

The significant reduction in tax-rate is mainly due to recognising a tax benefit for the 2015-2018 period in regards to the optional Patent Box scheme. The company Biesse SPA signed a preliminary agreement with the Italian Revenue Agency for access to the subsidy in question, which allows for a share of the income deriving from use of intangible property to be excluded from taxation. It should also be noted that HSD S.p.A. entered into the same preliminary agreement during 2017.

The Group therefore recorded a **profit for the year** of € 43,851 thousand.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Intangible assets	84,240	75,107
Property, plant and equipment	102,774	90,515
Financial assets	2,847	2,648
Non-current assets	**189,862**	**168,270**
Inventories	162,786	143,210
Trade receivables	134,331	119,380
Trade payables	(244,024)	(223,916)
Net operating working capital	**53,092**	**38,674**
Post-employment benefits	(12,550)	(13,456)
Provision for risk and charges	(10,737)	(10,405)
Other net payables	(35,526)	(35,617)
Net deferred tax assets	9,985	10,501
Other net liabilities	**(48,827)**	**(48,978)**
Net invested capital	**194,127**	**157,966**
Share capital	27,393	27,393
Profit for the previous year and other reserves	147,577	117,734
Profit for the year	43,672	42,581
Non-controlling interests	893	629
Equity	**219,536**	**188,337**
Bank loans and borrowings and loans and borrowings from other financial backers	57,900	49,050
Other financial assets	(288)	(519)
Cash and cash equivalents	(83,020)	(78,902)
Net financial position (1)	**(25,407)**	**(30,371)**
Total sources of funding	**194,127**	**157,965**

The increase in the item intangible assets (around € 9 million) is largely due to the capitalisation of costs for the development of products that are nearly completed and expected to generate an economic return in the coming years. In the reference period, new investments were made for about € 20.5 million, with the main items concerning research and development (€ 12,385 thousand), IT projects (€ 2.5 million) and the SOPHIA project (€ 1 million).

Compared to December 2017, net property, plant and equipment increased by approximately € 12.3 million. The new investments amounted to € 24.4 million, including the purchase of land for the expansion of the Uniteam plant (€ 3.5 million), the purchase of new machining centres, operating machines and automated storage systems for Biesse S.p.A. and HSD S.p.A. (€ 3.6 million), and operations to upgrade Biesse Manufacturing (for the building) totalling € 1.1 million and the Australian branch (€ 1.5 million).

As for the financial position, net operating working capital increased by € 14.4 million, due to the increase in inventories (around € 19.6 million); trade receivables increased by around € 15 million while trade payables increased by around € 20.1 million. The expansionary trend of working capital is closely related to the trend in the order portfolio and to increasing sales of systems, which implies an increase in the transfer time of materials.

NET FINANCIAL POSITION

EURO 000'S	31 DECEMBER 2018	30 SEPTEMBER 2018	30 JUNE 2018	31 MARCH 2018	31 DECEMBER 2017
Financial assets:	83,308	91,114	91,323	89,853	79,421
Current financial assets	*288*	*336*	*706*	*637*	*519*
Cash and cash equivalents	*83,020*	*90,778*	*90,617*	*89,216*	*78,902*
Short-term financial lease payables	(349)	(336)	(348)	(347)	(199)
Short-term bank loans and borrowings and loans from other financial backers	(22,161)	(43,133)	(42,444)	(35,649)	(29,086)
Short-term net financial position	**60,798**	**47,645**	**48,532**	**53,857**	**50,136**
Medium/Long-term financial lease payables	(1,569)	(1,662)	(1,744)	(1,832)	(1,060)
Medium/Long-term bank loans and borrowings	(33,821)	(26,579)	(30,121)	(33,077)	(18,705)
Medium/Long-term net financial position	**(35,390)**	**(28,241)**	**(31,866)**	**(34,908)**	**(19,765)**
Total net financial position	**25,407**	**19,403**	**16,666**	**18,949**	**30,371**

As at 31 December 2018, the Group's Net Financial Position was positive to the tune of € 25.4 million (€ 30.4 million in the same period last year). During 2018 investments were made in fixed assets (capex) for € 45.8 million. Ordinary dividends were paid to Biesse shareholders for a total of € 13.1 million (0.48 cents per share).
Working capital accounts for 7.2% of consolidated revenue.

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 impact the Group.

RISKS RELATED 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.

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.
Of the credit lines considered to be "medium-term", the Biesse Group negotiated and entered into a 50 million 6-year credit line with BNP, which was not used as at 31 December.
Given that cash flow generation was concentrated especially at the end of 2016, 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/mortgage 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 on the basis of 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 risk is mainly linked to differing geographical distribution in commercial activities, which leads to having cashflows from exports nominated in currencies different from that of the production region. In particular, the Biesse Group is primarily exposed on net exports going from the euro area 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. It is aimed at establishing, among other things, stringent rules for tackling and mitigating risk related to exchange rate fluctuations. In the Policy at issue, the instruments through which to hedge against this risk – be it centralised or decentralised – 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.).

RISKS CONNECTED TO THE UNITED KINGDOM LEAVING THE EUROPEAN UNION (SO-CALLED "BREXIT")
The Group analysed the potential impacts that the United Kingdom leaving the European Union could have. There are no potential financial, operating and strategic risks connected to the so-called "Brexit".

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 15 March 2019 the Corporate Governance and Ownership Structure Report pursuant to Article 123-bis of the Consolidated Law on Finance related to financial year 2018. This 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

In such a context, being able to manage HR processes in a way that is uniform and organic using the best performing tools, becomes fundamental. The Group's dimensions are constantly growing, with an increase in the number of branches and employees. Developing and implementing effective staff selection systems is a fundamental strategy for sustainable Group growth and to guarantee transparency and equality, while completely respecting equal opportunity and enhancing individual skills. The Biesse Group strives for continuous improvement in the selection process, directed at identifying not only the skills and capabilities required in the immediate future, but also the opportunities required to grow as a team and take on other roles over time. The goal 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. Full days are dedicated to exploring product innovations and new sales tools. The Biesse Group believes that continuous learning is the key to a successful future. Every year it organises weeks of training at the Headquarters, directed at branch employees and business partners around the world. 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 members are always able to provide added value to customers.

RESEARCH AND DEVELOPMENT ACTIVITIES

As in 2017, the Group's research and development activity continues. As at 31 December 2018, 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 31/12/2018	PROFIT FOR 2018	EQUITY 31/12/2017	PROFIT FOR 2017
Equity and profit for the year of the parent	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Elimination of carrying amount of consolidated equity investments:				
Difference between carrying amount and amount of equity held	39,235		23,182	
Pro-quota results contributed by investees		20,415		21,574
Derecognition of impairment losses/reversal of impairment losses on equity investments		8,500		3,999
Dividends		(13,596)		(22,187)
Elimination of the effects of transactions between consolidated companies:				
Intercompany losses included in closing inventories	(15,867)	(3,661)	(12,206)	360
Intercompany losses on non-current assets	(564)		(564)	
Equity and profit of the year attributable to owners of the parent	**218,642**	**43,672**	**187,385**	**42,558**
Non-controlling interests	893	180	952	180
Total equity	219,535	43,851	188,337	42,738

TRANSACTIONS WITH ASSOCIATES, PARENTS AND SUBSIDIARIES

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

EURO 000'S	REVENUE AT 31/12/2018	REVENUE AT 31/12/2017	COSTS AT 31/12/2018	COSTS AT 31/12/2017
Ultimate Parent				
Bi. Fin. S.r.l.	-	1	433	370

EURO 000'S	REVENUE AT 31/12/2018	REVENUE AT 31/12/2017	COSTS AT 31/12/2018	COSTS AT 31/12/2017
Ultimate Parent				
Bi. Fin. S.r.l.	999	981	16	-

It is hereby declared that, pursuant to Article 2.6.2., paragraph 13 of the Rules 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 of the Parent company). During the year, transactions with the aforementioned parties were as follows:

EURO 000'S	REVENUE AT 31/12/2018	REVENUE AT 31/12/2017	COSTS AT 31/12/2018	COSTS AT 31/12/2017
Others				
Fincobi S.r.l.	1	1	14	15
Se. Mar. S.r.l.	22	26	3,075	3,251
Wirutex S.r.l.	38	-	1,489	26
Others	1	-	-	-
Members of the Board of Directors				
Members of the Board of Directors	1	-	2,739	2,667
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	121	168
Total	**63**	**27**	**7,438**	**6,127**

EURO 000'S	RECEIVABLES 2018	RECEIVABLES 2017	PAYABLES 2018	PAYABLES 2017
Other related companies				
Fincobi S.r.l.	-	-	-	-
Edilriviera S.r.l.	-		-	-
Se. Mar. S.r.l.	2	3	894	1.276
Wirutex S.r.l.	18	12	516	383
Others	30	175	-	906
Members of the Board of Directors				
Members of the Board of Directors	-	-	190	24
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	73	206
Total	**50**	**190**	**1,673**	**2,795**

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

INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

Biesse S.p.A. controls 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 subsequently 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 financial position, results of operations 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 31/12/2017	NO. OF SHARES SOLD IN 2018	NO. OF SHARES PURCHASED IN 2018	NO. OF SHARES HELD DIRECTLY AND INDIRECTLY AT 31/12/2018	% OF SHARE CAPITAL
Giancarlo Selci	0			0	0.00%
Chairman					
Roberto Selci	13,970.500			13,970.500	51.00%
Managing Director					
Stefano Porcellini	0		1,000	1,000	0.00%
Executive Director and General Manager					
Alessandra Parpajola	0			0	0.00%
Executive Director					
Elisabetta Righini	0			0	0.00%
Independent Director					
Paolo De Mitri	0			0	0.00%
Statutory Auditor					
Claudio Sanchioni	0			0	0.00%
Statutory Auditor					
Silvia Cecchini	0			0	0.00%
Statutory Auditor					

“ATYPICAL AND/OR UNUSUAL” TRANSACTIONS OCCURRED DURING THE YEAR

In 2018 there were no such transactions.

OUTLOOK

On 26 February, the Board of Directors of Biesse S.p.A. approved the 2019/2020 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 6% in the 2019-2021 three-year period; this forecast is more balanced if compared with previous years but it 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.

Therefore, growth forecasts for the next three years remain positive, supported also by the backlog of € 225 million (+ 4.9% compared to 2017).

In any case, the new business plan must be seen in continuity with the previous plans; Biesse wishes to maintain the current investment growth strategy with the aim of stabilising the results achieved in recent years.

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

INCOME STATEMENT HIGHLIGHTS

Income Statement for the year ended 31 December 2018 highlighting non-recurring items

EURO 000'S	31 DECEMBER 2018	% ON SALES	31 DECEMBER 2017	% ON SALES	CHANGE %
Revenue from sales and services	**471,388**	**100.0%**	**435,916**	**100.0%**	**8.1%**
Change in inventories, wip, semi-finished products and finished products	2,187	0.5%	2,603	0.6%	(16.0)%
Other revenue	6,897	1.5%	5,784	1.3%	19.2%
Revenue	**480,473**	**101.9%**	**444,304**	**101.9%**	**8.1%**
Raw materials, consumables, supplies and goods	(252,236)	(53.5)%	(234,140)	(53.7)%	7.7%
Other operating costs	(66,167)	(14.0)%	(59,148)	(13.6)%	11.9%
Normalised added value	**162,070**	**34.4%**	**151,016**	**34.6%**	**7.3%**
Personnel expense	(107,771)	(22.9)%	(101,540)	(23.3)%	6.1%
Normalised gross operating profit	**54,299**	**11.5%**	**49,476**	**11.3%**	**9.7%**
Depreciation and amortisation	(15,732)	(3.3)%	(13,427)	(3.1)%	17.2%
Provisions	(886)	(0.2)%	(614)	(0.1)%	44.4%
Normalised operating profit	**37,680**	**8.0%**	**35,435**	**8.1%**	**6.3%**
Impairment losses and non recurring-items	(1,311)	(0.3)%	(1,476)	(0.3)%	(11.1)%
Operating profit	**36,369**	**7.7%**	**33,959**	**7.8%**	**7.1%**
Net financial expense	(631)	(0.1)%	(213)	(0.0)%	-
Net exchange rate losses	(2,544)	(0.5)%	137	0.0%	-
Pre-tax profit	**36,592**	**7.8%**	**50,223**	**11.5%**	**(27.1)%**
Income taxes	(4,578)	(1.0)%	(11,411)	(2.6)%	(59.9)%
Profit for the year	**32,013**	**6.8%**	**38,812**	**8.9%**	**(17.5)%**

In 2018, **Revenue from sales and services** amounted to € 471,388 thousand, compared with € 435,916 thousand in 2017, up by 8.1% over the previous year. As already shown in the Group's sales analysis, it should be noted the good performance of the Wood and Glass/Marble Divisions. Reference should be made to what has already been said on the Group's sales analysis. **The value of production** amounted to € 480,473 thousand, compared with € 444,304 thousand as at 31 December 2017, up by 8.1 % from the previous year; costs as a percentage of revenue are broken down below.

EURO 000'S	31 DECEMBER 2018	%	31 DECEMBER 2017	%
Revenue	**480,473**	**100.0%**	**444,304**	**100.0%**
Raw materials and goods	252,236	52.5%	234,140	52.7%
Other operating costs	66,167	13.8%	59,148	13.3%
Service costs	59,452	12.4%	53,462	12.0%
Use of third party assets	3,534	0.7%	3,340	0.8%
Sundry operating expense	3,182	0.7%	2,346	0.5%
Added value	**162,070**	**33.7%**	**151,016**	**34.0%**

Added value as a percentage of revenue slightly decreased compared to the previous year (from 34% in 2017 to 33.7% in 2017). This decrease is due to the higher impact of other operating expenses (13.8% in 2018 compared to 13.3% in 2017), while the impact of raw materials and goods consumption with respect to the value of production slightly improved (from 52.7% in 2017 to 52.5% in 2018).

Personnel expense in 2018 was € 107,771 thousand, compared to € 101,540 thousand as at 31 December 2017, with an increase of € 6,231 thousand in absolute terms, equal to 6.1%. The fixed component of wages and salaries increased by about € 7,985 thousand (+8.2%), especially as a result of the increase in the headcount in accordance with the recruiting policy adopted by the Company. The variable component concerning performance bonuses is down compared to 2017 (€ 7,673 thousand, against a figure for 2017 equal to € 9,333 thousand), while capitalizations of wages and salaries for staff employed in R&D activities are increasing compared to the values recorded in the previous year (€ 9,197 thousand in 2018, compared to € 9,030 thousand in 2017).

Gross operating profit was positive to the tune of € 54,299 thousand (€ 49,476 in 2017), with a 9.7% improvement, in line with the increase in turnover.

Depreciation and amortisation increased by 17.2% (from € 13,427 thousand to € 15,732 thousand). The component relating to tangible fixed assets amounted to € 4,628 thousand (up by 15.1%); this was due mainly to investments in plant and machinery, while that relating to intangible fixed assets amounted to € 11,105 thousand (up by 18%) and was mainly attributable to R&D projects for which production began in 2018 and the consequent amortisation.

Provisions, amounting to € 886 thousand, increased by € 272 thousand compared to the previous year due to the estimate of the company's risks with third-party counterparties.

Normalised operating profit was positive to the tune of € 37,680 thousand, slightly up by 6.3% compared to 2017 (€ 35,435 thousand).

The item impairment and non-recurring items of € 1,311 thousand refers to non-recurring charges for extraordinary consulting services totalling € 543 thousand, other costs of € 495 thousand, personnel expense of € 56 thousand and the write-down of R&D activities for € 217 thousand.

Operating profit was positive to the tune of € 36,369 thousand, up by 7.1% compared to 2017 (€ 33,959 thousand).

Finance income/expense – negative to the tune of € 631 thousand – increased compared to the previous year (negative to the tune of € 231 thousand).

The item Exchange rate gains and losses amounted to € 2,544 thousand in losses (€ 137 thousand in gains in 2017).

Value adjustments to financial assets – whose balance is negative to the tune of € 8,500 thousand (negative to the tune of € 3,999 thousand in 2017) – refer to the balance between impairment losses and reversal of impairment losses. The impairment losses concerned the following:
• Biesse Group Australia: around € 5,500 thousand.
• Biesse Turkey: around € 3,000 thousand.
• Biesse Hong Kong: around € 2,000 thousand.
• Intermac do Brasil: around € 1,000 thousand.
• Biesse Russia: around € 1,000 thousand.

Reversal of impairment losses refer to equity investments in Biesse Iberica (€ 2,500 thousand) and Biesse Deutschland (€ 1,500 thousand).

Dividends totalled € 11,882 thousand, detailed as follows:

• HSD S.p.A.: € 5,889 thousand;
• Biesse America: € 1,494 thousand;
• Biesse France: € 1,200 thousand;
• Biesse UK: € 836 thousand;
• Biesse Iberica: € 730 thousand;
• Biesse Canada: € 597 thousand;
• Biesse Asia: € 600 thousand;
• Viet S.p.A.: € 536 thousand;

The **pre-tax profit** was € 36,592 thousand, up compared to € 50,223 thousand in 2017.

Estimated income taxes totalled € 4,578 thousand, down compared to 2017 (whose value amounted to € 11,411 thousand); this was due to the Patent Box, whose agreement affects the 2015-2018 tax period.

The Company therefore reported a positive **result for the year** of € 32,013 thousand (€ 38,812 in 2017).

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Intangible assets	55,754	48,613
Property, plant and equipment	56,844	47,452
Financial assets	107,060	81,999
Non-current assets	**219,658**	**178,064**
Inventories	59,792	54,380
Trade receivables	131,751	121,342
Trade payables	(167,955)	(146,922)
Net operating working capital	**23,588**	**28,800**
Post-employment benefits	(10,188)	(10,619)
Provision for risk and charges	(4,395)	(4,990)
Other net payables	(21,561)	(16,872)
Net deferred tax assets	2,324	2,105
Other net liabilities	**(33,820)**	**(30,376)**
Net invested capital	**209,425**	**176,489**
Share capital	27,393	27,393
Profit for the previous year and other reserves	136,432	110,768
Profit for the year	32,013	38,812
Non-controlling interests	-	-
Equity	**195,838**	**176,973**
Bank loans and borrowings and loans and borrowings from other financial backers	84,223	62,270
Other financial assets	(16,161)	(16,739)
Cash and cash equivalents	(54,475)	(46,016)
Net financial position (1)	**13,587**	**(485)**
Total sources of funding	**209,425**	**176,489**

Net intangible assets increased by € 7,141 thousand compared to 2017. This increase is represented by new investments, amounting to € 18.5 million, as well as amortisation for the period; investments include those referring to capitalisation for R&D (equal to approximately € 9.6 million) and those relating to ICT (totalling around € 8 million).
As regards property, plant and equipment, the net value rose by approximately € 9.4 million. This increase confirms a trend already observed in previous years, with the expansion of manufacturing facilities and consequent investments, aimed at improving the use of manufacturing space.
Financial assets reported an increase of approximately € 25.1 million; this was ascribable to capitalisation for € 33.6 million and overall negative impairment for € 8.5 million. Capitalisation is mainly attributable to HSD S.p.A. (€ 16.2 million) following the allocation by Biesse of the amounts arising from the collection of dividends authorised by the subsidiary to the equity reserve as well as to increases in the share capital of the subsidiary Biesse Hong Kong for € 12 million. Details on Impairment were provided in the income statement highlights section. Net working capital decreased as a whole by around € 5.4 million compared to December 2017 due to the increase in trade payables (by around € 21 million) offset by the increase in trade receivables (by around € 10.4 million) as a result of the increase in sales at the end of the year and of the increase in inventories (by around € 5.4 million).
The item other net assets/(liabilities) reported the negative increase in the item other net payables/receivables which was attributable to the credit for dividends (present exclusively in 2017), and partially offset by the increase in receivables for income taxes relating to paid advances exceeding the payable of the year due to the Patent Box.


BIESSE
REHAU
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RoverA

NET FINANCIAL POSITION

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Cash	2,841	953
Cash and cash equivalents	52,137	77,949
Cash and cash equivalents	**54,978**	**-**
Financial assets	444	78,902
Financial assets versus related parties	15,717	519
Current bank liabilities	(489)	28,690
Short term portion of non current liabilities	(11,482)	199
Other current financial debt	(1,039)	396
Other current financial debt versus related parties	**(38,693)**	**29,285**
(Short-term financial indebtness)	**(52,063)**	**50,136**
Short-term net financial indebtness	19,076	-
(Other non current financial liabilities)	**(32,161)**	**-**
(Long-term financial indebtness)	**(32,161)**	**19,765**

The net financial position is negative to the tune of € 13.1 million, worsening by € 13.6 million compared to the value recorded in 2017. The deterioration is largely ascribable to lower cash flows in dividends received from subsidiaries and the greater investments made during the year.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

WOOD DIVISION – Biesse Unit

Machine Diagnostic IOT PW01
The development of a software application to monitor the different functional groups of the machining centre – with the aim of preventing potential damages to the machine tool and production stops – has been started and completed.

Rover A FT Smart machining centre
Development has been completed of a mid-to-low-end gantry 5-axis machining centre for nesting processing of both wood-based and plastic materials, with particular attention being paid to the ergonomics of use and the minimisation of the overall space requirements.

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

Cutter
The development of operating groups for cutting plastic and composite materials has been started through the use of knife-shaped tools that can be oriented around their longitudinal axis. These tools can also be equipped with an oscillating movement and copying devices. These groups will allow for an increase in the performance of machining centres for the advanced materials sector.

HFS
The development of a new edgebanding unit (PP, ABS or PVC material) continued with layers that are functionally suitable to be melted due to the use of an energy source.

Rover A1YXX machining centre
The development of a medium-low end gantry machining centre with bar tables for the processing of shaped panels and solid wood elements was completed in order to serve the needs of workshops, with specific attention to the ergonomics of use and minimisation of the overall size.

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

PDL Evolution
Development has begun on a new work plan for machining centres with higher performing ingots and bars, in terms of both set-up speed, functionality, ergonomics of use and locking devices.

Rover N Edge machining centre
Development has continued on a machining centre for the complete production of panels with nesting and subsequent edgebanding processing aimed at high productivity in a batch-one process.

Rover K FT machining centre (step2)
Development has begun of an entry-level end gantry machining centre for nesting processing of multi panels for manufacturers of barrels, with particular attention being paid to the ergonomics of use and the minimisation of the overall space requirements.

Rover C H500 machining centre
The development of a machining centre equipped with a 5X head for processing thick components – for the sectors of moulds, housing and the production of design objects with a gantry structure – was completed in order to ensure high stiffness and precision.

Rover A FT machining centre (step2)
Development has continued on a mid-to-low-end gantry 5-axis machining centre for nesting processing of both wood-based and plastic materials.

Rover B18XX machining centre
Development has begun on a mid-range cantilever machining centre for the artisan market. New solutions will be designed to maximise the width of the pieces to be processed given the same installation space.

WinLine 16XX H150 - 0308002
Development has begun and has been completed to increase the thickness range of materials that can be used on the high production-machining centre to produce fixtures and hardwood components.

PLC and CAD CAM PLAST
The development of software applications – which makes the use of machining centres for plastic processing more ergonomic – has been started and completed.

Edgebanding Units and deflectors
Development was started 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.

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

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

5X autocalibrating heads
Development has continued on 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.

Rover B FT & Plast 2019 machining centre
Development was initiated in order to include double Y configurations on all the size variants of high-end machining centres dedicated to nesting with the aim of addressing the various production needs of customers operating in a highly competitive sector.

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

ECS copier
The development of an electronic copier to be mounted on the milling unit (electro-spindle) was started and completed with the objective of allowing processing at constant depth from the upper surface of the panel.

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

WOOD DIVISION – Comil Unit

Techno Line Restyling 2018
In 2018, the four models of the Techno Line range was restyled in order to implement interface, remote control and visualisation features. The Techno line MN model was tested in 2018, while the Techno Line CN model will be completed in 2019.

Techno Line BT FDT_MN
In 2018 the prototyping activities of the Techno BT MN drilling machine – a transverse flexible drilling machine – were completed; checks and tests were carried out, and the SW interface was implemented. The prototype machine will be delivered to a beta-test customer during 2018.

Techno Line BT FDT CN
In 2018, the design of the Techno BT CN drilling machine, a transverse flexible drilling machine, was completed, and the mechanical, electrical and SW interface development was started. Controls and tests will be implemented and the prototype machine will be delivered to a beta-test customer during 2018.

Foratrice trasversale da linea (FTF)
In 2018, the FTF transverse flexible drilling machine project was resumed, including 3 main modules and a particularly innovative SW package for optimisation of processing and tooling. The project will last two years and then the prototype will be prepared.

Nexstep X2
Design of a moving panel nesting machine. The machine must deal with a cheaper range of the product. The project in 2018 was not continued.

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. During 2018, the project has been developed and production of the prototype has started. The prototype construction will be completed during 2019.

Winstore Plastic
Horizontal storing system for rapid handling for the management of plastic panels. It was designed and developed with prototype solutions during 2018.

Winstor E 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 will be prototyped during 2019.

Winstore 3D K3 evo (Winstore X3)
Horizontal storing system for rapid handling for the management of wooden panels and similar items. Performance and vacuum management were renewed. The storing system was designed in 2018 and will be prototyped during 2019.

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. The project was started in 2018 and must be completed during 2019.

TFS SeedXP
Site for developing and updating the SW platform and libraries.

TFS THMI
Site for developing and updating the interface features installed on the machines.

WOOD DIVISION - Edge Unit

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

Linear Hedge Trimming Unit For Akron 1400 Series
With this new and innovative unit (there is a patented function) it is possible to use a particularly delicate type of edges in all the Biesse medium-high range of edgebanding units.

NEW AK1300 / 1400 CABINETS
Expansion of the volumes of the machine cabinets 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 A 2019
Revision of the project which has been on the market since 2015 with increased ergonomics (longer bases) and new glue application systems.

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 groups from Stream C and introducing new linear motion systems for increased performance and reduced maintenance.

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.

LINEAR-MOTOR END-TRIMMING MACHINE
In accordance with the redesigning of the Stream MDS with the use of linear motors instead of brushless rotary systems, this technology is being introduced on the main dynamic operating units in order to increase performance.

CN ENTRY LEVEL ROUNDING UNIT
New single-engine rounding unit with electronic ignition designed for mid-range 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.

WOOD DIVISION – Selco Unit

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. Development of new sizes and optional features.

Selco WN2 panel-sizing centres
Design work continues on a new low-market range of single line panel-sizing machines. Development of missing sizes and optional features.

Selco WN4 panel-sizing centres
Design of a new mid-to-low-end single line panel-sizing machines. Development of sizes and optional features.

WNA8 panel-sizing centres
Design work continues on the new high-market range of angular panel-sizing centres (WNA 8). SW new functions were implemented and new sizes developed.

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

DIAMUT DIVISION - tooling

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.

RESINOID HOT PRESSING FOR CERAMICS
Study and design of various types of resinoid-bonded cup grinding wheels (Diameter: 300/250) which are suitable for wet 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.

Smart Wheels
Study aimed at inserting a chip inside the tools in order to provide the customer with historical data concerning the tool features.

Waterjet Diamond Grinders
Research was carried out jointly with the Politecnico Milano University on WaterJet turning techniques using diamond grinding wheels and a metallic bond.

GLASS & STONE DIVISION

Master Cdl Entry Level
Prototypes have been prepared for the development of a range of CNC mechanical-cutting machines, for glass products, natural or synthetic marble products, with diamond tools for processing for the furniture and building industries.

Software Cad Cam
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, including meeting the needs for the construction of complex shapes.

Double Edging Grinding Machine Fk
Development has continued with revisions taking into account the results arising from processing tests to produce glass products, natural or synthetic stone products on two flat profile-edging machines, which can be adjusted depending on the glass sheet size, with diamond tools, for workshops and industrial facilities operating in the furniture and building sectors.

Electronic Corner Rounding Unit
Development has continued with revisions taking into account the results arising from processing tests on functional units for the execution of joints that can be applied on machines for straight grinding, using diamond tools, for workshops and industrial facilities operating in the furniture and building sectors.

Vertmax New Step 1
Design work and the construction of prototypes have been completed for the development of mechanical-cutting machines 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 workshops and industrial facilities in the building, furniture and energy sector.

Vertmax Cdl 1.2
Design work has begun on entry-level mechanical-cutting machines 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.

Restyling Master New
A project has been developed and prototypes have been prepared for the development of a range of CNC mechanical-cutting machines in order to meet configuration needs for glass products, natural or synthetic marble products, with diamond tools for processing for furniture and building industries.

Genius Ct Red Belts And Bars
A project has been developed and prototypes have been prepared for a range of machinery designed to cut monolithic sheets for automatic production lines. This machinery can be accessorised with functional groups, which allow it to perform multiple functions, which are mainly used in the construction, energy, furniture, and automotive industries.

Genius St Belts And Bars
A project has been developed for a range of machinery designed to handle and support monolithic sheets for automatic production lines. This machinery can be accessorised with functional groups, which allow it to perform multiple functions, which is mainly necessary in the construction, energy, furniture, and automotive industries.

Genius Hp 250 2018
A project has been developed and two prototypes have been purchased (one of them already assembled) and tests have been performed concerning an up-market, high-performance in-line machine for cutting laminated sheets, used mainly in the building industry, is under development with the main purpose of increasing productivity.

SOFTWARE AND COMPONENTS

Hardware
Machinery diagnostics (TTFS_DIAGNOSTICS MACC IOT)
The purpose of this project is to increase precision when identifying electrical/electronic defects in machine systems. The study plans to renew the HSD electronic devices, inserting a set of integrated sensors inside them for the purposes of detecting measurements of electrical quantities and more. A suitable software using this information will be able to indicate the source of the possible defect more precisely.

bPad (TFS_bPad)
This is a study to allow the extension of the use of the wireless handheld device in more hostile environments, such as the one linked to glass machinery where the presence of water requires a higher IP degree than initially planned.

Quadruple drive for brushless motors (TFS_HARDWARE)
Design of a drive for four motors at 24/48V with a maximum output power of 100W. A key constraint is the request for very small dimensions for the container which requires a particular effort to optimise the machine dimensions and the required connections.

SOFTWARE

Wrt (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
Implementation of new debugging tools and operational analysis aimed at significantly streamlining the development of new machinery or finding hidden defects in automation processes.

Plant axis simulator
The project objective is the availability of a simulation of real machine movements so as to accurately predict the resulting trajectory errors. In the study, two different mathematical models of the physical system were analysed: one consisting of a single integral component and the other of a component with two poles and one integral component.

Control algorithms for high speed
In collaboration with Università Politecnica delle Marche (Univpm), development hypotheses were explored for the management of segmented ISO programs for the optimisation of high-speed trajectories.

Speed limitations based on the BENDING RADIUS estimate
Study of a new G328 mode which uses the estimate of the curvature radius in order to limit the accelerations on programs segmented with G01 (High Speed Machining). The bending radius can be used to calculate the "equivalent" centripetal acceleration and limit the feed rate in order to respect the accelerations of the main axes.

Increased functions in the anti-collision system
New machine configurations have introduced the need for more refined functions in the anti-collision algorithms which led to the introduction of TCPM management in these algorithms. We therefore studied solutions that take into account the new control point (tool end) which is different from the one previously considered (power take-off of the spindle).

Automated tests
A great deal has been invested in this area in order to obtain increasing reliability of numerical control software in a field where software errors can cause serious damage to the machines.
In particular we have studied systems for:
• Accelerating machine operation simulations while remaining faithful to reality.
• Integrating the tests with the machine hardware (hardware in the loop).
• Testing asynchronous events such as control of tool wear and tear.
• Statistical analysis of performance.

OPC-UA
Implementation of an OPC-UA server with the aim of providing tools for the publication of process and operation data of the various machines. The users of these tools may be the customers themselves who implement MES or similar systems as well as the Biesse SOPHIA system in their companies.

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.

bSolid 3.0.2 (CAD/CAM)
In 2018, development continued of an integrated programming system for wood, stone and glass processing. B_Solid is a 3D cad-cam software that allows the user, within a single platform, to perform all types of processing due to vertical modules designed for specific productions.

OTHER INFORMATION

In addition, it should be noted that the Company does not own shares/stakes of parent companies nor did it own or trade them during 2018. There is therefore nothing to be reported for the purposes of Art. 2428, paragraph 2, points 3 and 4 of the Italian Civil Code. In accordance with Art. 2497-bis, paragraph four of the Italian Civil Code, it should be noted that the Company Bi.Fin. S.r.l., with its registered office in Pesaro in viale F.lli Rosselli 46, manages and controls Biesse S.p.A.

PROPOSAL TO THE ORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

You are invited to approve the financial statements for the year ended 31 December 2018, with this Directors' Report on Operations, as they stand.
The Board of Directors, taking into account the positive financial position and results for 2018, proposes to distribute dividends to Shareholders to be taken from the profit for the year at the rate of € 0.48 for each eligible share, totalling € 13,148,660.16.
Therefore, you are invited to resolve on the allocation of the profit for the year of € 32,013,092.53 as follows:

• Allocation of € 13,148,660.16 to dividends.
• Allocation of € 4,031.74 to reserve for unrealised exchange gains.
• Allocation of the residual profit of € 18,860,400.63 to the Extraordinary Reserve.

The coupons will be paid in a lump sum starting from 8 May 2019 (with ex-dividend date as from 6 May 2019 and record date on 7 May 2019) by means of qualified financial intermediaries.

Pesaro, 15/03/2019

The Chairman of the Board of Directors

Giancarlo Selci

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT [1]

EURO 000'S	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Revenue	5	740,159	690,120
Other operating income	6	6,729	4,669
Change in inventories of finished goods and work in progress		14,026	15,387
Purchase of raw materials and consumables	7	(309,561)	(287,017)
Personnel expense	8	(214,841)	(199,311)
Depreciation, amortisation and impairment	9	(25,270)	(24,047)
Other operating costs	10	(147,470)	(136,194)
Operating profit		**63,772**	**63,606**
Financial income	11	9,267	9,932
Financial expense	11	(14,752)	(12,808)
Pre-tax profit		**58,287**	**60,730**
Income taxes	24	(14,436)	(17,992)
Profit for the year		**43,851**	**42,738**
Attributable to:		-	-
Attributable to owners of the parent		43,672	42,558
Attributable to non-controlling interests		180	180
Earnings per share	12	1.59	1.56
Diluted (€/cents)	12	1.59	1.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURO 000'S	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Profit for the year		43,851	42,738
Translation differences of foreign operations	21	747	(4,570)
Net gain/loss on cash flow hedges	21	(0)	(0)
Income taxes on other comprehensive income	21	0	0
Items that may be reclassified to profit or loss		**747**	**(4,570)**
Measurement of defined-benefit plans	8	(142)	(70)
Income taxes not on other comprehensive income	8	25	15
Items that will not be reclassified to profit or loss		**(117)**	**(55)**
Total comprehensive income for the year		**44,481**	**38,113**
Attributable to:			
Owners of the parent		175	176
Non-controlling interests		44,307	37,937

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION [2]

EURO 000'S	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Equipment and other items of property, plant and equipment			
Property, plant and equipment	13	102,774	90,515
Goodwill	14	23,542	22,660
Other intangible assets	15	60,699	52,448
Deferred tax assets	24	12,323	13,121
Other financial assets and receivables (including derivatives)	16	2,847	2,648
Other revcevables	19	**0**	**0**
Total non current assets		202,185	181,391
Inventories	17	162,786	143,210
Trade receivables	18	134,331	119,380
Other revcevables	19	27,459	24,442
Other financial assets and receivables (inluding derivatives)	16	**494**	**505**
Cash and cash equivalents	20	**83,020**	**78,902**
Total current assets		**408,089**	**366,438**
TOTAL ASSETS		**610,275**	**547,830**

EURO 000'S	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		27,393	27,393
Reserves		147,831	117,892
Retained earnings		(254)	(459)
Profit for the year		43,672	42,558
Equity attributable to the owners of the parent	21	**218,642**	**187,384**
Non-controlling interests		893	952
TOTAL EQUITY		**219,536**	**188,337**
Financial liabilities	22	35,390	19,765
Post-employment benefits	23	12,550	13,456
Deferred tax liabilities	24	2,338	2,620
Provisions for risks and charges	25	1,091	1,367
Other liabilities	27	1,102	307
Total non current liabilities		**52,471**	**37,516**
Financial liabilities	22	22,510	29,285
Provisions for risks and charges	25	9,646	9,039
Trade payables	26	244,024	223,916
Other liabilities	27	57,955	56,132
Tax payables	24	4,134	3,606
Total Current liabilities		**338,269**	**321,977**
LIABILITIES		**390,739**	**359,493**
TOTAL EQUITY AND LIABILITIES		**610,275**	**547,830**

[2] 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 2018	31 DECEMBER 2017
OPERATING ACTIVITIES			
Profit for the year		43,851	42,738
Change for:			
Income taxes		14,436	17,992
Depreciation and amortisation of tangible and intangible assets		22,820	19,848
Gains/losses from sales of property, plant and equipment		17	(371)
Impairment losses on intangible assets		217	1,476
Net Financial expense		3,046	2,638
SUBTOTAL OPERATING ACTIVITIES		**84,387**	**84,322**
Change in trade receivable		(14,951)	10,627
Change in inventories		(19,576)	(12,326)
Change in trade payables		20,108	27,994
Other changes in other operating assets and liabilities		(845)	(3,676)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**69,122**	**106,941**
Income tax paid		(14,813)	(22,422)
Interest paid		(550)	(1,372)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**53,759**	**83,147**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(24,392)	(21,681)
Proceeds from sale of property, plant and equipment		2,054	2,776
Acquisition of inangible assets		(22,791)	(14,105)
Proceeds from sale of intangible assets		457	(40)
Acquisitions of equity investments		0	(1,640)
Change in other financial assets		(182)	410
Interest received		94	275
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(44,760)**	**(34,005)**
FINANCING ACTIVITIES			
Change in financial activites/liabilities (including derivatives)		(18,193)	(18,193)
Finance lease payments		(312)	1,104
Other changes		(7,051)	12,502
Dividends paid		(13,144)	(9,858)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(14,445)**	**(14,445)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**34,697**	**34,697**
OPENING CASH AND CASH EQUIVALENTS		**78,902**	**46,295**
Effect of exchange rate fluctuations on cash held		64	(2,089)
CLOSING CASH AND CASH EQUIVALENTS		**83,020**	**78,902**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURO 000'S	NOTE	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT FOR THE YEAR	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Opening balances at 01/01/2017	**21**	**27,393**	**(2,183)**	**36,202**	**68,732**	**(96)**	**29,384**	**159,432**	**290**	**159,722**
Other comprehensive income			(4,632)		(162)			**(4,794)**	168	**(4,626)**
Profit for the year							42,558	**42,558**	180	**42,738**
Total comprehensive income/expense for the year			**(4,632)**		**(162)**		**42,558**	**37,764**	348	**38,112**
Dividends paid					(9,858)			**(9,858)**	(29)	**(9,887)**
Allocation of profit for the previous year					29,384		(29,384)			**-**
Other changes					47			**47**	342	**389**
Closing balances at 31/12/2017	**21**	**27,393**	**(6,815)**	**36,202**	**88,143**	**(96)**	**42,558**	**187,385**	**951**	**188,336**

EURO 000'S	NOTE	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	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	**21**	**27,393**	**(6,815)**	**36,202**	**88,143**	**(96)**	**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	**21**	**27,393**	**(6,063)**	**36,202**	**117,438**		**43,672**	**218,642**	**893**	**219,536**

[1] Please see the consolidated comprehensive income statement for a detailed itemisation of the changes.

CONSOLIDATED

NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. 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 Consolidated Financial Statements as at 31 December 2018 incorporate the financial statements of Biesse S.p.A. and the subsidiaries which it controls directly or indirectly (hereinafter defined as the "Group") and the amount of its equity investments, in proportion to the percentage held, in associates. The consolidated financial statements as at 31 December 2018 were approved during the meeting of the Board of Directors held today (15 March 2019).

These consolidated financial statements were approved during the meeting of the Board of Directors on 15 March 2019.

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 2018 include the financial statements of subsidiaries in addition to those of the parent company. The subsidiaries over which the parent company exercises control 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)						
Società italiane controllate:						
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%			100%
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%			60%
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 - Gran Bretagna	GBP	655,019	100%			100%
Biesse France Sarl 4, Chemin de Moninsable - Brignais - Francia	EUR	1,244,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 - Elchingen (Ulm) - Germania	EUR	1,432,600	100%			100%
Biesse Schweiz GmbH Grabenhofstrasse, 1 - Kriens - Svizzera	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 - Svezia	SEK	200,000	60%			60%
Biesse Iberica Woodworking Machinery s.l. C/De La Imaginaciò, 14 Poligon Ind. La Marina - Gavà Barcellona - Spagna	EUR	699,646	100%			100%
WMP- Woodworking Machinery Portugal, Unipessoal Lda Sintra Business Park, 1, São Pedro de Penaferrim, - Sintra - Portogallo	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%
Biesse Malaysia SDN BHD No. 5, Jalan TPP3 47130 Puchong -Selangor, Malesia	MYR	5,000,000		100%	Biesse Asia Pte. Ltd.	100%

NAME AND REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	DIRECTLY CONTROLLED	INDIRECTLY CONTROLLED	OWNERSHIP VEHICLE	BIESSE GROUP
Biesse Korea LLC Geomdan Industrial Estate, Oryu-Dong, Seo-Gu - Incheon - Corea del Sud	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 - Cina	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 - Cina	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 - Turchia	TRY	45,500,000	100%			100%
OOO Biesse Group Russia Ul. Elektrozavodskaya, 27 Moscow, Russian Federation	RUB	59,209,440		100%		100%
Biesse Gulf FZE Dubai, free Trade Zone	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	100%
HSD S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	1,141,490	100%			100%
HSD Mechatronic (Shanghai) Co. Ltd. D2, 1st floor, 207 Taiguroad, Waigaoqiao Free Trade Zone - Shanghai - Cina	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 - Germania	EUR	25,000		100%	Hsd S.p.A.	100%

Compared with the financial statements for the year ended 31 December 2017, the scope of consolidation has changed only due to the liquidation of the company Biesse Tecno System S.r.l.; this occurred on 27 December 2018. The transaction did not have significant effects on the consolidated financial statements of the Biesse Group as at 31 December 2018.
As indicated in note 14 below, the Group, although not formally in total control of Movetro S.r.l, has nevertheless assessed the effects of the put/call option for the remaining 40%; for this purpose, a liability has been recognised in the financial statements for an amount equal to the present value of the expected liability on the possible exercise date and, after assigning the relevant share to the reversal of third party assets, a higher goodwill was recognised for the residual portion.

2. 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 2018 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 or loss 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.

3. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA ADOPTED

Use of estimates and measurement criteria

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 profit or loss 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.

Information on assumptions and uncertainties in estimates that have significant risk of causing material changes in the carrying amount of assets and liabilities for the financial year ended 31 December 2018 are provided in the following notes:

• Note 14 - Goodwill: primary assumptions for determining recoverable amounts.

• Note 15 - Intangible assets: primary assumptions for determining the likelihood of recovering development costs.

• Note 17 - Inventories: primary assumptions for determining obsolete inventory allowances.

• Note 18 - Receivables: primary assumptions for determining the allowance for impairment.

• Note 23 - Employee benefits: primary actuarial assumptions.

• Note 24 - Recognition of deferred tax assets: availability of future taxable income for offset against carried forward tax losses.

• Note 25 - Recognition and measurement of provisions for risks and contingent liabilities: primary assumptions regarding the likelihood and measurement of an outflow of resources.

Furthermore, different accounting standards and disclosure requirements for the Group to assess the fair value of financial and non-financial assets and liabilities. In assessing the fair value of an asset or liability, the Group makes use of observable market data where possible. Fair values, in application of IFRS 13 guidance, are categorised in a number of hierarchical levels based on the inputs used in measurement techniques, as shown below:

• Level 1 – inputs used in the measurement are represented by the quoted prices in an active market 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. as prices) or indirectly (i.e. derived from prices).

• Level 3 – input data that are not based on observable market data.

Main accounting standards adopted

The accounting standards adopted in the consolidated financial statements at 31 December 2018 have been consistently applied also to the period included for comparison purposes. The main accounting principles used to prepare these consolidated financial statements are shown below.

A. CONSOLIDATION CRITERIA

General standards

The consolidated financial statements as at 31 December 2018 include the financial statements of the parent company Biesse S.p.A. and 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 bases adopted by the parent. 31 December is the year end for all the companies in the Group, except for the Indian subsidiary whose year end is 31 March. The carrying amount of equity investments in consolidated companies is eliminated to offset the corresponding share of equity in them. The fair value of each equity investment at the date of acquisition is attributed 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 expenses, 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 2018 and 31 December 2017 for converting finance and equity entries in foreign currency (source www.bancaditalia.it)

CURRENCY	31 DECEMBER 2018		31 DECEMBER 2017	
	Closing	Final	Closing	Final
US Dollar / Euro	1,1810	1,1450	1,1297	1,1993
Brazilian Real / Euro	4,3085	4,4440	3,6054	3,9729
Canadian Dollar / Euro	1,5294	1,5605	1,4647	1,5039
Pound Sterling / Euro	0,8847	0,8945	0,8767	0,8872
Swedish Krone / Euro	10,2583	10,2548	9,6351	9,8438
Australian Dollar / Euro	1,5797	1,6220	1,4732	1,5346
New Zealand Dollar / Euro	1,7065	1,7056	1,5897	1,6850
Indian Rupee / Euro	80,7332	79,7298	73,5324	76,6055
Chinese Renmimbi Yuan / Euro	7,8081	7,8751	7,6290	7,8044
Swiss Franc / Euro	1,1550	1,1269	1,1117	1,1702
Indonesian Rupiah / Euro	16.803,22	16.500,00	15.118,02	16.239,12
Hong Kong Dollar /Euro	9,2559	8,9675	8,8045	9,3720
Malaysian Ringgit /Euro	4,7634	4,7317	4,8527	4,8536
South Korean Won /Euro	1.299,07	1.277,93	1.276,74	1.279,61
Turkish Lira/Euro	5,7077	6,0588	4,12	4,55
Russian Rouble/euro	74,0416	79,7153	65,94	69,39
UAE Dirham/euro	4,3371	4,2050	4,15	4,40
Taiwan Dollar/euro	35,5864	35,0223	34,36	35,66

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 benefit 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 changes arising from conversion are charged to the Income Statement 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

IFRS 15 introduces a single general model to establish whether, when and to what extent to recognise revenues. The standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and relevant interpretations. In accordance with IFRS 15, revenue is recognised when the customer obtains control of the goods or services. The determination of the moment in which the transfer of control takes place requires an assessment by company management. The Group applied IFRS 15 retrospectively and with cumulative effect (without the adoption of practical expedients) on the date of first application (i.e. 1 January 2018). As a result, the information relating to 2017 has not been revaluated – that is, it is presented in accordance with IAS 18, IAS 11 and the related interpretations.

Revenue from the supply of services is recognised in profit or loss on the basis of the progress of services on the reporting date; it is determined on the basis of the work performed or, alternatively, in relation to the percentage of completion of total services. Dividends are recognised through profit or loss as at the time when shareholders become entitled to receive payment, that is, usually, when the Shareholders' Meeting resolves to distribute dividends.

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 benefits 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. Severance pay is 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, settled in 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 profit/(loss) for the year.

F. COSTS AND CHARGES

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

G. FINANCE INCOME AND EXPENSES

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 taxes 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 the 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 countries 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.

As from 2008, the company Biesse S.p.A. has participated in the Biesse Group national tax consolidation scheme, along with 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 for the companies indicated. The financial relationships and the mutual responsibilities and obligations between the companies are defined in the regulation governing participation in the Biesse Group tax consolidation scheme. In the Biesse Group consolidated financial statements, taxes payable that are transferred to the parent are recorded under the item 'Payables to the parent' and receivables deriving from IRES losses that are transferred to the parent are recorded under the item 'Receivables from the parent'.

It should be noted that the Company has reached an agreement on the Patent Box, following which it calculated the benefit estimate for the 2015-2017 period, recognising it under the item "prior-year taxes" while the estimate on the result for the year 2018 was used to adjust the taxable income for the year.

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

Recognition and measurement

An item of property, plant and equipment is 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 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 recorded 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 book value 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 expensed 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.

Fixed assets under finance leases

Property, plant and equipment owned under finance lease contracts for which the Group has substantially assumed all risks and benefits deriving from ownership, are recognised as fixed assets at the contract start date at either fair value, or at the present value of the contract lease instalments, whichever is lower. They are amortised over the estimated useful life of the asset and adjusted to any impairment as determined according to the methods indicated below. The amount payable to the lessor is shown under financial liabilities.

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

K. 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 loss in value, 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 in 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 in the financial year in which they are 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 expense	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.

L. 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.

M. FINANCIAL ASSETS AND LIABILITIES

Recognition and measurement

Trade receivables and issued debt securities are recognised at the time they originate. All other financial assets and liabilities are initially recognised on their trading date, i.e. when the 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 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.
• 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.
• 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 consist solely of payments of principal and interest, the Group considers the contractual terms of the instrument. Therefore, it assesses, amongst other factors, whether the financial asset involves a contractual clause that changes 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.
• 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, and 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.
The Group classified its financial assets in one of the following categories:
• Loans and receivables.
• Investments held until maturity.
• Available-for-sale financial assets.
• Financial assets at FVTPL and, as part of this category:
• Financial assets held for trading.
• Hedging instruments.
• Financial assets at FVTPL.
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.

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 amended contractual terms. The difference between the carrying amount of the derecognised financial liability and the compensation paid (including assets not consisting of transferred cash and cash equivalents or assumed liabilities) is recognised in profit/(loss) for the year.

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

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.

O. TREASURY SHARES
Treasury shares are recognised at acquisition cost and are deducted from equity. Gains and losses from trading treasury shares, net of tax effects, are recognised under equity.

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 finalise the sale.
The cost comprises the cost of direct materials and, where appropriate, direct labour, general production overheads and other costs incurred in bringing the inventories to their present location and condition.
Obsolete and slow moving inventories are written down in relation to the possibility that they can be used or sold.
The allowance for inventory write-downs reflects management's estimate of impairment losses expected by the 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 be 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 goodwill amount 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 14.
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 book value, then the book value is reduced and it is adjusted to match the recoverable amount. This reduction reflects a loss in value, which will be recognised in profit or loss.
Where there are indications that a prior year impairment related to tangible or intangible assets other than goodwill may no longer exist, or may have been reduced, then the recoverable value of the asset is estimated anew. If the revised value is higher than the net book value, the book value will be increased to match the recoverable amount. The reinstated value cannot exceed the book value that would have been determined (net of write-downs and depreciation) if no impairment had been recognised in previous years.
The reinstated value of an asset other than goodwill is recognised in profit or loss.

Finance and operating lease contracts
Lease contracts are classified as finance leases whenever the terms of the contract substantially transfer all the risks and rewards incidental to ownership to the lessee. Assets acquired through leases are initially recognised at the fair value of

the leased asset, or the present value of the minimum payments due for the lease, whichever is lesser. After initial recognition, the asset is measured in accordance with the relevant accounting standard applicable.
Assets held under finance leases are recognised as property, plant and equipment, recognising a financial liability of equal amount. The liability is gradually reduced on the basis of the principal repayment plan included in the contractual lease terms, while the carrying amount of the asset is systematically depreciated on the basis of its technical-economic life.
All other leases are considered to be operating leases, and are not recognised in the statement of financial position. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

T. ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS EFFECTIVE AS FROM 1 JANUARY 2018

IFRS 15, IFRS 9

IFRS 15 sets out the requirements for recognising revenue pursuant to the new framework. Initially, it was expected to become effective as from 1 January 2016. In September 2015, the IASB decided to postpone this date to 1 January 2018, with early adoption permitted.
IFRS 9 includes a logical approach for the classification and measurement of financial instruments driven by cash flow characteristics and the business model in which the asset is held, an expected loss impairment model for financial assets and a substantially reformed measurement approach to hedge accounting. No significant impacts arise from application of IFRS 9. The Group also adopted IFRIC 22 "Foreign Currency Transactions and Advance Consideration". Also in this case there are no significant impacts.
IFRS 2 "Classification and measurement of share-based payment transactions" and IAS40 "Transfers of investment property" were also adopted. In both cases there are no significant impacts.

U. 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

The Group, which will have to adopt IFRS 16 Leases as from 1 January 2019, has estimated the effects – as reported below – deriving from the first application of this standard to the consolidated financial statements. It should be noted that the final effects of the adoption of the aforementioned standard as at 1 January 2019 could differ given that:
• The Group has not yet completed the verification and assessment of the controls on its new IT systems.
• The new measurement criteria could be changed until the date of presentation of the first consolidated financial statements of the Group for the year which includes the date of first adoption.
IFRS 16 introduces a single model to account for operating leases in the financial statements of lessees. Under this standard the lessee recognises both an asset that represents the right to use the underlying asset, and a liability that reflects the obligation to pay the lease instalments. Exemptions from applying IFRS 16 are envisaged for short-term leases and for low-value leases. Accounting methods for the lessor remain similar to those provided for under the standard currently in force, namely, the lessor continues to classify leases as either operating leases or finance leases.
The Group intends to adopt IFRS 16 as from the date of first adoption (i.e. 1 January 2019) by using the modified retrospective method. As a result, the cumulative effect of IFRS 16 will be recognised as an adjustment to the opening balance on 1 January 2019, without restating the comparative information.
The impact expected on the statement of financial position of the Group's consolidated financial statements (as at 01/01/2019) amounts to approximately € 25 million due to greater fixed assets and financial liabilities.
As regards the income statement, the expected impacts include:
• Higher amortisation in 2019 for € 6.2 million.
• Higher interest in 2019 for € 0.7 million.
• Lower rents for € 6.9 million.
The standard requires the lessee to recognise in the statement of financial position the assets and liabilities concerning the transaction both for operating and finance lease contracts. Lease contracts with a term equal or less than 12 months and those covering assets of very low value are excluded from the financial method.
In October 2017, the IASB issued IFRIC interpretation 23 "Prepayment features with negative compensation" (amendments to IFRS 9), some amendments to IAS 28 (Long-term interests in associates and joint ventures). These amendments will be effective as from 1 January 2019. No significant impacts are expected for the Group.
In addition, some amendments to IFRS 3 (on the definition of a business) were issued during 2018, with entry into force on 1 January 2020, IFRS 17 "Insurance contracts" with entry into force on 1 January 2021. No significant impacts are expected for the Group.

V. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

As at the reporting date, IFRS 14 "Regulatory Deferral Accounts" and some amendments to IFRS 10 and IAS 28 are still pending for approval. 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 revenue and expenses.
• Whose operating results are reviewed regularly by the chief decision maker.
• For which discrete financial information is available.

The Group is currently organised into five operating divisions – Wood, Glass & Marble, 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 – production, distribution, installation and after-sales service of panel processing machines and systems.
• 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 marble 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
2018							
External revenue	528,142	129,072	13,026	66,535	3,384	0	740,159
Intrasegment revenue	2,283	(377)	219	30,164	19,528	(51,817)	0
Total revenue	**530,425**	**128,695**	**13,245**	**96,699**	**22,912**	**(51,817)**	**740,159**
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**
2017							
External revenue	489,840	108,113	12,740	71,370	8,057	0	690,120
Intrasegment revenue	(650)	128	509	27,133	13,161	(40,281)	0
Total revenue	**489,190**	**108,241**	**13,250**	**98,503**	**21,218**	**(40,281)**	**690,120**
Operating profit of segment	**44,539**	**4,490**	**818**	**21,836**	**829**	**(0)**	**72,512**
Unallocated ordinary costs							(8,906)
Operating profit							**63,606**
Unallocated financial expense							(2,876)
Pre-tax profit							**60,730**
Income taxes							(17,992)
Profit for the year							**42,738**

The breakdown of sales by segment shows a significant increase in the Glass/Marble Division (+18.9% compared to 2017), from € 108,241 thousand to € 128,695 thousand; therefore, the division slightly increased its share of Group sales (from 15.7% to 17.4%). The performance of the other Divisions show in turn increases compared to 2017. In detail, the Wood and Components Divisions reported + 8.4% and + 8%, respectively; Tooling remained in line with 2017, while the Mechatronics Division recorded a slight decrease, from € 98,503 thousand to € 96,699 thousand.

The following table shows an inventory breakdown by operating segment:

EURO 000'S	WOOD	GLASS & STONE	TOOLING	MECHATRONICS	COMPONENTS	GROUP TOTAL
2018	110,262	12,598	2,278	25,180	12,468	162,786
2017	104,049	11,309	2,593	22,244	3,016	143,210

BREAKDOWN BY GEOGRAPHICAL AREA

Turnover

EURO 000'S	31 DECEMBER 2018	%	31 DECEMBER 2017	%
Western Europe	352,146	47.6%	309,211	44.8%
Asia - Pacific	134,970	18.2%	153,158	22.2%
Eastern Europe	107,469	14.5%	92,296	13.4%
North America	117,750	15.9%	111,585	16.2%
Rest of the World	27,825	3.8%	23,871	3.5%
Group Total	**740,159**	**100.0%**	**690,120**	**100.0%**

The breakdown of sales by geographical area compared to 2017 confirms Western European area as the Group's reference market (accounting for 47.6% of total revenues), up by 13.9% (€ 352,146 thousand against € 309,211 thousand). The positive performance also continued in Eastern Europe, which recorded a 16.4% increase, thereby increasing its share on total consolidated revenue (from 13.4% to 14.5%); North America reported a positive increase of 5.5 percentage points, while Asia-Pacific reported a rather significant drop of 11.9% compared to the previous year, falling from € 153,158 thousand to € 134,970. These trends reflect the events in the global macroeconomic context: first of all, the Trade War and the effects of duties between the United States and China.

5. REVENUE

The breakdown of revenue from the sale of goods and services provided by the Group as at 31 December 2018 is detailed below:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Revenues from services	686,799	644,459
Revenues from services	52,524	44,661
Other revenues	836	1,000
Revenues	**740,159**	**690,120**

In 2018, **Revenue from sales and services** amounted to € 740,159 thousand, compared with € 690,120 thousand in 2017, up by 7.3% over the previous year.
The company carried out an analysis on the identification of separate performance obligations and it emerged that it was not necessary to make a further breakdown of revenues. In particular, revenue deriving from the sale of guarantees continue to be recognised separately from revenues ascribable to the sale of assets based on specific contractual provisions. The Group considers the sale of the asset as a performance obligation which is separate from ancillary services; the latter are accounted for separately.
The criteria applied by the Group are in line with the provisions of IFRS 15.
Finally, no circumstances were identified in which a Group company had the role of "agent".

6. OTHER INCOME

The breakdown of the Group's other income as at 31 December 2018 is as follows:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Lease and rental income	85	84
Commissions and royalties	1,368	487
Income-related grants	1,584	333
Gains on sales of assets	59	399
Other non-recurring income and prior year income	3,633	3,366
Total other operating income	**6,729**	**4,669**

The item 'Government grants' contains grants receivable for training courses carried out internally. Most of these refer to Biesse S.p.A., HSD S.p.A. (for which reference is made to the relevant explanatory notes) and Biesse Manufacturing in relation to the export of goods manufactured in India and subject to the condition that payment has been received. The "Other income and contingent assets" mainly refer to the parent company; please refer to the parent company's explanatory notes for more details.

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

As at 31 December 2018, this item amounted to € 309,561 thousand, up by 7.9% compared to the previous financial year (€ 287,017 thousand). This item includes all procurement costs related to production, and primarily consists of € 336,528 thousand for the cost of purchasing raw materials and spare parts, € 3,331 thousand for the cost of purchasing finished products, a positive change of € 8,433 thousand for raw material inventories and € 13,803 thousand for the recovery of costs for purchasing raw materials.

8. PERSONNEL EXPENSE

Personnel expense for 2018 amounted to € 214,841 thousand – an increase of € 15,530 thousand compared to the previous year, when it amounted to € 199,311 thousand. The item is detailed below:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Wages, salaries and social security contributions	200,507	184,250
Productivity bonus, other bonuses and related social security contributions	13,770	14,438
Accruals to pension plans	8,023	7,077
Other personnel expense	3,560	3,617
Capitalization and recovery of personnel expense	(11,020)	(10,071)
Personnel expense	**214,841**	**199,311**

The increase in personnel expense is linked to an increase in the Group's headcount, which rose from 4,042 units as at 31 December 2017 to 4,451 as at 31 December 2018 (personnel expense also includes temporary staff).

The item 'Recovery and capitalisation of personnel expense' mainly includes capitalised costs for the development of new products.

9. AMORTISATION, DEPRECIATION, IMPAIRMENT AND PROVISIONS

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Tangible amortization	9,936	8,906
Intangible amortization	12,884	10,998
Impairment of tangible or tangible assets	217	1,492
Provision	2,233	2,652
Amortizations, depreciation and provision	**25,270**	24,047

The item 'Amortisation, depreciation, impairment and provisions' went from € 24,047 thousand as at 31 December 2017 to € 25,270 thousand as at 31 December 2018, up by € 1,223 thousand compared to the previous year.
The increase mainly refers to the increase in development costs recognised in 2018.
The item 'Impairment (Revaluation) of tangible and intangible assets' as at 31 December 2018 refers solely to the impairment of development projects which were abandoned during the year (concerning Biesse S.p.A.).
Concerning the item 'Provisions for risks and allowance for impairment,' please see note 25 for risk provisions, and note 18 for allowance for impairment.

10. OTHER OPERATING EXPENSE

The item Other operating expense of the Group as at 31 December 2018 is detailed below:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Production services	34,797	32,191
Maintenance	5,150	4,687
Sales commissions and transport	20,583	23,601
Consultancy fees	8,471	5,648
Utilities	6,285	5,845
Exhibitions and advertising	12,337	10,701
Insurance	1,881	1,912
Directors, statutory auditors and consultants' remuneration	3,674	2,831
Travel	20,204	19,621
Other	13,043	11,162
Use of third party assets	11,940	10,745
Other operating costs	9,103	7,249
Other operating costs	**147,470**	**136,194**

The item Other operating expense increased by € 11,276 thousand overall compared to 2017 (+ 8.3%). In detail, production services increased by € 2,606 thousand (+ 8.1% compared to last year), while commission expense on sales and transportation reported a significant decrease of € 3,018 thousand (-12.8% compared to the same period in 2017). There was a significant increase in consultancy costs (+ 50.0% compared to 2017), rising from € 5,648 to € 8,471. This item includes the consultancy costs relating to the listing of HSD S.p.A., which was then discontinued during 2018.

With regard to fixed costs, maintenance increased by 9.9%, rising from € 4,687 to € 5,150; costs for fairs and advertising increased by 15.3%, from € 10,701 thousand to € 12,337. This was mainly due to fairs organised at foreign branches.
Reported below is the detail of the fees paid to Independent Auditors, which are also included under other operating expense.
As required by Article 149-duodecies of the CONSOB Issuers' Regulations:

SERVICES	SERVICE SUPPLIER	BENEFICIARY	FEES (2018)
Audit	KPMG S.p.A.	Biesse S.p.A.	496
	KPMG Network	Subsidiaries	238
Other certification services	KPMG S.p.A.	Biesse Group	694
Other services	KPMG Network	Biesse S.p.A.	210
Total			**1,637**

11. FINANCE INCOME AND EXPENSE

The item "Finance income" is detailed below:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Income from financial receivables	-	(9)
Bank interest	107	76
Interest from customers	8	26
Interest from others	47	220
Financial discounts received	72	37
Other financial income	116	0
Exchange rate gains	8,917	9,582
Total financial income	**9,267**	**9,932**

The item "Finance expense" is detailed below:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Bank, mortgage and financing interest	1,258	1,327
Financial lease interest	60	2
Interest expense to others	40	51
Bills discounted	717	768
Impairment losses on current financial assets	303	43
Other financial expense	(16)	18
Exchange rate losses	12,390	10,599
Financial expense	**14,752**	**12,808**

Exchange rate gains and losses include both realised and unrealised exchange rate differences, deriving from either Euro conversions for ordinary operations, or from end-of-period exchange rate adjustments for debtors and creditors shown in foreign currencies (mainly relating to the US Dollar).

As at 31 December 2018, the Group had recorded net exchange rates losses of € 3,472 thousand, of which € 2,789 thousand came from realised exchange losses and € 684 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 schedule:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Profit for the year	43,672	42,558
Weighted average number of shares used to calculate basic and diluted earnings per share	27,393	27,383
Base and diluted profit for the year (in Euro)	**1.59**	**1.56**

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,393
Effect of treasury shares	-	(10)
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,383
Dilutive effects	0	0
Weighted average number of outstanding shares – for the calculation of diluted earnings	**27,393**	**27,383**

As there were no dilutive effects, the same calculation is also applicable to diluted earnings per share.
Basic earnings per share as at 31 December 2018 totalled 1.59 Euro/cent and were calculated by dividing the profit attributable to the owners of the parent, amounting to € 43,672 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 and buildings	Plant and machinery	Equipment	Other assets	Assets under construction	Total
Amount at 31/12/2016	**79,856**	**60,170**	**21,380**	**27,436**	**8,118**	**196,959**
Increase	5,162	9,505	2,457	4,361	437	21,921
Disposals	(640)	(402)	(76)	(588)	-	(1,706)
Exchange rates, reclassifications, other movements	(5,174)	(5,580)	(178)	1,078	1,329	(8,526)
Amount at 31/12/2017	**79,204**	**63,692**	**23,583**	**32,286**	**7,644**	**206,409**
Increase	6,586	3,456	2,919	4,702	6,729	24,392
Disposals	3	(459)	(566)	(2,013)	(847)	(3,882)
Exchange rates, reclassifications, other movements	6,371	9,028	473	236	(10,089)	6,018
Amount at 31/12/2018	**92,164**	**75,718**	**26,409**	**35,210**	**3,437**	**232,937**

EURO 000'S	ACCUMULATED DEPRECIATION					
	Land and buildings	Plant and machinery	Equipment	Other assets	Assets under construction	Total
Amount at 31/12/2016	**26,029**	**49,069**	**15,866**	**24,056**	**-**	**115,020**
Amortisation of the year	2,153	2,953	1,712	2,088	-	8,906
(Decrease)	(203)	(303)	(71)	(537)	-	(1,114)
Exchange rates, reclassifications, other movements	(5,174)	(5,580)	(178)	1,078	1,329	(8,526)
Amount at 31/12/2017	**24,861**	**46,572**	**19,495**	**24,966**	**-**	**115,893**
Amortisation of the year	2,389	3,213	2,128	2,207	-	9,936
(Decrease)	252	(841)	23	(1,261)	-	(1,827)
Exchange rates, reclassifications, other movements	2,994	2,605	187	374	-	6,160
Amount at 31/12/2018	**30,495**	**51,549**	**21,833**	**26,286**	**-**	**130,163**

EURO 000'S	CARRYING AMOUNT					
	Land and buildings	Plant and machinery	Equipment	Other assets	Assets under construction	Total
Amount at 31/12/2017	54,343	17,120	4,088	7,320	7,644	90,514
Amount at 31/12/2018	61,668	24,169	4,576	8,923	3,437	102,774

New investments amounted to € 24.4 million, including the purchase of land for the expansion of the Uniteam plant (€ 3.7 million), the expansion and renovation of existing buildings of the parent company and related plants (€ 2 million), the purchase of new machining centres, operating machines and automated storing systems for Biesse S.p.A. and HSD S.p.A. (€ 7.4 million), the work to upgrade Biesse Manufacturing (for the building) for a total of € 1.1 million and for the Australian branch (€ 1.5 million).
Tangible assets include leased assets purchased through finance leases.
The net carrying amount of assets subject to finance leases is shown below.

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Financial Lease Buildings	125	3
Financial Lease plant and equipment	2,616	1,685
Total	**2,741**	**1,688**

Land and buildings owned by the Group are not subject to mortgages.

14. GOODWILL

Goodwill is allocated to the cash-generating units (CGU) 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 – production, distribution, installation and after-sales service of panel processing machines and systems.
2. Glass & Stone – production, distribution, installation and after-sales service of glass and stone processing machines.
3. Mechatronics – production and distribution of industrial mechanical and electronic components.
4. Tooling – production and distribution of glass and marble processing tools for all the machines on the market;
5. Components – production and distribution of other components related to additional precision processing.

The following table shows the allocation of goodwill by CGU:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Wood	8,403	8,455
Glass & Stone	5,599	4,666
Mechatronics	5,599	5,599
Tooling	3,940	3,940
Total	**23,542**	**22,660**

Compared to the end of the previous year, goodwill increased by around € 883 thousand. Changes occurred during 2018 are due to the exchange rate differences undergone by the goodwill of the Australian and American branches and to the amounts referring to the call/put assessment provided by the contract to purchase Movetro S.r.l. We have considered the possibility that former owners will exercise the put option for selling the remaining 40% of shares to Biesse (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 provisionally allocated to goodwill in the Glass segment.
As required by accounting standards, the Directors determine the recoverable goodwill amount 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 2019-2021 period (hereinafter referred to as the 'Plan') as approved by the Board of Directors on 26 February 2019, and based on the estimates of long-term growth in revenue and associated margins.
The recoverable value 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 2018	31 DECEMBER 2017
WACC	8.0 %	7.3 %
CAGR for forecasted revenue	6.0 %	9.5 %
Growth rate of the terminal value	1.5 %	1.5 %

For the purposes of the goodwill impairment test, a single Weight 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 specific risk premium (MRP), it was assumed to be 5.5%.
• Finally, the rate of the gross cost of debt was assumed to be 1.1%, 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 2018 were based on the business plan for the 2019-2021 three-year period, as approved by the Biesse S.p.A. Board of Directors on 26 February 2019. 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 2018	31 DECEMBER 2017
Average incidence of the cost of sales on three-year revenue	52.3 %	51.3 %
Average incidence of indirect personnel expense on revenue	20.6 %	21.6 %
Average incidence of fixed operating costs on revenue	15.8 %	13.1 %

Impairment test results

CONSOLIDATED FIGURES IN THOUSANDS OF € (BIESSE GROUP – ALL DIVISIONS)	31 DECEMBER 2018
CGU carrying amount (VC)	194,128
CGU recoverable value (VR)	611,936
Impairment	-

CONSOLIDATED FIGURES IN THOUSANDS OF € (WOOD DIVISION)	31 DECEMBER 2018
CGU carrying amount (VC)	118,392
CGU recoverable value (VR)	485,502
Impairment	-

CONSOLIDATED FIGURES IN THOUSANDS OF € (GLASS DIVISION)	31 DECEMBER 2018
CGU carrying amount (VC)	11,003
CGU recoverable value (VR)	13,848
Impairment	-

CONSOLIDATED FIGURES IN THOUSANDS OF € (MECHATRONICS DIVISION)	31 DECEMBER 2018
CGU carrying amount (VC)	34,179
CGU recoverable value (VR)	56,135
Impairment	-

CONSOLIDATED FIGURES IN THOUSANDS OF € (TOOLING DIVISION)	31 DECEMBER 2018
CGU carrying amount (VC)	9,700
CGU recoverable value (VR)	14,139
Impairment	-

Breakeven point

To write off the excess at a consolidated level between value in use and book value in regards to the impairment test carried out for the financial year ended 31 December 2018, the cost of capital (WACC) should increase by 8.4%. 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 business units, please see the following table:

	WOOD	GLASS	MECHATRONICS	TOOLING
WACC	+17.5 %	+0.6 %	+6.0 %	+8.0 %
Growth rate	-30.5 %	-0.6 %	-1.5%	-37.5 %
EBITDA	- € 51.6 million	- € 0.6 million	- € 3.1 million	- € 0.6 million

Sensitivity analysis

A sensitivity analysis of the CGU results in question was also carried out. In every case, the value in use remained higher than the book value, even when assuming deterioration in key parameters such as:
• Half a percentage point increase in the discount rate.
• Half a percentage point reduction in the growth rate.
• Halving the CAGR on sales revenue.

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

		WOOD	GLASS	MECHATRONICS	TOOLING
Wacc +0.5%	CGU (VC)	118,392	11,003	34,179	9,700
	CGU (VR)	449,767	12,531	53,009	13,751
Growth rate -0.5%	CGU (VC)	118,392	11,003	34,179	9,700
	CGU (VR)	454,204	13,022	52,472	13,941
CAGR -50%	CGU (VC)	118,392	11,003	34,179	9,700
	CGU (VR)	219,581	11,282	35,183	12,520

Finally, it should be noted that the estimates and budget figures to which the aforementioned variables 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 estimates 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.

15. INTANGIBLE ASSETS

EURO 000'S	HISTORICAL COST			
	Development costs	Patents, trademarks and other intangible assets	Assets under development	Total
Amount at 31/12/2016	**63,250**	**35,239**	**14,839**	**113,328**
Increase	9	5,659	10,909	16,577
Decrease	-	(9)	(31)	(39)
Exchange rates, reclassifications, other movements	8,220	2,359	(8,727)	1,852
Amount at 31/12/2017	**71,479**	**43,248**	**16,990**	**131,717**
Increase	613	4,065	16,765	21,443
Decrease	-	(86)	(670)	(756)
Exchange rates, reclassifications, other movements	9,708	4,347	(14,111)	(56)
Amount at 31/12/2018	**81,800**	**51,574**	**18,974**	**152,348**

EURO 000'S	ACCUMULATED AMORTISATION			
	Development costs	Patents, trademarks and other intangible assets	Assets under development	Total
Amount at 31/12/2016	**45,945**	**19,767**	**-**	**65,712**
Amortisation of the year	7,826	3,172	-	10,998
(Decrease)	-	(83)	-	(83)
Exchange rates, reclassifications, other movements	(126)	(335)	-	(462)
Amount at 31/12/2017	**53,644**	**22,520**	**-**	**76,165**
Amortisation of the year	8,902	3,982	-	12,884
(Decrease)	(197)	(101)	-	(298)
Exchange rates, reclassifications, other movements	(88)	1,330	-	1,242
Amount at 31/12/2018	**62,260**	**27,731**	**-**	**89,991**

EURO 000'S	IMPAIRMENT LOSSES			
	Development costs	Patents, trademarks and other intangible assets	Assets under development	Total
Amount at 31/12/2017	**-**	**1,629**	**1,476**	**3,105**
Accrual for the year	-	-	217	217
Exchange rate gains(losses), reclassifications and other changes				
Amount at 31/12/2018	**-**	**1,658**	**-**	**1,658**

DATI CONSOLIDATI IN MIGLIAIA DI EURO	CARRYING AMOUT			
	Development costs	Patents, trademarks and other intangible assets	Assets under development	Total
Amount at 31/12/2016	**17,835**	**17,305**	**17,305**	**17,305**
Amount at 31/12/2017	**19,540**	**17,305**	**17,305**	**17,305**

As at 31 December 2018, the consolidated financial statements include assets that represent new product development costs of € 34.4 million, of which €14.9 million appears under capital work in progress and advance payments.
Capitalising development costs involves the Directors preparing estimates, since the recoverability of those costs depends on cash flows from the sale of products marketed by the Biesse Group.
These estimates are characterised by both complex assumptions underlying the revenue and margin projections, and by strategic industrial choices made by the Directors.
Following the test for recoverable values which was implemented as at 31 December 2018, previously capitalised development costs were written-down for € 217 thousand.
Intangible assets are unencumbered.

16. OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets are detailed as follows:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Other receivables / Guarantee deposits - non-current portion	2,847	2,648
Other financial assets	**2,847**	**2,648**

These are almost entirely security deposits for the non-current portion. For the current portion, the amounts are € 494 thousand (€ 505 thousand in 2017) and refer to the fair value of derivative financial instruments.

17. INVENTORIES

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Raw materials, consumables and suppliers	54,450	46,731
Work in progress and semi-finished goods	16,697	18,530
Work in progress	-	-
Finished goods	75,194	65,451
Spare parts	16,445	12,498
Inventories	**162,786**	**143,210**

Inventories equal to € 162,786 thousand are net of the allowances for inventory write-downs, amounting to € 2,963 thousand for raw materials (+€ 694 thousand compared to 2017), € 2,553 thousand for spare parts (+€ 130 thousand compared to 2017) and € 2,799 thousand for finished goods (+€ 960 thousand compared to 2017).
Allowance for inventory write-downs of raw materials to the historical cost of the related inventories is equal to 5.2% while that for finished products is 3.6 %.
The Group's inventories increased compared to the previous financial year by € 19,576 thousand. This increase is due to the need to facilitate the scheduling of the deliveries planned in the first quarter of 2019 in light of the positive trend in orders. In greater detail, raw material inventories increased by € 7,719 thousand and finished products & goods inventories increased by € 9,743 and spare parts by € 3,948 thousand.
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.

18. TRADE RECEIVABLES

The Group's trade receivables as at 31 December 2018 and 31 December 2017 are detailed below:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Trade receivables due from third parties	140,103	124,425
Trade receivables due from related parties	50	190
Trade receivables due from parent company	(0)	4
Allowance for impairment	(5,822)	(5,238)
Trade receivables	**134,331**	**119,380**

Management believes that the carrying amount of trade receivables is a reasonable approximation of their fair value.
Trade receivables due from third parties of € 140,103 thousand increased by around € 15,678 thousand compared to the previous year (€ 124,425 thousand in 2017). Changes in the provision are shown below:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Opening balance	5,238	4,353
Accrual for the year	2,006	1,618
Utilised	(1,197)	(494)
Net exchange rate losses	(38)	(239)
Other movements	(187)	-
Closing balance	**5,822**	**5,238**

Provisions to the allowance for impairment are made on the basis of both an assessment of specific loans where specific disputes exist (and are generally supported by an accompanying legal opinion) and general evaluations grounded in historical experience.
The amount of the accruals 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 loans by conducting a periodic analysis of the main accounts. Write-downs are then undertaken for the loans that are objectively partially or totally non-collectable.
For further details on credit management, please see note 29.
For an analysis of trade receivables due from related parties and parents, please see note 30.

19. OTHER RECEIVABLES

A breakdown of other current receivables as at 31 December 2018 is as follows:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Consumption tax receivables and other tax receivables	14,558	13,712
Income tax assets	7,720	4,263
Other receivables from related parties	999	977
Other receivables from third parties	4,182	5,489
Other receivables	**27,459**	**24,442**

Consumption tax receivables and other tax receivables of € 14,558 thousand increased by € 845 thousand and mainly refer to VAT credits.
'Income tax credits' mainly consist of corporate income tax (IRES) credits and increased by around € 3.5 million due to the "Patent Box" of Biesse S.p.A., entered into in 2019.
The item 'Other receivables from third parties' of € 4,182 thousand decreased by € 1,307 thousand compared to the previous financial year. It mainly refers to disputed receivables that are due from trading partners where legal action is underway. These receivables are shown at their expected realisable value.

20. CASH AND CASH EQUIVALENTS

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Bank deposit	66,926	77,949
Cash and cash equivalents	3,330	953
Financial activities over 3 months	12,764	-
Disponibilità liquide e mezzi equivalenti	**83,020**	**78,902**

Cash and cash equivalents include bank deposits of € 66,926 thousand and cash and cash equivalents on hand of € 3,330 thousand. Financial assets whose original maturity does not exceed three months primarily refer to very short-term investments mainly made with the investment banks Azimut, Kairos and Amundi. These investments refer to cash equivalent financial instruments (bonds and liquidity) and the carrying amount of these assets is their mark to market.
For further details regarding the movements that have influenced the availability of cash and cash equivalents, please see the Group's Statement of Cash Flows. Furthermore, please see note 22 for additional details on the net financial position.
No term deposits exist as at the reporting date.

21. CONSOLIDATED EQUITY

The statement of changes in consolidated equity as at 31 December 2018 is shown in the financial statements section.
Share capital of € 27,393 thousand was unchanged from the previous financial year, and the number of 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 translation reserve includes all exchange rate differences deriving from the conversion of financial statements in foreign currency and is equal to € 6,086 (of which € 23 thousand from third parties) as at 31 December 2018 (€ 6,833 thousand in 2017, of which € 18 thousand from third parties).
The change is due to an appreciation in exchange rates compared to last year-end.

Other reserves

The reserves are as follows:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Legal reserve	5,479	5,479
Extraordinary reserve	96,462	70,670
Reserve for treasury shares	-	96
Retained earnings and other reserves	15,542	11,898
Other reserves	**117,483**	**88,143**

The legal reserve includes a parent company 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 (at € 5,479 thousand).
Retained earnings and other reserves totalling € 15,542 thousand (€ 11,898 thousand in 2017) increased by € 3,644 thousand. Other reserves in this item include carried forward losses of -€ 209 thousand, and is made up of actuarial profit/loss reserves of -€ 4,125 thousand, consolidated undistributed earnings of € 17,501 thousand and other reserves of € 2,375 thousand.
The reserve for treasury shares was zeroed following the termination of the stock incentive plan and the allocation of shares. For further details, reference should be made to note 32.

22. FINANCIAL LIABILITIES

The following table shows a breakdown of current and non-current financial liabilities as at 31 December 2018 and 31 December 2017.

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Non-current liabilities		
Lease liabilities	1,569	1,017
Other non current financial debt	33,821	18,705
	35,390	**19,722**
Current liabilities		
Lease liabilities	349	203
Bank loans and borrowings	534	28,730
Derivatives	982	396
	1,865	29,328
Financial liabilities	**57,900**	**49,050**

Finance lease liabilities

Assets subject to finance leases have been accounted for using the method provided for by international accounting standard IAS 17. The following table breaks down the minimum payments and present value of minimum payments by due date:

EURO 000'S	MINIMUM PAYMENTS DUE FOR LEASES AS AT 31 DECEMBER		PRESENT VALUE OF MINIMUM PAYMENTS DUE FOR LEASES AS AT 31 DECEMBER	
	2018	2017	2018	2017
Within the year	366	344	349	199
Between one and five years	1,596	2,318	1,569	1,060
Due after the fifth year		361	-	-
Total	**1,962**	**3,024**	**1,919**	**1,259**

A reconciliation between minimum payments due to the financial lease company and their present value is as follows:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Minimum payments due for leases	1,962	3,024
Future finance expense	(43)	(1,765)
Total	**1,919**	**1,259**

Bank overdrafts and other financial liabilities

For 2018, the average interest rate on loans was 0.41%.
As at 31 December 2018, the amount of unused credit lines was about € 175.6 million.
As at 31 December 2018, short-term revolving credit lines account for 42.5% of total financing, whereas the remaining part is represented by unsecured loans and residual portions of capital goods leases.

Derivatives

Liabilities composed of derivative instruments are equal to the fair value of foreign currency hedging transactions ('forward' contracts) in place as at 31 December 2018, being € 982 thousand. The Group has chosen not to adopt hedge accounting policies for recognising this type of instrument.

Net debt

Shown below is a breakdown of net financial debt as at 31 December 2018 and 31 December 2017. Please note, net financial debt is presented in accordance with the provisions set out by CONSOB Communication no. 6064293 dated 28 July 2006 as well as with the recommendations of ESMA/2013/319.

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Cash	3,330	953
Cash and cash equivalents	79,690	77,949
Cash and cash equivalents	83,020	78,902
Financial assets	**494**	**505**
Current bank liabilities	(534)	(7,883)
Short term portion of non current liabilities	(20,994)	(21,005)
Other current financial debt	(1,189)	(382)
(Short-term financial indebtness)	(22,716)	(29,270)
Short-term net financial indebtness	**60,798**	**50,137**
Bank non current liabilities	**-**	**-**
Bonds	-	-
(Other non current financial liabilities)	(35,390)	(19,765)
(Long-term financial indebtness)	(35,390)	(19,765)
Net financial indebtness	**25,407**	**30,372**

Reconciliation of financial flows

EURO 000'S		VARIAZIONI NON MONETARIE			
	31/12/17	Cash flow	New Leasing	Other movements	31/12/18
Loans	209	-	-	6	215
Mortgage	39,303	15,030	-	(80)	54,252
Overdraft	7,585	(6,839)	-	(213)	533
Financial Lease	1,259	(312)	971	-	1,918
Total	**48,356**	**7,879**	**971**	**(288)**	**56,918**

EURO 000'S		VARIAZIONI NON MONETARIE			
	31/12/16	Cash flow	New Leasing	Other movements	31/12/17
Loans	2,964	(2,557)	-	(197)	209
Mortgage	18,258	30,822	-	(537)	39,303
Overdraft	20,086	(21,121)	-	(607)	7,585
Financial Lease	115	1,104	-	-	1,259
Total	**41,423**	**8,248**	**-**	**(1,341)**	**48,356**

23. EMPLOYEE BENEFITS

Defined-contribution plans

As a result of the Social security reform the proportion vesting from 1 January 2007, at the discretion of employees, will be assigned to pension funds or transferred by the company to the public treasury fund managed by INPS and will, once the employees choice has been formalised, be categorised as a defined contribution scheme (and therefore no longer subject to actuarial measurement).
Defined-contribution liabilities at year-end amounted to € 7,603 thousand.

Defined-benefit plans

This item solely relates to severance indemnity benefits posted by the parent company and its Italian subsidiaries in compliance with current Italian legislation, which guarantees that employees are paid compensation when the employment relationship ends. Changes in the item 'Employee benefits' are as follows:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Opening balance	**13,456**	**13,745**
Current services	-	-
Financial (expenses)/revenues	(29)	(24)
Benefits paid out	(660)	(710)
Actuarial gain/(losses)	142	70
Other movements	(360)	375
Closing balance	**12,550**	**13,456**

The assumptions used for measuring the obligation of post-employment benefits are set out below:

ECONOMIC ASSUMPTIONS	31 DECEMBER 2018	31 DECEMBER 2017
Annual rate of inflation	1.50%	1.50%
Annual discount rate	from -0.18% in 2018 to 1.61% in 2032	from -0.26% in 2018 to 1.48% in 2032

DEMOGRAPHIC ASSUMPTIONS	31 DECEMBER 2018	31 DECEMBER 2017
Death		RG48 mortality tables published by the
Government General Accounting Office		Tavole INPS distinte per età e sesso
Disability		INPS tables broken down by age and sex
Retirement	100% upon reaching the AGO requirements	1,80%
Probability of advances	3%	1.80%

The effects of the revaluation of defined benefit plans amounted to - € 142 thousand as of 31 December 2018 (- € 70 thousand last year); the effect of the taxes calculated on them is € 25 thousand (€ 15 thousand as at 31 December 2017).

Average number of employees
The average number of staff members in 2018 was 4,340 (3,949 in 2017).

24. INCOME TAXES

Income taxes recognised in profit or loss

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
IRES and other deferred taxes	10,785	12,345
Income tax related to foreign subsidiaries	4,680	4,046
Other taxes	(32)	11
IRES and other taxes for the year	15,433	16,402
IRAP and other current taxes	2,679	3,003
Income taxes relating to previous years	(3,676)	(1,413)
Income taxes	**14,436**	**17,992**

IRES and other deferred taxes, negative to the tune of € 10,785 thousand overall (€12,345 thousand in 2017), 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.
On 6 February 2019, the company Biesse S.p.A. signed a preliminary agreement with the Italian Revenue Agency for access to tax relief in relation to the Patent Box. The agreement (which overall covers a total of five years from 2015 to 2019) resulted in the recognition of an overall benefit for IRES and IRAP of € 5.5 million, of which € 3.8 million referring to the years 2015, 2016 and 2017 and € 1.7 million relating to the 2018 financial year.
The provision for taxation for the year can be reconciled with the reported profit or loss for the year as follows:

EURO 000'S		31 DECEMBER 2018		31 DECEMBER 2017
Pre-tax profit	**58,287**	-	**60,730**	-
National income tax rate 24%	(13,989)	24.0%	(14,590)	24.0%
Tax effect of non-deductible expense/exempt profit in determining income	(631)	1.08%	(1,139)	1.88%
Recognition and use of fiscal losses not previously recognized	296	(0.51)%	318	(0.52)%
Tax effect on losses unrecognised	(1,859)	3.19%	(1,915)	3.15%
Tax effect ot defferred tax assets not recognized and value reductions	(1,432)	2.46%	-	0.00%
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	(614)	1.05%	(733)	1.21%
Other differences	2,795	(4.8)%	1,667	(2.7)%
Income taxes for the year and effective tax rate	**(15,434)**	**26.5%**	**(16,392)**	**27.0%**
IRAP and other current taxes	(2,679)	-4.6%	(3,003)	4.9%
Income taxes relating to previous years	3,676	6.3%	1,402	-2.3%
Income taxes for the year and effective tax rate	**(14,437)**	**24.8%**	**(17,993)**	**29.6%**

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

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Accrual to provisions for risks and charges	11,009	10,914
Intercompany profits included in the amount of closing inventories	-	-
Other	1,314	2,207
Deferred tax assets	12,323	13,121
Accelerated Amortisation	2,315	2,421
Capitalised costs	-	177
Goods under financial lease	23	23
Other	-	-
Deferred tax liabilities	2,338	2,620
Net deferred tax assets	**9,985**	**10,501**

As at 31 December 2018, the Group recorded deferred tax assets and liabilities of € 9,985 thousand (€ 10,501 thousand in 2017). 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 26 February 2019, and described in the paragraph above 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 2018 were approximately € 7.3 million.
Income tax payables amounted to € 4,134 thousand (€ 3,606 thousand as at 31 December 2017) and include income tax payables still to be paid on the reporting date.

25. PROVISIONS FOR RISKS AND CHARGES

EURO 000'S	31 DECEMBER 2018				
	Guarantees	Retirement of agents	Legal disputes	Tax disputes	Total
Opening balance	**6,019**	**340**	**3,056**	**990**	**10,405**
Non current					1,367
Current					9,038
Accruals	642	36	(205)	(303)	170
Utilised	(736)	-	(321)	(38)	(1,094)
Exchange rate gains and other differences	812	(9)	190	263	1,256
Amount at 31/12/2017	**6,737**	**367**	**2,721**	**912**	**10,737**
Non current					1,091
Current					9,646

The provision for guarantees represents the Group management's best estimate of 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 provisions for retirement of agents refers to the liabilities related to existing agency agreements.
Changes in the provision for product guarantees relate to the release of a Total Care provision (for the subsidiary Biesse Group UK Ltd.) and use of the provision against repairs under warranty performed. Changes in legal disputes relate to legal cases, particularly where the parent company has settled with customers for damages. The allocation to the provision for risks of € 1,078 thousand as at 31 December 2018 can mainly be attributed to the parent company Biesse S.p.A. The provision reflects, in particular, changes in the product warranty fund.

26. TRADE PAYABLES

The Group's trade payables as at 31 December 2018 and 31 December 2017 are detailed below:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Trade payables to suppliers	242,360	221,149
Trade payables to related parties	1,663	2,703
Trade payables to parent company	-	63
Trade payables	**244,023**	**223,916**

Trade payables amounted to € 244,023 thousand (€ 223,916 thousand in the previous year). 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.

Trade payables to third parties also include prepayments from customers amounting to € 70,062 thousand (€ 56,145 thousand as at 31 December 2017).
For an analysis of trade payables due to related parties and the parent, please see note 30.

27. OTHER PAYABLES

A breakdown of other payables as at 31 December 2018 is as follows:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Tax liabilities	11,762	10,401
Social security liabilities	13,088	12,253
Other payables to employees	25,084	23,928
Other payables to third parties	7,996	9,521
Other payables to the ultimate	25	29
Other liabilities	**57,955**	**56,132**

Other liabilities amounted to € 57,955 thousand, increasing by € 1,823 thousand compared to the previous financial year.
The balance mainly consists of:
• Tax liabilities of € 11,762 thousand, Social security liabilities of € 13,088 thousand and Other payables to employees of € 25,084 thousand. This is an increase over the previous financial year, which is consistent with the increase in the number of staff members.
• Other payables to third parties of € 7,996 thousand, mainly consisting of deferred income. This is a decrease over the previous financial year (€9,521 thousand in 2017).
Other non-current payables amounted to € 1,102 thousand (€ 307 thousand as at 31 December 2017) and mainly refer to payables relating to the recognition of the Call / Put option of Movetro S.r.l. For further details on the transaction, reference should be made to note 14.
For an analysis of payables due to parent companies, reference should be made to note 30.

28. FINANCIAL ASSETS/LIABILITIES FOR DERIVATIVE INSTRUMENTS

EURO 000'S	31 DECEMBER 2018		31 DECEMBER 2017	
	Asset	Liability	Asset	Liability
Currency derivatives	494	982	505	396
Total	**494**	**982**	**505**	**396**

The value of open contracts at year-end (with a negative balance of € 494 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.

29. 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 settle 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 both transaction and translation exchange rate risk.
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 IAS 39 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	31 DECEMBER			
	2018	2017	2018	2017
Australian Dollar	11,591	19,958	3,877	7,836
Canadian Dollar	6,756	6,378	205	8,777
Swiss Franc	2,628	3,216	2,026	2,949
Pound Sterling	11,788	10,488	14,388	10,585
Hong Kong Dollar	936	4,184	-	117
Indian Rupee	5,427	4,242	6,712	7,181
US Dollar	71,611	48,107	85,455	52,078
New Zealand Dollar	1,584	2,068	1,084	2,235
Chinese Renmimbi Yuan	16,066	12,653	19,354	32,075
Other currencies	2,601	14,651	1,404	13,304
Total	**130,987**	**125,945**	**134,505**	**137,137**

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 profit or loss of a +15%/-15% appreciation/depreciation of the Euro.
This analysis assumes that all other variables are held constant, particularly interest rates.

EURO 000'S	IMPACT ON INCOME STATEMENT	
	If exchange rate > 15%	If exchange rate < 15%
Australian Dollar	(1,006)	1,361
Canadian Dollar	(854)	1,156
Swiss Franc	(79)	106
Pound Sterling	339	(459)
Hong Kong Dollar	(122)	165
Indian Rupee	168	(227)
US Dollar	1,806	(2,443)
New Zealand Dollar	(65)	88
Chinese Renmimbi Yuan	429	(580)
Total	**615**	**(832)**

The amounts reported above, 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. This therefore exposes the Group to translation risk, which arises from converting assets and liabilities of these subsidiaries into Euro.
The effects of these variations 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 variations in the fair value of, or future cash flows from, financial assets or liabilities, due to changes in market interest rates.
The Group is exposed to fluctuations in interest rates with reference to finance expense relating to payables and lease companies for fixed assets acquired under finance leases. Considering that the exposure is currently limited and that there is substantial stability in interest rates (for the Eurozone), the company has chosen not to hedge its own debt.
The sensitivity analysis aimed at assessing the potential impact of a hypothetical sudden and unfavourable 10% change in short-term interest rates on financial instruments (typically cash and some financial payables) reveals no significant impact on the results or the equity of the 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 the Management, credit can be provided with limits being established and monitored.
The carrying amount of financial assets, less 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 18 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	31 DECEMBER					
	Not overdue	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 losses	0.4%	0.1%	3.8%	89.7%	71.1%	**4.3%**
Receivables	105,690	11,563	10,697	2,443	3,939	**134,331**
Bad Debt expenses	413	15	405	2,190	2,799	**5,822**

The value of the receivable is recognised net of the relevant allowance for impairment.

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 readily convertible short-term securities. The trade receivables portfolio and the conditions by which they are regulated also contribute to maintaining an equilibrium in working capital, particularly in regards to hedging payables due 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, including both capital and interest amounts. Loans and other financial liabilities are classified on the basis of the earliest maturity date, and revolving credit lines as well as other liabilities whose maturities are not available are considered payable on demand ("worst case scenario").

EURO 000'S	AT 31 DECEMBER 2018					
	Less than 30 days	30-180 days	180 days-1year	1-5 years	After 5 years	Total
Trade and other payables	136,943	100,717	44,571	6,042	177	288,450
Lease liabilities	17	86	262	1,594	-	1,960
Bank loans and borrowings	2,415	9,345	9,663	33,535	436	55,394
Total	**139,376**	**110,147**	**54,496**	**41,172**	**613**	**345,804**

EURO 000'S	AT 31 DECEMBER 2017					
	Less than 30 days	30-180 days	180 days-1year	1-5 years	After 5 years	Total
Trade and other payables	133,716	119,855	21,854	4,414	209	280,048
Financial lease payables	20	119	103	1,083	-	1,325
Bank loans and borrowings	1,839	4,726	22,264	18,224	658	47,712
Total	**135,575**	**124,700**	**44,221**	**23,721**	**867**	**329,085**

The Group monitors liquidity risk by controlling net flows on a daily basis in order to ensure financial resources are managed efficiently. The amount of trade receivables and the conditions attaching to them allow to balance the working capital and, in particular, cover trade payables.
As at 31 December 2018, 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 2018	31 DECEMBER 2017
FINANCIAL ASSETS		
Designated at fair value through profit or loss:		
Derivative financial assets	494	505
Measured at amortised cost:		
Trade receivables	134,331	119,380
Other assets	3,825	3,626
- other financial assets and non-current receivables	2,847	2,649
- other current assets	977	977
Cash and cash equivalents	83,020	78,902
FINANCIAL LIABILITIES		
Designated at fair value through profit or loss:		
Derivative financial liabilities	982	396
Measured at amortised cost:		
Trade payables	173,962	167,771
Bank loans and borrowings	54,999	47,395
Lease liabilities	1,919	1,259
Other current liabilities	**38,198**	**36,210**

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 – used in the measurement are represented by the quoted prices in active market 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 2017). During the financial year there were no transfers between Levels.

30. 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 for related party transactions for the financial years 2018 and 2017. Please note that commercial transactions between these entities were conducted under normal market conditions, and all transactions were finalised in the interests of the Group. It is also noted that companies owned by close relatives of directors on the Board are included among related parties.

EURO 000'S	REVENUE AT 31-12-2018	REVENUE AT 31-12-2017	COSTS AT 31-12-2018	COSTS AT 31-12-2017
Bi. Fin. S.r.l.	-	1	433	370
Other related companies				
Fincobi S.r.l.	1	1	14	15
Se. Mar. S.r.l.	22	26	3,075	3,251
Wirutex S.r.l.	38	-	1,489	26
Members of the Board of Directors				
Members of the Board of Directors	1	-	2,739	2,667
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	121	168
Total	**63**	**28**	**7,871**	**6,498**

EURO 000'S	REVENUE AT 31-12-2018	REVENUE AT 31-12-2017	COSTS AT 31-12-2018	COSTS AT 31-12-2017
Parent				
Bi. Fin. S.r.l.	999	981	16	-
Other related companies				
Fincobi S.r.l.	-	-	-	-
Edilriviera S.r.l.	-		-	-
Se. Mar. S.r.l.	2	3	894	1,276
Wirutex S.r.l.	18	12	516	383
Members of the Board of Directors	**30**	**175**	**-**	**906**
Members of the Board of Directors				
Members of the Board of Statutory Auditors	**-**	**-**	**190**	**24**
Members of the Board of Statutory Auditors				
Total	**-**	**-**	**73**	**206**

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. Directors' fees are proposed by the Board of Directors and approved at the ordinary shareholders' meeting according to the average market remuneration levels. It must be noted that there is only one director in the Group who has strategic functions and who also performs management and coordination activities, whose remuneration (including fees and bonuses) is included under personnel expense. For full details regarding remuneration of Directors and Statutory Auditors, please see 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 the Italian Civil Code requires, 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 2017.
• Given that summary information is required, it was considered appropriate to limit this disclosure to indicating total amounts for the most material items.

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Value of Production	382	927
Production costs	(732)	(3,902)
Financial income and expense	5,056	93
Income taxes	-	-
Profit (loss) for the year	**4,706**	**(2,882)**

EURO 000'S	31 DECEMBER 2017	31 DECEMBER 2016
Non current assets	32,729	32,741
Working capital	24,904	25,566
Total assets	**57,366**	**58,307**
Equity		
Share capital	10,569	10,569
Reserves	41,112	49,394
Profit for the year	4,706	(2,882)
Payables	1,246	1,226
Total liabilities	**57,366**	**58,307**

31. OPERATING LEASE CONTRACTS

The amount paid by the Group on leases during the year is as follows:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Instalments paid during the year	(11,940)	(10,745)
Total	**(11,940)**	**(10,745)**

At the reporting date, the amount of lease payments still owed by the Group for operating leases is as follows:

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Within one year	2,189	3,529
Between one and five years	16,974	8,527
After five years	5,981	8,368
Total	**25,144**	**20,424**

EURO 000'S	31 DECEMBER 2018	31 DECEMBER 2017
Instalments received during the year	85	123
Total	**85**	**123**

These contracts relate to the lease of buildings (for industrial or commercial use), motor vehicles and office equipment. During the financial year, the Group did not enter into any contracts as lessor.

32. SHARE-BASED PAYMENT PLANS

The plan became effective in May 2015 and ended on 30 June 2018. Once the achievement of the economic and financial targets has been verified, within 15 days of the date of approval of the 2017 consolidated financial statements, the pay-out proposal was sent to the beneficiaries. The options granted were exercised. The strike price was originally set at € 16.0225, equal to the average price of Biesse shares in the 30 days prior to the date of the proposal to join the Plan.
The shares were all assigned as planned.
There were no significant effects to report in the 2018 financial statements. As from 1 July 2018, a new monetary incentive plan was approved for top company management (LTI).

33. OUTLOOK

On 26 February, the Board of Directors of Biesse S.p.A. approved the 2019/2020 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 6% in the 2019-2021 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 € 225 million (+ 4.9% compared to 2017).
In any case, the new business plan must be seen in continuity with the previous plans; Biesse wishes to maintain the current investment growth strategy with the aim of stabilising the results achieved in recent years.

34. 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 ensure a correct representation of the financial information.

Commitments, Guarantees issued and received
The Group has issued sureties totalling € 37,091 thousand. The most important components relate to: the guarantee issued to UBI Banca for the credit line granted to the subsidiary HSD S.p.A. (€ 6,000 thousand), the guarantee issued to Commerzbank (€ 6,349 thousand) for multi-purpose credit lines granted to Biesse Trading (Shanghai) Co. Ltd.; the guarantee issued to C.R. Parma/Credit Agricole (€ 6,349 thousand) for multi-purpose credit lines granted to Korex Dongguan Machinery Co. Ltd.; the guarantees issued to BNL/BNP Paribas (€ 3,000 thousand) and BPM (€ 3,000 thousand) for credit lines granted to the Turkish subsidiary Biesse Turkey; the guarantee issued in connection with the MO.TO project (credit cards) in favour of Banca Popolare dell'Emilia Romagna (€ 9,300 thousand). In addition to the above, there are (bank) guarantees in favour of customers for prepayments made – advance payment bonds (€ 2,713 thousand), in favour of Avant as a guarantee for the payment of debt for the purchase of the company Bsoft Srl (€ 255 thousand) and other minor guarantees. The subsidiary HSD S.p.A. – by means of the Board of Directors' meeting minutes of 29 October 2018 – exercised an option right for taking over the lease contract of the building in Via Pesaro 10 in Gradara, a building leased by the parent Bi.fin Srl which in turn is holder of the lease contract no. 931033 in force with Ubileasing Spa. The value of the residual debt for taking over the lease is equal to € 5,293,680.

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.

In any case, the following is reported:

SOGGETTO EROGANTE	CAUSALE	CONTRIBUTO RICEVUTO 2018
Erario	PATENT BOX	4.117
Erario	CREDITO DI IMPOSTA RICERCA E SVILUPPO Art. 1, comma 35, della legge 23 dicembre 2014, n. 190 (legge di Stabilità 2015), compensato in modello F24	1.874
Inps	Esonero contributivo triennale commi 188 e ss. Legge n. 190/2014	733
MPS leasing & factoring Spa	Split payment	672
Inps	Esonero contributivo biennale commi 178 e ss. Legge n. 208/2015	565
INAIL	Riduzione tasso tariffa applicabile - comma 128 Legge n. 147/2013	549
Inps	Esonero contributivo triennale commi 100-108 e 113-114 Legge n. 205/2017	321
Erario	Sconto minor aliquota IRAP	242
Erario	Superammortamento	218
Erario	Deduzione analitica Irap da Ires di cui all'art. 2 del DL 201/2011	180
Fondimpresa	Contributo formazione personale erogato da Fondimpresa	147
Erario	Deduzione forfetaria di cui all'art. 6 DL 185/2008	96
Erario	CREDITO DI IMPOSTA PER INVESTIMENTI IN BENI STRUMENTALI NUOVI-Articolo 18 del decreto-legge 24 giugno 2014, n. 91, convertito con modificazioni dalla legge 11 agosto 2014, n. 116- comnpensato in F24	85
Erario	Deduzione Irap di cui art. 10, c.1 D.L. 252/2005	66
Erario	Efficienza Energetica L. 296/2006	27
Fondirigenti	Contributo formazione personale erogato da Fondimpresa	17
Inps	Programma "Garanzia Giovani" - Decreto Direttoriale MLPS 8 agosto 2014 e s.m.i.	15
Erario	Risparmio d'imposta IRES per Deduzione IRAP - D.L. 06.12.2011 n. 201 art. 2	9
Istituto di formazione professionale S.Bertini	Split payment	9
Inps	Riduzione contributiva articolo 25, comma 9, Legge n. 223/91	8
INAIL	Articolo 24 Tariffa dei Premi Inail - Decreto MPLS 12 dicembre 2000	8
Inps	Contributo assunzione/trasformazione tempo indeterminato articolo 8, comma 4, Legge n. 223/91	4
Inps	CONTRIBUTO PER ASSUNZIONI DALLE LISTE DI MOBILITA' - Legge n. 223/91 art. 8 comma 4 e D.L. n. 148/93 art. 4 comma 3.	4
Inps	INDENNITA' PER ASSUNZIONI DALLE LISTE DI MOBILITA' - Legge 223/91 art. 8 comma 4 e D.L. 148/93 art.4 comma 3	4
Erario	Risparmio d'imposta IRES per Deduzione IRAP - D.L. 29.11.2008 n. 185 art. 6	3
UNIVERSITA'	Split payment	2
Erario	Miglioramento sismico	1
Erario	Risparmio imposta Ires per ACE (periodo d'imposta 2017)	1
Erario	Risparmio imposta IRES per deduzione 10% Irap (periodo d'imposta 2017)	1
Total		9.980

Pesaro, 15 March 2019

The Chairman of the Board of Directors

Giancarlo Selci

ANNEX

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

EURO 000'S	2018	OF WHICH WITH RELATED PARTIES	%	2017	OF WHICH WITH RELATED PARTIES	%
Revenue	740,159	0	0	690,120	0	0
Other operating income	6,729	63	0.9%	4,669	28	0.6%
Change in inventories of finished goods and work in progress	14,026	-	0.0%	15,387	-	0.0%
Purchase of raw materials and consumables	(309,561)	-	0.0%	(287,017)	-	0.0%
Personnel expense	(214,841)	-	0.0%	(199,311)	-	0.0%
Other operating costs	(147,470)	(7,871)	5.3%	(136,194)	(6,498)	4.8%
Depreciation, amortisation and impairment	(25,270)	-	0.0%	(24,047)	-	0.0%
Operating profit	**63,772**	**(7,809)**	**-12.2%**	**63,606**	**(6,470)**	**-10.2%**
Financial income	9,267	-	0.0%	9,932	-	0.0%
Financial expense	(14,752)	-	0.0%	(12,808)	-	0.0%
Pre-tax profit	**58,287**	**(7,809)**	**-13.4%**	**60,730**	**(6,470)**	**-10.7%**
Income taxes	(14,436)	-	0.0%	(17,992)	-	0.0%
Profit for the year	**43,851**	**(7,809)**	**-17.8%**	**42,738**	**(6,470)**	**-15.1%**

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

EURO 000'S	2018	OF WHICH WITH RELATED PARTIES	%	2017	OF WHICH WITH RELATED PARTIES	%
ASSETS						
Property, plant and equipment	102,774	-	0.0%	90,515	-	0.0%
Goodwill	23,542	-	0.0%	22,660	-	0.0%
Other intangible assets	60,699	-	0.0%	52,448	-	0.0%
Deferred tax assets	12,323	-	0.0%	13,121	-	0.0%
Other financial assets and receivables (inluding derivatives)	2,847	-	0.0%	2,648	-	0.0%
Other revcevables	0	-	0.0%	0	-	0.0%
Total non current assets	**202,185**	**-**	**0.0%**	**181,391**	**-**	**0.0%**
Inventories	162,786	-	0.0%	143,210	-	0.0%
Trade receivables	134,331	-	-	119,380	-	-
Other revcevables	27,459	1,049	3.8%	24,442	1,171	4.8%
Other financial assets and receivables (inluding derivatives)	494	-	0.0%	505	-	0.0%
Cash and cash equivalents	83,020	-	0.0%	78,902	-	0.0%
Total Current Assets	**408,089**	**1,049**	**0.3%**	**366,438**	**1,171**	**0.3%**
TOTAL ASSETS	**610,275**	**1,049**	**0.2%**	**547,830**	**1,171**	**0.2%**

EURO 000'S	2018	OF WHICH WITH RELATED PARTIES	%	2017	OF WHICH WITH RELATED PARTIES	%
Share capital	27,393	-	0.0%	27,393	-	0.0%
Reserves	147,577	-	0.0%	117,434	-	0.0%
Profit for the year	43,672	-	0.0%	42,558	-	0.0%
Equity attributable to the owners of the parent	218,642	-	0.0%	187,385	-	0.0%
Non-controlling interests	893	-	NA	952	-	NA
TOTAL EQUITY	**219,536**	**-**	**0.0%**	**188,338**	**-**	**0.0%**
Financial liabilities	35,390	-	0.0%	19,765	-	0.0%
Post-employment benefits	12,550	-	0.0%	13,456	-	0.0%
Deferred tax liabilities	2,338	-	0.0%	2,620	-	0.0%
Provisions for risks and charges	1,091	-	0.0%	1,367	-	0.0%
Provisions for risks and charges	1,367	-	0.0%	-	-	0.0%
Other liabilities	1,102	-	0.0%	307	-	0.0%
Total non current liabilities	**52,471**	**-**	**0.0%**	**37,516**	**-**	**0.0%**
Financial liabilities	22,510	-	0.0%	29,285	-	0.0%
Tax payables	4,134	-	0.0%	3,606	-	0.0%
Provisions for risks and charges	9,646	-	0.0%	9,039	-	0.0%
Trade payables	244,024	1,688	0.7%	223,916	2,795	1.2%
Other liabilities	57,955	-	0.0%	56,132	-	0.0%
Total Current Liabilities	**338,269**	**1,688**	**0.5%**	**321,977**	**2,795**	**0.9%**
LIABILITIES	**390,739**	**1,688**	**0.4%**	**359,493**	**2,795**	**0.8%**
TOTAL EQUITY AND LIABILITIES	**610,275**	**1,688**	**0.3%**	**547,831**	**2,795**	**0.5%**

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 Cristian Berardi 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 state:
• 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 2018.
2. The administrative and accounting procedures for preparing the consolidated financial statements as at 31 December 2018 were defined, and their adequacy was assessed, based on the rules and methods established by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission. This is a reference framework for internationally accepted internal control systems.
3. In addition, they also state that the consolidated financial statements as at 31 December 2018:
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 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 consolidation, together with a description of the main risks and uncertainties they are exposed to.

Pesaro, 15 March 2019

The Chairman of the Board of Directors
Giancarlo Selci

The Manager in charge of financial reporting
Cristian Berardi