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INTERIM REPORT

AS AT 30 JUNE 2020

INDEX

THE BIESSE GROUP

Group structure	page	4
Corporate bodies	page	6

FINANCIAL HIGHLIGHTS

Financial Highlights	pag.	10
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DIRECTORS' REPORT ON OPERATIONS AS AT 30 JUNE 2020

General economic overview	page	14
Business sector review	page	16
Trend in the first half of 2020	page	16
Main events	page	20
Income statement highlights	page	24
Statement of financial position highlights	page	28
Transactions with associates, parents and the latter's subsidiaries	page	29
Other related-party transactions	page	29
"Atypical and/or unusual" transactions occurred during the period	page	29
Significant events after the reporting date and full-year outlook	page	29
Other information	page	30

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2020

Consolidated income statement	page	34
Consolidated statement of comprehensive income	page	34
Consolidated statement of financial position	page	35
Consolidated statement of cash flows	page	36
Consolidated statement of changes in equity	page	37

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2020

Notes to the financial statements	page	41
Certification of the condensed consolidated interim financial statements in accordance with art. 81-ter of Consob Resolution no. 11971 of 14 May 1999 as subsequently amended	page	61
Independent Auditors' Report as at 30 June 2020	page	64

THE GRO UP

 **BIESSE**GROUP

 **BIESSE**

 **INTERMAC**

 **DIAMUT**

MECHATRONICS

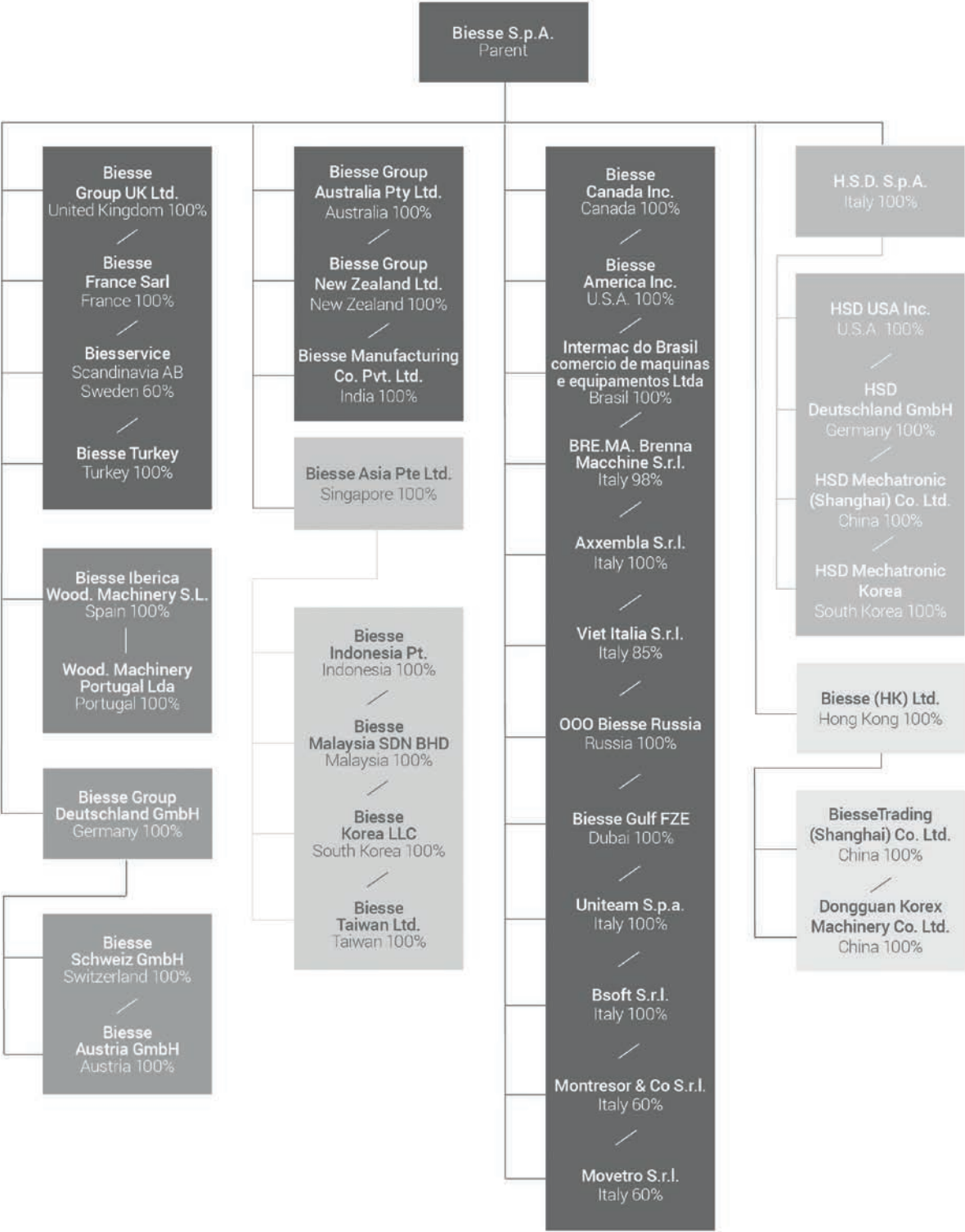
Rover

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 Small Cap index.

GROUP STRUCTURE

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

Compared with the financial statements for the year ended 31 December 2019, the consolidation scope underwent no changes.



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



CORPORATE BODIES OF THE PARENT COMPANY

BOARD OF DIRECTORS

Chairman
Chief Executive Officer
Executive Director and General Manager
Executive Director
Executive Director
Lead Independent Director
Independent Director
Independent Director

Giancarlo Selci
Roberto Selci
Stefano Porcellini
Alessandra Parpajola
Silvia Vanini
Elisabetta Righini
Federica Palazzi
Giovanni Chiura

BOARD OF STATUTORY AUDITORS

Chairman
Standing Statutory Auditor
Standing Statutory Auditor
Alternate Statutory Auditor
Alternate Statutory Auditor

Paolo de Mitri
Dario de Rosa
Silvia Cecchini
Silvia Muzi
Silvia Farina

CONTROL AND RISKS COMMITTEE – REMUNERATION COMMITTEE – RELATED PARTY COMMITTEE

Elisabetta Righini (Lead Independent Director)
Federica Palazzi

SUPERVISORY BODY

Giuseppe Carnesecchi
Domenico Ciccopiedi
Elena Grasseti

INDEPENDENT AUDITORS

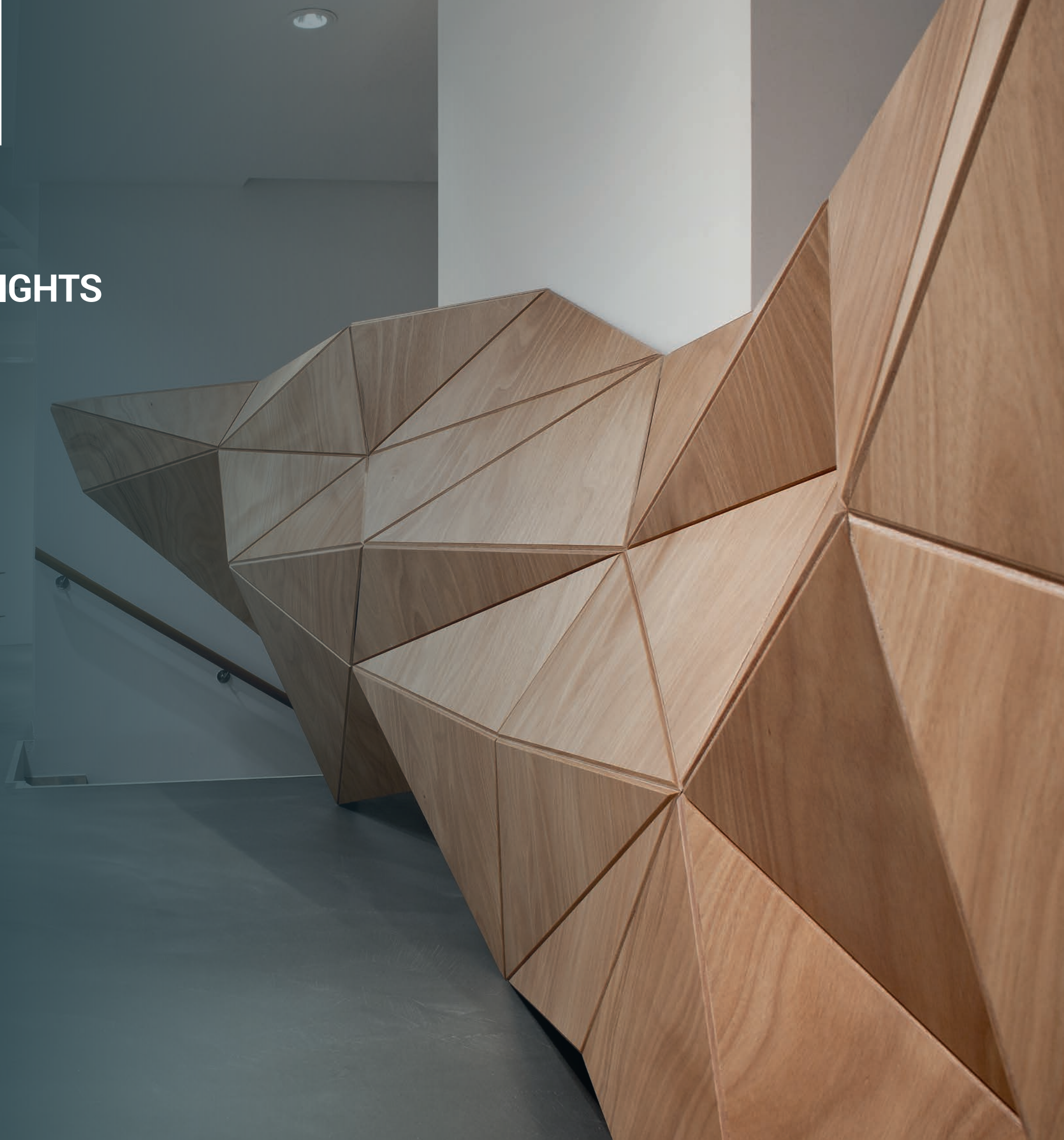
Deloitte & Touche S.p.A.



FINANCIAL

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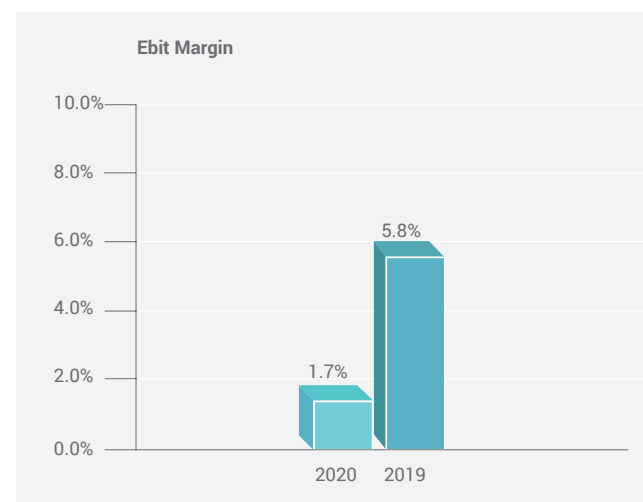
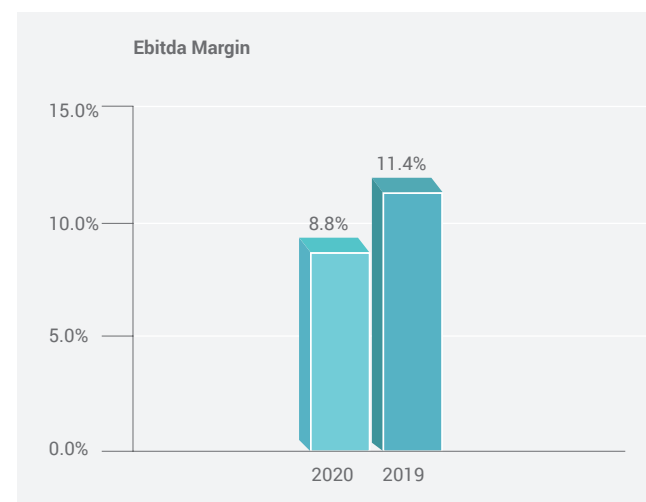
HIGHLIGHTS



FINANCIAL HIGHLIGHTS

EURO 000'S	30 JUNE 2020	% ON SALES	30 JUNE 2019	% ON SALES	Change %
Revenue from sales and services	256,728	100.0%	344,224	100.0%	(25.4)%
Normalised Added value ⁽¹⁾	112,408	43.8%	152,188	44.2%	(26.1)%
Normalised EBITDA (Normalised gross operating profit) ⁽¹⁾	22,545	8.8%	39,109	11.4%	(42.4)%
Normalised EBIT (Normalised operating profit) ⁽¹⁾	4,357	1.7%	20,134	5.8%	(78.4)%
EBIT (Operating profit) ⁽¹⁾	4,205	1.6%	19,092	5.5%	(78.0)%
Profit for the period	1,150	0.4%	10,350	3.0%	(88.9)%

⁽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.

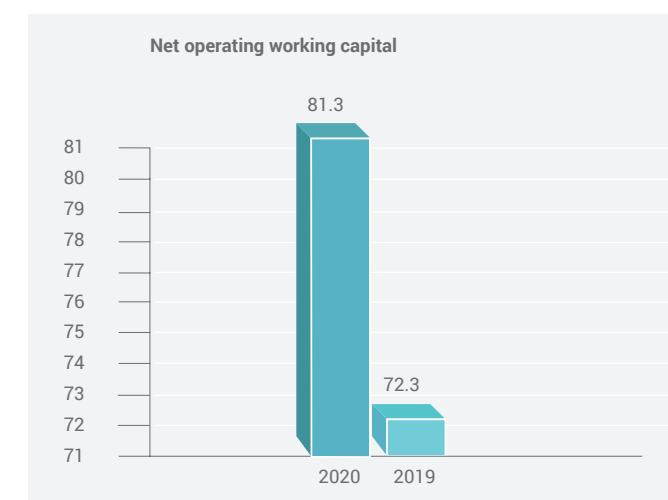
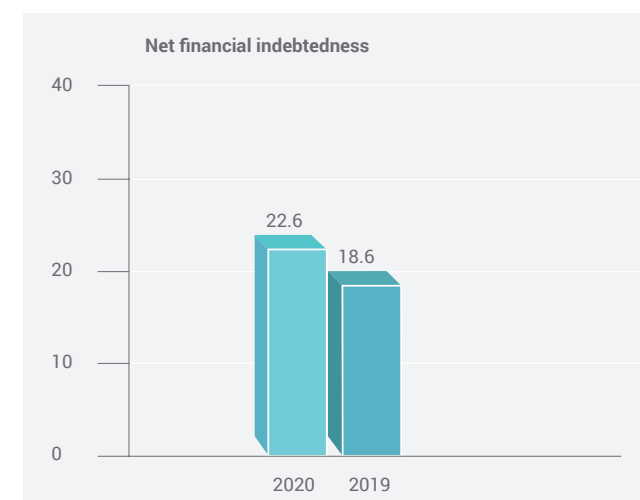


Statement of financial position data and financial ratios

EURO 000'S	30 JUNE 2020	31 DECEMBER 2019
Net invested capital ⁽¹⁾	239,830	237,285
Equity	217,243	218,675
Net financial position ⁽¹⁾	22,587	18,609
Net operating working capital ⁽¹⁾	81,310	72,262
Gearing (net financial position/equity)	0,10	0,09
Fixed asset/standing capital ratio	1,01	0,98
Order in take	180,208	196,591

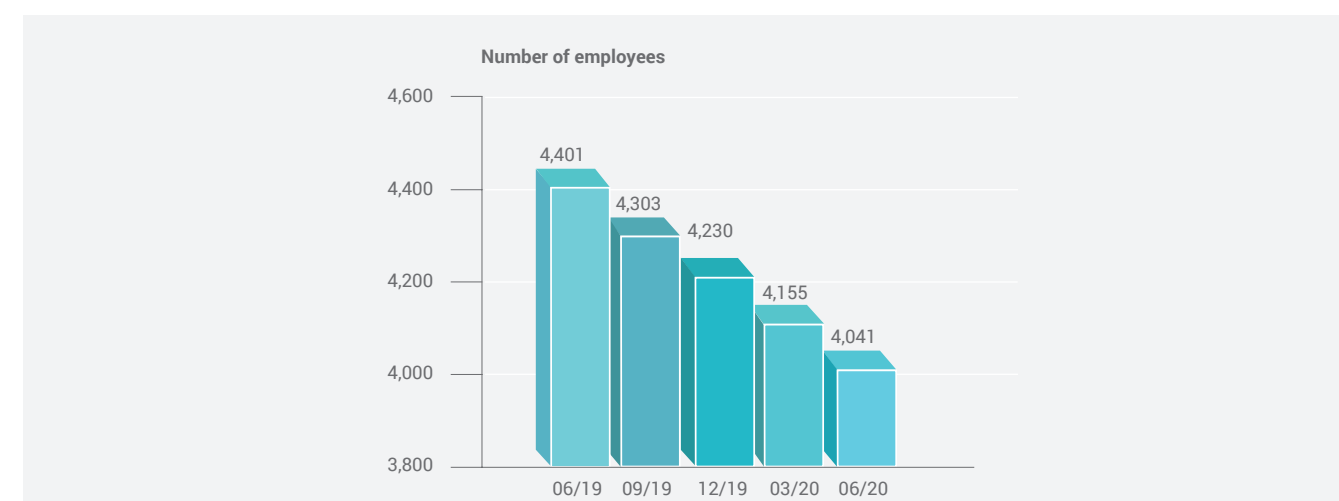
⁽¹⁾ The criteria for determining amounts relating to interim results and aggregate equity and financial data are described in the Directors' Report on Operations and the Notes to the Financial Statements.

EURO 000'S	30 JUNE 2020	31 DECEMBER 2019
EBITDA (Gross operating profit)	22,545	75,601
Change in net working capital	(9,714)	(24,329)
Change in other operating assets/liabilities	(4,527)	(8,992)
Operating cash flow	8,304	42,280
Cash flow used in investment activity	(7,532)	(32,110)
Cash flow	772	10,170
Change in fixed assets / dividends	(277)	(13,149)
Exchange rate effect on PFN	(1,608)	728
Change in net financial indebtedness (net of IFRS 16)	(1,113)	(2,250)
Change in leasing and new loans	(2,864)	(15,127)
Change in leasing payables (adoption of IFRS 16)	0	(26,624)
Change in net financial indebtedness	(3,977)	(44,001)



Personnel

	30 JUNE 2020	30 JUNE 2019
Number of employees at period end	4,041	4,401



The figure includes temporary staff.

DIRECTORS'

REPORT
ON OPERATIONS

AT 30 JUNE 2020



GENERAL ECONOMIC OVERVIEW

A CRISIS LIKE NO OTHER, AN UNCERTAIN RECOVERY

Global growth is projected at -4.9% in 2020 (source: IMF June 2020 World Economic Outlook), 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is expected to be more gradual than previously forecast. In 2021 global growth is projected at +5.4%. Overall, this would result in 2021 GDP being some 6.5 percentage points lower than in the January 2020 projections. There is a higher-than-usual degree of uncertainty around this projection, which rests on key assumptions about the fallout of the pandemic. In economies with declining infection rates, a slower recovery path is expected, based on the following assumptions: the expectation of persistent social distancing into the second half of 2020; severe damage to supply chains due to the larger-than-anticipated hit to activity during the lockdown in the first and second quarters of 2020; and a hit to productivity as surviving businesses ramp up necessary workplace safety and hygiene practices. For economies struggling to control infection rates, a lengthier lockdown will inflict an additional toll on activity. Moreover, the forecast assumes that financial conditions will remain broadly at current levels.

The pandemic has worsened in many countries, levelled off in others. Compared to early May 2020, the pandemic has rapidly intensified in a number of emerging markets and developing economies, necessitating stringent lockdowns and resulting in even larger disruptions to activity than forecast. In other countries, recorded infections and mortality have instead been more modest on a per capita basis, although limited antibody testing implies considerable uncertainty about the path of the pandemic. In many advanced economies, the pace of new infections and hospital intensive care occupancy rates have declined thanks to weeks of lockdown and voluntary distancing.

Synchronised, deep downturn. First-quarter GDP was generally worse than expected (the few exceptions include, for example, Chile, China, India, Malaysia, and Thailand among emerging markets, and Australia, Germany, and Japan among advanced economies). Indicators point to a more severe contraction in the second quarter, with the exception of China, where most of the country had reopened by early April.

Consumption and services output have dropped markedly. In most recessions, consumers dig into their savings or rely on social safety nets and family support to smooth spending, and consumption is affected relatively less than investment. But this time, consumption and services output have also dropped markedly. The pattern reflects a unique combination of factors: voluntary social distancing, lockdowns needed to slow transmission and allow health care systems to handle rapidly rising caseloads, steep income losses, and weaker consumer confidence. Firms have also cut back on investment when faced with precipitous demand declines, supply interruptions, and uncertain future earnings prospects. Thus, there is a **broad-based aggregate demand shock**, compounding near-term supply disruptions due to lockdowns.

Mobility remains depressed. Globally, lockdowns were at their most intense and widespread from about mid-March

through mid-May. As economies have gradually reopened, mobility has picked up in some areas, but generally remains low compared to pre-virus levels, suggesting people are voluntarily reducing exposure to one another.

Severe hit to the labour market. The steep decline in activity comes with a catastrophic hit to the global labour market. Some countries (notably in Europe) have contained the fallout with effective short-term work schemes. Nonetheless, according to the International Labour Organization, the global decline in work hours in 2020:Q1 compared to 2019:Q4 was equivalent to the loss of 130 million full-time jobs. The decline in 2020:Q2 is likely to be equivalent to more than 300 million full-time jobs.

Contraction in global trade. The synchronised nature of the downturn has amplified domestic imbalances around the globe. Trade contracted by almost 3.5% (year-on-year) in the first quarter, reflecting weak demand, the collapse in cross-border tourism, and supply disruptions related to lockdowns (exacerbated in some cases by trade restrictions).

Weaker inflation. As of April 2020, average inflation in advanced economies had dropped about 1.3 percentage points since the end of 2019, to 0.4 percent (year-on-year), while in emerging economies it had fallen 1.2 percentage points, to 4.2 percent. Downward price pressure caused by the decline in aggregate demand, together with the effects of lower fuel prices, seems to have more than offset any upward cost-push pressure from supply interruptions so far.

EUROZONE

In the first quarter of 2020, real GDP in the Euro area fell by 3.8% on the previous period and the new data show a further marked decline in the second quarter. The most recent economic indicators and the latest economic surveys confirm a sharp contraction of the economy in the Eurozone and a rapid deterioration in labour market conditions. The coronavirus pandemic and the required containment measures have severely affected both the manufacturing and services industries, with significant repercussions on the Eurozone's production capacity as well as domestic demand. The most recent indicators point to a slight reversal in the contraction during May, as part of the economy gradually reopened. If this trend continues, with containment measures further relaxing, in the third quarter the Eurozone's activity could recover on the back of favourable financial conditions, expansionary fiscal policies, and the restart of global economic activity, although overall there is still considerable uncertainty as to the speed and extent of the recovery.

This assessment is essentially backed up also by the June 2020 macroeconomic projections for the Eurozone issued by the Eurosystem's experts. Under the baseline scenario of said projections, real annual GDP would shrink by 8.7% in 2020 and then rise by 5.2% in 2021 and 3.3% in 2022 (source: ECB). Given the unusual uncertainty surrounding the outlook, the projections include also two alternative scenarios. Generally speaking, the extent of the downturn and the recovery will depend heavily on the length and effectiveness of containment measures, the success of the policies intended to mitigate the negative impact on incomes and employment, and the extent to which production capacity and domestic demand will be permanently affected.

UNITED STATES

According to estimates, in the United States economic activity contracted at a faster pace in the second quarter of 2020, after GDP shrank by 5.0% in real terms on an annual basis in the first quarter. High-frequency indicators suggest that the downturn deepened even further in the second quarter, as stringent containment measures were enacted across the country in April. Since late April, some US states have been gradually relaxing containment measures. This should spur a recovery in the second half of 2020, which will be driven by the rebound in domestic demand on the back of the strong economic policies implemented so far. However, the recovery is expected to be gradual, as consumer confidence remains low given the unprecedented job losses recorded since late March. Over 22 million jobs have been lost and the unemployment rate reached 14.7% in April. The overall 12-month consumer price inflation rate plummeted to 0.3% in April from 1.5% in the previous month. Excluding food and energy, the 12-month inflation rate was down to 1.4% in April from 2.1% in March. Inflation is expected to decline during the year as the disinflationary effects of the demand-side shock offset the inflationary impact of supply disruptions, and then rise gradually towards the end of the forecast period, getting closer to the Federal Reserve System's 2% target.

CHINA

In China the recovery continues amid significant challenges. These include the weak short-term outlook for foreign demand, confirmed by the sharp decline in orders from abroad, and the gradual rebound in domestic demand. The latter reflects the social distancing measures still in place and the fact that consumers are generally more cautious. Monetary and fiscal stimulus measures will help support economic activity. Going forward, activity is expected to recover during the forecast period, even if more slowly than projected in March.

JAPAN

In Japan the economy has entered a technical recession. In the fourth quarter of 2019, activity declined as a result of several negative shocks, including the fall in domestic demand spurred by the consumption tax hike, the disruptions to production caused by strong typhoons in October, and weak foreign demand. GDP then shrank further in real terms with the COVID-19 pandemic, contracting by 0.9% in the first quarter of 2020. The measures implemented by policymakers to contain the virus have weighed on domestic demand, and specifically on consumer spending on services and semi-durable goods. The services industry suffered an especially steep contraction, as international tourist spending fell because of travel restrictions due to the pandemic. Japanese policymakers have fine-tuned the policies intended to support the struggling economy. In April, the Bank of Japan raised the limit on purchases of commercial paper and corporate bonds, relaxed financing conditions for businesses, and purchased short- and longer-term government bonds. In addition, at an extraordinary meeting in May it launched a new bank financing programme, intended to facilitate lending to SMEs. In late May, the Japanese government approved a second fiscal stimulus package of roughly the same size as the one implemented in April 2020. These

measures should further boost the economy, which is expected to recover gradually starting from the second half of the year.

UNITED KINGDOM

In the United Kingdom the economic outlook has deteriorated sharply. In the first quarter of 2020, real GDP shrank by 2%, even though the economy went into lockdown only in the last 10 days of March. Meanwhile, consumer price inflation declined to 0.8% on an annual basis in April, down sharply from 1.5% in the previous month.

Although employment has been supported by the furlough scheme, the labour market has severely deteriorated. According to experimental data gathered by the Office for National Statistics (ONS) on the recipients of welfare benefits - including unemployment benefits and those paid as part of the employment relationship - by mid-April over 2 million citizens had applied for some form of aid, nearly one-third more than the number seen during the Great Recession. High-frequency indicators point to a further material deterioration in the second quarter, implying a recession significantly deeper than the one following the global financial crisis. The government has announced a gradual reopening of the economy, which should support a gradual recovery over the next few months.

OTHER EUROPEAN AREAS

Economic activity is expected to slow down significantly in central and eastern European countries. Several countries in this region saw negative GDP growth in the first quarter of 2020 amid supply disruptions and weaker demand as a result of containment measures. Going forward, in the second quarter the economy is expected to decelerate even more sharply due to weaker domestic demand (containment measures remained in place throughout April) and equally feeble foreign demand, especially from Eurozone countries.

ITALY

Based on available information, the contraction in Gross Domestic Product (GDP) deepened overall in the second quarter and is estimated at around 10%. This reflects above all the very negative performance in April; starting from May, economic activity has been showing signs of recovery, even if partial and uneven. In the first quarter GDP was down 5.3%, mostly because of the contraction in domestic demand, especially when it comes to household spending and gross fixed capital expenditure. The contribution of foreign trade was also negative, as a result of a greater downturn in exports than in imports. Added value declined across all sectors, especially in industry and construction. GDP downturn reportedly deepened in the second quarter: based on available information, the contraction is estimated at around 10%. In April, economic activity fell to record lows across all the main sectors. The most recent qualitative and quantitative indicators show signs of improvement starting from May, as policymakers gradually relaxed the measures that put business operations on hold. Despite the signs of recovery gleaned from household and business confidence surveys, the sharp decline in industrial activity and services early in the quarter continues weighing on economic indicators.

BUSINESS SECTOR REVIEW

UCIMU – SISTEMI PER PRODURRE

As expected, the index of orders received by Italian manufacturers of machine tools **in the second quarter of 2020** continued declining. Specifically, based on the survey carried out by the Studies & Business Culture Dept. of UCIMU – SISTEMI PER PRODURRE, between April and June **the index was down 39.1% compared to the same period in 2019**.

This result was driven by the **reduction in orders** received by Italian manufacturers in the **domestic market (-44.7%)** as well as in the **foreign market (-37.8%)**.

This is the actual figure, but please note that the survey was partly distorted, as the period considered includes the month of April, during which businesses were forced to close because of the lockdown.

"In April – said Massimo Carboniero, Chairman of UCIMU-SISTEMI PER PRODURRE – machine tool manufacturers as well as most customers stayed closed, halting both production and sales. All this significantly affected the overall performance for the quarter, presenting a challenging situation to the players in the manufacturing industry".

"The uncertainty caused by the pandemic and its asynchronous spread across the different areas of the world – added the Chairman of UCIMU-SISTEMI PER PRODURRE – complicates things further and is certainly holding back investments in production systems, but we Italian manufacturers are seeing tentative signs of recovery, especially in the domestic market".

"On the other hand, according to UCIMU's calculations based on data gathered by the authoritative economic consultancy Oxford Economics, after slowing down this year, in 2021 investments in new manufacturing technology should pick up again. Demand for new machine tools in Italy is expected to grow by 31.5% to over € 3.5 billion. Demand should be buoyant also in Europe, with spending estimated to climb 19.5% to nearly € 18 billion. Asia, led by China, is forecast to regain the lost momentum, with demand rising by 35.3% (equal to € 34 billion), and so is America, where investments in new production systems are expected to reach € 11 billion, up 31% on 2020".

"Therefore – Mr Carboniero added – our hope is that the worst is truly behind us and that the current trend will reverse in the remaining months of the year before turning into the recovery expected in 2021. This is one of the reasons why UCIMU is hard at work on preparations for the 32nd edition of BI-MU, to be held from 14 through 17 October 2020. As the industry's first trade fair of the year, and considering its timing, the event will still benefit from the incentives provided through the end of the year under the Transition 4.0 Plan".

"On the other hand, with respect to the Transition 4.0 Plan, the tax credit, which replaces the super- and hyper-amortisation schemes, is certainly a sound and appropriate tool, but it risks not having the intended effect, as the change has not yet been communicated clearly and its impact could be limited by the overall uncertainty. This is why – Mr Carboniero explained – these measures should be made structural and cover a period of at least three years, thus allowing businesses to plan their investments over time, restoring confidence in order to encourage Italian manufacturers to boost their competitiveness".

"We ask the government to focus on the factors that are strategic to Italy's industry: technological innovation and internationalisation, human resources and labour costs, financing and capitalisation. These concrete steps should be taken

immediately as part of a true plan to revive Italy's economy".

"Indeed, innovation and growth go hand in hand with internationalisation. This requires a structured government plan pushing businesses to make concrete plans to establish a direct presence in international markets or, should their size limit their room for action, participate in networks of companies with which they can share the relevant costs".

"As we go through fundamental change, companies need prepared individuals that are up to speed on the latest developments in the world of work. This must happen inside both companies and schools, promoting also the acquisition of skills that are in between high-school diplomas and college degrees by bolstering Higher Technical Schools. When considering also that the youth unemployment rate is a staggering 29.3% (January 2020), to facilitate the entry of the young into the world of work the tax wedge should be significantly reduced for at least their first five years on the job".

"Finally, the competitiveness of the Italian business community depends also on its financial health – a problem thrown into sharp relief by the last few months. Companies remained shut down for a long time without being able to produce, invoice, and collect bills. The measure announced by policymakers to finance businesses with liquidity backed by the government and supplied by banks is the right tool to address the issue at hand, as long as it is made immediately operational and as streamlined as possible – removing the red tape that makes credit applications take longer than they should and, possibly, awarding part of the funds in the form of grants, as other countries have done".

"On the other hand, once the emergency is over, we must remind ourselves that financial health is a key structural issue. In this regard – Massimo Carboniero concluded – I believe we should reconsider specific initiatives to encourage firms to build more capital, so that they will be able to cope with a potential future crisis from a position of greater strength. One of the consequences of the global crisis in 2009 was the loss of several companies, including sound ones, which were acquired by foreign competitors for a fraction of their value: this must never happen again".

TREND IN THE FIRST HALF OF 2020

The global crisis following the spread of the Covid-19 epidemic outside of China impacted on the activities of the Biesse Group. The lockdown measures gradually imposed by governments and adopted by local administrations where the Group's offices are located, led to a reduction in both manufacturing and commercial activities. This situation began in March, continued into April, and is still hindering day-to-day operations in countries such as those located in Asia and South America.

Despite the challenges presented by said measures, the Group has been able to mount a timely and versatile response by taking operational steps that allowed to maintain relationships with customers while ensuring the safety of the workforce. This resulted in a limited impact on profits and cash flows. From an operational perspective, the manufacturing sites in Italy and India had to suspend operations for approximately 5 weeks, while sales branches continued performing essential activities to serve customers. Where allowed by local regulations, the Group benefited from the incentives and social safety nets intended to safeguard employment levels. From a financing perspective, the Group has opened new lines of credit to secure the liquidity required to



deal with the significantly uncertain and complex macroeconomic outlook.

Given this broad situation of difficulty, Biesse Group's revenues for the first half of 2020 amounted to € 256,728 thousand, down 25.4% on the previous six months.

Biesse's Directors reckon that the impact of the lockdown and the fallout of the Covid-19 pandemic on the economy in general could cause a € 63 million shortfall in turnover compared to the first half of 2019, in the absence of other major events. Excluding the positive impact of social safety nets and the lower amount set aside for variable bonuses, the shortfall in EBIT would amount to approximately € 7 million.

The decrease concerned all the geographical areas of reference, and in particular Asia-Oceania (down 24.3%), Eastern Europe (down 22.8%) and Western Europe (down 26.6%), while North America and the Rest of the World fell by 24.9% and 27.6% respectively.

As for the breakdown of revenue by operating segment, a general drop was recorded in all divisions, although with different trends: the Wood Division fell by 23.6%; the Glass/Stone Division decreased by 34.8% compared to the same period in 2019 (which benefited from some Systems projects), while the Mechatronics and Components divisions dropped by 23.9% and 34.6% respectively. On the other hand, the Tooling Division's downturn was slightly less marked (down by 18.9%).

The above-mentioned drop in volumes was reflected in the operating result for the period, as indicated by EBITDA, which, gross of non-recurring charges, amounted to € 22,545 thousand, down by 42.4%. Normalised EBIT decreased in the first half of the year as well (€ 4,357 thousand in 2020 compared to € 20,134 thousand in 2019), with a negative delta of € 15,777 thousand; as a percentage of revenue, it decreased from 5.8% to 1.7%.

It should be noted that, thanks to Biesse's cost-cutting efforts, in the second quarter of 2020 EBIT was in line with the same prior-year period. In fact, although sales were down (€ 109,067 thousand, down 37.7% on the same prior-year period), normalised Gross Operating Profit amounted to € 10,168 thousand, accounting for 9.3% of turnover, compared to € 20,208 thousand (11.5% as a percentage of turnover) as at the end of the second quarter of 2019. Normalised Operating Profit for the second quarter amounted to a negative € 1,007 thousand because of the greater provisions set aside

for potential credit losses. In this regard, although there were no particular issues with respect to the collection of trade receivables, the Group decided to increase the provision for bad debts, because of the greater uncertainty surrounding the overall economic outlook.

The order backlog amounted to approximately € 180 million, down 8.3% on December 2019, with the divisions showing different trends: the Wood Division and the Tooling Division fell by 13.4% and 10.7% respectively, while the Glass/Stone Division and the Mechatronics Division increased by 12.4% and 5.7% respectively. Order intake decreased by 35.5% compared to the same period in 2019, with a more marked decrease for the Wood and Glass/Stone divisions (down 40.8% and 27% respectively), while decreases in the Mechatronics and Tooling divisions were less marked (down 16% and 17% respectively).

As regards the financial situation, net operating working capital increased by some € 9 million compared to December 2019. Trade Receivables and Contract Assets, amounting to € 98,182 thousand, decreased by € 18,791 thousand, following the contraction in sales volumes. Inventories, amounting to € 152,832 thousand, decreased by € 2,666 thousand, mainly due to the reduction in stocks of finished goods, while stocks of raw materials and semi-finished goods increased, as production resumed.

Trade payables (amounting to € 109,845 thousand), whose trend is linked to the production cycle, decreased by € 22,827 thousand, while Contract Liabilities (amounting to € 59,859 thousand), usually linked to the order intake trend, decreased by € 7,678 thousand.

As at 30 June 2020, the Group's Net Financial Position was negative for € 22,587 thousand, down by € 3,977 thousand compared to the figure as at December 2019. The decline was primarily attributable to the negative impact of COVID-19, which was compounded by the ordinary cyclical and seasonal nature of Biesse's business.

Considering the current uncertainty and limited visibility over the short term, the Directors deemed it appropriate to provide the Group with financing 2 times in excess of the expected maximum requirements. These medium/long-term lines of credit opened by the Group have caused a corresponding increase in cash on hand, as so far the business cycle has not deteriorated as originally and conservatively estimated. For more information, please see the paragraph on the Net Financial Position below.



MAIN EVENTS

COVID-19

With respect to the crisis caused by the spread of the Covid-19 pandemic outside China, in early March 2020 the Group set up an Executive Committee that meets on a daily basis to monitor the global scenario as well as ensure the safety of individuals and the running of day-to-day operations. The Committee has identified measures to guarantee the safety of employees, customers, and all those who interact with the company.

At the same time, it has defined an extraordinary backup plan for the strategic functions responsible for shipping spare parts and machinery as well as performing all servicing and technical support operations intended to ensure the business continuity of Biesse's customers across the globe.

It has also implemented operational measures, including remote working and incentives to use videoconferencing, to ensure the running of all operations related to sales and supporting the sales network. These allow working in a synergistic and integrated manner with the Group's 39 branches and our dealers around the world.

As announced on 8 May 2020, given the negative international socio-economic outlook and considering the effects of the restrictions enacted in Italy as well as the main foreign countries Biesse serves (accounting for 85% of exports), as there is not enough visibility to comprehensively assess the impact of Covid-19, the Directors have withdrawn their guidance for 2020, thus deeming it no longer reliable, and reserving the option to issue new guidance as soon as the situation in the reference markets becomes more stable and clearer.

In light of the above, Biesse took prompt action to use every form of financial support envisaged by the law in force and allowed to it by its credit rating.

Considering the current uncertainty and limited visibility over the short term, the Directors considered it appropriate to provide the Group with financing 2 times in excess of the expected maximum requirements. These medium/long-term lines of credit opened by the Group have caused an increase in cash on hand, as so far the business cycle has not deteriorated as originally and conservatively estimated.

At the date of approval of this Report, Biesse has unused revocable credit lines of over € 90 million, in addition to committed credit lines (over 12 months) of over € 200 million, € 70 million of which unused.

Although it meets all requirements to benefit from Law Decree no. 23 of 8 April 2020, after careful evaluation Biesse decided not to use this form of financing covered by the 90% SACE guarantee, since this instrument was considered as excessively onerous and not sufficiently flexible.

Finally, as recommended by European regulators, on 8 July 2020 the Directors revised the estimated operating cash flows for future financial years in order to conduct a new impairment test as required by the occurrence of a trigger event (i.e. the pandemic crisis). The new estimate is based on the 2020-2024 plan approved by the Board of Directors on 8 July 2020. The assessments are based on historical analyses of the Group's performance in the face of disruptive events (2002 crisis following the 2001 terrorist attacks, 2008-2009 financial crisis). With respect to the potential recovery of the

business cycle, forecast by leading international institutions, the Directors have run a number of simulations: according to one of them, based on observable historical market inputs, the original 20-22 Business Plan (approved in February 2020) would be postponed by two years; under another simulation, based on a more conservative approach, it would take 3 years for the Group's performance to return to pre-COVID levels. Amid limited visibility and heightened uncertainty, the Directors have decided to rely on the conservative scenario in preparing the updated impairment test.

TRADE FAIRS AND EVENTS AROUND THE WORLD TO MEET CUSTOMERS

Trade fairs and events are at the heart of the marketing and communication strategy of Biesse Group, important opportunities to develop the relationship with the local areas, where the technical and commercial specialists can meet customers and study the needs of the specific market. It is an opportunity to get to know the company at first hand and to discover technological innovations, systems, software and services to automate and digitise factories.

Usually, during the year the Group manages directly from its headquarters, through branches and in collaboration with the main resellers, over 100 trade fairs and events each year in the various sectors of working wood, hi-tech materials, glass, stone and metal.

FROM TRADITIONAL TO DIGITAL EVENTS

In the first few months of 2020, the trade fairs Expobois in Lyon and Indiawood in Bangalore took place, as well as training events at the headquarters in Pesaro and other targeted events at the branches.

Following the spread in Italy and throughout the world of Covid-19, which caused the cancellation or postponement of planned trade fairs, the Group rethought and promptly implemented new strategies to guarantee business continuity and to keep building customer relations, offering new contents and new ways of interacting with the company, with specialists and technologies.

The Group has made available free of charge the video-assistance function, generally the exclusive prerogative of "SO-PHIA IOT", the platform developed in collaboration with Accenture, which gives customers a vast range of services to simplify and rationalise the management of work. In addition, it has enhanced its online training projects, has launched online demos to enable customers to take part in technological demonstrations directly from home and has launched "Tech Talk – Ideas to restart", a live webinar to analyse issues of various kinds, from specialist themes on a particular technology to advice and ideas on how to manage the emergency phase and how to take advantage of every possibility offered by the restart, putting the Group's skills at customers' service.

COOPERATING IN THE FIGHT AGAINST COVID-19 BY SUPPORTING THE COMMUNITY

Right from the start of the healthcare emergency, the Group set up an Executive Committee to monitor the global scenario and intensify the measures aimed at guaranteeing the safety of employees, customers and all those who interact with the company. A major program for smart working has been launched, operational measures have been put in place,



including online collaboration and facilitating the use of video conferences.

The Group has signed, in agreement with the unions, a safety protocol for the workplace, in view of the gradual restart of the manufacturing units. The protocol was outlined via a video conference in the presence of the Governor of the Marche Region, Luca Ceriscioli, who defined it as a “reference point for the whole business system. A major contribution to the life of the company and the whole community”.

The Biesse Group made a 100,000 Euro donation which, together with other contributions from local entrepreneurs coordinated by Confindustria Pesaro Urbino, enabled the hospitals in northern Marche (Ospedali Riuniti Marche Nord) to buy units that measure vital parameters, valuable technology to manage the most critical patients. It has also coordinated a fundraising campaign, inviting local companies to disseminate the initiative, in order to jointly achieve further important goals to support health.

It donated personal protection equipment, i.e. visors which are 100% Made in Biesse: the frame of the visor is 3D-printed at the plant in Via della Meccanica in Pesaro and the transparent protective screen is produced by Axxembla, a unit of the Group which makes protective structures for machines, thanks to the work undertaken on Rover A Plast FT, a Biesse solution for the processing of technological materials.

E-VENT, DIGITAL IN ACTION – The Group hosted “E-vent: Digital In Action”, the Biesse Group’s first digital event, which offered a unique opportunity to learn about all the latest developments in the wood and hi-tech material sectors.

By using an innovative digital platform, the Biesse Group offered training webinars and live demonstrations, as well as made major announcements regarding technology, software, and training activities that are the result of constantly investing in innovation, research and development, and train-

ing – confirming the Group’s role as a catalyst of innovation even in the present scenario.

*“Biesse provides companies and other entities with the tools required to jump-start their business operations, seizing the opportunities and benefits offered by Industry 4.0. **E-vent: Digital in Action** is a comprehensive experience that addresses the training needs of our customers – said Federico Broccoli, Chief Commercial and Subsidiaries Officer Machinery and Tooling – We have developed a new formula to continue facilitating the success of our customers across the globe and support them as much as possible in terms of customer care and services”.*

“We are going through a cultural shift that concerns also our marketing strategies and the way we use communication tools. This is why we stepped up our strategy to better serve customers around the world – said Raphaël Prati, Corporate Marketing Communications Director – We have launched Digital Arena, a new online platform that serves as a permanent repository of digital contents available to users anywhere in the world. Digital Arena is the interactive portal that hosts the digital events of Biesse, Intermac, and Diamut. Visitors can access it to connect to the webinars and watch live demos. It is a unique digital venue dedicated to wood, hi-tech materials, and the glass and stone industry that allows sharing stimulating contents as well as promotes the exchange of ideas and discussions”.

SHAREHOLDERS’ MEETING

The Ordinary Shareholders’ Meeting, on 21 April 2020 (first call) approved the separate and consolidated financial statements as at 31 December 2019. In addition, instead of a regular dividend payout, given the constantly evolving situation and the sudden acceleration in the negative repercussions affecting all international markets, the Meeting decided to allocate the profit for the year to the Extraordinary Reserve, so as to safeguard the Group’s liquidity.



INCOME STATEMENT HIGHLIGHTS

RECLASSIFIED INCOME STATEMENT AS AT 30 JUNE 2020

EURO 000'S	30 JUNE 2020	% on sales	30 JUNE 2019	% on sales	CHANGE %
Revenue from sales and services	256,728	100.0%	344,224	100.0%	(25.4)%
Change in inventories, wip, semi-finished products and finished products	(418)	(0.2)%	20,466	5.9%	-
Other Revenues	4,187	1.6%	3,524	1.0%	18.8%
Revenue	260,496	101.5%	368,213	107.0%	(29.3)%
Raw materials, consumables, supplies and goods	(104,599)	(40.7)%	(150,648)	(43.8)%	(30.6)%
Other operating costs	(43,489)	(16.9)%	(65,377)	(19.0)%	(33.5)%
Added value	112,408	43.8%	152,188	44.2%	(26.1)%
Personnel expense	(89,863)	(35.0)%	(113,079)	(32.9)%	(20.5)%
Gross operating profit	22,545	8.8%	39,109	11.4%	(42.4)%
Depreciation and amortisation	(16,985)	(6.6)%	(16,524)	(4.8)%	2.8%
Provisions	(1,204)	(0.5)%	(2,451)	(0.7)%	(50.9)%
Operating profit before non recurring items	4,357	1.7%	20,134	5.8%	(78.4)%
Impairment e componenti non ricorrenti	(152)	(0.1)%	(1,042)	(0.3)%	(85.4)%
Operating profit	4,205	1.6%	19,092	5.5%	(78.0)%
Financial income	439	0.2%	103	0.0%	-
Financial expense	(1,412)	(0.6)%	(1,394)	(0.4)%	1.3%
Net exchange rate losses	(1,244)	(0.5)%	(1,743)	(0.5)%	(28.6)%
Pre-tax profit	1,988	0.8%	16,058	4.7%	(87.6)%
Income taxes	(838)	(0.3)%	(5,707)	(1.7)%	(85.3)%
Profit for the period	1,150	0.4%	10,350	3.0%	(88.9)%

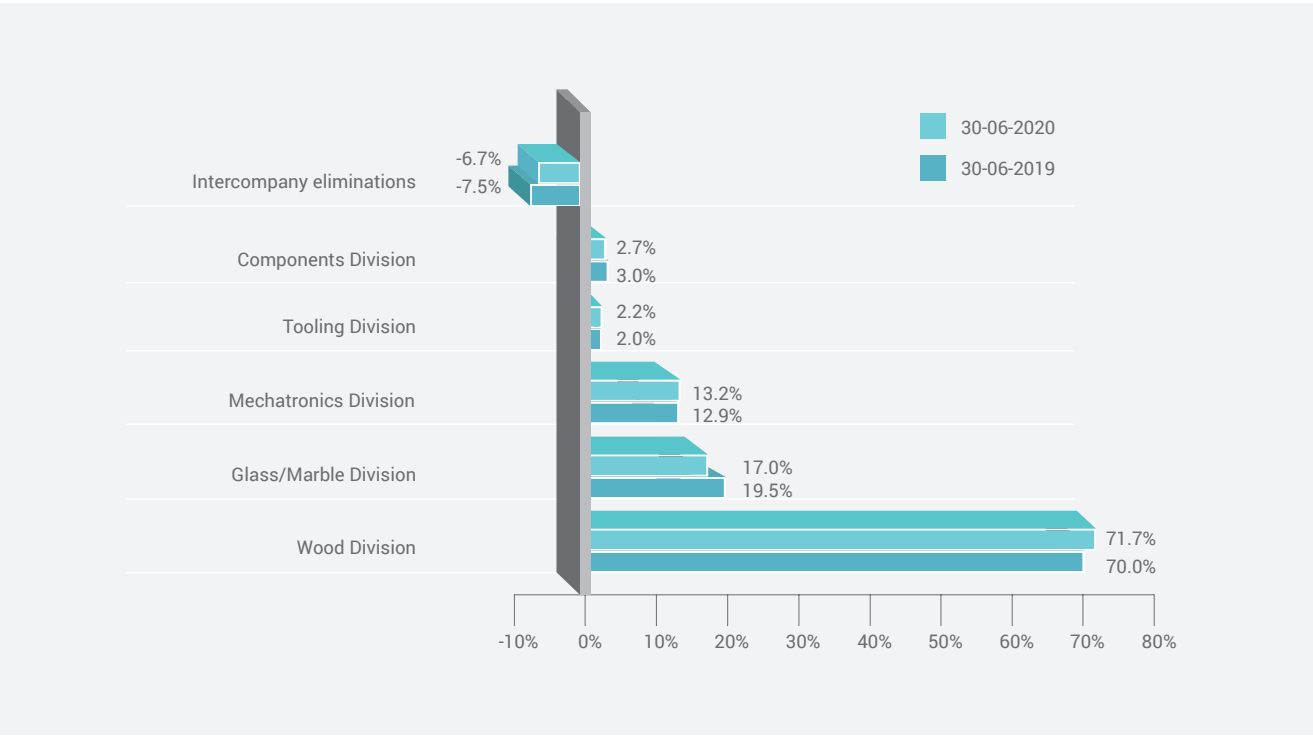
It should be noted that interim results set out in the table were not identified as an accounting measure under the International Accounting Standards and, therefore, they must not be considered a replacement measure for the assessment of the Group's performance and result. In addition, it should be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

Net revenue from sales and services as at 30 June 2020 amounted to € 256,728 thousand, down 25.4% on the prior-year period (€ 344,224 thousand).

As for the breakdown of revenue by operating segment, a general drop was recorded in all divisions, although with different trends: the Wood Division fell by -23.6%; the Glass/Stone Division decreased by 34.8% compared to the same period in 2019 (which benefited from some Systems projects), while the Mechatronics and Components divisions dropped by 23.9% and 34.6% respectively. On the other hand, the Tooling Division's downturn was slightly less marked (down by 18.9%). Analysing the breakdown of revenue by geographical area, the decrease concerned all the geographical areas of reference, and in particular Asia-Oceania (down 24.3%), Eastern Europe (down 22.8%) and Western Europe (down 26.6%), while North America and the Rest of the World fell by 24.9% and 27.6% respectively.

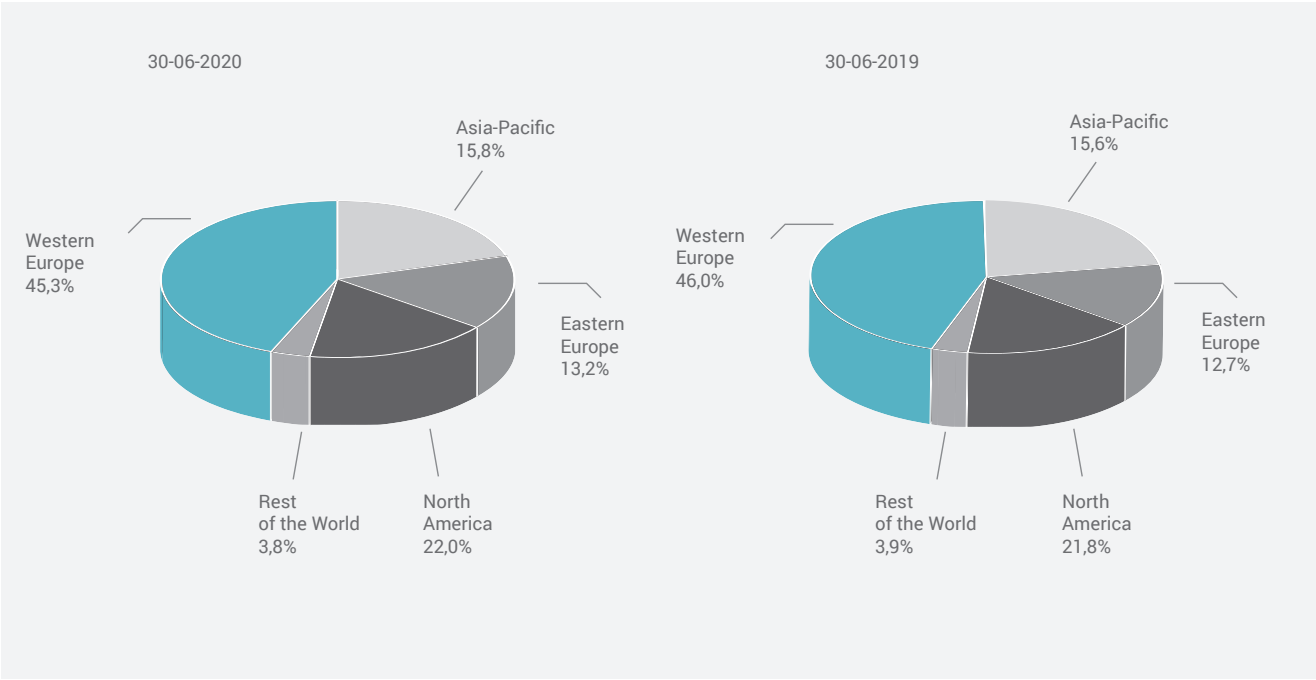
BREAKDOWN OF REVENUE BY OPERATING SEGMENT

EURO 000'S	30 JUNE 2020	%	30 JUNE 2019	%	CHANGE % 2020/2019
Wood Division	184,049	71.7%	241,051	70.0%	(23.6)%
Glass/Marble Division	43,678	17.0%	67,027	19.5%	(34.8)%
Mechatronics Division	33,826	13.2%	44,459	12.9%	(23.9)%
Tooling Division	5,610	2.2%	6,922	2.0%	(18.9)%
Components Division	6,863	2.7%	10,491	3.0%	(34.6)%
Intercompany eliminations	(17,298)	(6.7)%	(25,726)	(7.5)%	(32.8)%
Total	256,728	100.0%	344,224	100.0%	(25.4)%



BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

EURO 000'S	30 JUNE 2020	%	30 JUNE 2019	%	CHANGE % 2020/2019
Western Europe	116,174	45.3%	158,219	46.0%	(26.6)%
Asia-Pacific	40,657	15.8%	53,723	15.6%	(24.3)%
Eastern Europe	33,820	13.2%	43,785	12.7%	(22.8)%
North America	56,415	22.0%	75,161	21.8%	(24.9)%
Rest of the World	9,663	3.8%	13,337	3.9%	(27.6)%
Total	256,728	100.0%	344,224	100.0%	(25.4)%



Inventories of finished and semi-finished goods remained stable compared to December 2019, while the related allowance for impairment is adjusted to take account of the greater risks of obsolescence, linked to the slowdown in the economic cycle.

The **value of production** in the first half of 2020 amounted to € 260,496 thousand, down 29.3% compared to June 2019, when it amounted to € 368,213 thousand.

The analysis of consumption and other operating expenses as a proportion of value of production, rather than of revenue, shows a decreased absorption of raw materials (40.2 % compared to 40.9% as at 30 June 2019), due to the different product mix.

Other operating expenses were down in absolute terms (€ 21,888 thousand, -3.5%) and decreased on a percentage basis from 17.8% to 16.7%. This trend was largely attributable to the item Service costs, which fell from € 58,615 thousand to € 38,403 thousand, down 34.5%. The decrease is linked both to items relating to sales and production (-27.2% and -23.3% respectively, with cost savings of € 6,204 thousand in absolute terms), and to "semi-fixed" items, such as travel expenses (down 46.4% from € 10,754 thousand to € 5,763 thousand, due to travel restrictions on account of the health emergency) and costs for trade fairs and advertising (down 69% from € 5,212 thousand to € 1,615 thousand, due to the cancellation or postponement of most of the promotional events originally planned in the first half of 2020).

EURO 000'S	30 JUNE 2020	%	30 JUNE 2019	%
Revenue	260,496	100.0%	368,213	100.0%
Raw materials and goods	104,599	40.2%	150,648	40.9%
Other operating costs	43,489	16.7%	65,377	17.8%
Service costs	38,403	14.7%	58,615	15.9%
Use of third party assets	894	0.3%	2,274	0.6%
Sundry operating expense	4,192	1.6%	4,488	1.2%
Added value	112,408	43.2%	152,188	41.3%

Finally, it should be noted that added value as at 30 June 2020 was € 112,408 thousand, down by 26.1% compared to the same period in 2019 (€ 152,188 thousand).

As at 30 June 2020, personnel expense amounted to € 89,863 thousand, down € 23,217 thousand (20.5%) compared to the same prior-year period (€ 113,079 thousand). The decrease is essentially due to the fixed component of wages and salaries, which fell by € 23,114 thousand (21.4%) compared to the prior-year period.

At the first signs of the Covid-19 emergency, the Group immediately set up a Permanent Executive Committee to monitor the health and regulatory situation, promptly implement all the safety measures necessary and keep all employees well informed on the developing situation.

At the same time, the procedures envisaged by local laws were implemented in order to take advantage of the various social safety nets and State subsidies, with the aim of protecting the company's human capital: this is in order to preserve the investments made in human resources, during recent years, while maintaining the necessary economic equilibrium and facing up to this difficult moment.

As at 30 June 2020, EBITDA was € 22,545 thousand (€ 39,109 thousand as at 30 June 2019), down by 42.4%.

Depreciation and amortisation grew overall by 2.8%, from € 16,524 thousand as at 30 June 2019 to € 16,985 thousand as at 30 June 2020: the portion relating to property, plant and equipment (including rights of use) increased by € 745 thousand (8%), while the portion relating to intangible assets decreased by € 285 thousand (4%).

Provisions totalled € 1,204 thousand: € 1,068 thousand related to the allowance for impairment, while the remaining € 136 thousand related to adjustments to provisions for future risks and charges. At the end of June 2019, provisions totalled € 2,451 thousand: € 389 thousand related to the allowance for impairment, while the remaining € 2,062 thousand related to adjustments to provisions for legal risks and penalties for disputes with customers and provisions for retirement benefits. The receivables component was increased to take account of the greater uncertainty in the general economic scenario.

As regards financial operations, net financial expense amounted to € 973 thousand, down compared to the 2019 figure (€ 1,292 thousand).

Exchange risk management resulted in a loss of € 1,244 thousand, improving compared to the € 1,743 thousand loss in the prior-year period.

Pre-tax profit thus amounted to € 1,988 thousand.

The estimated balance of income taxes was negative to the tune of € 838 thousand. The impact relating to current taxes was a negative € 1,452 thousand (IRES – corporate income tax: € 60 thousand, IRAP – regional business tax: € 189 thousand; taxes from foreign jurisdictions: €1,366 thousand; other income taxes and previous-year taxes: -€ 163 thousand), while deferred taxes were positive at € 615 thousand.

Therefore, net profit as at 30 June 2020 amounted to € 1,150 thousand.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

EURO 000'S	30 JUNE 2020	31 DECEMBER 2019
Intangible assets	82,155	83,228
Property, plant and equipment	132,797	139,710
Financial assets	2,828	2,640
Non-current assets	217,780	225,578
Inventories	152,832	155,498
Trade receivables and contract assets	98,182	116,973
Trade payables	(109,845)	(132,673)
Contract liabilities	(59,859)	(67,536)
Net operating working capital	81,310	72,262
Post-employment benefits	(12,540)	(12,711)
Provision for risk and charges	(14,953)	(18,053)
Other net payables	(42,560)	(40,249)
Net deferred tax assets	10,792	10,458
Other net liabilities	(59,261)	(60,555)
Net invested capital	239,830	237,285
Share capital	27,393	27,393
Profit for the previous year and other reserves	187,841	177,397
Profit for the period	1,246	13,027
Non-controlling interests	763	858
Equity	217,243	218,675
Bank loans and borrowings and loans and borrowings from other financial backers	163,882	107,323
Other financial assets	(22,618)	(2,653)
Cash and cash equivalents	(118,677)	(86,061)
Net financial position (1)	22,587	18,609
Total sources of funding	239,830	237,285

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

Net invested capital amounted to € 239.8 million, slightly up compared to December 2019 (€ 237.3 million). Equity amounted to € 217.2 million, down compared to € 218.7 million as at 31 December 2019.

Compared to December 2019, fixed assets were down, as depreciation and amortisation more than offset new investments. In this regard, it should be noted that the shutdown of operating activities also had an impact on new projects, forcing a delay of those considered non-strategic (particularly in the product area), as well as a postponement of those not

strictly essential to the business. New investments amounted to € 6 million with respect to intangible assets and € 4.4 million with respect to property, plant and equipment.

Net operating working capital increased by some € 9 million compared to December 2019. Trade Receivables and Contract Assets, amounting to € 98,182 thousand, decreased by € 18,791 thousand, following the contraction in sales volumes. Inventories, amounting to € 152,832 thousand, decreased by € 2,666 thousand, mainly due to the reduction in stocks of finished goods, while stocks of raw materials and semi-finished goods increased, as production resumed in plants. Trade payables (amounting to € 109,845 thousand), whose trend is linked to the production cycle, decreased by € 22,827 thousand, while Contract Liabilities (amounting to € 59,859 thousand), usually linked to the order intake trend, decreased by € 7,678 thousand.

NET FINANCIAL POSITION

EURO 000'S	30TH JUNE 2020	31ST MARCH 2020	31ST DECEMBER 2019	30TH JUNE 2019
Financial assets:	141,296	79,314	88,714	84,115
<i>Current financial assets</i>	<i>22,618</i>	<i>3,652</i>	<i>2,653</i>	<i>2,147</i>
<i>Cash and cash equivalents</i>	<i>118,677</i>	<i>75,661</i>	<i>86,061</i>	<i>81,968</i>
Short term lease liabilities	(6,599)	(6,344)	(7,415)	(485)
Short-term bank loans and borrowings and loans from other financial backers	(55,804)	(16,211)	(46,859)	(47,179)
Short-term net financial position	78,894	56,760	34,440	36,451
Medium/Long-term lease liabilities	(25,188)	(26,858)	(27,043)	(32,565)
Medium/Long-term bank loans and borrowings	(76,292)	(54,564)	(26,006)	(37,726)
Medium/Long-term net financial position	(101,479)	(81,422)	(53,049)	(70,291)
Total net financial position	(22,587)	(24,663)	(18,609)	(33,841)

As at 30 June 2020, the Group's Net Financial Position was negative for € 22.6 million, whereas the final balance without the impact of rental and operating lease payables (pursuant to IFRS 16 transition), would have been positive for € 0.7 million. Compared to the same prior-year period, the ratio improved by some € 11 million. From the beginning of 2020, the decrease was approximately € 4 million, since it was not only affected by the ordinary cyclical/seasonal nature of Biesse's business in the first half of the year, but also by the impact of COVID-19.

In order to face the possible consequences from the health-care emergency, Biesse took prompt action to use every form of financial support envisaged by the law in force and allowed to it by its credit rating. Considering the current uncertainty and limited visibility over the short term, the Directors considered it appropriate to provide the Group with financing 2 times in excess of the expected maximum requirements. These medium/long-term lines of credit opened by the Group have caused an increase in cash on hand, as so far the business cycle has not deteriorated as originally and conservatively estimated.

At the date of approval of this Report, Biesse has unused revocable credit lines of over € 90 million, in addition to committed credit lines (over 12 months) of over € 200 million, € 70 million of which unused.

Although it meets all requirements to benefit from Law Decree no. 23 of 8 April 2020, after careful evaluation Biesse decided not to use this form of financing covered by the 90% SACE guarantee, since this instrument was considered as excessively onerous and not sufficiently flexible.

TRANSACTIONS WITH ASSOCIATES, PARENTS AND THE LATTER'S SUBSIDIARIES

As at 30 June 2020, in line with the situation as at 31 December 2019, there were no associates.

As regards transactions with the parent Bi.Fin. S.r.l., reference should be made to Note 24 in the Notes.

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.

As for transactions with these companies during the first half of the year, reference should be made to Note 24 in the Notes.

“ATYPICAL AND/OR UNUSUAL” TRANSACTIONS OCCURRED DURING THE SIX-MONTH PERIOD

In the first half of 2020 there were no such transactions.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND FULL-YEAR OUTLOOK

The financial performance for the first half of 2020 reflects the impact of the forced lockdowns of production sites and sales branches. Starting from a strong order backlog at the end of 2019, the slowdown in new orders during the lockdown in March and April was accompanied by a similar decline in turnover. As a result, as at the end of June 2020 the order backlog was down slightly from December 2019 (-8%) and continued covering over 3 months' worth of turnover as usual. The level of the order backlog and the number of negotiations underway, including for major contracts, are a positive sign but do not provide indications for the full year. That said, the performance delivered in the wake of the lockdown gives us confidence about the rest of the year – although visibility is still limited by the fact that much of the world is still in a state of health emergency. Therefore, this year the Group will focus more on cutting costs as well as making its sales operations more effective.

If the above trends continue into the second half of the year, we believe the Group can overcome the impact of the pandemic with limited repercussions on its financial position and financial performance.

Faced with uncertainty about the evolution of the pandemic and the speed of the economic recovery, the Parent Company continues carefully monitoring events and implementing the measures necessary to deal with the situation with the utmost commitment and professionalism, looking ahead to the long term, as it has always done.

Finally, we believe that, based on the above outlook, there are no impacts in terms of impairment of assets, as showed by the notes to the financial statements below and the test conducted by the Directors while preparing this interim report.

In addition, on 3 July 2020 BNL Group BNP Paribas arranged a € 50 million positive loan for the Biesse Group: the terms of this innovative credit facility improve even further upon meeting specific sustainability – environmental and social – goals that are constantly monitored and measured. Specifically, Biesse S.p.A. confirms its commitment to the envi-

ronment by focusing on making production more and more energy efficient, using more energy from renewable sources certified with a GO (Guarantee of Origin) and significantly curbing indirect CO2 emissions. The Group is also paying attention to the people that work at its facilities and putting them at the centre, certifying the occupational safety

management system in accordance with the UNI ISO 45001 international standard; the goal is to further advance a culture of wellness in the workplace, shared with the Group's different stakeholders, that can foster a sense of belonging to the company, promote its values, and constantly improve performance.

OTHER INFORMATION

At the date on which the Interim report as at 30 June 2020 was approved, Biesse S.p.A. did not hold treasury shares.

In addition, it should be noted that the parent company Biesse S.p.A. does not own shares in the parent nor did it own or trade them during the first half of 2020. There is therefore nothing to disclose for the purposes of Article 2428, paragraph 2, sections 3 and 4 of the Italian Civil Code.

Pesaro, July 31, 2020

The Chairman of the Board of Directors
Giancarlo Selci



CONDENSED

CONSOLIDATED
INTERIM FINANCIAL
STATEMENTS

AS AT 30 JUNE 2020

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

EURO 000'S	NOTE	30 JUNE 2020	30 JUNE 2019
Revenue	4	256,728	344,224
Other operating income		4,187	3,524
Change in inventories of finished goods and work in progress		(418)	20,466
Purchase of raw materials and consumables		(104,599)	(151,263)
Personnel expense	6	(89,863)	(113,574)
Depreciation, amortisation and impairment		(18,340)	(18,901)
Other operating costs		(43,489)	(65,383)
Operating profit		4,205	19,092
Financial income		5,224	5,489
Financial expense		(7,441)	(8,523)
Pre-tax profit		1,988	16,058
Income taxes	7	(838)	(5,707)
Period Result		1,150	10,350
Attributable to owners of the parent		1,246	10,278
Attributable to non-controlling interests		(96)	72
Earnings per share	8	0.05	0.38
Diluted (€/cents)	8	0.05	0.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

EURO 000'S	NOTE	30 JUNE 2020	30 JUNE 2019
Period Result		1,150	10,350
Translation differences of foreign operations	16	(2,559)	183
Total components that will or can be reclassified in the half-year income statement		(2,559)	183
Measurement of defined-benefit plans		(32)	(1,095)
Income taxes not on other comprehensive income		8	480
Total components that will not be reclassified in the income statement for the half year		(24)	(615)
Total comprehensive income for the half year		(1,432)	9,917
Attributable to:			
Non-controlling interests		(95)	68
Owners of the parent		(1,337)	9,849

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

EURO 000'S	NOTE	30 JUNE 2020	31 DECEMBER 2019
EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	10	132,797	139,710
Goodwill	11	23,521	23,550
Other intangible assets		58,634	59,678
Deferred tax assets	7	13,767	13,334
Other financial assets and receivables (including derivatives)		2,828	2,640
Total non current assets		231,547	238,912
Inventories	12	152,832	155,498
Trade receivables and contract assets	13	98,182	116,973
Other revceables		15,766	22,890
Other financial assets and receivables (including derivatives)	14	22,618	2,653
Cash and cash equivalents		118,677	86,061
Total current assets		408,076	384,074
TOTAL ASSETS		639,624	622,987

EURO 000'S	NOTE	30 JUNE 2020	31 DECEMBER 2019
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	15	27,393	27,393
Reserves	16, 17	187,841	177,397
Profit for the period		1,246	13,027
Equity attributable to the owners of the parent		216,480	217,817
Non-controlling interests		763	858
TOTAL EQUITY		217,243	218,675
Financial liabilities	18	101,479	53,049
Post-employment benefits		12,540	12,711
Deferred tax liabilities		2,975	2,876
Provisions for risks and charges	21	1,352	1,429
Other liabilities		938	925
Total non current liabilities		119,285	70,989
Financial liabilities	18	62,403	54,274
Provisions for risks and charges	21	13,601	16,625
Trade payables	19	109,845	132,673
Contract liabilities	20	59,859	67,536
Other liabilities		56,286	56,293
Income tax liability		1,102	5,921
Total Current liabilities		303,096	333,322
LIABILITIES		422,381	404,312
TOTAL EQUITY AND LIABILITIES		639,624	622,987

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2020

EURO 000'S	NOTE	30 JUNE 2020	31 DECEMBER 2019
OPERATING ACTIVITIES			
Profit for the period		1,150	13,002
Change for:			
Income taxes		838	10,441
Depreciation and amortisation of current and non-current owned assets		12,463	24,700
Depreciation and amortisation of current assets in leasing		4,521	8,586
Gains/losses from sales of property, plant and equipment		(226)	(23)
Impairment losses on intangible assets		329	4,875
Accrual to post-employment benefits		(297)	9,769
Income from investment activities		(179)	(120)
Net Financial expense		1,152	2,942
SUBTOTAL OPERATING ACTIVITIES		19,751	74,172
Change in trade receivables and contract assets		17,151	10,197
Change in inventories		847	7,043
Change in trade payables and contract liabilities		(29,388)	(39,307)
Change in post-employment benefits and in others funds		(1,763)	(1,176)
Other changes in operating assets and liabilities		6,098	1,454
Cash flow Cash flow generated / (absorbed) by operating activities		12,697	52,383
Tax paid		(5,393)	(7,006)
Interest paid		(1,146)	(2,557)
NET CASH FLOWS FROM OPERATING ACTIVITIES		6,158	42,821
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,717)	(14,544)
Proceeds from sale of property, plant and equipment		226	260
Acquisition of inangible assets		(6,041)	(18,051)
Change in other financial assets		(19,979)	(2,410)
Interest received		179	120
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(27,331)	(34,624)
FINANCING ACTIVITIES			
Loans repayments		(25,762)	(13,221)
New bank loans received	18	84,980	30,000
Finance lease payments		(4,844)	(8,790)
Other changes		(24)	(159)
Dividends paid		0	(13,149)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		54,350	(5,318)
NET INCREASE IN CASH AND CASH EQUIVALENTS		33,176	2,878
OPENING CASH AND CASH EQUIVALENTS		86,061	83,020
Effect of exchange rate fluctuations on cash held		(560)	163
CLOSING CASH AND CASH EQUIVALENTS		118,677	86,061

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

EURO 000'S	ATTRIBUTABLE TO THE OWNERS OF THE PARENT							
	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	PROFIT FOR THE YEAR	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	NON-CONTROL- LING INTERESTS	TOTAL EQUITY
Opening balances at 01/01/2019	27,393	(6,063)	36,202	117,438	43,672	218,642	893	219,536
Other comprehensive income		187		(561)		(374)	(59)	(433)
Profit for the period at 30 June 2019					10,278	10,278	72	10,350
Total comprehensive income/expense for the period		187		(561)	10,278	9,904	13	9,917
Dividends paid				(13,148)		(13,148)		(13,148)
Allocation of profit for the previous year				43,672	(43,672)	-		-
Other changes				(75)		(75)		(75)
Closing balances at 30/06/2019	27,393	(5,876)	36,202	147,326	10,278	215,323	908	216,230

EURO 000'S	ATTRIBUTABLE TO THE OWNERS OF THE PARENT							
	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	PROFIT FOR THE YEAR	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	NON-CONTROL- LING INTERESTS	TOTAL EQUITY
Opening balances at 01/01/2020	27,393	(6,140)	36,202	147,335	13,027	217,817	858	218,675
Other comprehensive income		(2,558)		(25)		(2,583)	1	(2,583)
Profit for the period at 30 June 2020					1,246	1,246	(96)	1,150
Total comprehensive income/expense for the period		(2,558)		(25)	1,246	(1,337)	(95)	(1,432)
Allocation of profit for the previous year				13,027	(13,027)			
Closing balances at 30/06/2020	27,393	(8,699)	36,202	160,337	1,246	216,480	763	217,243

CONDENSED

CONSOLIDATED
INTERIM FINANCIAL
STATEMENTS

NOTES



NOTES

1. GENERAL INFORMATION

The subject preparing the financial statements

Biesse S.p.A. (hereinafter the "Company" or the "Parent Company") is an Italian company, with registered office in Pesaro, via della Meccanica 16.
The Biesse group (hereinafter referred to as the "Group") operates in the mechanical tool sector, and is wholly controlled by BI.Fin. S.r.l., a company operating in the production and sale of machinery and systems for processing wood, glass and stone. The Parent is listed on the Milan Stock Exchange in the STAR segment.

Reporting criteria

The presentation currency for the Consolidated Financial Statements is the Euro, and the reported amounts and the amounts in the Notes to the Financial Statements are expressed in thousands of Euro, unless otherwise expressly indicated.
This consolidated interim report was approved by the Board of Directors on 31 July 2020 and underwent limited auditing.

Scope of consolidation

The consolidated statement of financial position and income statement as at 30 June 2020 include the financial statements of subsidiaries in addition to those of the parent company.

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. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	27,393,042				
Italian subsidiaries:						
HSD S.p.A. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	1,141,490	100%			100%
Bre.Ma. Brenna Macchine S.r.l. Via Manzoni, without number Alzate Brianza (CO)	EUR	70,000	98%			98%
Viet Italia S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	10,000	85%			85%
Axxembla S.r.l. Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	10,000	100%			100%
Uniteam S.p.A. Via della Meccanica 12 Thiene (VI)	EUR	390,000	100%			100%
BSoft S.r.l. Via Carlo Cattaneo, 24 Portomaggiore (FE)	EUR	10,000	100%			100%
Montesor & Co. S.r.l. Via Francia, 13 Villafranca (VR)	EUR	1,000,000	60%			60%
Movetro S.r.l. Via Marco Polo, 12 Carmignano di Sant'Urbano (PD)	EUR	51,000	60%			100% ¹

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 – France	EUR	1,244,000	100%			100%
Biesse Group Deutschland GmbH Gewerberstrasse, 6 Elchingen (Ulm) – Germany	EUR	1,432,600	100%			100%
Biesse Schweiz GmbH Luzernerstrasse 26 6294 Ermensee – Switzerland	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%
Biesse Austria GmbH Am Messezentrum, 6 Salzburg – Austria	EUR	685,000		100%	Biesse G. Deutschland GmbH	100%
Biesservice Scandinavia AB Maskinvägen 1 Lindas – Sweden	SEK	200,000	60%			50%
Biesse Iberica Woodworking Machinery s.l. C/De La Imaginació, 14 Poligon Ind. La Marina – Barcellona – Spain	EUR	699,646	100%			100%
WMP- Woodworking Machinery Portugal, Unipessoal Lda Sintra Business Park, 1 São Pedro de Penaferrim, – Sintra – Portugal	EUR	5,000		100%	Biesse Iberica W. M. s.l.	100%
Biesse Group Australia Pty Ltd. 3 Widemere Road Wetherill Park Sydney – Australia	AUD	15,046,547	100%			100%
Biesse Group New Zealand Ltd. Unit B, 13 Vogler Drive Manukau Auckland – New Zealand	NZD	3,415,665	100%			100%
Biesse Manufacturing Co. Pvt. Ltd. Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk – Bangalore – India	INR	1,224,518,391	100%			100%
Biesse Asia Pte. Ltd. Zagro Global Hub 5 Woodlands Terr. – Singapore	EUR	1,548,927	100%			100%
Biesse Indonesia Pt. Jl. Kh.Mas Mansyur 121 Jakarta – Indonesia	IDR	2,500,000,000		100%	Biesse Asia Pte. Ltd.	100%

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

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

Compared with the financial statements for the year ended 31 December 2019, the consolidation scope underwent no changes.

2. DECLARATION OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, BASIS OF PRESENTATION AND CONSOLIDATION AND FOREIGN CURRENCY TRANSLATION PRINCIPLES

Statement of compliance with international financial reporting standards and general standards

The interim report has 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 report has 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.

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 - Interim Financial Reporting. The accounting standards applied were the same as those already adopted for preparing the consolidated financial statements as at 31 December 2019, to which reference is made for the sake of completeness. Any exceptions are described in section 3.1 below "Accounting standards, amendments and IFRS interpretations effective as from 1 January 2020".

The figures shown in this condensed consolidated interim financial statements are comparable with the same period of the previous year.

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 the CONSOB, and consist of:

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-monetary 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.

Statement of Comprehensive Income

This statement includes the components that make up the result for the year and the items of income and expense recognised directly in Equity arising from transactions other than those carried out with shareholders.

Statement of Financial Position

This statement shows a breakdown of current and non-current assets and liabilities, with the description in the Notes – for each item of assets and liabilities – of the amounts that are expected to be settled or recovered within or after 12 months from the reporting date.

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.

Statement of Changes in Equity

This statement shows the changes in equity items related to:

- the allocation of the parent company's and subsidiaries' profit 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 have an offsetting entry 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.

Statement of Cash Flows

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

Income and expense relating to interests, dividends received 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.

Lastly, it should be noted that, with reference to 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.

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 average and final foreign exchange rates used for accounting purposes were as follows:

CURRENCY	30 JUNE 2020		31 DECEMBER 2019		30 JUNE 2019	
	Closing	Final	Closing	Final	Closing	Final
US Dollar / Euro	1.1020	1.1198	1.1195	1.1234	1.1298	1.1380
Brazilian Real / Euro	5.4104	6.1118	4.4134	4.5157	4.3417	4.3511
Canadian Dollar / Euro	1.5033	1.5324	1.4855	1.4598	1.5069	1.4893
Pound Sterling / Euro	0.8746	0.9124	0.8778	0.8508	0.8736	0.8966
Swedish Krone / Euro	10.6599	10.4948	10.5891	10.4468	10.5181	10.5633
Australian Dollar / Euro	1.6775	1.6344	1.6109	1.5995	1.6003	1.6244
New Zealand Dollar / Euro	1.7600	1.7480	1.6998	1.6653	1.6817	1.6960
Indian Rupee / Euro	81.7046	84.6235	78.8361	80.1870	79.1240	78.5240
Chinese Renmimbi Yuan / Euro	7.7509	7.9219	7.7355	7.8205	7.6678	7.8185
Swiss Franc / Euro	1.0642	1.0651	1.1124	1.0854	1.1295	1.1105
Indonesian Rupiah / Euro	16,078.0200	16,184.4100	15,835.2674	15,595.6000	16,039.1048	16,083.3500
Hong Kong Dollar /Euro	8.5531	8.6788	8.7715	8.7473	8.8611	8.8866
Malaysian Ringgit /Euro	4.6836	4.7989	4.6374	4.5953	4.6545	4.7082
South Korean Won /Euro	1,329.5300	1,345.8300	1,305.3173	1,296.2800	1,295.1984	1,315.3500
Turkish Lira/Euro	7.1492	7.6761	6.3578	6.6843	6.3562	6.5655
Russian Rouble/euro	76.6692	79.6300	72.4553	69.9563	73.7444	71.5975
UAE Dirham/euro	4.0473	4.1125	4.1113	4.1257	4.1491	4.1793
Taiwan Dollar/euro	33.0701	33.0076	34.6057	33.7156	34.9981	35.2965

3. MEASUREMENT CRITERIA, USE OF ESTIMATES AND RECLASSIFICATIONS

The preparation of the half-year report 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. In preparing this interim report, management specifically considered the impact of Covid 19, including in terms of forward-looking analyses/estimates, by relying also on leading external sources of information as required. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis and the effect of any resulting changes is reflected in the income statement in the reporting period in which the estimates are reviewed if the review affects only that reporting period, or also in subsequent reporting periods if the review affects both the current year and future years.

Finally, the Directors believe there are no impacts associated with Covid-19 that could give rise to uncertainties and significant risks with respect to business continuity.

Biesse's Directors reckon that the impact of the lockdown and the fallout of the Covid-19 pandemic on the economy in general could cause a € 63 million shortfall in turnover compared to the first half of 2019, in the absence of other major events. Excluding the positive impact of social safety nets and the lower amount set aside for variable bonuses, the shortfall in EBIT would amount to approximately € 7 million.

A summary follows of the critical judgements and the key assumptions made by management in applying the accounting standards with regard to the future and which may have a significant impact on the amounts recognised in the con-

solidated financial statements or have the risk of resulting in material adjustments to the carrying amount of assets and liabilities in the following financial year.

Allowance for impairment

The allowance for impairment reflects the management's estimates of impairment losses on the portfolio of receivables due from end customers and the sales network. The estimate of the allowance for impairment is based on losses expected by the Group, calculated on the basis of past experience for similar receivables, current and historical overdue receivables, losses and collections, the careful monitoring of credit quality, and projections of economic and market conditions, also taking into account uncertainties related to significant events (as in the case of Covid-19) from a forward-looking perspective.

Allowance for inventory write-downs

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

Recoverable amount of non-current assets (including goodwill)

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. The management reviews on an ongoing basis the carrying amount of non-current assets owned and used and of assets to be disposed of, when events and

circumstances call for such review. For goodwill and intangible assets with an indefinite useful life, this analysis is carried out at least once a year and whenever events and circumstances so require. The analysis of the recoverability of non-current assets' carrying amount is generally performed using estimates of cash flows expected from the use or sale of the assets and appropriate discount rates to calculate their present value. When the carrying amount of a non-current asset is impaired, the Group recognises an impairment loss equal to the difference between the carrying amount of the asset and the amount recoverable through its use or sale calculated with reference to the cash flows projections in the Group's latest plans.

In preparing this interim report, the Directors paid particular attention to the assessments under IAS 36 to determine whether the impacts of COVID-19 are indicators of impairment. Having reached a positive conclusion, the Directors prepared an updated impairment test relative to the one presented in the financial statements as at 31 December 2019. The new estimate of operating cash flows for future financial years is based on the 2020-2024 plan approved by the Board of Directors on 8 July 2020. The estimates are based on historical analyses of the Group's performance in the face of disruptive events (2002 crisis following the 2001 terrorist attacks, 2008-2009 financial crisis). With respect to the potential recovery of the business cycle forecast by leading international institutions, the Directors have run a number of simulations: according to one of them, based on observable historical market inputs, the original 20-22 Business Plan (approved in February 2020) would be postponed by two years; under another simulation, based on a more conservative approach, it would take 3 years for the Group's performance to return to pre-COVID levels. Amid limited visibility and heightened uncertainty, the Directors have decided to rely on the conservative scenario in preparing the updated impairment test.

Product warranties

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

Pension plans and other post-employment benefits

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

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

ture salary increases reflect the Group's long-term expectations for the reference markets and the trend in inflation. Any change in any of these variables may affect future contributions to the provisions.

Contingent liabilities

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

3.1. ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS ADOPTED AS FROM 1 JANUARY 2020

The following accounting standards, amendments and IFRS interpretations have been adopted for the first time as from 1 January 2020:

- On 31 October 2018, the IASB issued "Definition of Material (Amendments to IAS 1 and IAS 8)". The document amended the definition of "material" set out in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment is intended to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or misstated information already included in the two standards being amended. The amendment clarifies that information is "obscured" if it is communicated in a way that would have a similar effect as omitting or misstating the information for the primary users of financial statements.
- On 29 March 2018, the IASB issued an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods beginning on or after 1 January 2020, but early adoption is permitted. The Conceptual Framework sets out the fundamental concepts for financial reporting and guides the Board in developing IFRS standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards.
- On 26 September 2019, the IASB issued "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform", which amend IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendments modify some specific hedge accounting requirements, envisaging temporary exemptions of the same, in order to provide relief from potential

effects of the uncertainty caused by the IBOR reform (still ongoing) on future cash flows in the period preceding its completion. The amendment also requires companies to provide in their financial statements further information on their hedges which are directly affected by the uncertainties created by the reform and to which the aforementioned exemptions apply.

- On 22 October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The document clarifies the definition of a business for the purposes of applying IFRS 3 correctly. Specifically, the amendments clarify that while a business usually produces an output, the existence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. To this end, the IASB has replaced the expression "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist without including all of the inputs and processes needed to create outputs. The amendments also introduced an optional concentration test that allows ruling out the existence of a business if the price paid is substantially concentrated in a single asset or group of assets. The amendments are applicable to all business combinations and asset acquisitions after 1 January 2020, but earlier application is permitted.

The adoption of these amendments had no impact on the consolidated financial statements of the Group.

3.2 ACCOUNTING STANDARDS, AMENDMENTS AND IFRS / IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT YET ADOPTED IN ADVANCE BY THE GROUP AS AT 30 JUNE 2020

As at 30 June 2020, there were no accounting standards, amendments and IFRS / IFRIC interpretations already endorsed by the European Union but not yet mandatory applicable.

3.3 ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the reporting date, the relevant authorities of the European Union have not yet completed the necessary endorsement process for the adoption of the above-mentioned amendments and standards.

- On 18 May 2017, the IASB issued IFRS 17 – Insurance Contracts, which will replace IFRS 4 – Insurance Contracts. The aim of the new standard is to guarantee that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued. The IASB developed the Standard to eliminate inconsistencies and weaknesses in existing accounting practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The Standard also specifies presentation and disclosure requirements to enhance comparability between entities in this industry.

The new standard measures an insurance contract under either the General Model or a simplified version of this, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

- estimates and assumptions of future cash flows are always current;
- measurement reflects the time value of money;
- estimates make maximum use of observable market consistent information;
- there is a current and explicit measurement of risk;
- expected profit is deferred and aggregated in groups of insurance contracts at initial recognition; and,
- expected profit is recognised over the coverage period after adjustments from changes in the cash flows assumptions related to each group of contracts.

Under PAA, an entity may measure the liability for remaining coverage of a group of insurance contracts on the condition that, at initial recognition, the entity reasonably expects that this liability will be an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for PAA. The simplifications arising from the PAA do not apply to the measurement of the liabilities for incurred claims, measured under the General Model. However, there is no need to discount those cash flows if the balance is expected to be paid or received in one year or less from the date the claims are incurred.

An entity shall apply the Standard to issued insurance contracts including reinsurance contracts issued, reinsurance contracts held, and also to investment contracts with a discretionary participation feature (DPF).

The standard is applicable as from 1 January 2023, but early adoption is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors do not expect the adoption of this standard to have a significant impact on the consolidated financial statements of the Group.

- On 23 January 2020, the IASB issued "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document is intended to clarify how to classify debts and other liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, but the IASB has issued an exposure draft to defer the effective date to 1 January 2023; earlier application is nonetheless permitted. The Directors are currently assessing the possible impacts that the introduction of these amendments may have on the Group's consolidated financial statements.
- On 14 May 2020, the IASB issued the following amendments:
 - Amendments to IFRS 3 Business Combinations: the amendments are intended to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the requirements of IFRS 3.
 - Amendments to IAS 16 Property, Plant and Equipment: the amendments are intended to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is testing the asset. Instead, a company will recognise such sales proceeds and the relevant costs in profit or loss.
 - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendments specify that when assessing whether a contract will be loss-making a company must consider all costs direct-

- ly attributable to the contract. Therefore, when assessing whether a contract will be loss-making a company must consider not only incremental costs (such as direct material costs), but also all costs that the company cannot avoid because of the contract's existence (such as the share of personnel costs and the depreciation charge for equipment used to fulfil the contract).
- Annual Improvements 2018-2020: the IASB made amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and the Illustrative Examples of IFRS 16 Leases.

All amendments will be effective as from 1 January 2022. The Directors are currently assessing the possible impacts that the introduction of these amendments may have on the Group's consolidated financial statements.

- On 28 May 2020, the IASB issued "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document permits lessees to account for rent concessions associated with Covid-19 without assessing whether they meet the definition of lease modification in IFRS 16 by analysing the contracts. Therefore, the lessees that apply this expedient may account for rent concessions directly in profit or loss as at the effective date of the reduction. This amendment, although it is applicable to annual reporting periods beginning on or after 1 June 2020 and an entity can apply it early to annual reporting periods beginning on or after 1 January 2020, has not yet been endorsed by the European Union, and therefore the Group did not apply it at 30 June 2020. The Directors do not expect the adoption of this amendment to have a significant impact on the consolidated financial statements of the Group.
- On 28 May 2020, the IASB issued "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to

IFRS 4)". The amendments allow to extend until 1 January 2023 the temporary exemption from the application of IFRS 9. The amendments will be effective as from 1 January 2021. The Directors are currently assessing the possible impacts that the introduction of these amendments may have on the Group's consolidated financial statements.

- On 30 January 2014, the IASB issued IFRS 14 - Regulatory Deferral Accounts, which allows an entity that is a first-time adopter of IFRS to continue to account for Rate-Regulated Activities in accordance with the previous accounting standards adopted. Since the Company/Group is not a first-time adopter, this standard is not applicable.

4. REVENUE AND ANALYSIS BY BUSINESS SEGMENT AND GEOGRAPHICAL AREA

ANALYSIS BY BUSINESS SEGMENT

The Group is currently organised into five operating divisions – Wood, Glass & Stone, Mechatronics, Tooling and Components – for management purposes. These divisions constitute the bases for the Group's reporting of segment information. The main activities are as follows:

- Wood – 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 Diamut-branded grinders and processing tools;
- Components – production of mechanical components for wood and glass & stone processing machines.

Below is the information on these operating segments:

€ '000	REVENUES BY SEGMENT AT 30 JUNE			
	2020	%	2019	%
Wood Division	184,049	71.7%	241,051	70.0%
Glass/Marble Division	43,678	17.0%	67,027	19.5%
Mechatronics Division	33,826	13.2%	44,459	12.9%
Tooling Division	5,610	2.2%	6,922	2.0%
Components Division	6,863	2.7%	10,491	3.0%
Intercompany eliminations	(17,298)	-6.7%	(25,726)	-7.5%
Total	256,728	100.0%	344,224	100.0%

In the first half of 2020, net revenue from sales and services amounted to € 256,728 thousand, compared to € 344,224 thousand as at 30 June 2019, down 25.4% on the same prior-year period. The Wood Division confirmed its role as the Group's main segment, contributing 71.7% to consolidated revenue (70.0% in 2019); sales fell by 23.6% from € 241,051 thousand as at 30 June 2019 to € 184,049 thousand. The segment's operating profit decreased from € 13,426 thousand to 170 thousand, due to the decrease in operating leverage (lower sales volumes with a consequent decrease in operating margins) linked to the shutdown of production and commercial activities as a result of the pandemic. The sales trend in the Glass & Stone segment decreased by 34.8% compared to the same prior-year period (which benefited from some Systems projects), dropping from € 67,027 thousand as at 30 June 2019 to € 43,678 thousand, with a 17.0% impact on consolidated revenue, down compared to the same

prior-year period (19.5%). The segment's operating result decreased from € 3,702 thousand to a negative € 321 thousand. The Mechatronics segment recorded a decrease of 23.9% in terms of revenue (from € 44,459 thousand as at 30 June 2019 to € 33,826 thousand), but increased by 0.3% its contribution to consolidated revenue (13.2% compared to 12.9% in June 2019). Operating profit decreased from € 7,004 thousand to € 4,687 thousand. The Tooling segment recorded a decrease of 18.9% , dropping from € 6,922 thousand as at 30 June 2019 to € 5,610 thousand, with a slightly higher impact on consolidated turnover (0.2%). Operating profit rose from € 94 thousand as at 30 June 2019 to € 487 thousand. Finally, also the Components segment reported a decrease in turnover, dropping from € 10,491 thousand as at 30 June 2019 to € 6,863 thousand (down 34.6%), due to the fall in orders in the Wood and Glass & Stone divisions; the operating result fell from € 53 thousand to a negative € 198 thousand.

The following table summarises the operating profit by business segment as at 30 June:

2020

€ '000	WOOD	GLASS & STONE	TOOLING	MECHATRONICS	COMPONENTS	ELIMINATIONS	GROUP TOTAL
Total revenue	184,049	43,678	5,610	33,826	6,863	(17,298)	256,728
Operating profit of segment	170	(321)	487	4,687	(198)	0	4,825
Unallocated ordinary costs							(620)
Operating profit							4,205
Unallocated financial expense							(2,217)
Pre-tax profit							1,988
Income taxes							(838)
Profit for the period							1,150

2019

€ '000	WOOD	GLASS & STONE	TOOLING	MECHATRONICS	COMPONENTS	ELIMINATIONS	GROUP TOTAL
Total revenue	241,051	67,027	6,922	44,459	10,491	(25,726)	344,224
Operating profit of segment	13,426	3,702	94	7,004	53	(0)	24,280
Unallocated ordinary costs							(5,188)
Operating profit							19,092
Unallocated financial expense							(3,034)
Pre-tax profit							16,058
Income taxes							(5,707)
Profit for the period							10,350

BREAKDOWN BY GEOGRAPHICAL AREA

Turnover

€ '000	30 JUNE 2020	%	30 JUNE 2019	%
Western Europe	116,174	45.3%	158,219	46.0%
Asia - Pacific	40,657	15.8%	53,723	15.6%
Eastern Europe	33,820	13.2%	43,785	12.7%
North America	56,415	22.0%	75,161	21.8%
Rest of the World	9,663	3.8%	13,337	3.9%
Group Total	256,728	100.0%	344,224	100.0%

The decrease concerned all the geographical areas of reference, and in particular Asia-Oceania, which fell from € 53,723 thousand as at 30 June 2019 to € 40,657 thousand (down 24.3%), Eastern Europe, which fell from € 43,785 thousand as at 30 June 2019 to € 33,820 thousand (down 22.8%) and Western Europe, which fell from € 158,219 thousand as at 30 June 2019 to € 116,174 thousand (down 24.3%). North America and the Rest of the World fell by 24.9% (from € 75,161 thousand as at 30 June 2019 to € 56,415 thousand) and 27.6% (from € 13,337 thousand as at 30 June 2019 to € 9,663 thousand) respectively.

5. SEASONALITY

The business segments in which the Biesse Group operates experience significant seasonality, since demand for machine tools is typically concentrated in the second part of the year (and especially in the last six months). This is because of end customers' purchasing habits, which are significantly affected by expectations concerning investment incentive policies, as well as forecasts for their reference markets.

Another aspect to be taken into account is the Group's structure, as overseas branches (in USA, Canada, Oceania, and Far East) generate on average a third of total business volumes. Given the lead time necessary for delivering machine tools to these markets, and that the end market is particularly sensitive to the turnaround between order and delivery, these branches normally replenish their inventories in the first half in order to handle year-end sales.

6. PERSONNEL EXPENSE

In the first half of 2020, personnel expense amounted to € 89,863 thousand, down by € 23,712 thousand (- 20,9%) compared to the same prior-year period (€ 113,574 thousand).

As at 30 June 2020, the Group had received approximately € 3.5 million in grants and social security contributions to cover personnel expense. In addition, it achieved savings by

using up unused leave and awarding less bonuses, as certain budget targets were not met because of the pandemic.

7. TAXES

The Italian corporate income tax (IRES) rate was 24% (24% in 2019) of the taxable income of the Parent Company and the Italian subsidiaries, while income taxes for other jurisdictions are calculated based on the rates in force in the relevant countries. For the purposes of calculating the income tax expense for the period, the Group applied to the interim profit the tax rate applicable to the estimated year-end results.

As at 30 June 2020, the Group's deferred tax assets totalled € 13,767 thousand, up compared to 31 December 2019 (+ € 433 thousand). Management recognised deferred tax assets to the extent they are likely to be recovered; in doing so, it considered the forecasts of economic results and taxable income for future years consistent with those used for the purposes of impairment tests, and therefore taking into account the scenarios relating to the impacts of the current pandemic. According to a prudent approach, the Group did not recognise tax assets on losses of 727 thousand Euro.

Total taxes recognised in the income statement amounted to € 838 thousand with a tax rate of 42.1%.

8. EARNINGS PER SHARE

Basic earnings per share for the period ended 30 June 2020 totalled 0.05 Euro/cent (0.38 Euro/cent in 2019) and were calculated by dividing the profit attributable to the owners of the Parent, amounting to € 1,246 thousand, by the weighted average number of ordinary shares outstanding during the period, which amounted to 27,393,042 (as in 2019).

As at 30 June 2020, the number of treasury shares held was 0. As there were no dilutive effects, the calculation used for Basic EPS is also applicable to Diluted EPS. The calculations are shown in the following tables:

Profit attributable to owners of the Parent:

€ '000	30 JUNE 2020	30 JUNE 2019
Profit for the period	1,246	10,278
Weighted average number of shares used to calculate basic and diluted earnings per share	27,393	27,393
Base and diluted profit for the period (in Euro)	0.05	0.38

Weighted average number of outstanding ordinary shares

€ '000	30 JUNE 2020	30 JUNE 2019
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,393
Effect of treasury shares	-	-
Weighted average number of outstanding shares – for the calculation of basic earnings	27,393	27,393
Dilutive effects	0	0
Weighted average number of outstanding shares – for the calculation of diluted earnings	27,393	27,393

9. DIVIDENDS

On 21 April 2020, the Ordinary Shareholders' Meeting approved the separate and consolidated financial statements as at 31 December 2019. In addition, instead of a regular dividend payout, given the constantly evolving situation and the sudden acceleration in the negative repercussions affecting all international markets, the Meeting decided to allocate the profit for the year to the Extraordinary Reserve, so as to safeguard the Group's liquidity.

10. PROPERTY, PLANT, EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT

In the reporting period, the Group made new investments totalling € 4.4 million: besides those associated with the routine replacement of work tools, it purchased a new Toyoda machine tool under a lease agreement for the mechanical workshop in Pesaro and took steps to promote environmental sustainability (installing a photovoltaic system at the main site in Pesaro and energy-saving lamps).

11. GOODWILL

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

- 1. Wood and Advanced Materials ("Wood") – production, distribution, installation and after-sales service of machines and systems for woodworking and composite materials processing;
- 2. Glass & Stone – production, distribution, installation and after-sales service of glass and stone processing machines and systems;
- 3. Mechatronics – production and distribution of industrial mechanical and electronic components;

- 4. Tooling – production and distribution of glass and stone processing tools for all the machines on the market;
- 5. Components – production and distribution of other components related to additional precision processing.

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

The following table shows the allocation of goodwill by CGU:

€ '000	30 JUNE 2020	31 DECEMBER 2019
Wood	8,446	8,476
Glass & Stone	5,535	5,535
Mechatronics	5,599	5,599
Tooling	3,940	3,940
Total	23,521	23,550

Compared to the end of the previous year, goodwill decreased by around € 29 thousand, due to the exchange rate differences suffered by the goodwill of the Australian and American subsidiaries.

As required by accounting standards, at least once a year the Directors determine the recoverable amount of goodwill by calculating the value in use. 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. Considering the uncertainty associated with the Covid-19 crisis, and having identified the spread of the pandemic as a trigger event in accordance with IAS 36, the Group deemed it appropriate to update its assessments when approving the 2020 interim report by conducting a new impairment test.

The new estimate of operating cash flows for future financial years is based on the 2020-2022 business plan (hereinafter referred to as the "Plan") approved by the Board of Directors on 21 February 2020. On 8 May 2020, the Directors withdrew their guidance for 2020, thus deeming it no longer reliable, and reserving the option to issue new guidance as soon as the situation in our reference markets becomes more stable and clearer. Subsequently, on 8 July 2020, based on the recommendations received from European regulators and considering the impact of the current pandemic, Biesse S.p.A.'s Board of Directors revised its previous estimates of long-term revenue growth, the relevant margins, and cash flows outlined

in the mentioned February 2020 business plan. Specifically, even though the current scenario is extremely complex and uncertain, based on historical analyses of the Group's performance in the face of disruptive events (2002 crisis following the 2001 terrorist attacks, 2008-2009 financial crisis), the Directors have concluded that, with respect to the potential recovery of the business cycle forecast by leading international institutions, Biesse should be able to more than recover from the current market trend. Under one of the simulations run by the Directors, based on observable historical market inputs, the original 20-22 Business Plan (approved in February 2020) would be postponed by two years. In this scenario, in 2021 and 2022 Biesse could grow at rates 8 times greater than the market, as it already did after the crises in 2003 and 2009 – proving it is able to recover any business lost in the span of just a few years after the market bounces back. Amid limited visibility, the Group decided to take a more conservative approach relative to the above scenario. Indeed, under a conservative simulation, it would take 3 years for the Group's performance to return to pre-COVID levels – i.e. a longer time horizon compared to the above assumptions. Under this scenario, the 20-22 Business Plan has therefore been conservatively postponed by 3 years. Based on the new estimates, the recoverable amount of the Cash Generating Unit was therefore verified by updating the measurement of the value in use, intended as the present value of future cash flows generated by the CGU and calculated in accordance with the "Discounted cash flow" method, by carrying out the related impairment test.

Assumptions underlying the discounted cash flow method

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

	30 JUNE 2020	31 DECEMBER 2019
WACC	8.5 %	8.0 %
CAGR forecast revenue	0.8%	3.2 %
Growth rate of the final value	1.5 %	1.5 %

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

- with reference to the yield on risk-free securities, reference was made to the yield curve of 10-year Italian Government bonds (based on a 24-month measurement period);

- the systematic risk coefficient (β) considered was that of Biesse (compared to that of comparable businesses in the machinery sector – Euro Area);
- as for the market risk premium (MRP), it was assumed to be 6%;
- as for the additional risk premium, it was assumed to be 2.7%;
- finally, the rate of the gross cost of debt was assumed to be 1.5%, determined on the basis of the average cost of the Group's debt that takes into account a Biesse spread applied to the Risk-free Rate.

Assumptions underlying cash flow estimates

The operating cash flows used in the impairment test for the first half of 2020 were approved by the Board of Directors on 8 July 2020. They are derived from the estimates made for the five years from 2020 through 2024, which in turn are based on the previously discussed business plan approved on 21 February 2020 by Biesse S.p.A.'s Board of Directors.

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:

	30 JUNE 2020	31 DECEMBER 2019
Average incidence of the cost of sales on plan revenue	40.5 %	40.9 %
Average incidence of personnel expense on plan revenue	33.5 %	32.6 %
Average incidence of fixed operating costs on plan revenue	17.3 %	15.8 %

Impairment test results

BIESSE GROUP CONSOLIDATED FIGURES IN THOUSANDS OF €	30 JUNE 2020
CGU carrying amount (CA)	240,773
CGU recoverable amount (RA)	526,944
Impairment	-

WOOD DIVISION CONSOLIDATED FIGURES IN THOUSANDS OF €	30 JUNE 2020
CGU carrying amount (CA)	157,529
CGU recoverable amount (RA)	389,693
Impairment	-

GLASS DIVISION CONSOLIDATED FIGURES IN THOUSANDS OF €	30 JUNE 2020
CGU carrying amount (CA)	24,881
CGU recoverable amount (RA)	47,345
Impairment	-

MECHATRONICS DIVISION CONSOLIDATED FIGURES IN THOUSANDS OF €	30 JUNE 2020
CGU carrying amount (CA)	59,524
CGU recoverable amount (RA)	122,272
Impairment	-

TOOLING DIVISION CONSOLIDATED FIGURES IN THOUSANDS OF €	30 JUNE 2020
CGU carrying amount (CA)	8,080
CGU recoverable amount (RA)	9,942
Impairment	-

The above test results did not show the need to impair the Goodwill recorded in the consolidated financial statements as at 30 June 2020.

Breakeven point

In order to write off, at a consolidated level, the excess between value in use and carrying amount, with regard to the impairment test carried out for the six-month period ended 30 June 2020, the cost of capital (WACC) should increase by 6%.

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 € 40.2 million.

For individual CGUs, please see the following table:

	WOOD	GLASS	MECHATRONICS	TOOLING
WACC	7.4%	3.6%	6.1%	1.3%
Growth rate	-14.5%	-5.7%	-12.2%	-1.8%
EBITDA (in millions of Euro)	-32.6	-3.2	-9.6	-0.3

Sensitivity analysis

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

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

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

		WOOD	GLASS	MECHATRONICS	TOOLING
WACC +0.5%	CGU (CA)	157,529	24,881	59,524	8,080
	CGU (RV)	302,467	42,883	113,106	9,142
Growth rate -0.5%	CGU (CA)	157,529	24,881	59,524	8,080
	CGU (RV)	308,917	44,003	115,683	9,339
CAGR -50%	CGU (CA)	157,529	24,881	59,524	8,080
	CGU (RV)	328,834	41,954	111,010	3,905

Finally, it should be noted that the estimates and budget figures to which the aforementioned parameters were applied are calculated by the Group's management on the basis of past experience and expectations about the trend in the markets in which the Group operates. To this end, it should be noted that the estimate of the recoverable amount of the cash-generating unit requires discretion and the use of estimates by management, which are particularly complex in the

current uncertainty scenario caused by the well-known pandemic. Therefore, the Group cannot guarantee that goodwill will not become impaired in future periods, even in the near future. 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.

12. INVENTORIES

	30 GIUGNO 2020	31 DECEMBER 2019
Raw materials, consumables and suppliers	48,378	47,634
Work in progress and semi-finished goods	24,628	21,818
Finished goods	61,003	67,219
Spare parts	18,824	18,828
Inventories	152,832	155,498

The carrying amount, equal to € 152,832 thousand, is net of the allowances for inventory write-downs, amounting to € 3,997 thousand for raw materials (€ 3,117 thousand at the end of 2019), € 3,458 thousand for spare parts (€ 2,975 thousand at the end of 2019), and € 4,202 thousand for finished goods (€ 3,839 thousand at the end of 2019). The allowance

for write-downs of raw materials amounted to 7.6% as a percentage of the historical cost of the relevant inventories (6.1% at the end of 2019), the one for spare parts was 15.5% (13.6% at the end of 2019), and the one for finished goods 6.4% (5.4% at the end of 2019).

13. TRADE RECEIVABLES DUE FROM THIRD PARTIES

Trade receivables, amounting to € 98,182 thousand, are recognised net of the allowance for impairment, which is conservatively estimated with reference to both non-performing loans and loans past due by more than 180 days and in accordance with IFRS9.

Trade receivables were down € 18,791 thousand (before the relevant allowance for impairment) compared to December 2019.

The allowance for impairment amounted to € 6,889 thousand. The “Expected Credit Loss” model under IFRS 9 requires measuring expected credit losses and accounting for forward-looking information, considering “an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes” and “reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions”. This model requires assessing to what extent the high level of uncertainty and changes in the short-term economic outlook could affect the asset’s entire useful life.

Considering the current uncertainty associated with the spread of COVID-19, within the framework provided by the IFRSs, the Group - when measuring receivables - attached importance to, among other things, long-term stability prospects, based on historical data and considering the support measures implemented by government authorities. Finally, in making forecasts, the Group considered the nature of the economic shock, which is to be considered temporary, and the impact that economic support measures could have on credit risk.

14. CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

As explained in the Directors’ Report on Operations, in order to deal with the possible consequences of the healthcare

emergency, Biesse S.p.A. took prompt action to use every form of financial support envisaged by the law in force and allowed to it by its credit rating. Considering the current uncertainty and limited visibility over the short term, the Directors considered it appropriate to provide the Group with financing 2 times in excess of the expected maximum requirements. These medium/long-term lines of credit opened by the Group have caused an increase in cash on hand, as so far the business cycle has not deteriorated as originally estimated. As a result, cash and cash equivalents amounted to € 118.7 million, up € 32.6 million from 31 December 2019. Moreover, in order to mitigate the cost associated with the new lines of credit, Biesse invested in marketable securities included in “other financial assets”, which were up nearly € 20 million from 31 December 2019.

15. SHARE CAPITAL / TREASURY SHARES

Share capital amounts to € 27,393 thousand and consists of 27,393,042 ordinary shares, each with a par value of € 1 and dividend payable by the Parent Company. At the date on which these financial statements were approved, the Group held no treasury shares.

16. HEDGING AND TRANSLATION RESERVES

As at 30 June 2020, the translation reserve amounted to € 8,699 thousand (€ 6,140 thousand at the end of 2019). The reserves for the translation of foreign currency financial statements include the differences arising from the translation of the financial statements denominated in foreign currencies of countries that do not belong to the Eurozone (United States, Canada, Singapore, United Kingdom, Sweden, Switzerland, Australia, New Zealand, India, China, Indonesia, Hong Kong, Malaysia, South Korea, Brazil, Russia, Turkey, Taiwan and United Arab Emirates), increasing by € 2,559 thousand during the period.

17. OTHER RESERVES

The carrying amount was broken down as follows:

€ '000	30 JUNE 2020	31 DECEMBER 2019
Legal reserve	5,479	5,479
Extraordinary reserve	119,465	115,323
Reserve for treasury shares	-	-
Retained earnings and other reserves	35,394	26,534
Other reserves	160,338	147,335

As indicated in the statement of changes in equity, the change in the item Other reserves mainly refers to the allocation of the profit for 2019 (€ 13,027 thousand).

18. FINANCIAL LIABILITIES

Compared to the financial statements as at 31 December 2019, after securing additional forms of financing as detailed in note 14 above, the Group reported a € 56,559 thousand increase in financial liabilities. In addition, as at the reporting date the Biesse Group had negotiated and opened two new lines of credit that are currently unused. The first one is a 3-year € 20 million line with BNP replacing a previous line of the same amount, which becomes a “positive loan” with interest rates that decrease upon meeting targets associated with the Group’s sustainability indicators. The other is a 4-year € 50 million line with Intesa Sanpaolo with debt/equity covenant =1.

20. CONTRACT LIABILITIES

Contract liabilities amounted to € 59,859 thousand as at 30 June 2020 (€ 67,536 thousand as at 31 December 2019) and are made up as follows:

€ '000	30 JUNE 2020	31 DECEMBER 2019
Advances from customers before the sale of goods	47,986	53,434
Advances from net customers against services	11,873	14,102
Contract liabilities	59,859	67,536

Contract liabilities mainly relate to advances received from customers for products not yet delivered and for which revenue is recognised when the customer obtains control of the asset. For the remaining part, they relate to advances received from customers for services, recognised over time, for the part that exceeds the activities already carried out.

19. TRADE PAYABLES

Trade payables to third parties refer primarily to payables to suppliers for the procurement of materials delivered at the end of the period.

It should be noted that trade payables are due within twelve months and it is believed that their carrying amount at the reporting date is a reasonable approximation of their fair value. Trade payables to suppliers decreased by € 22,827 thousand compared to 2019, from € 132,673 thousand to € 109,845 thousand.

It should be noted that contract liabilities outstanding as at 31 December 2019 were fully reflected in the income statement, under revenue, during 2020.

21. COMMITMENTS, CONTINGENT LIABILITIES AND RISK MANAGEMENT

Commitments

At the reporting date, there were no material commitments.

Contingent Liabilities

The Parent Company and some subsidiaries are parties to various lawsuits and disputes. Nevertheless, the Group believes that the settlement of such disputes will not give rise to further liabilities in addition to the amounts already set aside in a specific provision for risks.

The financial statements include provisions for risks and charges for € 14,953 thousand, consisting of € 5,906 thousand for product warranty provision, € 2,567 thousand for corporate restructuring provision, € 947 thousand for tax risk provisions, € 980 thousand for supplementary customer indemnity provision and € 4,553 thousand for other risk provisions.

As at 31 December 2019, the provisions for risks and charges amounted to € 18,053 thousand, consisting of € 7,054 thousand for product warranty provision, € 3,725 thousand for corporate restructuring provision, € 866 thousand for tax risk provisions, € 1,029 thousand for supplementary customer indemnity provision and € 5,379 thousand for other risk provisions.

Risk Management

The Group is subject to 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 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 and, therefore, the Group has a limited exposure to the “commodities” risk.

Exchange Rate Risk

The risk related to exchange rate fluctuations is represented by the potential fluctuation in the amount in Euro of the foreign currency position (or net foreign currency exposure), i.e. the algebraic result of sales invoices issued, outstanding orders, purchasing invoices received, the balance of foreign currency loans, and cash held in foreign currency. The risk management policy approved by the Board of Directors of the Parent Company provides that forward contracts (outright/currency swap) or also derivatives (currency option) can be used for exchange risk hedging.

Interest Rate Risk

The Group is exposed to fluctuations in interest rates with reference to finance expense relating to payables due to banks and lease companies for fixed assets acquired under finance leases.

Interest rate risks derive primarily from bank lending. Given

the current trend in interest rates, the company confirms its decision not to hedge its own debt any further, as interest rates are expected to remain substantially stable.

During the reporting period, the Group secured new long-term financing in order to have adequate financial resources in the face of the uncertainty associated with the pandemic crisis. Despite the current uncertainty, the Group believes that its current resources are more than sufficient to meet any potential needs, including in the event the financial situation deteriorates as a result of the pandemic.

Credit Risk

Credit risk refers to the Biesse Group's exposure to potential financial losses deriving from the failure by commercial and financial counterparties to fulfil their contractual obligations. The main exposure is towards customers. The management of credit risk is constantly monitored with reference both to the reliability of customers and to the monitoring of cash inflows and debt collection activities, if required. In the case of customers considered to be strategic by the Management, the credit limits granted to them are defined and monitored. In other cases, the sale involves advance payments, lease-type payments and, in the case of foreign customers, letters of credit. In contracts relating to some sales without adequate guarantees, the Group reserves property rights on the goods being sold until the purchase price is paid in full. The carrying amount of financial assets, net of any impairment for expected losses, represents the maximum exposure to credit risk. As already mentioned, the current pandemic crisis could cause receivables to deteriorate compared to the Group's historical trends. The Directors are constantly monitoring receivables and, in accordance with IFRS 9, have adopted a forward-looking approach to account for current and future uncertainties.

For more information on how the allowance for impairment was determined and on the characteristics of overdue receivables, please refer to Note 13 above on trade receivables.

Liquidity Risk

Liquidity risk is the Group's risk connected with the difficulty in fulfilling its obligations related to financial liabilities. In order to manage this risk, the Group has implemented a series of actions, also to deal with the possible consequences of the health emergency. Biesse took prompt action to use every form of financial support envisaged by the law in force and allowed to it by its credit rating. Considering the current uncertainty and limited visibility over the short term, the Directors considered it appropriate to provide the Group with financing 2 times in excess of the expected maximum requirements. These medium/long-term lines of credit opened by the Group have caused an increase in cash on hand, as so far the business cycle has not deteriorated as originally and conservatively estimated. At the date of approval of this Report, Biesse has unused revocable credit lines of over € 90 million, in addition to committed credit lines (over 12 months) of over € 200 million, € 70 million of which unused. Although it meets all requirements to benefit from Law Decree no. 23 of 8 April 2020, after careful evaluation Biesse decided not to use this form of financing covered by the 90% SACE guarantee, since this instrument was considered as excessively onerous and not sufficiently flexible.

22. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

€ '000	AT 30 JUNE 2020	AT 31 DECEMBER 2019
FINANCIAL ASSETS		
Designated at fair value through profit or loss:		
Derivative financial assets	396	429
Measured at amortised cost :		
Trade receivables	98,182	116,973
Other assets	25,191	5,841
- other financial assets and non-current receivables	2,828	2,640
- other short-term financial assets	22,223	2,224
- other current assets	140	977
Cash and cash equivalents	118,677	86,061
FINANCIAL LIABILITIES		
Designated at fair value through profit or loss:		
Derivative financial liabilities	796	748
Measured at amortised cost :		
Trade payables	109,845	132,411
Bank loans and borrowings	131,299	72,117
Lease liabilities	31,787	34,458
Other current liabilities	37,622	36,283

Financial assets and liabilities from derivative instruments are equal to the fair value of foreign currency hedging transactions ('forward' and 'swap' contracts) in place as at 30 June 2020.

The Group has chosen not to adopt hedge accounting policies for recognising this type of instrument.

IFRS 13 identifies the three levels of FV:

Level 1 – input data used in the measurements are represented by quoted prices in active markets for assets or liabilities

identical to those being measured;

Level 2 – input data other than quoted prices included within level 1 that are observable in the market, either directly (i.e. prices) or indirectly (i.e. derived from prices);

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

Financial instruments measured at fair value are classified under Level 2. In the first half of 2020, there were no transfers between the various fair value levels indicated above.

23. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The financial performance for the first half of 2020 reflects the impact of the forced lockdowns of production sites and sales branches. Starting from a strong order backlog at the end of 2019, the slowdown in new orders during the lockdown in March and April was accompanied by a similar decline in turnover. As a result, as at the end of June 2020 the order backlog was down slightly from December 2019 (-8%) and continued covering over 3 months' worth of turnover as usual. The level of the order backlog and the number of negotiations underway, including for major contracts, are a positive sign for the months ahead but do not provide indications for the full year. That said, the performance delivered in the wake of the lockdown gives us confidence about the rest of the year – although visibility is still limited by the fact that much of the world is still in a state of health emergency. Therefore, this year the Group will focus more on cutting costs as well as making its sales operations more effective.

If the above trends continue into the second half of the year, we believe the Group can overcome the impact of the pandemic with limited repercussions on its financial position and financial performance.

Faced with uncertainty about the evolution of the pandemic and the speed of the economic recovery, the Parent company continues carefully monitoring events and implementing the measures necessary to deal with the situation with the utmost commitment and professionalism, looking ahead to the long term – as it has always done.

Finally, on 3 July 2020 BNL Group BNP Paribas arranged a € 50 million positive loan for the Biesse Group: the terms of this innovative credit facility improve upon meeting specific sustainability – environmental and social – goals that are constantly monitored and measured: as a matter of fact, the cost of the loan agreement, indexed to the Euribor plus a fixed spread, declines by 10 bps upon meeting the agreed goals.

24. RELATED-PARTY TRANSACTIONS

The Group is directly controlled by Bi. Fin. S.r.l. (operating in Italy) and indirectly by Mr Giancarlo Selci (resident in Italy). Transactions between Biesse S.p.A. and its subsidiaries, which are entities related to the Parent Company, have been eliminated from the consolidated financial statements and are not included in these Notes.

The details of transactions between the Group and other related entities are specified below.

EURO 000'S	REVENUE 30-06-2020	REVENUE 30-06-2019	COSTS 30-06-2020	COSTS 30-06-2019
Parent				
Bi. Fin. S.r.l.	-	-	-	-
Other related companies				
Fincobi S.r.l.	1	1	-	-
Se. Mar. S.r.l.	2	8	965	1,357
Wirutex S.r.l.	12	28	482	826
Other related companies	-	-	-	-
Members of the Board of Directors				
Members of the Board of Directors	-	1	1,144	1,150
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	60	59
Total	15	37	2,651	3,392
Total	15	37	2,651	3,392

EURO 000'S	RECEIVABLES 30-06-2020	RECEIVABLES 31-12-2019	PAYABLES 30-06-2020	PAYABLES 31-12-2019
Parent				
Bi. Fin. S.r.l.	140	977	1,287	1,499
Other related companies				
Fincobi S.r.l.	-	-	42	43
Edilriviera S.r.l.	-	-	-	-
Se. Mar. S.r.l.	3	4	725	880
Wirutex S.r.l.	10	13	495	479
Other related companies	-	-	-	-
Members of the Board of Directors				
Members of the Board of Directors	-	-	-	1
Members of the Board of Statutory Auditors				
Members of the Board of Statutory Auditors	-	-	65	111
Total	12	17	1,326	1,514
Total	152	994	2,613	3,013

The terms and conditions agreed with the above related parties do not differ from those that would have been established between parties at arm's length. The amounts payable to related parties are trade payables and refer to transactions undertaken for the sale of goods and/or rendering of services.

Pesaro, July 31, 2020

The Chairman of the Board of Directors

Giancarlo Selci

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

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

- the adequacy in relation to the characteristics of the business and
- the effective implementation of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements during the first half of 2020.

The assessment of the adequacy of administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements as at 30 June 2019 is based on a process established by Biesse consistently with the Internal Control – Integrated framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is an internationally accepted reference framework.

Pesaro, 31 July 2020

Chairman

Giancarlo Selci

For full details regarding remuneration of Directors and Statutory Auditors, please refer to the Remuneration Report published on the company website www.biesse.com.

We also certify that:

- a) the condensed consolidated interim financial statements:
- have been drawn up in compliance with the applicable international accounting standards endorsed by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council dated 19 July 2002 and, in particular with IAS 34 – Interim Financial Reporting – as well as the enabling legislation for Article 9 of Italian Legislative Decree no. 38/2005;
 - are consistent with the entries in accounting books and records;
 - as far as we know, they provide a true and fair view of the financial position, financial performance and cash flows of the issuer and the group of companies included in the consolidation;
- b) the Directors' interim report contains references to significant events occurred during the reporting period and to their impact on the condensed consolidated interim financial statements, together with a brief description of the main risks and uncertainties for the remaining six months of the year as well as information on any material transactions undertaken with related parties.

Manager in charge of financial reporting

Pierre Giorgio Sallier de La Tour

INDEPENDENT

AUDITORS'
REPORT





Deloitte & Touche S.p.A.
Viale della Vittoria, 7
60123 Ancona
Italia

Tel: +39 071 50149.11
Fax: +39 071 50149.12
www.deloitte.it

**REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**To the Shareholders of
Biesse S.p.A.**

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Biesse S.p.A. and subsidiaries (the “Biesse Group”), which comprise the statement of financial position as of June 30, 2020 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange (“Consob”) for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Biesse Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Jessica Lanari
Partner

Ancona, Italy
July 31, 2020

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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