

# ANNUAL REPORT

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**Biesse S.p.A.**

**2020**

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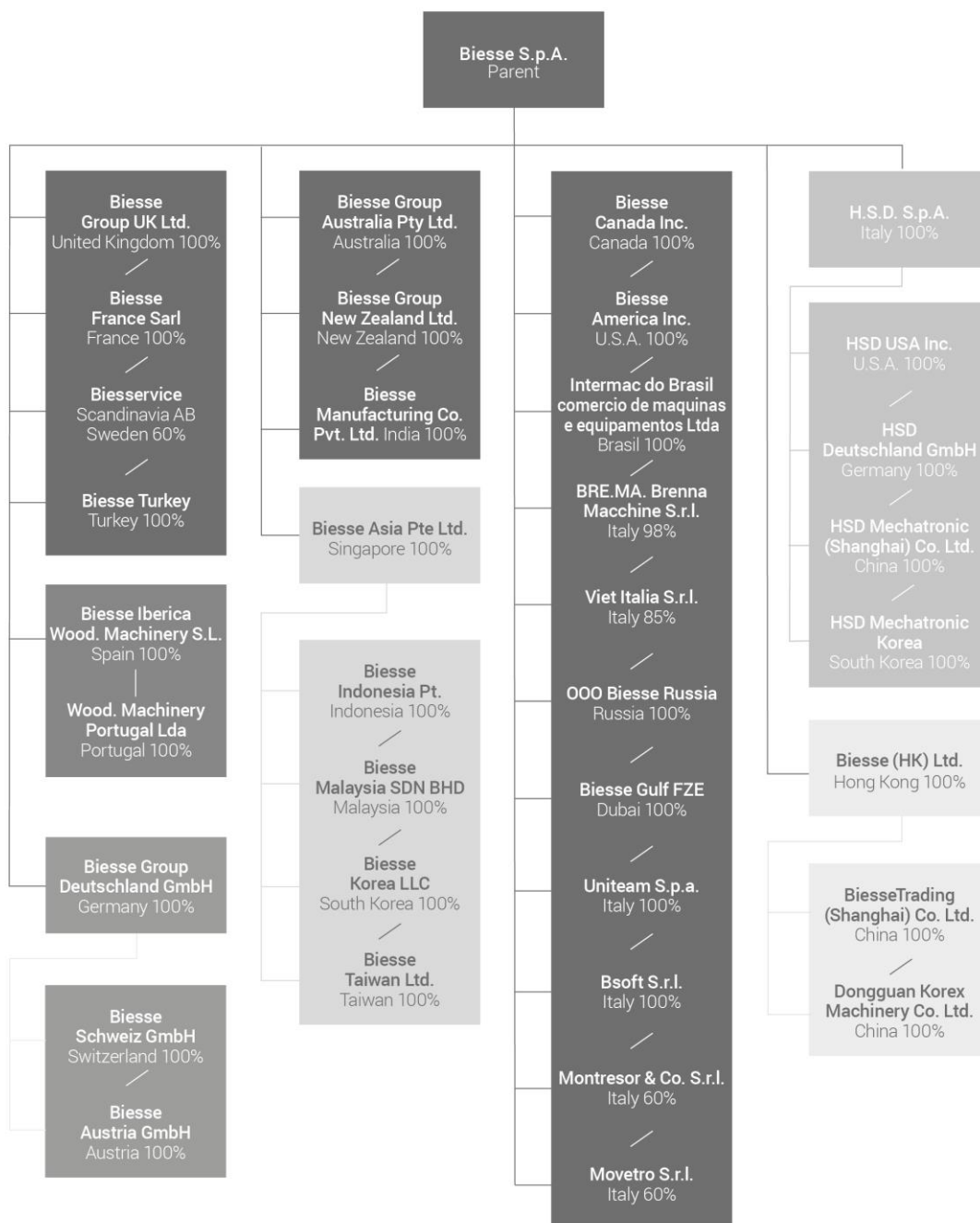
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## GROUP STRUCTURE

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

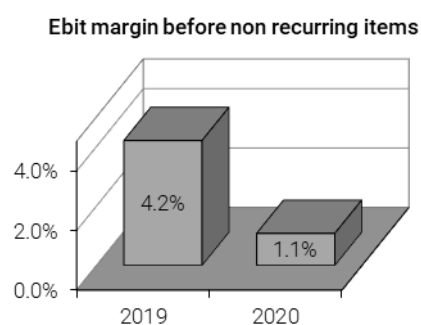
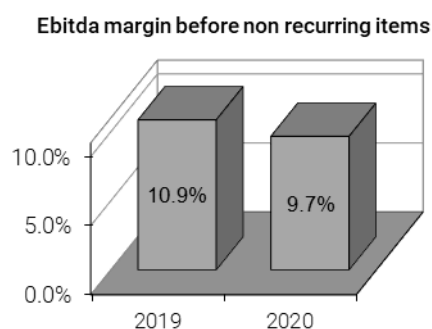


Notes: the different colours represent the subgroups of the control chain

With respect to the financial statements as at 31 December 2019, the company Axxembla S.r.l. was merged into the parent Biesse S.p.A. in order to streamline and simplify the organisational structure within the Biesse Group.

## FINANCIAL HIGHLIGHTS

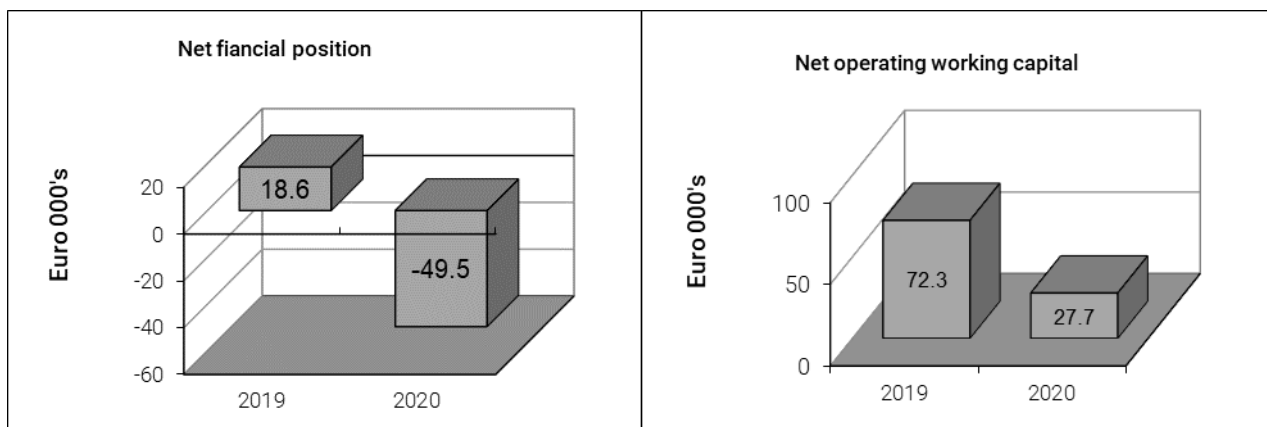
	31 December 2020	% on sales	31 December 2019	% on sales	Change %
<i>Euro 000's</i>					
Revenue from sales and services	578,789	100.0%	705,872	100.0%	(18.0)%
Added value before non recurring items (1)	247,194	42.7%	293,019	41.5%	(15.6)%
EBITDA before non recurring items (1)	55,985	9.7%	76,732	10.9%	(27.0)%
EBIT before non recurring items (1)	14,792	2.6%	39,554	5.6%	(82.3)%
EBIT (Operating profit) (1)	6,223	1.1%	29,644	4.2%	(79.0)%
Result for the year	2,455	0.4%	13,002	1.8%	(81.1)%



## Statement of financial position data and financial ratios

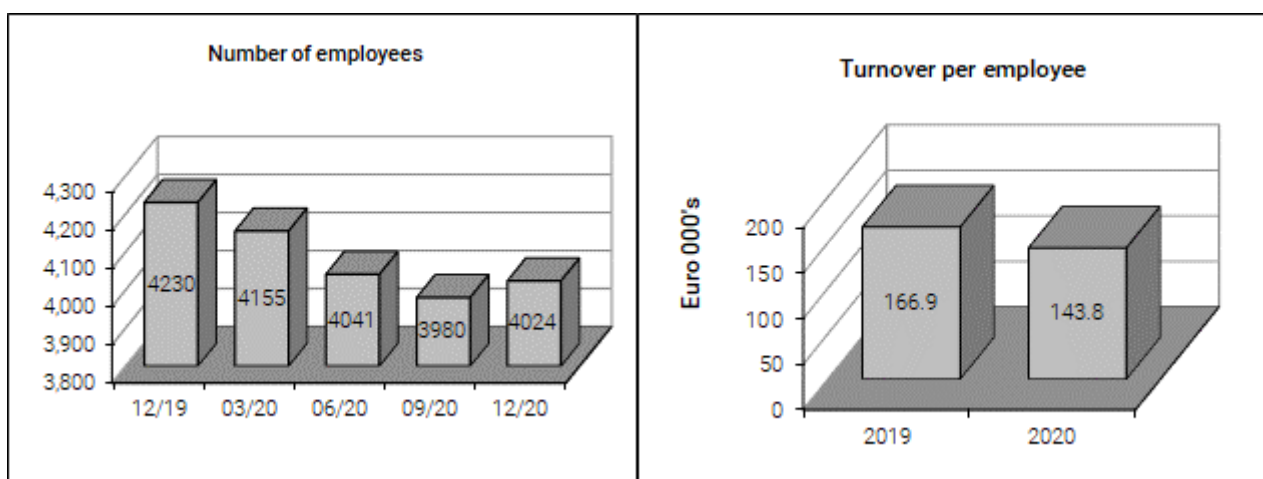
	31 December 2020	31 December 2019
<i>Euro 000's</i>		
Net invested capital (1)	165,270	237,285
Equity	214,812	218,675
Net financial position (1)	(49,543)	18,609
Net operating working capital (1)	27,744	72,262
Gearing (net financial position/equity)	(0.23)	0.09
Fixed asset/standing capital ratio	1.08	0.98
Order intake	204,130	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.



### Personnel (\*)

	31 December 2020	31 December 2019
Number of employees at year end	4,024	4,230



\* the figure includes temporary staff.

## CORPORATE BODIES

### Board of Directors<sup>1</sup>

Chairman	Giancarlo Selci
Chief Executive Officer	Roberto Selci
Co-Chief Executive Officer	Massimo Potenza
Executive Director	Alessandra Parpajola
Non-Executive Director	Stefano Porcellini
Lead Independent Director	Elisabetta Righini
Independent Director	Giovanni Chiura
Independent Director	Federica Palazzi

### Board of Statutory Auditors

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

### Control and Risks Committee – Remuneration Committee – Related Party Committee

Elisabetta Righini (Lead Independent Director)

Federica Palazzi

### Supervisory Body

Giuseppe Carnesecchi (Chairman)

Domenico Ciccopiedi

Elena Grassetti

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<sup>1</sup> On 1 September 2020, Biesse S.p.A. and the Director Stefano Porcellini reached a settlement agreement to terminate the employment relationship, with Mr Porcellini resigning from his position as general manager and staying on as non-executive director until the end of his term (Shareholders' Meeting convened to approve the 2020 financial statements).

In addition, on 29 September 2020 the Director Silvia Vanini terminated her employment relationship, resigning also from her position as member of the Board of Directors; the Company has co-opted a new member in the person of Mr Massimo Potenza. At the Shareholders' Meeting convened to approve the 2020 financial statements, the appointment will be put to the Meeting.

**Independent Auditors**

Deloitte & Touche S.p.A.

## **DIRECTORS' REPORT ON OPERATIONS OF BIESSE GROUP**

### **GENERAL ECONOMIC OVERVIEW**

#### **GLOBAL ECONOMIC TREND**

In the final period of 2020, the global economic recovery continued, albeit with increasing adverse factors linked to the new wave of the pandemic. Although the number of new daily infections from coronavirus (COVID-19) has continued to increase on a global scale, the most recent wave of the pandemic and the related containment measures are slowing down economic activity to a less significant extent than in the first wave in March and April 2020. This difference can be seen in the trend in the global Purchasing Managers' Index (PMI) relating to the manufacturing sector and services, excluding the Eurozone, which at the end of 2020 continued to be positioned at a much higher level than the sharp falls seen during the first wave. Looking forward, in 2021 global growth will depend on the evolution of the pandemic and on the progress made on vaccinations.

Global prospects remain negative, driven by the worsening of the COVID-19 pandemic. The global increase in new daily cases of COVID-19 is generating adverse factors which are slowing down the global economic recovery. Growth in countries hard hit by the virus has weakened. At the same time, there are upside opportunities linked to the fall in uncertainty regarding commercial relations between the European Union (EU) and the United Kingdom and to the possibility that a fiscal support plan larger than forecast is approved in the United States, given the new composition of the Senate. However, the slower-than-expected progress in the distribution of vaccines and the new wave of the pandemic could also lead to stricter lockdown measures and for longer periods, which will impact on global growth prospects.

The recovery in world trade is under way, despite some signs of a loss of momentum. In the third quarter of 2020, the data on the trade in goods showed a general recovery in the various product categories. Intermediate goods, in particular, were an important factor driving global exports in the third quarter, highlighting the resilience of global value chains. At the same time, the global PMI relating to new orders from abroad (excluding the Eurozone) fell in December, showing a certain easing off in the trend in world trade towards the end of 2020.

Consumer price inflation in the main advanced economies remains below pre-pandemic levels. The trend in prices mirrors above all the weakness in aggregate demand. Long-term inflation prospects, as recorded on financial markets, rose after the positive news on the efficacy of vaccines, which led to more positive assessments on medium-term growth.

According to the OECD forecasts released in December, global output should rise by 4.2% in 2021, exceeding pre-pandemic levels by the end of the year. Forecasts factor in the continuation of support for expansive economic policies at a global level and a wide-scale vaccination by the end of the current year; furthermore, they already included the signing of an agreement on bilateral relations between the United Kingdom and the European Union. China will contribute over a third of global growth in 2021. The recovery could be slowed down by the impact of further waves of the virus that might not be countered by new fiscal support measures. On the other hand, a wide-scale rollout of vaccines more quickly than forecast could boost growth.

#### **UNITED STATES**

Economic activity in the United States benefited from new fiscal stimulus packages in a context characterised by negative factors linked to the weakness of the labour market. After a marked recovery in the third quarter of 2020, economic growth slowed down in the final quarter. In order to contrast this trend, towards the end of last year a new, significant fiscal stimulus package aimed at supporting consumption at a time when the labour market is still weak was approved. In addition, it is likely that the new administration will adopt further stimulus measures. At the same time, the labour market trend remains largely weak, as suggested by the increasing cuts to permanent jobs recorded throughout November, while the offer of new jobs remains below pre-pandemic levels. The unemployment rate continued to be at high levels, 6.7 per cent in November, helped by a fall in dismissals of temporary workers. Overall, low consumer confidence, together with the increase in the number of new daily infections from COVID-19, creates downside risks for economic activity.

#### **JAPAN**

In Japan the economic recovery stalled towards the end of 2020. While the trend in consumption remained relatively robust, the growth in industrial output weakened in November, with the PMI for the service sector remaining below the neutral threshold, evidence of persistent weakness. Even if a new fiscal package worth around 3.5% of GDP supports business activity in the short term, a third wave of COVID-19 infections is making it necessary to adopt new lockdown measures that will impact on growth prospects.



## **UNITED KINGDOM**

In the United Kingdom, despite the positive effects of the recent trade agreement signed with the EU, short-term economic momentum remains weak. On 24 December 2020, the EU and the United Kingdom announced they had reached an agreement on their future relationship, which does not envisage tariff barriers or quotas for the trade in goods. However, businesses are subject to extra administrative burdens and to longer procedures at frontiers owing to customs and regulatory checks. This reduces the uncertainty linked to the Brexit negotiations, but the worsening of the situation relating to the pandemic and the deterioration in the labour market conditions continue to weigh on consumer confidence and related demand. GDP data and official monthly surveys in the United Kingdom show a fall in growth to below zero in the final quarter of 2020.

## **CHINA**

In China, on the other hand, a robust recovery continued. In the final quarter, Chinese GDP rose by 2.6% (on the previous quarter), an increase which takes growth over the 12 months of 2020 to 2.3%. This performance makes China one of the few countries in the world to record positive economic growth in 2020. GDP data for the final quarter of 2020 indicate that the recovery momentum extended from investment to consumption. PMI data also indicate that the service sector is recovering since the pandemic remains largely under control in China, despite the lockdown measures adopted by various local authorities to deal with new cases.

## **EUROZONE**

The start of the vaccination campaigns in the Eurozone is an important milestone in the process of tackling the current healthcare crisis. Nonetheless, the pandemic continues to pose serious risks for public health and for the economies of the Eurozone and the rest of the world. The new increase in COVID-19 infections and the strict lockdown measures imposed for a prolonged period of time in many countries in the region are undermining economic activity. In the manufacturing sector activity continues to show good resilience, while it is sharply contracting in the service segment, albeit to a lesser extent than during the first wave of the pandemic at the start of 2020. Gross domestic product fell in the final quarter of 2020 and the worsening of the pandemic entails some downside risks for short-term economic prospects. Inflation is confirmed as being very low, in a context characterised by weak demand and significant unused capacity on the markets for labour and goods and services. The most recent data confirm overall a base scenario marked by a significant impact of the pandemic on economic activity in the short term and an extended period of low inflation. According to the forecasts prepared in February 2021 by Eurostat experts, in 2020 GDP fell by 6.8%; in the three subsequent years it should grow by 3.9%, 4.2% and 2.1% respectively. The risk framework remains oriented to the downside.

## **ITALY**

Growth in the summer months of 2020 was above expectations, indicating our economy's significant recovery capacity. Nonetheless, taking the final quarter as a whole, activity fell again with the return of the pandemic. On the basis of the information available, the fall in GDP in the final quarter can be currently assessed at approximately -3.5% on the previous period; the uncertainty relating to this estimate is, however, very high. Both qualitative and quantitative economic information available so far suggests that the decline in business was more marked in services and marginal in manufacturing.

In the third quarter, the Eurozone's GDP was up 15.9% on the previous period. Business was driven by the sharp rise in both exports and domestic demand, which was especially strong for gross fixed capital expenditure, that exceeded the levels recorded at the end of 2019. Added value rose in all segments; in construction it surpassed the values prior to the outbreak of the epidemic. In services the recovery was partial for sectors such as trade, transport, hotels and restaurants, professional services and leisure, cultural and personal care services.

On the basis of the information available, after the strong recovery in the summer, industrial output fell slightly in the final months of the year. Companies' assessments have become less positive, but remain far from the pessimism felt in the first half of 2020. Companies foreshadow an increase in investment spending in the current year. In December the purchasing managers' indices (PMIs) rose; they have stayed over the threshold compatible with the expansion in manufacturing, while in services – which are most affected by the increase in infections and by the restrictive measures to contain it – they are still well below this level.

## **BUSINESS SECTOR REVIEW**

### **UCIMU – SISTEMI PER PRODURRE**

In the last quarter of 2020, the collection of machine tool orders also showed a negative sign. Specifically, the UCIMU machine tools order index, prepared by the association's Studies & Business Culture Dept., recorded a

18.1% decrease in the fourth quarter of 2020 compared to the same prior-year period. The absolute value of the index was 86.4 (base value of 100 in 2015).

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

In particular, domestic orders fell by 28% compared to the final quarter of 2019. The absolute value of the index stood at 123.9, which is still very high despite the fall.

As for foreign orders, they fell by 14% compared to October-December 2019. The absolute value of the index was 78.7.

On an annual basis, the total index fell by 18.6% compared to the previous year. The result was determined by the drop in orders collected on the domestic market (-35.1%) and the decrease of those collected on the foreign market (-13.6%).

"The fall recorded in the final quarter of 2020 – said Barbara Colombo, President of UCIMU-SISTEMI PER PRODURRE – shows the extent of the difficulties that the manufacturing sector, not only in Italy, is going through owing to the healthcare emergency".

"The year that has just closed was undoubtedly complicated, but we are confident that, already in the first few months of 2021, the situation will improve. The Government incentive measures for the replacement of obsolete machinery and for Transition 4.0, the availability of vaccines, along with the presence in Italy of two major trade fairs, such as LAMIERA and EMO MILANO 2021, both of them held at Fieramilano Rho, raise hopes for the trend of this new year".

"On the domestic front, the measures envisaged by the 4.0 Transition Plan included in the Budget Law for 2021 are an excellent incentive for the recovery of investment in new digital and non-digital technologies in Italy. Now what is essential is an adequate communication with companies, so that they are informed about the criteria, technical features and opportunities of the measures included in the law, so that they can take advantage of them, without overlooking the key issue of 4.0 education and training".

"Indeed, besides tax credits for purchasing new production systems and an increase in the tax rates applied to investments in Research & Development, the Government authorities have provided for an education and training credit, however considering in the calculation of the tax relief not only the cost for the education and training hours of the staff involved, but also the cost for the trainer, the most onerous aspect of this activity incurred by a company".

"I believe that this choice, which UCIMU has often pressed for, will decisively stimulate companies to start training and refresher plans for staff, which are essential, at least as regards technological updating, to maintain the competitiveness of our companies".

"Moreover, the availability of vaccines will contribute to the recovery in business also outside of Italy, facilitating people mobility, which is key for the business of our companies that have always been active on foreign markets. For this reason – the President of UCIMU Barbara Colombo went on – it is important for the vaccine campaign to continue quickly, covering the whole population as soon as possible: this is the only way we can return to normality".

"The impossibility of moving goods and people, as well as the almost total absence of trade fairs, have severely tested our business in 2020. Trade fairs are a key instrument for our marketing activity and not only for this. In our sector it is crucial to meet and talk to customers directly at trade fairs, and even with our competitors: indeed, trade fairs not only trigger business, but they are important moments for the development and dissemination of innovation and the progress of sector technologies. We have been forced to practically do without them for a whole year, trying to make up for this with web meetings, remote connections, videos. Now, however, companies need to return to taking part in trade fairs and organising face to face business meetings".

While awaiting that at the beginning of March the Government will approve the restart of trade fairs in Italy, the Association has been working non-stop on the organisation, at Fieramilano Rho, of LAMIERA, dedicated to the segment of machines for sheet metal working and forming, scheduled from 26 to 29 May, and of EMO MILANO 2021, the world machine tool and robot exhibition, which is returning to Italy from 4 to 9 October, six years after the success of the 2015 edition".

"LAMIERA and EMO MILANO 2021 will actually be the first international trade fairs, for the metal sheet segment and for the whole sector respectively, after about a year and a half of enforced stoppage. For this reason – concluded President Barbara Colombo – operators' expectations are very high, and registrations are coming in quickly, a sign of the strong desire from the manufacturing world to return to normality".

#### **ACIMALL – ITALIAN WOODWORKING TECHNOLOGY ASSOCIATION**

The fourth quarter of 2020 provided some optimism in the face of the economic trend, which has been extremely problematic due to the global healthcare emergency. Technologies for woodworking and the furniture industry in the period from October to December 2020 saw an increase in orders of 3.7% compared to the same period

in 2019. Encouraging signals came above all from the domestic market, with a 7.3% increase, which this time exceeds the trend in orders from our international customers (+ 4%).

"There is no doubt that the final weeks of 2020 showed that the sector can face up to the difficulties, reiterating its export orientation and keeping a close focus on the Italian market, which is, in any case, among the most important and demanding in the world", commented Luigi De Vito, the President of Acimall, the industry association that represents Italian manufacturers. "Despite the first few weeks of this year are once again showing an encouraging trend across the entire supply chain, caution is nonetheless essential, and it will be necessary to wait for coming quarters to see if we have a real recovery in the markets. Support in this sense will certainly come from the Industry 4.0 transition plan and the extension of incentives for technology purchases made available by the Italian Government for the next two years".

The quarterly survey undertaken by the Acimall Research Office on a significant statistical sample of companies shows that order books cover 3.2 months (it was 3.1 in the previous quarter), with an increase in prices since the beginning of 2020 of 1.2%. Revenues increased by 17.2% compared to the final quarter of 2019.

Those interviewed provided clear feedback also for the qualitative survey: 50% of the sample indicated a positive production trend, 6% reported a fall, 44% stated there was broad stability. Employment is stable according to 78% of the sample, decreasing for 6%, and increasing for the remaining 16%. Inventories are decreasing for 56% of the sample, increasing for 11% and stable for 33%.

It is interesting to notice that, according to the forecast survey, 50% of the sample expect a largely stable trend for exports, 39% expect a further recovery and only 11% fear a fall. Expectations for the Italian market are different: 45% of those interviewed believe in further growth, 33% in stability and 22% in a possible fall.

## 2020 TREND

2020 was strongly impacted by the global crisis following the spread of the COVID-19 epidemic. The lockdown measures imposed by governments since March and adopted by local administrations where the Group's premises operate, led to a reduction in both manufacturing and commercial activities.

This phenomenon was experienced with different intensity and for differing periods by Group companies. Where these measures have been eased, it was possible to achieve a partial recovery in operations, although severe limitations remain on mobility and on the possibility of taking part in promotional events and trade fairs. On the other hand, the Group's strong international calling made it possible to limit the impact of such restrictions, thanks to the possibility of being able to rely on its own sales and local assistance network, which is spread around the key markets.

As already seen at the end of the first half of 2020, the Group responded to the context in a timely and versatile manner, by taking operational steps that allowed to maintain relationships with customers while ensuring the safety of the workforce. From a management perspective, the manufacturing sites in Italy and India had to suspend operations for approximately 5 weeks in March and April, while sales branches continued performing essential activities to serve customers.

At the end of 2020, we can say that the Group managed to overcome the most critical stage of the crisis, keeping the economic and financial impacts under control, while trying to safeguard employment levels, and securing a high level of financing in order to be ready to seize the opportunities arising from the possible recovery of the business sector. This phenomenon started to become evident in the summer months and consolidated in the winter months, when the trend in orders was comforting, both with respect to the second half of 2020 and to the first few months of 2021.

In this context, Biesse Group's revenue from sales and services as at 31 December 2020 amounted to € 578,789 thousand, down 18% on 2019.

The contraction concerned all geographical areas of reference: the main changes were seen in North America (-28.2%), Asia-Oceania (-27.8%) and the Rest of the World (-42.3%). Western Europe showed a decrease of 12.88%, while Eastern Europe decreased by 2.5%. Western Europe was once again the Group's largest market, generating € 288,765 in turnover, i.e. 49.9% of the total.

The breakdown by segment also shows a broad-based decline, ranging from -5.8% for the Tooling Division to -22.4% for the Components Division. The Wood and Glass/Stone Divisions fell by 18.9% and 19.9% respectively

and their share of consolidated turnover remained substantially unchanged (Wood: 71.1%; Glass & Stone: 17.9%). Finally, the Mechatronics Division decreased by 14.8%.

The above-mentioned fall in volumes was reflected in the operating result for the period, as indicated by EBITDA, which, gross of non-recurring charges, amounted to € 55,985 thousand, down by 27%. Normalised operating result (EBIT) decreased as well (€ 14,227 thousand in 2020 compared to € 39,554 thousand in 2019), with a negative delta of € 25,327 thousand; as a percentage of revenue, it decreased from 5.6% to 2.5%.

The changed economic scenario, which was characterised by a recovery in orders, led to a partial return to operational normality, although having to take account of the continuing restrictions on mobility and the problems which are starting to be seen in supply chains. This led to an increase in sales volumes compared to the previous quarters, with a related positive contribution to Group performance. The final quarter of 2020 recorded operating result in line with that in the prior-year period. In fact, although sales were down (€ 182,359 thousand in the quarter, down 6.4% on the same prior-year period), normalised gross operating result (EBITDA) amounted to € 18,507 thousand, accounting for 10.1% of turnover, unchanged compared to the same period last year, which closed with a margin of € 19,623 thousand. Normalised operating result (EBIT) in the fourth quarter amounted to € 4,054 thousand (2.2% as a percentage of turnover), down 60.2% from the same period in 2019 (€ 10,188 thousand result) because of the decrease associated with shrinking volumes as well as the greater provisions set aside for future expenses related to legal disputes.

As at 31 December 2020, the order backlog amounted to approximately € 204 million, up from December 2019 (+3.8%). Performance was mixed across the various divisions: except for the Wood Division, which declined by 1.7% (largely attributable to the sale of integrated plants and production systems), all other divisions showed an improvement (Glass Division +27.5%, Mechatronics Division +16.2%, Tooling Division +26.5%).

At the end of 2020, the order intake fell by 11.9% year-on-year, an improvement compared to the 21.3% decline as at 30 September. The Wood Division fared the worst (-15.2%), while the Glass and Mechatronics divisions suffered single-digit contractions (-4.9% and -2.9% respectively); finally, the Tooling Division improved by 2%.

It should be noted that the Group's result for the current year was negatively affected by "non-recurring events" and "impairment" for a total of € 8,569 thousand. These include impairment of development costs related to projects no longer deemed strategic, costs related to the departure of two executive board members and impairment of land and buildings.

As regards the financial situation, net operating working capital decreased by € 44,518 thousand compared to December 2019. Trade Receivables and Contract Assets, amounting to € 102,875 thousand, decreased by € 14,098 thousand (-12%), following the contraction in sales volumes. Inventories, amounting to € 129,848 thousand, decreased by € 25,650 thousand, mainly due to the reduction in stocks of finished goods and spare parts (-€ 15,605 thousand and -€ 2,552 thousand respectively), while stocks of raw materials and semi-finished goods decreased by € 7,493 thousand. This change was due to the significant recovery in demand from customers, with the consequent need to draw on inventories.

Trade payables (amounting to € 132,790 thousand), whose trend is linked to the production cycle, remained substantially stable, while Contract Liabilities (amounting to € 72,189 thousand), usually linked to the order intake trend, increased by € 4,653 thousand compared to 31 December 2019 (+7%).

As at 31 December 2020, the Group's Net Financial Position was positive for € 49,543 thousand, improving by € 68,152 thousand compared to the figure as at 31 December 2019. The change is mainly due to the contribution from operations, to the positive trend in net working capital and to the postponement of some investment projects.

It should be noted that, given the uncertainty scenario that emerged in the aftermath of the outbreak of the pandemic, 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.

## CONSOLIDATED NON-FINANCIAL STATEMENT

The Consolidated Non-Financial Statement (hereinafter referred to as "NFS") of Biesse S.p.A. has been prepared in accordance with Italian Legislative Decree no. 254 dated 30 December 2016. The NFS reports on environmental, social and staff-related issues, the respect for human rights, the fight against bribery and

corruption, as well as additional issues identified through a materiality analysis process as being material for the Biesse Group.

The NFS is published with a separate and specific document. It refers to the financial year ended 31 December 2020 and includes data from the parent company Biesse S.p.A. and the companies consolidated on a line-by-line basis. In regard to this, reference should be made to the paragraph "scope of consolidation" in the Notes to the Consolidated Financial Statements. The NFS was approved by Biesse S.p.A.'s Board of Directors on 15 March 2021 and is subject to separate certification of compliance by the independent auditors.

## **2020 MAIN EVENTS**

### **COVID-19**

With respect to the crisis caused by the spread of the COVID-19 pandemic outside China, since the beginning of March and until the end of May, 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 developed protocols and 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.

The Committee 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 36 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 in the main foreign countries in which Biesse operates (exports account for 85%), as there is not enough visibility to comprehensively assess the impact of COVID-19, the Directors have withdrawn their guidance for 2020.

In light of the above, in the same period Biesse took steps to use every form of financial support envisaged by the law in force and allowed to it by its credit rating. Considering the current great 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, as indicated in the previous section.

As at the date of approval of this report, Biesse had credit lines of over € 268 million (€ 175 million of which expiring over 12 months), of which € 105 million had been drawn down.

Almost a year on since the start of the pandemic, we can state that the Biesse Group has shown flexibility and speed in its ability to adapt to sudden changes in the economic and social context. The Group has adopted remote working and adopted new channels to communicate with its own customer base, also through the organisation of virtual events ("Inside In Action"). In consideration of the measures implemented by the Group and of the conditions on the key markets, there are no elements which may impact on the continuity of the business.

### **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. They represent 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 SOPHIA IOT, the platform that 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**

As already mentioned, 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 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**

In June 2020 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 training – 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. "Indeed, 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".

### **INSIDE IN ACTION: TECHNOLOGY, ON-LIFE**

Participation, innovation, interaction: INSIDE IN ACTION is a brand new experience that stands out because of its exclusive on-life threefold format – LIVE, NEXT AND PLAY. Inside In Action, in its three forms, took place from 5 through 30 October at the Pesaro Campus and on <https://inside.biessegroupp.com/>. It is the global digital and live event through which the Biesse Group launches its latest solutions for machining wood, advanced materials, glass, and stone.

### **ACTION IS PARTICIPATION**

INSIDE LIVE, the traditional live event that confirms and strengthens Biesse's, Intermac's, and Diamut's commitment to providing innovating solutions for automating and revolutionising production, took place from 5 through 30 October. The Biesse and Intermac showrooms in Pesaro have opened their doors in complete safety: over 40 machines, products, and digital services to be discovered in accordance with the protocol protecting the health and safety of customers, employees, and work environments. Thanks to a booking system set up exclusively for the event and available online, customers could book their visit themselves based on the availability for the day in accordance with safety measures.

### **ACTION IS INNOVATION**

INSIDE NEXT is a bona fide virtual Tech Show, where the only star on the stage is technological innovation in the form of new products and processes. Exclusive contents and deep dives not to be missed are part of a new, all-digital format that combines know-how and the future. On 15 and 16 October, INSIDE NEXT featured new technologies for machining wood and advanced materials, and on 22 and 23 October a live presentation of advanced solutions for machining glass and stones, as well as of Diamut's processing tools.

### **ACTION IS INTERACTION**

From 26 through 30 October, participants were able to attend an exclusive series of over 40 training webinars and live demonstrations available on the virtual platform from desktop or mobile anywhere around the world and in the most widely-spoken languages: all this is INSIDE PLAY. Our experts are at customers' disposal to showcase the most innovative solutions: customers could ask questions through a virtual chat, interacting in real time. In addition, registered users could also watch the webinars later on demand on the Digital Arena platform.

## REPORTS HIGHLIGHTS

As indicated in the Notes to the Financial Statements, the accounting standards adopted in the consolidated financial statements as at 31 December 2020 were applied in the same way also to the comparative period, except as described in section 2 "Accounting standards and measurement criteria adopted" of the Notes to the Financial Statements with respect to certain reclassifications of comparative financial position figures, which did not affect equity or prior-year result.

### INCOME STATEMENT HIGHLIGHTS

#### Income Statement as at 31 December 2020 highlighting non-recurring items

	31 December 2020	% on sales	31 December 2019	% on sales	CHANGE %
<i>Euro 000's</i>					
<b>Revenue from sales and services</b>	<b>578,789</b>	<b>100.0%</b>	<b>705,872</b>	<b>100.0%</b>	<b>(18.0)%</b>
Change in inventories, wip, semi-finished products and finished products	(10,911)	(1.9)%	652	0.1%	-
Other Revenues	5,767	1.0%	6,417	0.9%	(10.1)%
<b>Value of production</b>	<b>573,645</b>	<b>99.1%</b>	<b>712,940</b>	<b>101.0%</b>	<b>(19.5)%</b>
Raw materials, consumables, supplies and goods	(234,320)	(40.5)%	(286,429)	(40.6)%	(18.2)%
Other operating costs	(92,130)	(15.9)%	(128,723)	(18.2)%	(28.4)%
<b>Added value before non recurring items</b>	<b>247,194</b>	<b>42.7%</b>	<b>297,789</b>	<b>42.2%</b>	<b>(17.0)%</b>
Personnel expense	(191,209)	(33.0)%	(221,057)	(31.3)%	(13.5)%
<b>Gross operating result before non recurring items</b>	<b>55,985</b>	<b>9.7%</b>	<b>76,732</b>	<b>10.9%</b>	<b>(27.0)%</b>
Depreciation and amortisation	(33,384)	(5.8)%	(33,851)	(4.8)%	(1.4)%
Provisions	(7,810)	(1.3)%	(3,327)	(0.5)%	134.7%
<b>Operating result before non recurring items</b>	<b>14,792</b>	<b>2.6%</b>	<b>39,554</b>	<b>5.6%</b>	<b>(62.6)%</b>
Impairment losses	(7,778)	(1.3)%	(4,769)	(0.7)%	63.1%
Non recurring-items	(791)	(0.1)%	(5,141)	(0.7)%	(84.6)%
<b>Operating result</b>	<b>6,223</b>	<b>1.1%</b>	<b>29,644</b>	<b>4.2%</b>	<b>(79.0)%</b>
Net Financial income	1,080	0.2%	497	0.1%	117.2%
Net financial expense	(3,190)	(0.6)%	(2,987)	(0.4)%	6.8%
Net exchange rate losses	(891)	(0.2)%	(3,711)	(0.5)%	(76.0)%
<b>Pre-tax result</b>	<b>3,222</b>	<b>0.6%</b>	<b>23,443</b>	<b>3.3%</b>	<b>(86.3)%</b>
Income taxes	(767)	(0.1)%	(10,441)	(1.5)%	(92.7)%
<b>Result for the year</b>	<b>2,455</b>	<b>0.4%</b>	<b>13,002</b>	<b>1.8%</b>	<b>(81.1)%</b>

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.

In 2020, **Revenue from sales and services** amounted to € 578,789 thousand, compared to € 705,872 thousand in 2019, down by 18% over the previous year. Comparing the result for the first half of the year with that of the first half of 2019, Biesse's Directors reckon that the impact of the lockdown and the fallout of the Covid-19 pandemic on the economy in general caused a shortfall in turnover of approximately € 63 million, in the absence of other major events.

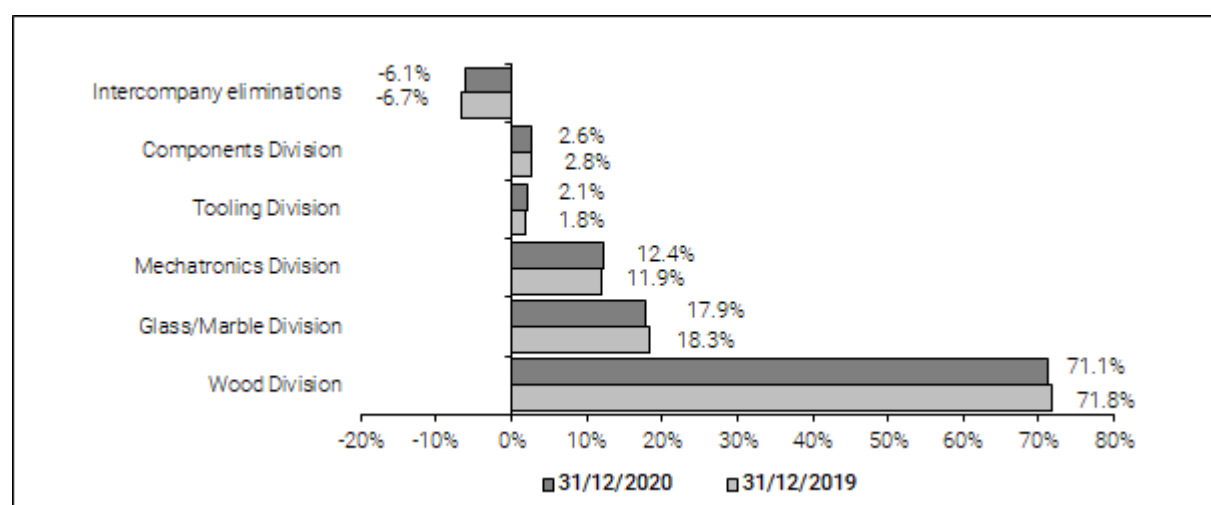
As for the breakdown of revenue by operating segment, a general drop was recorded in all divisions, although with different trends: the Wood Division fell by 18.9%, the Glass/Stone Division decreased by 19.9% compared to the same period in 2019, while the Mechatronics and Components divisions dropped by 14.8% and 22.4% respectively. On the other hand, the Tooling Division's downturn was slightly less marked (-5.8%).



Analysing the breakdown of revenue by geographical area, the contraction concerned all geographical areas of reference: the main decreases were seen in North America (-28.2%), Asia-Oceania (-27.8%) and the Rest of the World (-42.3%). Western Europe decreased by 12.8%, while Eastern Europe decreased by 2.5%.

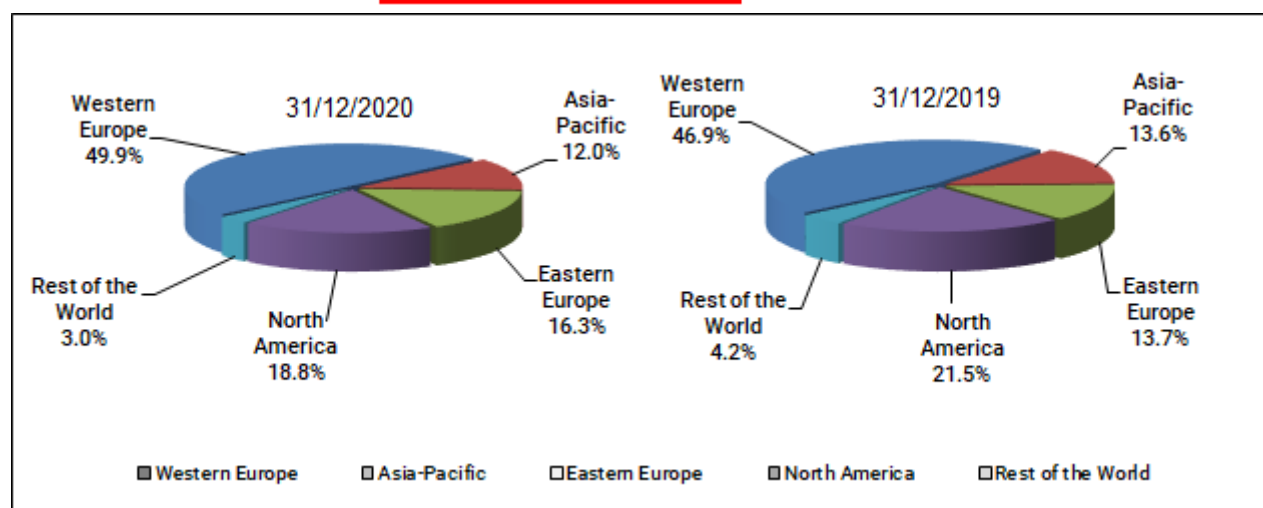
#### Breakdown of revenue by operating segment

	31 December 2020	%	31 December 2019	%	Var % 2020/2019
<i>Euro 000's</i>					
Wood Division	411,454	71.1%	507,134	71.8%	(18.9)%
Glass/Marble Division	103,612	17.9%	129,364	18.3%	(19.9)%
Mechatronics Division	71,567	12.4%	83,970	11.9%	(14.8)%
Tooling Division	12,173	2.1%	12,926	1.8%	(5.8)%
Components Division	15,333	2.6%	19,762	2.8%	(22.4)%
Intercompany eliminations	(35,350)	-6.1%	(47,283)	(6.7)%	(25.2)%
<b>Total</b>	<b>578,789</b>	<b>100.0%</b>	<b>705,872</b>	<b>100.0%</b>	<b>(18.0)%</b>



## Breakdown of revenue by geographical area

	31 December 2020	%	31 December 2019	%	Var % 2020/2019
<i>Euro 000's</i>					
Western Europe	288,765	49.9%	331,171	46.9%	(12.8)%
Asia-Pacific	69,251	12.0%	95,892	13.6%	(27.8)%
Eastern Europe	94,416	16.3%	96,883	13.7%	(2.5)%
North America	109,066	18.8%	151,934	21.5%	(28.2)%
Rest of the World	17,292	3.0%	29,992	4.2%	(42.3)%
<b>Total</b>	<b>578,789</b>	<b>100.0%</b>	<b>705,872</b>	<b>100.0%</b>	<b>(18.0)%</b>



The **value of production** amounted to € 573,645 thousand, down by 19.5% compared to 31 December 2019 (€ 712,940 thousand).

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

	31 December 2020	%	31 December 2019	%
<i>Euro 000's</i>				
<b>Value of production</b>	<b>573,645</b>	<b>100.0%</b>	<b>712,940</b>	<b>100.0%</b>
Raw materials and goods	234,320	40.8%	286,429	40.2%
Other operating costs	92,130	16.1%	128,723	18.1%
Service costs	80,440	14.0%	113,872	16.0%
Use of third party assets	2,153	0.4%	2,876	0.4%
Sundry operating expense	9,538	1.7%	11,975	1.7%
<b>Normalised added value before non recurring items</b>	<b>247,194</b>	<b>43.1%</b>	<b>297,789</b>	<b>41.8%</b>

The analysis of consumption and other operating expenses as a proportion of the value of production, rather than of revenue, shows an increased absorption of raw materials (40.8% compared to 40.2% as at 31 December 2019), due to the different product mix and greater use of commercial discounts.

Other operating expenses were down in absolute terms (€ 36,593 thousand) and decreased on a percentage basis (from 18.1% to 16.1%). This trend was largely attributable to the item Service costs, which fell from € 113,872 thousand to € 80,440 thousand, down 29.4%. The decrease is linked both to items relating to sales and production (-21.6% and -26.4% respectively, with cost savings of € 11,963 thousand in absolute terms), and to "semi-fixed" items, such as travel expenses (down 47% from € 21,887 thousand to € 11,601 thousand, due to travel restrictions on account of the health emergency) and costs for trade fairs and advertising (down 72.7% from € 10,919 thousand to € 2,979 thousand, due to the cancellation or postponement of most of the promotional events originally planned in 2020).

Finally, it should be noted that added value as at 31 December 2020 was € 247,194 thousand, down by 17% compared to the same period in 2019 (€ 297,789 thousand). As a percentage of the value of production, it improved from 41.8% to 43.1%.

As at 31 December 2020, **personnel expense** amounted to € 191,209 thousand, down € 29,848 thousand (-13.5%) compared to the same prior-year period (€ 221,057 thousand). In this regard, it should be noted that the Group has implemented all the procedures envisaged by local laws 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 allowed to preserve the investments made in human resources during recent years, while maintaining the necessary economic balance, and facing up to this difficult moment.

As at 31 December 2020, **normalised gross operating result (EBITDA)** was € 55,985 thousand (€ 76,732 thousand as at 31 December 2019), down by 27%.

**Depreciation and amortisation** decreased overall by 1.4%, from € 33,851 thousand as at 31 December 2019 to € 33,384 thousand as at 31 December 2020: depreciation of property, plant and equipment (including rights of use) increased by € 130 thousand (+0.7%), while amortisation of intangible assets decreased by € 597 thousand (-4.2%).

**Provisions** amounted to € 7,810 thousand: € 8,889 thousand related to adjustments to provisions for future risks and charges – against probable legal disputes and agents' retirement benefits – and € 477 thousand related to the allowance for impairment. The estimated adjustment of the product warranty provision, positive to the tune of € 1,556 thousand, should be deducted from these figures. At the end of December 2020, provisions totalled € 3,327 thousand: € 336 thousand related to the allowance for impairment, while the remaining € 2,991 thousand related to adjustments to provisions for legal risks and penalties for disputes with customers and provisions for agents' retirement benefits. The receivables component was increased to take account of the greater uncertainty in the general economic scenario.

**Normalised operating result (EBIT)** was positive to the tune of € 14,227 thousand, down by 64% compared to the previous year (€ 39,554 thousand).

**Impairment and non-recurring items**, which amounted to € 8,569 thousand, include impairment of development costs related to projects no longer deemed strategic, impairment of certain buildings, as well as non-recurring costs related to the departure of two executive board members. As at 31 December 2019, charges of € 9,911 thousand had been recognised, of which € 4,207 thousand related to the restructuring decided for the Chinese market; in addition, impairment of development costs of € 4,070 thousand as well as costs related to leaving incentives and provisions for non-recurring retirement benefits of € 1,634 thousand had also been recognised.

As regards financial operations, net financial expense amounted to € 2,110 thousand, down compared to the 2019 figure (€ 2,490 thousand). The amount includes income of € 408 thousand, relating to the sale of part of the equity interest in Hyperlean Srl (previously 21.95% owned), a software house launched in 2011 in collaboration with the University of Ancona.

Exchange rate risk management resulted in a loss of € 891 thousand, improving compared to the € 3,711 thousand loss in the prior-year period.

**Pre-tax result** thus amounted to € 3,222 thousand.

The balance of **income taxes** was negative to the tune of € 767 thousand. This is attributable to the following items: IRES (Italian corporate income tax) and other deferred taxes positive for € 2,385 thousand and IRAP (Italian regional business tax) positive for € 173 thousand; provisions for income taxes relating to foreign subsidiaries (€ 3,601 thousand) and previous-year taxes, positive for € 276 thousand.

The significant tax-rate decrease is mainly due to two combined factors: (i) for IRAP purposes, the recognition of the benefits provided for by the “Decreto Rilancio” (Decree Law No. 34 of 19 May 2020); (ii) the benefit recognised following the closure of an international procedure that resulted in the recovery of taxes paid in previous years.

The Group therefore recorded a **result for the year** of € 2,455 thousand.

## STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

### Statement of financial position as at 31 December 2020

	31 December 2020	31 December 2019
<i>Euro 000's</i>		
Intangible assets	73,354	83,228
Property, plant and equipment	125,130	139,710
Financial assets	3,277	2,640
<b>Non-current assets</b>	<b>201,761</b>	<b>225,578</b>
Inventories	129,848	155,498
Trade receivables and contract assets	102,875	116,973
Trade payables	(132,790)	(132,673)
Contract liabilities	(72,189)	(67,536)
<b>Net operating working capital</b>	<b>27,744</b>	<b>72,262</b>
Post-employment benefits	(12,775)	(13,032)
Provision for risk and charges	(19,988)	(17,188)
Other net payables	(45,979)	(40,793)
Net deferred tax assets	14,508	10,458
<b>Other net liabilities</b>	<b>(64,235)</b>	<b>(60,555)</b>
<b>Net invested capital</b>	<b>165,270</b>	<b>237,285</b>
Share capital	27,393	27,393
Profit for the previous year and other reserves	184,099	177,397
Profit for the year	2,531	13,027
Non-controlling interests	790	858
<b>Equity</b>	<b>214,812</b>	<b>218,675</b>
Bank loans and borrowings and loans and borrowings from other financial backers	141,989	107,323
Other financial assets	(28,107)	(2,653)
Cash and cash equivalents	(163,425)	(86,061)
<b>Net financial position</b>	<b>(49,543)</b>	<b>18,609</b>
<b>Total sources of funding</b>	<b>165,270</b>	<b>237,285</b>

The "Net Financial Position" 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 € 165,270 thousand, sharply down compared to December 2019 (€ 237,285 thousand).

Compared to December 2019, net assets were down by some € 23,817 thousand, 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, leading to the decision to delay the start of projects deemed non-strategic and not strictly essential/mandatory for the business. New investments amounted to € 10,656 thousand with respect to intangible assets and € 9,467 thousand with respect to property, plant and equipment.

Net operating working capital decreased by € 44,518 thousand compared to December 2019. This change was mainly a result of the significant decrease in inventories (€ 25,650 thousand) and in trade receivables (€ 14,098 thousand): as regards inventories, the change is due to the significant recovery in demand from customers, which took place in the second half of the year. This trend also determined the increase in contract liabilities for advances received on new orders.

Trade receivables followed the trend in turnover, decreasing by 12% compared to 2019.

Payables to suppliers are in line with those of the previous year due to the implementation of targeted payment policies.

Equity amounted to € 214,812 thousand (€ 218,675 thousand as at 31 December 2019).

## Net financial position

	31st December 2020	30th September 2020	30th June 2020	31st March 2020	31st December 2019
<i>Euro 000's</i>					
Financial assets:	(191,532)	(159,097)	(141,294)	(79,312)	(88,714)
<i>Current financial assets</i>	(28,107)	(24,111)	(22,618)	(3,652)	(2,653)
<i>Cash and cash equivalents</i>	(163,425)	(134,986)	(118,677)	(75,661)	(86,061)
Short-term financial lease payables	6,746	6,699	6,599	6,344	7,415
Short-term bank loans and borrowings and loans from other financial backers	68,763	37,077	55,804	16,211	46,859
<b>Short-term net financial position</b>	<b>(116,023)</b>	<b>(115,320)</b>	<b>(78,890)</b>	<b>(56,756)</b>	<b>(34,439)</b>
Medium/Long-term financial lease payables	23,526	23,914	25,188	26,858	27,043
Medium/Long-term bank loans and borrowings	42,954	94,560	76,292	54,564	26,006
<b>Medium/Long-term net financial position</b>	<b>66,480</b>	<b>118,473</b>	<b>101,479</b>	<b>81,422</b>	<b>53,049</b>
<b>Total net financial position</b>	<b>(49,543)</b>	<b>3,152</b>	<b>22,587</b>	<b>24,663</b>	<b>18,609</b>

As at 31 December 2020, the Group's Net Financial Position was positive for € 49,543 thousand, improving compared to the figure for the previous year (negative for € 18,609 thousand), whereas the final balance without the impact of rental and operating lease payables arising from the application of IFRS 16 transition, would have been positive for € 71,723 thousand. Compared to the same period of the previous year, the indicator improved by € 68,152 thousand. This was due to the good results obtained in terms of operational management, to the positive trend in net working capital and to the postponement of some investment projects.

It should be noted that, given the uncertainty scenario that emerged in the aftermath of the outbreak of the pandemic, the Directors deemed it appropriate to provide the Group with financing 2 times in excess of the expected maximum requirements. These lines of credit opened by the Group have caused a corresponding increase in cash on hand, as so far the trend of the reference sectors has not deteriorated as originally and conservatively estimated.

As at the date of approval of this report, Biesse had credit lines of over € 268 million (€ 175 million of which expiring over 12 months), of which € 105 million had been drawn down.

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

### OPERATING RISKS

#### Risks relating to general economic conditions

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

#### Risks related to the level of competitiveness and cyclical nature of the industry

Demand is cyclical and depends on general economic conditions, end customers' propensity to consume, credit availability, and any government stimulus measures. A negative trend in demand, or the Group's inability to adapt effectively to external market conditions, could have a significant negative impact on the Group's business prospects as well as on its results and financial position.

All of the Group's revenues substantially come from the mechanical tool sector, which is a competitive industry. The Group competes in Europe, North America and in the Asia Pacific region with other major international players. These markets are all highly competitive in terms of product quality, innovation, price and customer service.

#### Risks relating to sales on international markets and exposure to shifting local conditions

A significant part of the Group's production and sales is carried out in countries outside the European Union. The Group is exposed to risks inherent to operating on a global scale, including risks relating to exposure to local economic and political conditions and to the potential implementation of policies restricting imports and/or exports.

In addition, being exposed to compliance with several tax regimes, the Biesse Group is therefore subject to transfer pricing risks.

In particular, the Biesse Group operates in several markets including India, Russia, China and Brazil. The Group's exposure to these countries has gradually increased, so that any adverse political or economic development in these areas could have a negative impact on the Group's prospects and business as well as on its results.

#### Risks relating to fluctuations in the prices of raw materials and components

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

The Group, therefore, does not hedge those risks, but rather tends to transfer their management and economic impact to its own suppliers, agreeing with them, where necessary, purchase prices that ensure stability for periods of at least one quarter.

The high level of competition and fragmentation of the sector in which Biesse operates often makes it difficult to transfer sudden and/or significant increases in purchase prices entirely on to sales prices.

#### Risks relating to the ability to offer innovative products

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

### **Risks relating to the dependence on the Group's key staff**

The Group includes some key figures who, thanks to the experience they have gained in the sector and their detailed knowledge of the Group's business, acquired thanks to their long-term relationship with the Group, have made a decisive contribution to its success. The future results of the Group depend, in part, on the know-how and engagement of these key figures. The Group's ability to attract and retain skilled staff is one of the elements contributing to the achievement of certain results. Should one or more key figures break off their collaboration with the Group and the latter were unable to attract further skilled staff, there could be the risk that the Group might not manage to replace them promptly with similarly qualified figures who can ensure the same contribution, also in the short term, with consequent negative impacts on the business and on the Group's results and financial position.

### **Risks relating to relations with suppliers and potential supply disruption**

The Group purchases raw materials, semi-finished goods and components from a large number of suppliers and relies on services and products provided by other companies outside the Group.

Any delays in the delivery of raw materials and semi-finished goods by suppliers may in turn lead to delays in the delivery of products to the customer; this does not guarantee that the company will be able to recover from the supplier any damages claimed by the customer, with a consequent negative impact on the company's economic result.

Close collaboration between the manufacturer and its suppliers is customary in the sectors in which Biesse operates: on the one hand, it can result in economic benefits in terms of cost reduction; on the other, the Group's reliance on these suppliers implies that the difficulties they experience (whether due to internal or external factors) could negatively affect the Group.

### **Risks relating to offshoring**

In recent years, the Group has implemented a process for the relocation of its manufacturing operations, particularly in India, which involved the opening of new production plants. As a result, the Group's exposure to the performance of this country has increased in recent years. Political and economic developments in this emerging market, including any situation of crisis or instability, could significantly impact the Group's business prospects in the future.

### **Risks relating to climate change**

The growing focus on the global consequences of climate change and its potential economic, social and environmental impacts now requires companies to also assess the impacts on business which potentially must be faced in the medium term.

For these reasons, the Group is engaged in the constant search for solutions to guarantee responsible use of natural resources, the increased efficiency of energy consumption and the management of atmospheric emissions. Biesse Group has envisaged the implementation of a project aimed at contributing positively to the protection and safeguarding of the environment through the gradual deployment of a structured and continuous monitoring system for energy carriers and the power correction of individual energy-intensive machinery, as well as the rationalisation of water use.

Consistent with its commitment to contributing to a sustainable and decarbonised economy, as from 2020, besides enhancing the energy efficiency measures already in place, for most Italian companies energy was bought from renewable sources with a Guarantee of Origin (GO) certificate, with the aim of significantly reducing Scope 2 market-based CO2 emissions.

### **Risks relating to cyber security**

The growing interrelation between technology and business and the increasing use of networks to share and transfer information entail different and multiple risks linked to the vulnerability of the information systems adopted in business. Potential cyber attacks could regard important data and information held by the company, such as patents, hi-tech projects or strategic plans which have not been disseminated to the market, with consequent economic, financial, regulatory or image damages.

The Group ICT Department has equipped itself with adequate Information Security tools and defined the organisational structure and the guidelines for cyber risk management within the scope of IT architectures and corporate processes.



## FINANCIAL RISKS

### Risks relating to financial requirements

The liquidity risk is normally defined as the risk that the company might be unable to meet its payment obligations due to the difficulty in raising funds (funding liquidity risk) or sell assets on the market (asset liquidity risk). The result is a negative impact on profit or loss should the company be forced to bear additional costs to meet its obligations or, in the worst-case scenario, a situation of insolvency threatening its viability as a going concern.

The Group has a high availability of credit lines – higher than actual needs – hence debt consists almost entirely of residual amounts relating to previous unsecured loans.

### Credit risk

The Group is exposed to various concentrations of credit risk in the various markets in which it operates, although credit exposure is divided across a large number of counterparties and customers.

Financial assets are recognised net of impairment losses calculated based on counterparty default risk, taking into account available information on the customer's solvency, historical-statistical data as well as forecast data relating to expected losses.

### Risks relating to exchange rate fluctuations

The Biesse Group, as it operates in several markets around the world, is naturally exposed to market risks relating to the fluctuation in interest and exchange rates. Its exposure to currency risk is related primarily to the geographical diversification of its commercial operations, which leads to revenue from exports being denominated in currencies other than that of the country of production; in particular, the Biesse Group is mainly exposed to net exports from the Eurozone to other currency areas (mainly US dollar, Canadian dollar, Australian dollar, Pound sterling, Swiss franc, Indian rupee and Chinese renminbi). In order to be more powerful in the management of exchange rate risks and to give a more and more consistent accounting representation, the Biesse Group adopted an Exchange Rate Risk Management Policy aimed at establishing, among other things, tight rules to deal with and mitigate the risks concerning exchange rate fluctuations. This Policy also determines the instruments through which exchange rate risk can be hedged in both centralised (predominant) and decentralised (limited) form. Nevertheless, sudden fluctuations in exchange rates could have a negative impact on the Group's results.

### Risks relating to interest rate fluctuations

The Group, even if it has a positive net financial position, is in any case exposed to an interest rate fluctuation risk. The Group's exposure to interest rate risk mainly arises from the volatility of financial expense related to floating-rate debt partially offset by the remuneration rates (which are also variable) of available assets.

The Group's operating and financial policies are aimed at minimising the impact of such risks on the Group's performance by improving its results and net financial position.

### Risks relating to the ability of customers to finance the investments

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

## CORPORATE GOVERNANCE

The Corporate Governance system of Biesse S.p.A. complies with the principles set out in the Corporate Governance Code for Listed Companies and the international best practices. The Board of Directors approved on 15 March 2021 the Corporate Governance and Ownership Structure Report pursuant to Article 123-bis of the Consolidated Law on Finance, for financial year 2020.

Said Report is published on the Company's website [www.biesse.com](http://www.biesse.com) in the "Investor Relations" section, "Corporate Governance" subsection, and constitutes a reference for legal purposes.

Biesse S.p.A.'s model of management and control is a traditional model (as provided in Italian Law), which calls for Shareholders' Meetings, a Board of Directors, a Board of Statutory Auditors and Independent Auditors. The

corporate bodies are appointed by the Shareholders' Meeting and hold office for three years. The representation of Independent Directors, as defined in the Code, and their role in both the Board and the Company's Committees (Internal Control and Risk Management Committee, Related-Party Transactions Committee, Remuneration Committee), are fit for ensuring the interests of all shareholders are balanced and all sides of a discussion are freely aired in the meetings of the Board of Directors.

## **PERSONNEL**

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

## **RESEARCH AND DEVELOPMENT ACTIVITIES**

As in 2019, the Group's research and development activity continued. As at 31 December 2020, development costs amounted to € 29 million, representing over 4% of revenue, including 13.3 recognised under assets under construction; these costs were incurred mainly by the parent Biesse S.p.A. and to a very small extent by HSD S.p.A., and were added to the research costs already recognised in the income statement. Research and development activities mainly include those for technological updating and the regular renewal of standard products. Instead, they do not include expenses for development to order by specific customers, or costs for customising standard products, expenses which are included in the cost of sales and thus invoiced to the customers themselves. The extent of this commitment shows, in concrete terms, the strong orientation to stand as a supplier of solutions, and not just of products, which has always been a feature of the Biesse Group, and which over the years has led it to a position of strong leadership on the market.

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

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

	Equity 31/12/2020	Profit for 2020	Equity 31/12/2019	Profit for 2019
<i>Euro 000's</i>				
<b>Equity and profit for the year of the parent</b>	<b>192,576</b>	<b>5,542</b>	<b>186,390</b>	<b>4,063</b>
<b>Elimination of carrying amount of consolidated equity investments:</b>				
Difference between carrying amount and amount of equity held	32,494		44,147	
Pro-quota results contributed by investees		12,816		8,007
Derecognition of impairment losses/reversal of impairment losses on equity investments		(276)		8,900
Dividends		(16,436)		(11,653)
<b>Elimination of the effects of transactions between consolidated companies:</b>				
Intercompany losses included in closing inventories	(11,244)	911	(12,156)	3,711
Intercompany losses on non-current assets	(591)		(564)	
<b>Equity and profit of the year attributable to owners of the parent</b>	<b>213,234</b>	<b>2,531</b>	<b>217,817</b>	<b>13,027</b>
Non-controlling interests	790	(76)	858	(25)
<b>Total equity</b>	<b>214,024</b>	<b>2,455</b>	<b>218,675</b>	<b>13,002</b>

## TRANSACTIONS WITH ASSOCIATES, PARENTS AND THE LATTER'S SUBSIDIARIES

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

<i>Euro 000's</i>	Revenues		Costs	
	For Year ended 31/12/2020	For Year ended 31/12/2019	For Year ended 31/12/2020	For Year ended 31/12/2019
<b>Parent</b>				
Bi. Fin. S.r.l.	-	-	29	31

<i>Euro 000's</i>	Receivables		Payables	
	For Year ended 31/12/2020	For Year ended 31/12/2019	For Year ended 31/12/2020	For Year ended 31/12/2019
<b>Parent</b>				
Bi. Fin. S.r.l.	-	977	1,355	1,499

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

## OTHER RELATED-PARTY TRANSACTIONS

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

During the year, transactions with the aforementioned parties were as follows:

<i>Euro 000's</i>	Revenues		Costs	
	For Year ended 31/12/2020	For Year ended 31/12/2019	For Year ended 31/12/2020	For Year ended 31/12/2019
<b>Parent</b>				
Bi. Fin. S.r.l.	-	-	29	31
<b>Other related companies</b>				
Fincobi S.r.l.	1	1	0	1
Se. Mar. S.r.l.	11	15	2,066	2,507
Wirutex S.r.l.	12	40	1,053	1,456
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	1	1	4,733	2,913
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	162	146
<b>Executives with strategic responsibilities</b>			1,205	514
<b>Total</b>	<b>25</b>	<b>57</b>	<b>9,249</b>	<b>7,568</b>

<i>Euro 000's</i>	Receivables		Payables	
	For Year ended 31/12/2020	For Year ended 31/12/2019	For Year ended 31/12/2020	For Year ended 31/12/2019
<b>Parent</b>				
Bi. Fin. S.r.l.	-	977	1,355	1,499
<b>Other related companies</b>				
Fincobi S.r.l.	-	-	28	43
Se. Mar. S.r.l.	11	4	913	880
Wirutex S.r.l.	0	13	593	479
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	1	-		1
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	36	111
<b>Total</b>	<b>12</b>	<b>994</b>	<b>2,924</b>	<b>3,013</b>

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

## BIESSE SPA'S OFFICES AND LOCAL BRANCHES

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

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

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

## INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

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

With reference to these companies, it should be noted that:

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

## SHARES IN BIESSE AND/OR ITS SUBSIDIARIES, HELD DIRECTLY OR INDIRECTLY BY MEMBERS OF THE BOARD OF DIRECTORS, THE BOARD OF STATUTORY AUDITORS AND THE GENERAL MANAGER, AS WELL AS BY THEIR RESPECTIVE SPOUSES WHERE NOT LEGALLY SEPARATED AND BY THEIR MINOR CHILDREN

	No. of shares held directly and indirectly at 31/12/2019	No. Of shares sold in 2020	No. Of shares purchased in 2020	No. of shares held directly and indirectly at 31/12/2020	% of share capital
<b>Giancarlo Selci</b> Chairman	13,970,500	0	0	13,970,500	51.00%
<b>Roberto Selci</b> Managing Director	0	0	0	0	0.00%
<b>Massimo Potenza</b> Co Managing Director	0	0	2,050	2,050	0.01%
<b>Stefano Porcellini</b> Non-Executive Director	0	0	0	0	0.00%
<b>Alessandra Parpajola</b> Executive Director	0	0	0	0	0.00%
<b>Elisabetta Righini</b> Lead independent Director	0	0	0	0	0.00%
<b>Federica Palazzi</b> Independent Director	0	0	0	0	0.00%
<b>Giovanni Chiura</b> Independent Director	0	0	0	0	0.00%
<b>Paolo De Mitri</b> Chairman of the Board of Statutory Auditors	0	0	0	0	0.00%
<b>Dario de Rosa</b> Member of the Board of Statutory Auditors	0	0	0	0	0.00%
<b>Silvia Cecchini</b> Member of the Board of Statutory Auditors	0	0	0	0	0.00%

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

In 2020, there were no such transactions.

## **SIGNIFICANT EVENTS AFTER THE REPORTING DATE AND OUTLOOK**

### **January 2021**

As communicated on 28 January 2021, the Biesse Group reached an agreement for the complete disposal of Dongguan Korex Machinery Co. LTD based in Dongguan (province of Guangdong-China). The value of this operation is estimated at CNY 183.5 million (HK\$ 212.5 million – € 22.5 million) and, should all the contractual provisions be complied with, the completion of the deal is expected by the end of March 2021.

The full financial settlement of the operation is also envisaged by the end of March, through the contribution of J.P. Morgan of Hong Kong.

As already announced on 20 December 2019, besides the possible manufacturing synergies, which will also involve the Group company in India, this operation will entail a reduction in the operating costs that had contributed to the accumulation in Korex of losses for € 32 million.

The forecast impact on the 2021 Group Consolidated Financial Statements is a capital gain of around € 17 million.

The above does not change the belief that China can remain the main country in terms of demand for furniture and capital goods, with a forecast growth rate above the current world average; the Biesse Group intends to maintain and strengthen its presence in the whole Far East through its branches already in the area, dedicating particular commitment to the Chinese branch (Biesse Trading Shanghai).

### **February 2021**

On 26 February 2021, Biesse S.p.A.'s Board of Directors approved the planned mergers of Viet Italia S.r.l. and Bsoft S.r.l. into the Parent Biesse S.p.A. The mergers will take place by 30 June 2021, with retroactive accounting and tax effect as of 1 January 2021. These operations are part of the new corporate project called "ONE COMPANY", aimed at rationalising and streamlining the organisational structure across the Biesse Group.

As for the equity investment in Viet Italia S.r.l., the preliminary step will be to buy the remaining 15% of the share capital.

### **Outlook**

As is common knowledge, as from January 2020, the national and international scenario has been characterised by the spread of Coronavirus and by the consequent restrictive measures to contain it adopted by the public authorities of the countries involved. These circumstances, which are extraordinary in terms of their nature and extension, have direct and indirect impacts on economic activity and have created a context of general uncertainty, the developments of which are constantly evolving. The potential effects of a prolonged global pandemic situation cannot currently be determined and will be constantly monitored as the year progresses.

Therefore, the reference scenario remains today characterised by significant uncertainty due to the spread of COVID-19 variants and the procurement and distribution of vaccines. As at the date of approval of this report, Biesse continues to use social safety nets, such as the COVID-19 temporary redundancy fund (CIGO) and the "ordinary" CIGO. Nonetheless, the order backlog as at 31 December 2020 and the trend in orders in January and February 2021 are in line with corporate goals. Underlining the difficulties in forecasting in an industry that operates on average with a three-month order backlog (source: Acimall), the Directors of Biesse – on the basis of the most respected macro-economic forecasts and the Group's strategies of product innovation and market penetration – are confident of being able to achieve the objectives that have been set.

Biesse, on the basis of this scenario, will continue for all of 2021 in implementing with determination the initiatives aimed at containing costs.

The strategy of the Biesse Group for 2021 can be summarised as follows:

**Enhancement of the digitalization process**, which started some years ago and will guarantee digital, automated factories that are interconnected to all customers thanks to software solutions and new advanced services through SOPHIA, the IOT platform developed by the Group that sets up customers with a range of services to simplify and rationalise the management of work, optimising the performance and productivity of technologies used by customers.

**Product innovation**, thanks to investments in Research & Development, accounting for 4% of annual turnover, the Group enhances its product offer by consolidating the technological solutions that are already in use, in the

wood, advanced materials, glass and stone and ceramics sectors, continuing the study and development of new solutions that will contribute to improving technological standards in the reference sectors.

**Expansion of the Network** with the aim of improving brand awareness in the sectors in which the Group is a recent arrival and has great growth potential, such as advanced materials, structural wood and metal. In addition to the new sectors, the Group plans to strengthen its geographic reach, continuing its global expansion by opening new branches, which will join the growth and internationalisation process of the last twenty years.

**Implementation of the One Company model** aimed at rationalising and streamlining the organisational structure of the Biesse Group through a) tighter focus on customers, their needs and growth prospects; b) the speeding up of corporate decisions, developing a global and integrated management model, based on shared processes and tools; c) the evolution of the leadership model towards greater collaboration, people empowerment, ability to manage disruption and change.

The Directors of Biesse deem that, thanks to the Group's financial strength and the improved performance of key markets, there are no uncertainties (as defined in para. 25 of IAS 1) regarding business continuity.

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

### INCOME STATEMENT HIGHLIGHTS

#### Income Statement as at 31 December 2020 highlighting non-recurring items

	31 December 2020	% of sales	31 December 2019	% of sales	CHANGE %
<i>Euro 000's</i>					
<b>Revenue from sales and services</b>	<b>362,728</b>	<b>100.0%</b>	<b>425,282</b>	<b>100.0%</b>	<b>(14.7)%</b>
Change in inventories, wip, semi-finished products and finished goods	(6,542)	(1.8)%	8,669	2.0%	-
Other Revenue	5,817	1.6%	7,169	1.7%	(18.9)%
<b>Value of production</b>	<b>362,003</b>	<b>99.8%</b>	<b>441,120</b>	<b>103.7%</b>	<b>(17.9)%</b>
Raw materials, consumables, supplies and goods	(199,659)	(55.0)%	(235,958)	(55.5)%	(15.4)%
Other operating costs	(46,513)	(12.8)%	(64,561)	(15.2)%	(28.0)%
<b>Normalised added value before non recurring items</b>	<b>115,831</b>	<b>31.9%</b>	<b>140,601</b>	<b>33.1%</b>	<b>(17.6)%</b>
Personnel expense	(95,526)	(26.3)%	(106,984)	(25.2)%	(10.7)%
<b>Normalised gross operating result</b>	<b>20,305</b>	<b>5.6%</b>	<b>33,617</b>	<b>7.9%</b>	<b>(39.6)%</b>
Depreciation and amortisation	(19,982)	(5.5)%	(19,785)	(4.7)%	1.0%
Provisions	(7,646)	(2.1)%	(2,440)	(0.6)%	213.4%
<b>Normalised operating result before non recurring items</b>	<b>(7,323)</b>	<b>(2.0)%</b>	<b>11,392</b>	<b>2.7%</b>	<b>(164.3)%</b>
Impairment	(6,550)	(1.8)%	(4,746)	(1.1)%	38.0%
Non recurring-items	(2,743)	(0.8)%	(1,383)	(0.3)%	98.3%
<b>Operating result</b>	<b>(16,616)</b>	<b>(4.6)%</b>	<b>5,263</b>	<b>1.2%</b>	<b>(415.7)%</b>
Net financial expense	(369)	(0.1)%	(676)	(0.2)%	(45.4)%
Net exchange rate losses	747	0.2%	(2,656)	(0.6)%	(128.1)%
Value adjustments to financial assets	276	0.1%	(8,900)	(2.1)%	(103.1)%
Gains / losses on financial assets	321	0.1%	120	0.0%	167.5%
Dividends	16,522	4.6%	11,653	2.7%	41.8%
<b>Pre-tax result</b>	<b>881</b>	<b>0.2%</b>	<b>4,804</b>	<b>1.1%</b>	<b>(81.7)%</b>
Income taxes	4,661	1.3%	(741)	(0.2)%	(729.0)%
<b>Result for the year</b>	<b>5,542</b>	<b>1.5%</b>	<b>4,063</b>	<b>1.0%</b>	<b>36.4%</b>

In 2020, Revenue from sales and services amounted to € 362,728 thousand, compared to € 425,282 thousand in 2019, down by 14.7% over the previous year. As already shown in the Group's sales analysis, it should be noted that the drop in revenue concerned both the Wood Division and the Glass/Stone Division. For more detailed information, reference should be made to what has already been said with respect to the Group's sales analysis.

Comparing the result for the first half of the year with that of the first half of 2019, Biesse's Directors reckon that the impact of the lockdown and the fallout of the COVID-19 pandemic on the economy in general caused a shortfall in turnover of approximately € 39 million, in the absence of other major events.

The value of production amounted to € 362,003 thousand, compared to € 441,120 thousand as at 31 December 2019, representing a decrease of about 17.9 % over the previous year. For a better reading of the Company's margins, below a breakdown of costs as a percentage of the value of production is shown.



	31 December 2020	%	31 December 2019	%
<i>Euro 000's</i>				
<b>'Value of production</b>	<b>362,003</b>	<b>100.0%</b>	<b>441,120</b>	<b>100.0%</b>
Raw materials and goods	199,659	55.2%	235,958	53.5%
Other operating costs	46,513	12.8%	64,561	14.6%
<i>Service costs</i>	41,631	11.5%	57,658	13.1%
<i>Use of third party assets</i>	920	0.3%	1,150	0.3%
<i>Sundry operating expense</i>	3,962	1.1%	5,753	1.3%
<b>Added value before non recurring items</b>	<b>115,831</b>	<b>32.0%</b>	<b>140,601</b>	<b>31.9%</b>

Added value as a percentage of the value of production was in line with 2019. The incidence of consumption was 55.2%, up by 1.7% compared to the previous year. On the other hand, the impact of other operating expense was 12.8%, down by 1.8% compared to the previous period due to the lower Service costs incurred, which decreased by € 16,027 thousand.

Other operating expenses were down in absolute terms (€ 18,048 thousand), decreasing on a percentage basis from 14.6% to 12.8%. This decrease was mainly due to services costs, with particular reference to costs for trade fairs, travel expenses and commissions as a result of the effects of the COVID-19 pandemic. Costs for the use of third-party assets amounted to € 920 thousand (€ 1,150 thousand in 2019). Other operating costs amounted to € 3,962 thousand (€ 5,753 thousand in 2019). The positive difference relates to damage compensation costs incurred in 2019 on certain sales orders.

Personnel expense in 2020 was € 95,526 thousand, compared with € 106,984 thousand in 2019, with a € 11,458 thousand decrease in absolute terms. Compared to the previous year, the fixed component (wages, salaries and related social security contributions net of recoveries and capitalisation of personnel expense) decreased by € 13,647 thousand, mainly due to the use of the temporary redundancy fund and the use by employees of unused prior years' holiday leave, following the drop in turnover and therefore in work as a consequence of the COVID-19 pandemic. There was also a decrease in the number of employees, whose average number fell from 1,842 to 1,815. The variable component increased by € 2,189 thousand following the achievement of the 2020 targets. Finally, it should be noted that, due to the drop in volumes, this item increased by around 2.3% as a percentage of revenue, from 25.2% in 2019 to 26.3% this year.

**Normalised gross operating result (EBITDA)** amounted to € 20,305 thousand (€ 33,617 thousand in 2019).

Depreciation and amortisation amounted to € 19,982 thousand, slightly up compared to the previous year (€ 19,785 thousand). There were no particular differences among depreciation of property, plant and equipment and amortisation of intangible assets.

Recurring provisions remarkably increased compared to 2019 (€ 7,646 thousand in 2020 compared to € 2,440 thousand in 2019) mainly due to risks for technical issues on products sold.

**Normalised operating result before non recurring items** was negative to the tune of € 7,323 thousand compared to a positive result of € 11,392 thousand in 2019.

It should be noted that the Company's result also for the current year was negatively affected by "non-recurring events and impairment" for a total of € 9,293 thousand. The Company recognised an impairment loss of € 6,081 thousand on the capitalisation of certain projects whose products have been discontinued; of € 469 thousand on a plot of land following a survey; non-recurring costs of € 1,699 thousand related to the departure of two executive board members; an adjustment to a receivable from a subsidiary following a mutual procedure agreement (MAP) of € 1,041 thousand.

**Operating result** was negative to the tune of € 16,616 thousand (in 2019 it was positive for € 5,263 thousand).

As regards financial operations, net financial expense amounted to € 369 thousand, down compared to the figure for 2019 (€ 676 thousand).

Exchange rate risk management resulted in a positive balance of € 747 thousand, compared to a € 2,656 thousand loss in the prior-year period.

Value adjustments to financial assets – whose balance is positive to the tune of € 276 thousand (negative to the tune of € 8,900 thousand in 2019) – refer to the impact of impairment tests carried out on some equity investments in Group companies. In particular, impairment concerned:

- Biesse Turkey: € 2,000 thousand;
- Biesse New Zealand: € 1,300 thousand;
- Biesse Gulf: € 1,018 thousand;
- Intermac do Brasil: € 926 thousand;
- Biesse Russia: € 580 thousand.

In addition, the Group recognised a partial reversal of the impairment loss on the equity investment in Biesse Hong Kong for € 6,100 thousand, as a result of the cash flows that the company will generate in 2021, mainly from the disposal of its Chinese subsidiary Korex Machinery Ltd. Indeed, as announced on 28 January 2021, the Biesse Group has reached an agreement for the total disposal of the Chinese company and, should all the contractual provisions be complied with, the completion of the deal is expected by the end of March 2021.

Dividends totalled € 16,522 thousand, detailed as follows:

- HSD S.p.A.: € 10,000 thousand.
- Biesse America: € 2,886 thousand;
- Biesse France: € 500 thousand;
- Biesse UK: € 331 thousand;
- Biesse Iberica: € 500 thousand;
- Biesse Canada: € 519 thousand;
- Biesse Asia: € 400 thousand;
- Biesse Deutschland: € 1,000 thousand;
- Bsoft Srl: € 300 thousand.
- Hyperlean Srl: € 86 thousand.

**Pre-tax result** amounted to € 881 thousand, down compared to € 4,804 thousand in 2019.

The balance of **income taxes** was positive to the tune of € 4,661 thousand as a result of the recognition of income arising from tax consolidation on the loss for the year.

The Company therefore reported a positive **result for the year** of € 5,542 thousand (€ 4,063 in 2019).

## STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	31 December 2020	31 December 2019
<i>Euro 000's</i>		
Intangible assets	46,722	54,847
Property, plant and equipment	63,887	67,918
Financial assets	99,743	98,672
<b>Non-current assets</b>	<b>210,352</b>	<b>221,437</b>
Inventories	60,510	68,230
Trade receivables	107,643	107,111
Trade payables	(143,860)	(136,962)
<b>Net operating working capital</b>	<b>24,293</b>	<b>38,379</b>
Post-employment benefits	(9,722)	(9,955)
Provision for risk and charges	(13,808)	(6,673)
Other net payables/receivables	(13,718)	(22,861)
Net deferred tax assets	7,845	3,409
<b>Other net liabilities</b>	<b>(29,403)</b>	<b>(36,080)</b>
<b>Net invested capital</b>	<b>205,242</b>	<b>223,736</b>
Share capital	27,393	27,393
Profit for the previous year and other reserves	159,641	154,934
Profit for the year	5,542	4,063
<b>Equity</b>	<b>192,576</b>	<b>186,390</b>
Bank loans and borrowings from banks and other financiers	194,594	109,037
Other financial assets	(53,650)	(33,027)
Cash and cash equivalents	(128,278)	(38,664)
<b>Net financial indebtedness (position)</b>	<b>12,666</b>	<b>37,346</b>
<b>Total sources of funding</b>	<b>205,242</b>	<b>223,736</b>

Net intangible assets decreased by some € 8 million compared to 2019. In the year the Company increased its investments for a total of € 9.6 million, including those relating to the capitalisation of R&D (around € 6.5 million). The decrease was due to amortisation (€ 11.8 million) and impairment losses (€ 6 million) on R&D projects and licences which are being phased out.

As regards property, plant and equipment, the net value decreased by € 4 million. The decrease is due to depreciation, which was higher than purchases during the year.

Financial assets rose by around € 1 million, mainly in reference to the tax credit on investments (the former hyper-super amortisation) and partly to the increase in the value of investments, i.e. the positive difference between the reversal of impairment of Biesse Hong Kong and the impairment of some subsidiaries.

Net working capital decreased overall by some € 14 million compared to December 2019, due to the fall in inventories (€ 7.7 million) owing to the higher turnover in the final period of 2020, and the increase in trade payables (€ 6.9 million) due to the procurement of materials at year end to meet production following the positive order intake.

The item other net assets/(liabilities), negative to the tune of € 29 million (€ 36 million in 2019), included the increase in the provisions for risks and charges for disputes with customers, the decrease in the debit balance of other net payables/receivables relating to the increase in receivables on uncollected dividends, and the increase in deferred tax assets relating to the increase in temporary recoveries.

## Net financial position

	31 December 2020	31 December 2019
€ '000		
Cash	(993)	(1,165)
Cash and cash equivalents	(127,285)	(37,499)
<b>Cash and cash equivalents</b>	<b>(128,278)</b>	<b>(38,664)</b>
Financial assets	(28,024)	(2,620)
Financial assets versus related parties	(25,626)	(30,407)
Current bank loans and borrowings	567	473
Short term portion of non current liabilities	64,875	33,767
Other current financial debt	756	520
Other current financial debt versus related parties	80,886	43,718
<b>Short-term financial indebtness (position)</b>	<b>147,084</b>	<b>78,478</b>
<b>Short-term net financial indebtness (position)</b>	<b>(34,844)</b>	<b>6,787</b>
Other non current financial indebtness (position)	47,510	30,558
<b>Long-term financial indebtness (position)</b>	<b>47,510</b>	<b>30,558</b>
<b>Net financial indebtness (position)</b>	<b>12,666</b>	<b>37,345</b>

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

The Net Financial Position as at 31 December 2020 was negative for some € 12.7 million, improving compared to the figure for the previous year (€ 24.7 million).

Please also note that the figure as at 31 December 2019 takes into account the payment of the 2018 dividend to shareholders, amounting to approximately € 13.1 million. No dividends were distributed in 2020.

## OTHER INFORMATION

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

## PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

You are invited to approve the financial statements for the year ended 31 December 2020, with the present Directors' Report on Operations, as they stand.

The Board of Directors proposes not to proceed with the distribution of dividends from net profit.

Therefore, you are invited to resolve on the allocation of the profit for the year of € 5,541,929.54 to the extraordinary reserve.

Pesaro, 15/03/2021

The Chairman of the Board of Directors  
Giancarlo Selci

# **CONSOLIDATED FINANCIAL STATEMENTS**

# CONSOLIDATED INCOME STATEMENT

*Euro 000's*

		31 December	31 December
	Note	2020	2019
Revenue	5	578,789	705,872
Other operating income	6	5,767	6,417
Change in inventories of finished goods and work in progress		(10,911)	652
Purchase of raw materials and consumables	7	(234,320)	(287,038)
Personnel expense	8	(192,623)	(221,576)
Depreciation, amortisation and impairment	9	(48,434)	(45,957)
Other operating costs	10	(92,045)	(128,726)
<b>Operating result</b>		<b>6,223</b>	<b>29,644</b>
Financial income	11	11,623	7,867
Financial expense	11	(14,624)	(14,068)
<b>Pre-tax result</b>		<b>3,222</b>	<b>23,443</b>
Income taxes	25	(767)	(10,441)
<b>Result for the year</b>		<b>2,455</b>	<b>13,002</b>
Result of the period			
Attributable to:			
Attributable to owners of the parent		2,531	13,027
Attributable to non-controlling interests		(76)	(25)
Earnings per share (Euro)	12	0.09	0.48
Diluted earnings per share (Euro)	12	0.09	0.48

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Euro 000's</i>	Note	31 December	
		2020	2019
<b>Result of the period</b>		2,455	13,002
Translation differences of foreign operations	22	(6,144)	(80)
<b>Items that may be reclassified to result or loss</b>		<b>(6,144)</b>	<b>(80)</b>
Measurement of defined-benefit plans	22	(214)	(625)
Income taxes not on other comprehensive income	22	49	150
<b>Total items that will not be reclassified to profit or loss</b>		<b>(165)</b>	<b>(475)</b>
<b>Total comprehensive income for the year</b>		<b>(3,853)</b>	<b>12,447</b>
<b>Attributable to:</b>			
Non-controlling interests		(68)	(35)
Owners of the parent		(3,785)	12,482

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>2</sup> -

<i>Euro 000's</i>		<b>31 December</b>	
	Note	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
Equipment and other items of property, plant and equipment			
Property, plant and equipment	13, 14	125.130	139.710
Goodwill	15	23.471	23.550
Other intangible assets	16	49.884	59.678
Deferred tax assets	25	17.499	13.334
Other financial assets and receivables (including derivatives)	17	3.277	2.640
<b>Total non current assets</b>		<b>219.260</b>	<b>238.912</b>
Inventories	18	129.848	155.498
Trade receivables	19	102.875	116.973
Other revceables	20	14.773	22.890
Other financial assets and receivables (including derivatives)	17	28.107	2.653
Cash and cash equivalents	21	163.425	86.061
<b>Total current assets</b>		<b>439.028</b>	<b>384.074</b>
<b>TOTAL ASSETS</b>		<b>658.288</b>	<b>622.988</b>

<i>Euro 000's</i>		<b>31 December</b>	
	Note	<b>2020</b>	<b>2019</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
Share capital		27,393	27,393
Reserves		184,099	177,397
Profit for the year		2,531	13,027
<b>Equity attributable to the owners of the parent</b>	22	<b>214,022</b>	<b>217,817</b>
Non-controlling interests		790	858
<b>TOTAL EQUITY</b>		<b>214,812</b>	<b>218,675</b>
Financial liabilities	14, 23	66,480	53,049
Post-employment benefits	24	12,775	13,032
Deferred tax liabilities	25	2,992	2,876
Provisions for risks and charges	26	322	563
Other liabilities	29	969	925
<b>Total non current liabilities</b>		<b>83,538</b>	<b>70,445</b>
Financial liabilities	14, 23	75,509	54,274
Provisions for risks and charges	26	19,666	16,625
Trade payables	27	132,790	132,673
Contract liabilities	28	72,189	67,536
Other liabilities	29	55,742	55,972
Income tax payables	25	4,041	6,786
<b>Total Current liabilities</b>		<b>359,937</b>	<b>333,866</b>
<b>LIABILITIES</b>		<b>443,476</b>	<b>404,311</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>658,288</b>	<b>622,987</b>

<sup>2</sup> In accordance with Consob Resolution No. 15519 of 27 July 2006, the effects of related-party transactions and non-recurring transactions on the Statement of Financial Position are shown in the relevant statement in Annex 1.



# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	31-dic-20	31-dic-19
<i>Euro 000's</i>			
<b>OPERATING ACTIVITY</b>			
Result for the year		2,455	13,002
Change for:			
Income taxes		767	10,441
Depreciation and amortisation of current and non-current owned assets		24,750	24,700
Depreciation and amortisation of current assets in leasing		8,634	8,586
Gains/losses from sales of property, plant and equipment		(288)	(23)
Impairment losses on intangible assets		7,803	4,875
Accrual to post-employment benefits		7,675	9,769
Income from investment activities		(552)	(120)
Net Financial expense		2,497	2,942
<b>SUBTOTAL OPERATING ACTIVITIES</b>		<b>53,741</b>	<b>74,172</b>
Change in trade receivables and contract assets		12,510	10,197
Change in inventories		21,409	7,043
Change in trade payables and contract liabilities		7,982	(39,307)
Change in post-employment benefits and in others funds		(4,462)	(1,176)
Other changes in operating assets and liabilities		4,846	1,454
<b>Cash flow generated / (absorbed) by operating activities</b>		<b>96,025</b>	<b>52,383</b>
Tax paid		(5,132)	(7,006)
Interest paid		(2,672)	(2,557)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>88,220</b>	<b>42,821</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(4,743)	(14,544)
Proceeds from sale of property, plant and equipment		1,026	260
Acquisition of intangible assets		(10,542)	(18,051)
Change in other financial assets		(24,670)	(2,410)
Interest received		552	120
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(38,378)</b>	<b>(34,624)</b>
<b>FINANCING ACTIVITIES</b>			
Loan refunds	23	(76,180)	(13,221)
New bank loans	23	115,000	30,000
Finance lease payments	14,23	(8,600)	(8,790)
Other changes		0	(159)
Dividends paid		0	(13,149)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>30,220</b>	<b>(5,318)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>80,062</b>	<b>2,878</b>
<b>CASH AND CASH EQUIVALENTS AS AT 01/01/2020</b>	<b>21</b>	<b>86,061</b>	<b>83,020</b>
Effect of exchange rate fluctuations on cash held		(2,699)	163
<b>CASH AND CASH EQUIVALENTS AS AT 31/12/2020</b>	<b>21</b>	<b>163,425</b>	<b>86,061</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Euro 000's	Note	ATTRIBUTABLE TO THE OWNERS OF THE PARENT							TOTAL EQUITY
		Share Capital	Equity reserves	Hedging and translation reserves	Others reserves	Result for the year	Equity attributable to the owners of the parent	Non Controlling Interests	
<b>Opening balances at 01/01/2019</b>	<b>22</b>	<b>27,393</b>	<b>36,202</b>	<b>(6,063)</b>	<b>117,438</b>	<b>43,672</b>	<b>218,642</b>	<b>893</b>	<b>219,536</b>
Other comprehensive income				(78)	(468)		(545)	(10)	(555)
Result for the year						13,027	13,027	(25)	13,002
<b>Total comprehensive income/expense for the year</b>				<b>(78)</b>	<b>(468)</b>	<b>13,027</b>	<b>12,482</b>	<b>(35)</b>	<b>12,447</b>
Dividends paid					(13,149)		(13,149)		(13,149)
Allocation of profit for the previous year					43,672	(43,672)			-
Other changes					(158)		(158)	(0)	(159)
<b>Closing balances at 31/12/2019</b>	<b>22</b>	<b>27,393</b>	<b>36,202</b>	<b>(6,140)</b>	<b>147,335</b>	<b>13,027</b>	<b>217,817</b>	<b>858</b>	<b>218,675</b>

Euro 000's	Note	ATTRIBUTABLE TO THE OWNERS OF THE PARENT							TOTAL EQUITY
		Share Capital	Equity reserves	Hedging and translation reserves	Others reserves	Result for the year	Equity attributable to the owners of the parent	Non Controlling Interests	
<b>Opening balances at 01/01/2020</b>	<b>22</b>	<b>27,393</b>	<b>36,202</b>	<b>(6,141)</b>	<b>147,335</b>	<b>13,027</b>	<b>217,817</b>	<b>858</b>	<b>218,675</b>
Other comprehensive income				(6,152)	(163)		(6,316)	7	(6,308)
Result for the year						2,531	2,531	(76)	2,455
<b>Total comprehensive income/expense for the year</b>				<b>(6,152)</b>	<b>(163)</b>	<b>2,531</b>	<b>(3,785)</b>	<b>(68)</b>	<b>(3,853)</b>
Allocation of profit for the previous year					13,027	(13,027)			
Other changes					(10)		(10)		(10)
<b>Closing balances at 31/12/2020</b>	<b>22</b>	<b>27,393</b>	<b>36,202</b>	<b>(12,293)</b>	<b>160,190</b>	<b>2,531</b>	<b>214,022</b>	<b>790</b>	<b>214,812</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### GENERAL INFORMATION

#### The subject preparing the financial statements

Biesse S.p.A. is an Italian company with registered office in Pesaro. It is the parent of the Biesse Group and operates in the market for machinery and systems for processing wood, glass and stone. The company is listed on the STAR segment of the Milan Stock Exchange.

The Consolidated Financial Statements as at 31 December 2020 incorporate the financial statements of Biesse S.p.A. and subsidiaries which it controls directly or indirectly (hereinafter defined as the "Group") and the amount of its equity investment, in proportion to the percentage held, in associates. The draft consolidated financial statements as at 31 December 2020 were submitted to the Board of Directors on 15 March 2021.

#### Reporting criteria

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

#### Scope of consolidation

The consolidated statement of financial position and income statement as at 31 December 2020 include the financial statements of the Parent company Biesse S.p.A. and of its subsidiaries, which are listed below.

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

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
<i>Parent company</i>						
<b>Biesse S.p.A.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	27,393,042				
<i>Italian subsidiaries:</i>						
<b>HSD S.p.A.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	1,141,490	100%			100%
<b>Bre.Ma. Brenna Macchine S.r.l.</b> Via Manzoni, without number Alzate Brianza (CO)	EUR	70,000	98%			98%
<b>Viet Italia S.r.l.</b> Via della Meccanica, 16 Loc. Chiusa di Ginestreto (PU)	EUR	10,000	85%			85%
<b>Uniteam S.p.A.</b> Via della Meccanica, 12 Thiene (VI)	EUR	390,000	100%			100%
<b>BSoft S.r.l.</b> Via Carlo Cattaneo, 24 Portomaggiore (FE)	EUR	10,000	100%			100%
<b>Montesor &amp; Co. S.r.l. S.r.l.</b> Via Francia, 13 Villafranca (VR)	EUR	1,000,000	60%			60%
<b>Movetro S.r.l.</b> Via Marco Polo, 12 Carmignano di Sant'Urbano (PD)	EUR	51,000	60%			100% <sup>1</sup>

*Foreign subsidiaries:*

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
<b>Biesse America Inc.</b> 4110 Meadow Oak Drive – Charlotte, North Carolina – USA	USD	11,500,000	100%			100%
<b>Biesse Canada Inc.</b> 18005 Rue Lapointe – Mirabel (Quebec) – Canada	CAD	180,000	100%			100%
<b>Biesse Group UK Ltd.</b> Lamport Drive – Daventry Northamptonshire – Great Britain	GBP	655,019	100%			100%
<b>Biesse France Sarl</b> 4, Chemin de Moninsable – Brignais – France	EUR	1,244,000	100%			100%
<b>Biesse Group Deutschland GmbH</b> Gewerberstrasse, 6 – Elchingen (Ulm) – Germany	EUR	1,432,600	100%			100%
<b>Biesse Schweiz GmbH</b> Luzernerstrasse 26 – 6294 Ermensee – Switzerland	CHF	100,000		100%	Biesse G. Deutschland GmbH	100%
<b>Biesse Austria GmbH</b> Am Messezentrum, 6 Salzburg – Austria	EUR	685,000		100%	Biesse G. Deutschland GmbH	100%
<b>Biesse Service Scandinavia AB</b> Maskinvägen 1 – Lindas – Sweden	SEK	200,000	60%			60%
<b>Biesse Iberica Woodworking Machinery s.l.</b> C/De La Imaginació, 14 P.I. La Marina – Gavà Barcellona – Spain	EUR	699,646	100%			100%
<b>WMP- Woodworking Machinery Portugal, Unipessoal Lda</b> Sintra Business Park, 1, São Pedro de Penaferrim – Sintra – Portugal	EUR	5,000		100%	Biesse Iberica W. M. s.l.	100%
<b>Biesse Group Australia Pty Ltd.</b> 3 Widemere Road Wetherill Park – Sydney – Australia	AUD	15,046,547	100%			100%
<b>Biesse Group New Zealand Ltd.</b> Unit B, 13 Vogler Drive Manukau – Auckland – New Zealand	NZD	3,415,665	100%			100%
<b>Biesse Manufacturing Co. Pvt. Ltd.</b>  Jakkasandra Village, Sondekoppa rd. Nelamanga Taluk – Bangalore – India	INR	1,224,518,391	100%			100%

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
<b>Biesse Asia Pte. Ltd.</b> Zagro Global Hub 5 Woodlands Terr. – Singapore	EUR	1,548,927	100%			100%
<b>Biesse Indonesia Pt.</b> Jl. Kh.Mas Mansyur 121 – Jakarta – Indonesia	IDR	2,500,000,000		100%	Biesse Asia Pte. Ltd.	100%
<b>Biesse Malaysia SDN BHD</b> No. 5, Jalan TPP3 47130 Puchong - Selangor, Malaysia	MYR	7,083,765		100%	Biesse Asia Pte. Ltd.	100%
<b>Biesse Korea LLC</b> Geomdan Industrial Estate, Oryu- Dong, Seo-Gu – Incheon – South Korea	KRW	100,000,000		100%	Biesse Asia Pte. Ltd.	100%
<b>Biesse (HK) Ltd.</b> Room 1530, 15/F, Langham Place, 8 Argyle Street, Mongkok, Kowloon – Hong Kong	HKD	325,952,688	100%			100%
<b>Dongguan Korex Machinery Co. Ltd</b> Dongguan City – Guangdong Province – China	RMB	313,148,568		100%	Biesse (HK) LTD	100%
<b>Biesse Trading (Shanghai) Co. Ltd.</b> Room 301, No.228, Jiang Chang No.3 Road, Zha Bei District – Shanghai – China	RMB	76,000,000		100%	Biesse (HK) LTD	100%
<b>Intermac do Brasil Comercio de Maquinas e Equipamentos Ltda.</b> Andar Pilotis Sala, 42 Sao Paulo – 2300 Brazil	BRL	12,964,254	100%			100%
<b>Biesse Turkey Makine Ticaret Ve Sanayi A.S.</b> Şerifali Mah. Bayraktar Cad. Nutuk Sokak No:4 Ümraniye, Istanbul – Turkey	TRY	45,500,000	100%			100%
<b>OOO Biesse Group Russia</b> 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%
<b>Biesse Gulf FZE</b> Dubai, free Trade Zone	AED	6,400,000	100%			100%
<b>Biesse Taiwan</b>  6F-5, No. 188, Sec. 5, Nanking E. Rd., Taipei City 105, Taiwan (ROC)	TWD	500,000		100%	Biesse Asia Pte Ltd.	100%
<b>HSD Mechatronic (Shanghai) Co. Ltd. Ltd.</b> D2, 1 <sup>st</sup> floor, 207 Taiguroad, Waigaoqiao Free Trade Zone – Shanghai – China	RMB	2,118,319		100%	Hsd S.p.A.	100%
<b>Hsd Usa Inc.</b> 3764 SW 30 <sup>th</sup> Avenue – Hollywood, Florida – USA	USD	250,000		100%	Hsd S.p.A.	100%

Name and registered office	Currency	Share Capital	Directly controlled	Indirectly controlled	Ownership vehicle	Biesse Group
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%

<sup>1</sup> 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 to the financial statements as at 31 December 2019, the company Axxembla S.r.l., already 100% owned, was merged into the Parent company Biesse S.p.A.; there were no other changes in the scope of consolidation.

## STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

### Statement of compliance with international financial reporting standards and general standards

The consolidated financial statements as at 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as with the implementing provisions issued pursuant to article 9 of Italian Law Decree 38/2005 and the Consob regulations and provisions regarding financial statements.

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

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

### Financial statements

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

#### *Consolidated Income Statement*

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

### ***Consolidated Statement of Comprehensive Income***

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

### ***Consolidated Statement of Financial Position***

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

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

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

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

### ***Consolidated Statement of Changes in Equity***

This statement shows the changes in equity items related to:

- the allocation of the parent company's and subsidiaries' profit/(loss) for the year to non-controlling interests;
- amounts relating to transactions with shareholders (purchase and sale of treasury shares);
- any gains or losses net of any tax effects which, as required by IFRSs, are either recognised directly in equity (gains or losses from trading of treasury shares, actuarial gains or losses arising from the measurement of defined-benefit plans) or 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.

### ***Consolidated Statement of Cash Flows***

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

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

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

## **1. MEASUREMENT CRITERIA AND USE OF ESTIMATES**

The preparation of the financial statements and related notes pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on historical experience and other factors deemed as material. In preparing these financial statements, 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 therefore differ from these estimates, partly due to uncertainties related to the current scenario, still affected by the ongoing pandemic. 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.

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

**Allowance for impairment**

The allowance for impairment reflects 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 implemented 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.

**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 future 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.

**2. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA ADOPTED**



## **Main accounting standards adopted**

The accounting standards adopted in the consolidated financial statements as at 31 December 2020 were applied in the same way also to the comparative period, except as described in the following section 3.a) "Accounting standards, amendments and IFRS interpretations applied by the Group as from 1 January 2020". As from 1 January 2020, the Group has recognised the provisions for risks related to tax disputes, previously included in the Provisions for risks and charges, under the item Income tax payables, in compliance with the indications of IFRIC 23 and the considerations expressed in this regard by the IFRS Interpretation Committee. As a result, financial position figures relating to 2019 have been reclassified for comparative purposes, with a consequent decrease in the provisions for non-current risks and an increase in income tax payables of € 866 thousand. In addition, an in-depth review of the characteristics of employee benefits provided by two foreign subsidiaries revealed that these were defined plan benefits rather than defined contribution benefits, therefore they were reclassified from social security and other payables, where they had been erroneously classified, to liabilities for defined-benefit plans. In this case too, these liabilities were correctly presented in the 2020 financial statements and the financial position figures relating to 2019 were reclassified for comparison purposes; the reclassification of the previous year's figures led to a decrease in Other current payables and an increase in Employee benefits of € 322 thousand. These reclassifications did not affect equity or prior-year result.

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

### **A. Consolidation criteria**

#### **General standards**

The consolidated financial statements as at 31 December 2020 include the financial statements of the parent company Biesse S.p.A. and of its subsidiaries. Control exists when the parent is exposed to variable returns deriving from its relationship with the entity, or has rights to such returns, while at the same time having the ability to influence those returns by exercising its power over the entity itself.

Financial statements of subsidiaries are included in the consolidated financial statements from the time when the parent begins to exercise control until the date on which such control ceases.

Where material differences arise, these financial statements are reclassified and adjusted as appropriate to conform to the accounting policies and measurement criteria adopted by the parent company. All Group companies end their financial year on 31 December, except for the Indian subsidiary whose financial year ends on 31 March and which, as a result, is consolidated using specific interim financial statements as at 31 December.

The carrying amount of equity investments in consolidated companies is eliminated to offset the corresponding share of equity of the investees by attributing their fair value at the date of acquisition to the relevant individual assets or liabilities. Any residual difference, if positive, is included in non-current assets and, secondarily, in the goodwill item; if negative, it is recognised in the income statement.

The results of subsidiaries acquired or divested during the year are included in the consolidated income statement from the effective date of acquisition to the effective date of disposal.

Non-controlling interests in the acquiree are initially measured at their proportionate interest in the fair value of reported assets, liabilities and contingent liabilities.

Receivables and payables, income and expense, and gains and losses arising from intra-group transactions are eliminated. Capital gains and losses on intra-group sales of capital goods are eliminated where they are deemed to be material. Any share in net equity and profits attributable to third parties are recorded under the corresponding item of the financial statements.

#### ***Translation of foreign currency financial statements***

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

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

Exchange rate gains (losses) emerging from the conversion process are recorded in other comprehensive

income and included under equity in the hedging and translation reserve.

On disposal of the economic entity that gave rise to exchange rate gains (losses), the cumulative amount of exchange differences recognised in a separate component of equity will be recognised in the income statement.

Shown below are the exchange rates used as at 31 December 2020 and 31 December 2019 for converting finance and equity entries in foreign currency (source [www.bancaditalia.it](http://www.bancaditalia.it)):

Currency	31 December 2020		31 December 2019	
	Closing	Final	Closing	Final
US Dollar / Euro	1.1422	1.2271	1.1195	1.1234
Brazilian Real / Euro	5.8943	6.3735	4.4134	4.5157
Canadian Dollar / Euro	1.5300	1.5633	1.4855	1.4598
Pound Sterling / Euro	0.8897	0.8990	0.8778	0.8508
Swedish Krone / Euro	10.4848	10.0343	10.5891	10.4468
Australian Dollar / Euro	1.6549	1.5896	1.6109	1.5995
New Zealand Dollar / Euro	1.7561	1.6984	1.6998	1.6653
Indian Rupee / Euro	84.6392	89.6605	78.8361	80.1870
Chinese Renmimbi Yuan / Euro	7.8747	8.0225	7.7355	7.8205
Swiss Franc / Euro	1.0705	1.0802	1.1124	1.0854
Indonesian Rupiah / Euro	16627.3700	17240.7600	15835.2674	15595.6000
Hong Kong Dollar / Euro	8.8587	9.5142	8.7715	8.7473
Malaysian Ringgit / Euro	4.7959	4.9340	4.6374	4.5953
South Korean Won / Euro	1345.5800	1336.0000	1305.3173	1296.2800
Turkish Lira / Euro	8.0547	9.1131	6.3578	6.6843
Russian Rouble / euro	82.7248	91.4671	72.4553	69.9563
UAE Dirham / euro	4.1947	4.5065	4.1113	4.1257
Taiwan Dollar / euro	33.6227	34.4807	34.6057	33.7156

### Business combinations

Business combinations are accounted for using the acquisition method. This method requires that the consideration transferred in a business combination be measured at fair value, calculated as the sum of the acquisition-date fair value of the assets transferred and the liabilities assumed and the equity instruments issued by the Group in exchange for control of the acquiree. Transaction-related ancillary charges are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their acquisition-date fair value, except for the following items, which are measured instead in accordance with the relevant standards:

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

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

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

value;

- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree;
- b) the fair value of the identifiable assets acquired, net of the identifiable liabilities and contingent liabilities assumed, at the date control is obtained.

IFRS 3 also requires:

- separate recognition in profit or loss of ancillary costs relating to the business combination;
- in a business combination achieved in stages, the acquirer shall re-measure its previously held equity investment in the acquiree at the acquisition-date fair value, and separately recognise the resulting gain or loss, if any, in profit or loss for the year.

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

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

As of 1 January 2020, with respect to business combinations and asset acquisitions, the Group applies the new requirements issued by the IASB regarding the definition of a business. In particular, 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.

## **B. Foreign currency transactions**

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

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

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

## **C. Revenue recognition**

Revenue from the sales of goods and services is recognised when the effective transfer of control to the customer takes place. For these purposes, the Group analyses the contracts signed with customers in order to identify the contractual obligations, which may involve the transfer of goods or services, and the possible existence of a number of elements to be recognised separately. In the presence of single contract including a number of services, the Group determines the amount referring to each of the services. The criterion for recognising the revenue from the sales of goods and services depends on the way in which the individual services are provided: in one particular moment or over time. In the former case, revenue is recognised when the customer obtains control of the good or service, a moment which is influenced by the delivery conditions envisaged by the contract. In the case of contractual fulfilment over time, depending on the features of the

underlying service, revenue is recognised on a straight line basis over the duration of the contract, or on the basis of the progress of the works by using the percentage of completion method; the latter is determined using the cost-to-cost method, i.e. applying to the overall envisaged revenue the percentage deriving from the ratio between incurred costs and envisaged total costs.

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

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

#### **D. Government grants**

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

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

#### **E. Employee benefits**

##### ***Short-term employee benefits***

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

##### ***Post-employment benefits***

Provisions for post-employment benefits include the severance indemnity ("TFR") provision of the parent company and the pension funds of some foreign subsidiaries. The severance indemnity ("TFR") provision and some pension funds of subsidiaries are recorded in accordance with the arrangements of defined-benefit plans under IAS 19.

Provisions for defined-benefit plans are recorded at the expected future value of the benefits that employees will receive upon termination of employment. This obligation is determined on the basis of actuarial assumptions. The measurement is carried out at least annually, with the support of an independent actuary, and using the projected unit credit method. The actuarial method considers financial variables such as, for instance, the discount rate or the long-term expected return on plan assets and the growth rates of salaries, and considers

the probability that potential future events will occur using demographic variables such as, for instance, mortality rates and employee turnover or retirement rates. More precisely, the discount rates taken as reference are the rates or rate curves on high-quality corporate bonds (Euro Composite AA interest-rate curve) in the respective reference markets. The rates of future salary increases reflect the Group's long-term expectations for the reference markets and the trend in inflation.

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

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

## **F. Costs and charges**

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

## **G. Finance income and expense**

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

## **H. Income taxes**

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

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

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

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

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

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

## **I. Earnings per share**

Basic earnings per share are calculated by dividing profit or loss attributable to the owners of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing profit or loss attributable to the owners of the Parent by the weighted average number of

shares outstanding, taking into account the effects of all potential dilutive ordinary shares.

## **J. Property, plant and equipment owned by the Group**

### ***Recognition and measurement***

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

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

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

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

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

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

### ***Subsequent costs***

Costs incurred after assets are acquired as well as the costs associated with replacing various parts of assets in this category are added to the carrying amount of the item to which they refer and capitalised only when the inherent future economic benefit of the asset increases. In this case, the costs are also depreciated on the basis of the remaining useful life of the asset. All other costs are recognised in the income statement when incurred.

When the cost of replacing asset parts is capitalised, the residual value of the parts being replaced is charged to the income statement.

### ***Depreciation***

Depreciation periods start from when the asset is available for use, and end at either the date when the asset is classified as being held for sale in compliance with IFRS 5, or on the date on which useful life of the asset is concluded.

Any changes to the depreciation schedules only apply prospectively. The amount to be depreciated represents the original book value less the net expected disposal value of the asset at the end of its useful life when it is material and can be reasonably determined.

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

<b>Category</b>	<b>Rate</b>
Property	2% -3%
Plant and machinery	10% -20%
Equipment	12% - 25%
Furniture and fittings	12%
Office machinery	20%
Motor vehicles	25%

## **K. Right-of-use assets and lease liabilities**

In compliance with the provisions of IFRS 16, the Group identifies as leases those contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has chosen to use the modified retroactive method, therefore the cumulative effect of IFRS 16 has been recognised as an adjustment to the opening balance as at 1 January 2019, date of first adoption of this standard.

For every lease, starting from its commencement date, the Group records an asset (right-of-use asset) against a corresponding financial liability (lease liability), except for the following cases:

- short term leases, i.e. those whose term is twelve months or less;
- low-value leases applied to situations in which the leased asset has a value of no more than Euro 5 thousand (value as new). The leases for which this exemption has been applied mainly fall in the following categories: computers, telephones and tablets; printers; other electronic devices; fixtures and furnishings.

Therefore, for short-term and low-value contracts the financial lease liability and the corresponding right-of-use asset are not recognised, but the lease payments are charged to the income statement on a straight-line basis for the duration of their respective contracts.

In the case of a complex contract that includes a lease component, the latter is always managed separately compared to the other services included in the contract.

### **Lease liabilities**

Lease liabilities are shown under Financial liabilities (current and non-current), together with other financial payables of the Group.

At the time of initial recognition, the lease liability is measured at the current value of the lease payments payable over the lease term, discounted at the rate implicit in the lease (i.e. the interest rate which makes the current value of all the payments and the residual value equal to the fair value of the underlying asset plus the initial direct costs incurred by the Group); where this rate is not indicated in the lease or cannot be readily determined, the current value is determined by using the incremental borrowing rate, i.e. the incremental interest rate which, in a similar economic context and in order to obtain a sum equal to the value of the right of use, the Group would have recognised for a loan with similar duration and guarantees.

The lease payments subject to discounting include fixed lease payments; variable lease payments that depend on an index or a rate; the redemption price, where it exists and where the Group is reasonably certain of using it; the size of the payment envisaged given any issue of guarantees on the residual value of the asset; the size of penalties to be paid in the case of exercise of options for the early termination of the lease, where the Group is reasonably certain to exercise such options.

After initial recognition, the lease liability is increased to reflect the interest accrued, determined on the basis of the amortised cost, and is decreased by the lease payments made.

In addition, the lease liability is remeasured to reflect any changes in leases or other situations envisaged by IFRS 16 which entail a change in the amount of the lease payments and/or term. In particular, given situations which entail a change in the estimate of the likelihood of exercise (or non-exercise) of the options for renewal or early termination of the lease or in the possible redemption (or non-redemption) of the asset upon expiry of the lease, the lease liability is remeasured by discounting the new value of the lease payments due on the basis of a new discount rate.

### **Right-of-use assets**

Right-of-use assets are set out under "Property, plant and equipment" together with items of property, plant and equipment owned by the Group, and are broken down by category on the basis of the nature of the asset used through the lease.

At the time of initial recognition of the lease, the right-of-use asset is recognised at a value corresponding to the lease liability, determined as described above, plus the lease payments made in advance and ancillary costs and net of any incentives received. Where applicable, the initial value of the right-of-use asset also includes the related costs for decommissioning and restoring the area.

Situations entailing the remeasurement of the lease liability imply a corresponding change in the value of the right-of-use asset.

After initial recognition, the right-of-use asset is depreciated on a straight-line basis, as from the commencement date of the lease, and subject to write-down in the case of impairment.

Depreciation is carried out on the basis of the lesser period between the lease term and the useful life of the underlying asset; however, should the lease envisage the transfer of ownership, also in the case of the exercise of redemption options included in the value of the right-of-use asset, depreciation is applied on the basis of the

useful life of the asset.

## **L. Intangible assets and Goodwill**

### ***Goodwill***

Goodwill is an intangible asset with an indefinite useful life that arises from business combinations accounted for using the acquisition method. It is recognised as the positive difference between the acquisition cost and the Group's interest, having measured at fair value all other identifiable assets, liabilities and contingent liabilities attributable to both the Group and non-controlling interests (full fair value method) at the acquisition date.

Goodwill is an intangible asset with an indefinite useful life, and is therefore not subject to amortisation. However, it remains subject to impairment test at least once a year, generally at the consolidated financial statements date, in order to verify that there has been no impairment loss, unless market or management indicators identified by the Group suggest that the impairment test is necessary also when preparing interim reports.

Goodwill is measured by identifying the cash-generating units (CGUs) that benefit from the synergies of the acquisition. The cash flows are discounted at the cost of capital in relation to the specific risks of the unit.

Impairment losses are recognised in the income statement whenever the discounted cash flow calculation indicates that the recoverable amount of the CGU is lower than its carrying amount. Losses identified in this way are not subject to any subsequent reversal of impairment.

### ***Development costs and other intangible assets***

Intangible assets generated by developing Group products are entered as assets only when the following requirements are met:

- the cost attributable to the asset during its development can be reliably measured;
- the product or process is feasible in both technical and commercial terms;
- future economic benefits are likely;
- the Group has sufficient resources available and intends to complete the asset's development, and to use or sell the asset.

These intangible assets are amortised on a straight-line basis over their useful lives. Whenever the above criteria are not met, development costs are recognised in the income statement for the financial year in which they are incurred.

Capitalised development costs are recognised at cost less accumulated amortisation and/or any accumulated impairment losses.

Research and development costs are recognised in the income statement as incurred.

Other intangible assets including trademarks, patents and licences, which have a finite useful life, are initially recognised at acquisition cost, and are systematically amortised on a straight-line basis over their useful life or over a period not exceeding that established by the underlying licence or purchase contract.

The annual rates applied by the Group are as follows:

Category	Rate
Trademarks	10%
Patents	33.33%
Development costs	10% - 50%
Software and licences	10% - 20%

### **Subsequent costs**

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

## **M. Financial assets and liabilities**



## Recognition and measurement

Trade receivables and issued debt securities are recognised at the time they originate. All other financial assets and liabilities are initially recognised on their trading date, i.e. when the Group becomes a contractual party to the financial instrument.

Except for trade receivables which do not involve a significant financing component, financial assets are initially measured at fair value plus or minus – in the case of financial assets or liabilities not measured at FVTPL – the transaction costs directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables which do not have a significant financing component are measured at their transaction price.

## Subsequent classification and measurement

At the time of initial recognition, a financial asset is classified on the basis of its measurement: amortised cost; fair value recognised through other comprehensive income (FVOCI) – debt security; FVOCI – equity security; or at fair value through profit or loss for the year (FVTPL).

Financial assets are not reclassified after their initial recognition unless the Group changes its business model to manage financial assets. In this case, all affected financial assets are reclassified on the first day of the first year following the change of the business model.

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

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

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

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

At the time of initial recognition of an equity security not held for trading purposes, the Group can make the irrevocable decision to report subsequent changes in fair value through other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. All derivative financial instruments are included. At the time of initial recognition, the Group can irrevocably report the financial asset as measured at fair value through profit or loss for the year if this eliminates or significantly reduces an accounting mismatch that would otherwise result from the measurement of the financial asset at amortised cost or at FVOCI.

For the purposes of measurement, 'principal' is the fair value of the financial asset at the time of initial recognition while 'interest' is the compensation for the time value of money as well as for the credit risk associated with the amount of principal to be repaid during a given period of time and for other risks and basic costs related to the loan (for example, liquidity risk and administrative costs) as well as for the profit margin.

In assessing whether the contractual cash flows are represented solely by payments of principal and interest, the Group considers the contractual terms of the instrument. Therefore, it evaluates, amongst other items, whether the financial asset contains a contractual clause that modifies the timing or the amount of the contractual cash flows such as to not satisfy the following condition. For measurement purposes, the Group considers:

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

The advance payment element is in line with the criterion of "cash flows represented solely by payments of principal and interest" if the amount of the advance payment substantially consists of principal amounts due and the interest accrued on the principal amount to be repaid, which may include reasonable additional compensation for the early termination of the contract. In addition, in the case of a financial asset acquired with a premium or at a significant discount on the contractual nominal amount, any element that allows or requires an advance payment equal to an amount that substantially represents the nominal contractual amount plus the

contractual interest which was accrued (but not paid) (which may include reasonable additional compensation for the early termination of the contract) is recognised in accordance with this criterion if the fair value of the advance payment element is not significant at the time of initial recognition.

Financial liabilities are measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading or is a derivative or is designated as such at the time of initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including payable interest, are recognised in profit/(loss) for the year. Other financial liabilities are subsequently measured at amortised cost by using the effective interest method. Payable interest and exchange rate gains/(losses) are recognised in profit/(loss) for the year, as are any profits or losses deriving from derecognition.

### **Impairment of financial assets**

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

The value of trade receivables, contract assets and other financial assets is shown in the financial statements net of the relevant allowance for impairment, while impairment losses are recognised in the income statement under "Amortisation, depreciation, impairment and provisions".

### **Derecognition**

Financial assets are derecognised from the financial statements when the contractual rights to the cash flows deriving from them expire, or when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and benefits derive from ownership of the financial asset are transferred, or when the Group neither transfers or substantially maintains all the risks and benefits deriving from ownership of the financial asset and does not maintain control of the financial asset.

The Group is involved in transactions that involve the transfer of assets recognised in the statement of financial position but retains all or substantially all the risks and benefits deriving from the transferred asset. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Group derecognises a financial liability even if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value on the basis of the modified contractual terms.

The difference between the carrying amount of the derecognised financial liability and the amount paid (including assets not represented by transferred liquid funds or assumed liabilities) is recognised in profit/(loss) for the year.

### **N. Provisions for risks and charges**

Provisions for risks and charges are recorded where there are legal or implicit, contractual or otherwise obligations towards third parties, deriving from past events, which are likely to require an outlay of resources whose amount can be reliably estimated.

Whenever it is estimated that these obligations will mature after twelve months and that the related effects will be material, they are discounted at a rate that reflects the time value of money and the risks specific to the recognised liability. In those cases, the increase in the provision due to the passage of time and any effect arising from a change in the discount rate are recognised as a finance expense. Any change in the estimate of provisions is reflected in profit or loss in the reporting period in which they arise.

### **Contingent liabilities**

The Group is subject to legal and tax disputes falling under the jurisdiction of several states, in relation to which a liability is ascertained when it is considered probable that a financial outlay will occur, and the amount of the resulting losses can be reasonably estimated. If an outflow of financial resources becomes probable but its amount cannot be determined, this fact is reported in the notes to the financial statements.

In the ordinary course of business, management monitors the progress of disputes also thanks to the support of its own legal advisors as well as legal and tax experts.

#### ***Product warranties***

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

#### **O. Inventories**

Inventories are valued at the lesser of cost (determined using the weighted average cost method) and the net realisable value, namely, the estimated sale price less all estimated costs related to finalising the goods, the cost of sales, and distribution costs that must be incurred in order to finalize the sale.

The cost comprises the cost of direct materials and, where appropriate, direct labour, general production overheads and other costs incurred in bringing the inventories to their present location and condition.

Obsolete and slow moving inventories are written down in relation to the possibility that they can be used or sold.

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

#### **P. Cash and cash equivalents**

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

#### **Q. Share capital**

Share capital represents subscribed and paid-up capital. Any incremental costs that are directly attributable to issuing ordinary shares are recognised as a decrease in equity. Income tax relating to capital transaction costs are recognised in accordance with IAS 12.

As provided for under IAS 32, any treasury shares are recognised as a reduction in equity. Any consideration received from a subsequent sale or reissue of such treasury shares would then recognised as an increase in equity. Gains and losses from trading, if any, are recognised under equity, net of tax effects.

#### **R. Impairment losses on property, plant and equipment and intangible assets**

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

Goodwill, other intangible assets with an indefinite useful life and intangible assets in progress are tested for impairment annually and whenever there is any indication of impairment.

The recoverability of the recognised amounts is tested by comparing the carrying amount with the higher of its fair value less costs to sell, where an active market exists, and the value in use. The value in use is determined based on the present value of the future cash flows expected to be derived from continuing use of an asset or group of assets and from its disposal at the end of its useful life.

The Directors determine the recoverable amount of goodwill by calculating the value in use for the cash generating units to which goodwill is allocated. The Cash Generating Units have been defined as a group of similar assets that generate independent cash inflows through continuing use of the assets attributable to it. In line with the provisions of the relevant accounting standards, and consistent with the organisational and

business structure, the Biesse Group has identified 5 Cash Generating Units (CGUs); for further details, reference should be made to note 15.

Management makes several assumptions in calculating the present value of future cash flows, including estimates of future increases in sales, gross operating profit, operating expense, the growth rate of terminal values, investments, changes in working capital and the weighted average cost of capital (discount rate), taking account of the specific risks of the asset or of the cash generating units. The expected cash flows used in the model are calculated during the Group's budgeting and planning process. They represent the best estimate of the amounts and timing of future cash flows based on the Group's long-term plan, which is updated annually, reviewed by the strategic management and approved by the parent company's Board of Directors while approving the Group's long-term business plan. Expected sales growth is based on management forecasts. The operating expense estimated in the expected cash flows is also determined on the basis of management estimates for the next three years and are supported by the Group's product development and production plans. The amounts of investments and working capital estimated in the expected cash flows are determined on the basis of several factors, including the information necessary to support expected future growth rates and the product development plan. The carrying amount attributed to the cash-generating unit is determined with reference to the consolidated statement of financial position by direct, where applicable, or indirect allocation criteria.

If the recoverable amount of a tangible or intangible asset (including goodwill) is less than the carrying amount, then the latter is reduced and it is adjusted to match the recoverable amount. This reduction reflects an impairment loss, which will be recognised in profit or loss.

Where there are indications that an impairment loss, recorded in previous years and relating to property, plant and equipment or intangible assets other than goodwill, may no longer exist or may have been reduced, then the recoverable amount of the asset is estimated anew. If the revised value is higher than the net carrying amount, the latter will be increased to match the recoverable amount. The reversal of the impairment loss cannot exceed the carrying amount that would have been determined (net of amortisation, depreciation and write-downs) if no impairment had been recognised in previous years.

The reversal of the impairment loss on an asset other than goodwill is recognised in profit or loss.

### 3. Adoption of new accounting standards, amendments and IFRS interpretations

#### a) Accounting standards, amendments and IFRS interpretations applied as of 1 January 2020

The following accounting standards, amendments and interpretations issued by the IASB and endorsed by the European Union have been applied as of 1 January 2020.

- 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 applies to annual reporting periods beginning on or after 1 June 2020, but the Group elected to apply this amendment in advance, as of 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 applies to periods beginning on or after 1 January 2020. 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 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 apply to all business combinations and asset acquisitions after 1 January 2020.

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

**b) Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted in advance by the Group as at 31 December 2020**

Amendments endorsed by the European Union but not yet applicable as at 31 December 2020 are the following:

- In light of the reform of interbank interest rates such as IBOR, on 27 August 2020, the IASB issued **"Interest Rate Benchmark Reform-Phase 2"**, which contains amendments to the following standards:
  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.
 The document was endorsed by the EU on 13 January 2021. All amendments will be effective as of 1 January 2021.

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

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

The amendments issued by the IASB as at 31 December 2020 and not yet endorsed by the European Union are set out below.

- 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 as of 1 January 2023; earlier application is nonetheless permitted.
- 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 directly 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 of 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.

#### 4. OPERATING SEGMENTS

IFRS 8 - Operating segments - defines an operating segment as an entity:

- that engages in business activities generating both revenues and expenses
- whose operating results are reviewed regularly by the chief decision maker, and
- for which discrete financial information is available

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

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

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

€ '000	2020	Wood	Glass & Stone	Tooling	Mechatronics	Components	Eliminations	Group Total
External revenue		406,098	103,519	11,509	50,780	6,882	0	578,789
Intrasegment revenue		5,355	93	664	20,787	8,451	(35,350)	0
<b>Total revenue</b>		<b>411,454</b>	<b>103,612</b>	<b>12,173</b>	<b>71,567</b>	<b>15,333</b>	<b>(35,350)</b>	<b>578,789</b>
<b>Operating profit of segment</b>		<b>5,074</b>	<b>2,773</b>	<b>1,085</b>	<b>9,225</b>	<b>(78)</b>	<b>0</b>	<b>18,079</b>
Unallocated ordinary costs								(11,856)
<b>Operating profit</b>								<b>6,223</b>
Unallocated financial expense								(3,001)
<b>Pre-tax profit</b>								<b>3,222</b>
Income taxes								(767)
<b>Profit for the year</b>								<b>2,455</b>

€ '000	2019	Wood	Glass & Stone	Tooling	Mechatronics	Components	Eliminations	Group Total
External revenue		502,643	129,364	11,965	59,292	2,609	0	705,872
Intrasegment revenue		4,491	0	961	24,677	17,153	(47,283)	0
<b>Total revenue</b>		<b>507,134</b>	<b>129,364</b>	<b>12,926</b>	<b>83,970</b>	<b>19,762</b>	<b>(47,283)</b>	<b>705,872</b>
<b>Operating profit of segment</b>		<b>25,486</b>	<b>3,082</b>	<b>(175)</b>	<b>11,224</b>	<b>(42)</b>	<b>(0)</b>	<b>39,575</b>
Unallocated ordinary costs								(9,932)
<b>Operating profit</b>								<b>29,643</b>
Unallocated financial expense								(6,201)
<b>Pre-tax profit</b>								<b>23,443</b>
Income taxes								(10,441)
<b>Profit for the year</b>								<b>13,002</b>

In 2020, net revenue from sales and services amounted to € 578,789 thousand, compared to € 705,872 thousand as at 31 December 2019, down by 18% compared to the previous year. The Wood Division confirmed its position as the Group's main segment, contributing by 71.1% to consolidated revenue (71.8% in 2019); sales increased from € 507,134 thousand to € 411,454 thousand (down 18.9%). The segment's operating profit decreased from € 25,486 thousand to € 5,074 thousand, due to the decrease in operating leverage (lower sales volumes with a consequent decrease in operating margins), in provisions for risks and in impairment of capitalised development costs. The Glass & Marble segment decreased by 19.9% (€ 103,612 thousand compared to € 129,364 thousand), with an impact on consolidated revenues of 17.9%, down compared to the previous year (18.3%). The segment's operating profit decreased from € 3,082 thousand to € 2,773 thousand (impact on revenue increased from 2.4% to 2.7%). The Mechatronics segment reported, in terms of revenue, a decrease of 14.8% compared to 2019, increasing by 0.5% its contribution to consolidated revenue (12.4% compared to 11.9% at the end of 2019). The segment's operating profit decreased from € 11,224 thousand to € 9,225 thousand (impact on revenue decreased from 13.4% to 12.9%). The Tooling segment recorded a decrease of 5.8% (€ 12,173 thousand compared to € 12,926 thousand at the end of 2019), with an impact on consolidated turnover up by 0.3%. The operating result was positive for € 1,085 thousand (an improvement compared to the figure in 2019, which was negative for € 175 thousand). Finally, the Components segment reported a decrease in turnover compared to 2019 (€ 15,333 thousand compared to € 19,762 thousand), due to the fall in orders in the Wood and Glass & Stone divisions; the operating result was negative for € 78 thousand.

The following table shows an inventory breakdown by operating segment:

€ '000	Wood	Glass & Stone	Tooling	Mechatronics	Components	Group Total
<b>2020</b>	92,428	15,255	2,531	15,548	4,086	<b>129,848</b>
<b>2019</b>	109,293	20,725	2,644	18,609	4,227	<b>155,498</b>

## BREAKDOWN BY GEOGRAPHICAL AREA

### Turnover

	31 December 2020	%	31 December 2019	%
€ '000				
Western Europe	288,765	49.9%	331,171	46.9%
Asia - Pacific	69,251	12.0%	95,892	13.6%
Eastern Europe	94,416	16.3%	96,883	13.7%
North America	109,066	18.8%	151,934	21.5%
Rest of the World	17,292	3.0%	29,992	4.2%
<b>Group Total</b>	<b>578,789</b>	<b>100.0%</b>	<b>705,872</b>	<b>100.0%</b>

The breakdown of sales by geographical area compared to 2019 shows that contraction concerned all geographical areas of reference: the main changes were seen in North America (-28.2%), Asia-Oceania (-27.8%) and the Rest of the World (-42.3%). Western Europe showed a decrease of 12.9%, while Eastern Europe decreased by 2.5%. Western Europe was once again the Group's largest market, generating € 288,765 in turnover, i.e. 49.9% of the total.

## 5. REVENUE FROM SALES AND SERVICES

Revenue from the sale of goods and services provided by the Group as at 31 December 2020 are detailed below:

€ '000	31 December 2020	31 December 2019
Revenues from goods	523,917	644,164
Revenues from services	53,169	60,328
Other revenues	1,704	1,379
<b>Revenues</b>	<b>578,789</b>	<b>705,872</b>

In 2020, revenue from sales and services amounted to € 578,789 thousand, compared € 705,872 thousand in 2019, down by 18.0% over the previous year, which was analysed in note 4 above.

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

## 6. OTHER INCOME

An analysis of the Group's other income as at 31 December 2020 is as follows:



€ '000	31 December	
	2020	2019
Lease and rental income	183	286
Income-related grants	1,222	1,185
Gains on sales of assets	343	51
Other non-recurring income and prior year income	4,018	4,895
<b>Total other operating income</b>	<b>5,767</b>	<b>6,417</b>

The item "Government grants" mainly refers to the Indian subsidiary Biesse Manufacturing to which, in accordance with the provisions of the local law, export contributions on goods manufactured in India are recognised, provided that payment has been received. The item also includes contributions relating to the purchase of personal protection equipment, tax credits on sanitisation and the share of contributions to be received for training courses held internally by some group companies.

"Other income and contingent assets" include the share of the year's income deriving from the R&D tax credit amounting to € 1,863 thousand (€ 1,476 thousand as at 31 December 2019).

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

As at 31 December 2020, this item amounted to € 234,320 thousand, down by 18.4% compared to the previous year (€ 287,038 thousand). This item includes all procurement costs related to production, and primarily consists of € 233,869 thousand for the cost of purchasing raw materials and spare parts, € 8,306 thousand for the cost of purchasing finished products - net of € 10,878 thousand for the recovery of raw material costs - and the negative change of € 5,573 thousand in raw material inventories. For further details the change in this item, reference should be made to the Director's Report on Operations.

## 8. PERSONNEL EXPENSE

In 2020, personnel expense amounted to € 192,623 thousand, down by € 28,953 thousand compared to € 221,576 thousand in the previous year. The item is detailed below:

€ '000	31 December	
	2020	2019
Wages, salaries and social security contributions	188,146	219,309
Accruals to pension plans	8,226	8,164
Other personnel expense	3,760	4,539
Capitalization and recovery of personnel expense	(7,510)	(10,436)
<b>Personnel expense</b>	<b>192,623</b>	<b>221,576</b>

Personnel expense decreased from € 221,576 thousand as at 31 December 2019 to € 192,623 thousand as at 31 December 2020, down by 13.1% compared to the previous year (personnel expense also includes temporary staff).

The change is mainly attributable to wages and salaries (down 14.2% compared to 2019). In response to the crisis triggered by the spread of the COVID-19 epidemic, the Group has implemented all the procedures envisaged by local laws in order to take advantage of the various social safety nets and State subsidies, with the aim of protecting the human capital of Group companies: this allowed to preserve the investments made in human resources during recent years, while maintaining the necessary economic balance, and facing up to this difficult moment. Hence, the Group resorted both to the use of the temporary redundancy fund and to the use

by employees of unused prior years' holiday leave, following the drop in turnover and therefore in work as a consequence of the COVID-19 pandemic.

The number of employees decreased from 4,230 as at 31 December 2019 to 4,024 as at 31 December 2020, i.e. a reduction of 206 in headcount.

The item "Recovery and capitalisation of personnel expense" entirely refers to capitalised costs for the development of new products, mainly attributable to the Parent company.

## 9. AMORTISATION, DEPRECIATION, IMPAIRMENT AND PROVISIONS

€ '000	At 31 December	
	2020	2019
Tangible amortization	19,674	18,980
Intangible amortization	13,710	14,307
Impairment of tangible or intangible assets	7,778	4,769
Provision	7,272	7,901
<b>Amortizations, depreciation and provision</b>	<b>48,434</b>	<b>45,957</b>

The item "Amortisation, depreciation, impairment and provisions" increased from € 45,957 thousand as at 31 December 2019 to € 48,434 thousand as at 31 December 2020, up by € 2,477 thousand compared to the previous year.

The item "Impairment (Reversal of impairment) of property, plant and equipment and intangible assets" as at 31 December 2020 mainly refers to the impairment of certain development projects that were abandoned during the year (€ 5,326 thousand, of which € 1,648 related to projects underway), in line with the Group's strategic guidelines, in terms of technological innovation, which made it necessary to proceed with the impairment of certain development projects related to phase-out products and technological solutions. In addition, there were impairment losses for € 1,205 thousand on property, plant and equipment and, for the remaining amount, impairment losses on certain capitalised costs relating to IT projects and trademarks.

Provisions decreased from € 7,901 thousand in 2019 to € 7,272 thousand in 2020. At the end of December 2020, the balance is mainly related to risks for legal and penal charges for disputes with customers, while at the end of the previous year the amount was mainly related to the corporate restructuring provision for the disposal of the Chinese factory and to some pending disputes concerning the sale of plants.

For further information on allowances for impairment and on the provision for risks and charges, please refer to notes 19 and 26 below, respectively.

## 10. OTHER OPERATING EXPENSE

The item Other operating expense of the Group as at 31 December 2020 is detailed below:

€ '000	At 31 December	
	2020	2019
Production services	20,868	28,361
Maintenance	4,393	5,078
Sales commissions and transport	16,213	20,684
Consultancy fees	6,347	6,615
Utilities	5,137	6,029
Exhibitions and advertising	2,979	10,919
Insurance	1,569	1,736
Directors, statutory auditors and consultants' remuneration	3,643	3,840
Travel	11,601	21,887
Use of third party assets	2,153	2,876
Vehicle costs	4,225	5,327
Property taxes	1,429	1,506
Other services	11,487	13,868
<b>Other operating costs</b>	<b>92,045</b>	<b>128,726</b>

The item Other operating expense decreased by € 36,681 thousand overall compared to 2019 (down 28.5%), mainly due to a reduction in travel expenses and of costs for trade fairs and advertising, as well as to a reduction in production services.

Production services decreased by € 7,493 thousand (down 26.4% compared to the previous year), mainly due to the decrease in outsourced processing and third-party technical services.

Travel expenses decreased by € 10,286 thousand (-47.0%), while sales commissions and transport fees fell by € 4,471 thousand (-21.6%). The decrease in costs for trade fairs and advertising (which fell by € 7,940 thousand, down from € 10,919 thousand to € 2,979 thousand, i.e. a contraction of 72.7%), was due to the cancellation and postponement of most of the promotional events originally planned in 2020, while the savings on travel expenses were due to travel restrictions on account of the health emergency.

The item Costs for the use of third-party assets includes leases pertaining to the year excluded from the application of IFRS 16 because of their short term or low value (€ 2,927 thousand), as further detailed in note 14 below, and other costs for the use of third-party assets (€ 64 thousand).

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

Type of services	Service Provider	Receiver	2020 Fees
Audit and quarterly reviews	Deloitte & Touche Spa	Biesse Spa	115
	Deloitte & Touche Spa	Subsidiaries	92.5
	Network Deloitte	Subsidiaries	151
Other certification services			62
Other services			0
<b>Total</b>			<b>420.5</b>

## 11. FINANCE INCOME AND EXPENSE

The item Finance income is detailed below:

€ '000	At 31 December	
	2020	2019
Bank interest	252	161
Interest from customers	18	7
Interest from others	138	32
Other financial income	670	297
Exchange rate gains	10,543	7,370
<b>Total financial income</b>	<b>11,623</b>	<b>7,867</b>

The item Finance expense is detailed below:

€ '000	At 31 December	
	2020	2019
Bank, mortgage and financing interest	1,384	1,102
Right of Use interest	1,087	1,085
Interest expense to others	67	44
Impairment losses on current financial assets	0	77
Other financial expense	652	679
Exchange rate losses	11,434	11,081
<b>Financial expense</b>	<b>14,624</b>	<b>14,068</b>

The item "Other financial income" includes the capital gain of € 321 thousand realised by the Parent company following the sale in September of part of the equity interest in Hyperlean S.r.l., a minor company not included in the scope of consolidation.

Exchange rate gains and losses include realised and unrealised exchange rate differences, arising both from the conversion into Euro of ordinary transactions and from the adjustment of receivables and payables expressed in foreign currency to the exchange rate at the end of the period.

As at 31 December 2020, the Group had recorded net exchange rate losses of € 891 thousand, of which € 904 thousand came from realised exchange rate losses and € 13 thousand from net unrealised exchange rate gains.

## 12. BASIC AND DILUTED EARNINGS PER SHARE

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

€ '000	At 31 December	
	2020	2019
Profit for the year	2,531	13,027
Weighted average number of shares used to calculate basic and diluted earnings per share	27,393	27,393
<b>Base and diluted profit for the year (in Euro)</b>	<b>0.09</b>	<b>0.48</b>

€ '000	At 31 December	
	2020	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
<b>Weighted average number of outstanding shares – for the calculation of diluted earnings</b>	<b>27,393</b>	<b>27,393</b>

As there were no dilutive effects, the calculation used for Basic EPS is also applicable to Diluted EPS.

Basic EPS as at 31 December 2020 totalled 0.09 Euro and was calculated by dividing the profit attributable to the owners of the parent, amounting to € 2,531 thousand, by the weighted average number of ordinary shares outstanding during the period.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 13. PROPERTY, PLANT AND EQUIPMENT

Historical cost	Land - Property - Right of Use property	Plant and Machinery - Right of Use plant and machinery	Industrial and trade equipment	Other asset - Right of Use Cars, Fixtures, Office equipment	Under construction - Right of Use assets under construction	Total
<b>Value at al 31/12/2018</b>	<b>92,164</b>	<b>75,718</b>	<b>26,409</b>	<b>35,210</b>	<b>3,437</b>	<b>232,937</b>
Value at 01/01/2019 - Increase FTA IFRS 16	18,957	80		4,487		23,524
Increases	17,273	8,195	2,068	4,593	6,344	38,472
Disposals	(452)	(2,169)	(929)	(1,078)	(215)	(4,843)
Exchange diff., reclassification and other changes	602	144	23	26	(6,836)	(6,040)
<b>Value at 31/12/2019</b>	<b>128,544</b>	<b>81,969</b>	<b>27,571</b>	<b>43,237</b>	<b>2,730</b>	<b>284,051</b>
Increases	2,657	1,524	1,743	2,112	1,432	9,467
Disposals	(1,446)	(820)	(277)	(1,992)		(4,535)
Impairment	(610)				(73)	(684)
Reclassification		2,604	22		(2,626)	-
Exchange diff., reclassification and other changes	(2,349)	(3,949)	(359)	(2,401)	(157)	(9,215)
<b>Value at 31/12/2020</b>	<b>126,795</b>	<b>81,327</b>	<b>28,700</b>	<b>40,956</b>	<b>1,305</b>	<b>279,083</b>
<b>Depreciation Funds</b>						
<b>Value at al 31/12/2018</b>	<b>30,495</b>	<b>51,549</b>	<b>21,833</b>	<b>26,286</b>	<b>-</b>	<b>130,163</b>
Amortisation of the period	7,043	3,929	2,295	5,713	-	18,980
Chiusura fondi per cessioni	(451)	(2,158)	(929)	(1,068)	-	(4,606)
Impairment	-	-	1	4	-	5
Exchange diff., reclassification and other changes	527	13	(135)	(609)	-	(205)
<b>Value at 31/12/2019</b>	<b>37,614</b>	<b>53,332</b>	<b>23,066</b>	<b>30,326</b>	<b>-</b>	<b>144,337</b>
Amortisation of the period	7,228	4,491	2,231	5,724	-	19,673
Closing of funds for disposals	(1,384)	(337)	(180)	(1,896)	-	(3,797)
Impairment	511	11	-			522
Exchange diff., reclassification and other changes	(387)	(3,342)	(368)	(2,686)	-	(6,783)
<b>Value at al 31/12/2020</b>	<b>43,581</b>	<b>54,152</b>	<b>24,749</b>	<b>31,468</b>	<b>-</b>	<b>153,952</b>
<b>Net book Value</b>						
Value at 31/12/2019	90,930	28,637	4,505	12,910	2,729	139,712
Value at al 31/12/2020	83,214	27,174	3,950	9,487	1,305	125,131

Since 1 January 2019, property, plant and equipment includes, in addition to owned assets, the so-called Right-of-use assets, introduced by IFRS 16.

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 as a result of the global pandemic, also had an impact on new projects, forcing a postponement of those considered non-strategic, as well as of those not strictly essential to the business.

New investments amounted to € 9,467 thousand; they include increases relating to leased assets and refer to the routine replacement of work tools, necessary for ordinary production activities, with respect to both owned and leased assets.

During the year, impairment losses were recorded, amounting to € 1,205 thousand (€ 610 thousand for land, € 511 thousand for buildings, € 11 thousand for plant and € 73 thousand for assets under construction).

For further information on Right-of-use assets, please refer to note 14 below.

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

### 14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

€ 000's	At 31 December	
	2020	2019
<b>Non current asset</b>		
Right of Use Land and Property	22,437	25,891
Right of Use Vehicles (included in other assets)	3,953	7,526
Right of Use Equipment	4,902	2,449
<b>Total</b>	<b>31,292</b>	<b>35,866</b>
<b>Non current liabilities</b>		
Non current lease liabilities	23,526	27,043
<b>Current Liabilities</b>		
Current lease liabilities	6,746	7,415
<b>Total</b>	<b>30,272</b>	<b>34,458</b>

As at 31 December 2020, right-of-use assets recorded a net decrease of € 4,574 thousand. Increases for the year amounted to € 4,725 thousand.

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

€ 000's	At 31 December	
	2020	2019
<b>Depreciation of Right of Use :</b>		
Right of Use - Property	4,453	4,833
Right of Use - Vehicles	3,521	3,448
Right of Use - Equipment	660	306
<b>Total</b>	<b>8,634</b>	<b>8,586</b>

€ 000's	At 31 December	
	2020	2019
<b>Other items in Profit &amp; Loss</b>		
Interest expense	1,087	1,085
Expense for short term leasing	1,840	2,646
Expense for low value leasing	248	187

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

During 2020, the outflows for payments connected to leases totalled € 11,775 thousand, of which € 8,600 thousand for the repayment of lease payables and the residual amount of € 3,175 thousand for interest payments made on these payables and on short-term or low-value leases.

The breakdown of lease payables by expiry is set out in note 23 below.

## 15. GOODWILL

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

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

Please note that the contract for the purchase of the company Movetro S.r.l. provides for a put/call option on non-controlling interests. Consideration has been given to the possibility that the previous owner 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 the reporting date). The consolidation difference generated by this has been allocated to goodwill in the Glass segment.

The following table shows the allocation of goodwill to the Group's different CGUs:

€ 000's	At 31 December	
	2020	2019
Wood	8,484	8,476
Glass & Stone	5,447	5,535
Mechatronics	5,599	5,599
Tooling	3,940	3,940
Total	23,471	23,550

Compared to the end of the previous year, goodwill increased by around € 79 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.

Operating cash flows for future financial years were estimated with reference to the 2021-2025 business plan (hereinafter referred to as the "Plan") approved by the Board of Directors on 15 March 2021, along with the goodwill impairment test procedure. This plan was drawn up in keeping with the methodology adopted during the year for the approval of the 2020 interim report, updated to take into account the most recent information acquired from the market, as well as the 2021 budget approved by the Directors on 29 January 2021. Specifically, even though the current scenario is still 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), and taking into account the potential recovery of the business cycle forecast by leading international institutions, the Directors have concluded that Biesse should be able to more than recover from the negative market trend recorded in 2020.

In any case, given the current context marked by limited visibility, the Group decided to take a conservative approach. Indeed, under a conservative simulation, it would take 5 years for the Group's performance to return to pre-COVID levels.

The recoverable amount of the Cash Generating Unit was verified by determining its value in use, taken as the present value of future cash flows generated by the CGU, and calculated in accordance with the discounted cash flow method.



### Assumptions underlying 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:

	31 December	
	2020	2019
WACC	7.5 %	8.0 %
CAGR forecast revenue	4.1 %	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 ( $\beta$ ) considered was that of Biesse (compared to that of comparable businesses in the machinery sector – Euro Area);
- as for the market risk premium (MRP), it was assumed to be 5.5%;
- 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 2%, 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

Operating cash flows used to test for impairment in 2020 were based on the business plan for the 2021-2025 five-year period, as approved by Biesse S.p.A. Board of Directors on 15 March 2021, in keeping with the methodology and conservative criteria outlined above. The expected future cash flows refer to the CGU in its current condition and exclude the estimates of future cash flows that may arise from future restructuring plans or other structural changes.

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

	31 December	
	2020	2019
Average incidence of the cost of sales on plan revenue	41.6 %	40.9 %
Average incidence of personnel expense on plan revenue	33.4 %	32.6 %
Average incidence of fixed operating costs on plan revenue	15.4 %	15.8 %

### Impairment test results

Consolidated figures in thousands of € (BIESSE GROUP – ALL DIVISIONS)	31 December 2020
CGU carrying amount (CA)	165,763
CGU recoverable amount (RA)	404,626
Impairment	-
Consolidated figures in thousands of € (WOOD DIVISION)	31 December 2020
CGU carrying amount (CA)	87,648
CGU recoverable amount (RA)	329,226
Impairment	-
Consolidated figures in thousands of € (GLASS DIVISION)	31 December 2020
CGU carrying amount (CA)	16,751

CGU recoverable amount (RA)	30,748
Impairment	-

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<i>Consolidated figures in thousands of € (MECHATRONICS DIVISION)</i>	<b>31 December 2020</b>
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CGU carrying amount (CA)	31,574
CGU recoverable amount (RA)	141,239
Impairment	-

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<i>Consolidated figures in thousands of € (TOOLING DIVISION)</i>	<b>31 December 2020</b>
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CGU carrying amount (CA)	7,650
CGU recoverable amount (RA)	11,476
Impairment	-

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The above test results did not show the need to impair the Goodwill recorded in the consolidated financial statements as at 31 December 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 year ended 31 December 2020, the cost of capital (WACC) should increase by 7.1%. Furthermore, the growth rate of “as is” cash flows, as evidenced in the final value, should be negative and equal to -12.8%, while terminal value EBITDA should be lower than the “as is” plan by more than € 28.6 million.

As regards the breakeven point of the individual CGUs, please see the following table:

	Wood	Glass	Mechatronics	Tooling
WACC	14.00%	3.23%	17.14%	2.68%
Growth rate	-64.20%	-5.01%	-164.95%	-4.18%
Terminal value EBITDA	-28,901	-1,675	-13,120	-458

### **Sensitivity analysis**

A sensitivity analysis of the results was also carried out for the CGU in question: with the exception of the Glass & Stone and Tooling Divisions, 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)	87,648	16,751	31,574	7,650
	CGU (RA)	302,358	27,650	129,684	10,523
Growth rate -0.5%	CGU (CA)	87,648	16,751	31,574	8,115
	CGU (RA)	308,906	28,382	132,496	10,759
CAGR -50%	CGU (CA)	87,648	16,751	31,574	8,115
	CGU (RA)	196,755	1,328	94,373	3,191

Finally, it should be noted that the plan estimates and figures to which the aforementioned parameters were applied are calculated by the Group's management on the basis of past experience and expectations about the

trend in the markets in which the Group operates. Therefore, the management makes judgements and assumptions in calculating the recoverable amount of the cash-generating unit. The Group cannot guarantee that goodwill will not become impaired in future periods. Indeed, various factors relating also to the evolution of the current challenging market conditions, impacted by the ongoing COVID-19 pandemic, could result in adjustments to goodwill. The Group continues to monitor the circumstances and events that could require further impairment testing.

## 16. INTANGIBLE ASSETS

	Development costs	Patents, brands and other intangible assets	Asset under construction and advances	Total
<b>Historical cost</b>				
<b>Value at al 31/12/2018</b>	<b>81,800</b>	<b>51,573</b>	<b>18,974</b>	<b>152,347</b>
Increases	507	3,328	14,413	18,248
Reversal per Impairment	(5,646)	(3,660)	(937)	(10,243)
Exchange diff., reclassification and other changes	8,322	4,682	(13,365)	(361)
<b>Value at 31/12/2019</b>	<b>84,985</b>	<b>55,923</b>	<b>19,085</b>	<b>159,991</b>
Increases	13	2,001	8,642	10,656
Disposals and write-offs fully amortized	(2,498)	(481)		(2,979)
Devaluation and reversal per impairment	(8,255)	(4,015)	(1,649)	(13,918)
Reclassification	10,671	2,091	(12,762)	-
Exchange diff., reclassification and other changes	(255)	(175)		(430)
<b>Value at al 31/12/2020</b>	<b>84,661</b>	<b>55,344</b>	<b>13,316</b>	<b>153,320</b>
<b>Depreciation Funds</b>				
<b>Value at 31/12/2018</b>	<b>62,260</b>	<b>29,388</b>		<b>91,649</b>
Amortisation of the period	9,191	5,116		14,307
Reversal per impairment	(3,339)	(2,134)		(5,473)
Exchange diff., reclassification and other changes	(267)	98		(167)
<b>Value at 31/12/2019</b>	<b>67,845</b>	<b>32,468</b>		<b>100,314</b>
Amortisation of the period	8,500	5,211		13,710
Closing of funds for disposals and fully amortized	(2,498)	(152)		(2,650)
Devaluation and reversal per impairment	(4,577)	(2,768)		(7,345)
Exchange diff., reclassification and other changes	(289)	(303)		(592)
<b>Value at al 31/12/2020</b>	<b>68,981</b>	<b>34,456</b>		<b>103,436</b>
<b>Net book Value</b>				
Value at 31/12/2019	17,139	23,454	19,085	59,678
<b>Value at al 31/12/2020</b>	<b>15,680</b>	<b>20,888</b>	<b>13,316</b>	<b>49,884</b>
Devaluation 2019	(2,307)	(1,526)	(937)	(4,770)
<b>DEVALUATION 2020</b>	<b>(3,678)</b>	<b>(1,247)</b>	<b>(1,649)</b>	<b>(6,573)</b>

As at 31 December 2020, the consolidated financial statements include assets that represent new product development costs of € 15.6 million, patents, trademarks and other intangible assets of € 20.8 million, and assets under construction and advances of € 13.3 million, consisting mainly of costs for the current development of products.

Capitalising development costs involves the Directors making estimates, since the recoverability of these costs depends on cash flows from the sale of products marketed by the Biesse Group.

These estimates are characterised both by a complexity of assumptions underlying the revenue and future margin projections, and by strategic industrial choices made by the Directors.

As already highlighted, from the verification of cash flows expected from the sale of products, which incorporate development projects covered by capitalisation, as at 31 December 2020 it was necessary to proceed with an impairment of costs relating to development projects, both to those which are being amortised and to current ones, which were previously capitalised for € 5,326 thousand, since they are considered as no longer recoverable and/or strategic, and with an impairment of licences that are no longer used and trademarks for € 1,247 thousand.

Intangible assets are unencumbered.

## 17. OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

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

€ 000's	At 31 December	
	2020	2019
Other financial assets - non-current	3,277	2,640
Other financial assets - current	28,107	2,653

Non-current financial assets mainly relate to guarantee deposits paid by various Group companies and also include receivables from the tax authorities claimed by the Parent company for € 1,165 thousand, up compared to the previous period by around € 600 thousand following recognition of the tax credit on investments (former hyper-/super-amortisation) which in the previous years was used to calculate taxes through tax recoveries.

Current financial assets relate to the fair value of derivatives for € 1,108 thousand (€ 429 thousand as at 31 December 2019) and other financial assets held by the Parent company for € 27 million (€ 2,224 thousand as at 31 December 2019, consisting of the life insurance policy taken out by the Parent Company in 2019 with the company Generali Spa).

During 2020 the Parent company opened five savings accounts with Intesa Sanpaolo for a total value of € 20,000 thousand, in addition the life policy taken out in 2019 with Generali S.p.A. was increased for € 1,000 thousand and a new life policy was taken out with AXA S.p.A. for € 4,000 thousand. These operations were carried out with the aim of using cash surpluses in temporary liquidity investments that can be quickly converted for short-term financial needs. Furthermore, during 2020 the RAS life policy was redeemed for € 223 thousand.

## 18. INVENTORIES

€ 000's	At 31 December	
	2020	2019
Raw materials, consumables and suppliers	42,795	47,634
Work in progress and semi-finished goods	19,163	21,818
Finished goods	51,614	67,219
Spare parts	16,276	18,828
<b>Inventories</b>	<b>129,848</b>	<b>155,498</b>

Inventories, amounting to € 129,848 thousand, are net of the allowances for inventory write-downs, amounting to € 3,752 thousand for raw materials (up € 635 thousand compared to 2019), € 4,932 thousand for spare parts (up € 1,957 thousand compared to 2019) and € 5,503 thousand for finished goods (up € 1,663 thousand compared to 2019).

As a percentage of the historical cost of the relevant inventories, the allowance for inventory write-downs of raw materials accounts for 8.1% while the allowance for finished goods accounts for 9.6%.

The Group's inventories decreased by € 25,650 thousand compared to the previous year. Specifically, raw material inventories decreased by € 4,839 thousand while finished products and goods inventories decreased by € 15,605 thousand.

The allowance for inventory write-downs reflects management's estimate of impairment losses expected by the Group and is calculated on the basis of past experience as well as historical and expected trends in the market for second-hand equipment and spare parts.

## 19. TRADE RECEIVABLES

The Group's trade receivables as at 31 December 2020 and 31 December 2019 are detailed below:

€ 000's	At 31 December	
	2020	2019
Trade receivables due from third parties	109,190	122,895
Trade receivables due from related parties	12	17
Allowance for impairment	(6,327)	(5,939)
<b>Trade receivables</b>	<b>102,875</b>	<b>116,973</b>

Management believes that the carrying amount of trade receivables is a reasonable approximation of their fair value.

Trade receivables amounting to € 102,875 thousand reflect a decrease of € 14,098 thousand as compared to the previous year (€116,973 thousand in 2019).

The decrease in trade receivables from third parties is mainly attributable to the decrease in turnover due to the COVID-19 pandemic. There are no particular critical issues in terms of days sales outstanding, impaired positions or deterioration of credit quality.

Changes in the allowances for impairment are shown below:

€ 000's	At 31 December	
	2020	2019
<b>Opening balance 1 Jan 2020</b>	5,939	6,415
Accrual for the year	508	459
Derecognition of excess provisions	(9)	(122)
Utilised	(0)	(833)
Exchange rate difference	(111)	20
<b>Closing balance 31 Dec 2020</b>	<b>6,327</b>	<b>5,939</b>

Provisions to the allowance for impairment are made on the grounds of both an assessment of specific credit positions where specific disputes exist (and are generally supported by an accompanying legal opinion) and of general assessments based on historical experience for the other credit positions, also taking into account forward-looking considerations (including the uncertainties generated by the COVID-19 emergency, the evolution and impacts of which are continuously evolving).

The amount of the provisions is calculated on the basis of the present value of estimated recoverable amounts, accounting for the related recovery expenses, if any, and the fair value of the collateral given to the Group, if any.

In any case, the Directors monitor overdue receivables by conducting a periodic analysis of the main positions; receivables that are objectively non-collectable, either partially or totally, are impaired.

For further details on credit management, please see note 30. For an analysis of trade receivables from related parties, please see note 32.

## 20. OTHER RECEIVABLES

A breakdown of other current receivables as at 31 December 2020 is as follows:

€ 000's	At 31 December	
	2020	2019
Consumption tax receivables and other tax receivables	7,012	11,600
Income tax assets	3,764	5,959
Other receivables from related parties	(0)	977
Other receivables from third parties	3,996	4,354
<b>Other receivables</b>	<b>14,773</b>	<b>22,890</b>

Consumption tax receivables and other tax receivables of € 7,012 thousand decreased by € 4,588 thousand compared to the previous year. This item includes VAT receivables and other receivables from tax authorities, such as the 2020 tax credits for R&D activities and the tax credit on investments (the former super-/hyper-amortisation) claimed by the Parent company and the Italian companies.

"Income tax receivables" mainly include IRES tax receivables and decreased by approximately € 2.1 million compared to the previous year.

The item "Other receivables from parents" referred to IRES DL 201/2011 reimbursement requests made by the parent Bi.Fin. Srl following the tax consolidation for the 2005-2007 three-year period, during which it was the consolidating entity; the reimbursement was received during the year.

The Parent company Biesse S.p.A. participates in the Biesse Group national tax consolidation scheme, along with its subsidiaries Bre.Ma. Brenna Macchine S.r.l., Viet Italia S.r.l., HSD S.p.A., Uniteam S.p.A., Montresor S.r.l., Movetro S.r.l., BSoft S.r.l. In this context, pursuant to articles 117 et seq. of Presidential Decree 917/86, the IRES tax has been determined at an aggregated level by offsetting the positive and negative taxable amounts of the above-mentioned companies. The financial relationships and the mutual responsibilities and obligations between the companies are defined in the regulation governing participation in the Biesse Group's tax consolidation scheme.

The item "Other receivables from third parties" includes deferrals on costs pertaining to subsequent years and sundry receivables, and remained substantially stable compared to the previous year.

Receivables from the parent were repaid in full during the year. With regard to receivables from related parties, please refer to note 31 below.

## 21. CASH AND CASH EQUIVALENTS

€ 000's	At 31 December	
	2020	2019
Bank deposit	162,137	84,570
Cash and cash equivalents	1,288	1,491
<b>Cash and cash equivalents</b>	<b>163,425</b>	<b>86,061</b>

Cash and cash equivalents include bank deposits of € 162,137 thousand and cash or cash equivalents on hand of € 1,288 thousand, with an overall increase over the previous year of €77,364.

For further details regarding the movements that have influenced the availability of cash and cash equivalents, please refer to the Group's Statement of Cash Flows. Furthermore, please refer to note 23 for additional details on the net financial position.

For the purposes of preparing the Statement of Cash Flows, transactions of a financial and investment nature that have been carried out without changes in cash flows were not included. In particular, increases in right-of-

use assets and related lease liabilities (€ 4,725 thousand) were not included in the statement as at 31 December 2020.

No term deposits exist as at the reporting date.

## 22. CONSOLIDATED EQUITY

The statement of changes in consolidated equity as at 31 December 2020 is shown in the accounting schedules section.

Share capital of € 27,393 thousand was unchanged from the previous financial year, and the number of the Parent company's ordinary shares was 27,393,042, with a nominal value of € 1 each.

As at the date on which these financial statements were approved, there were no treasury shares held.

### Hedging and translation reserve

The item wholly consists of the translation reserve, which includes all the exchange rate gains (losses) arising from the conversion of the financial statements in foreign currency, for the part relating to the group, and was negative for € 12,293 thousand as at 31 December 2020, with a marked increase compared to the prior year (€ 6,141 thousand in 2019). The significant change in this reserve is attributable to fluctuations in exchange rates relating in particular to the US dollar, the Indian rupee and the Turkish lira.

The "Translation reserve" also includes the exchange rate gains (losses) arising from the consolidation in the Parent company's separate financial statements of the financial statements of the Dubai branch (loss of € 8 thousand).

### Share capital reserves

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

### Other reserves

Other reserves are as follows:

€ 000's	At 31 December	
	2020	2019
Legal reserve	5,479	5,479
Extraordinary reserve	119,465	115,323
Reserve for treasury shares	(5,146)	(4,982)
Retained earnings and other reserves	40,393	31,516
<b>Other reserves</b>	<b>160,190</b>	<b>147,335</b>

The legal reserve includes the Parent company's earnings provision of 5% for each financial year. During this financial year the reserve was not increased, as it had already reached 20% of the total value of the share capital (€ 5,479 thousand).

The extraordinary reserve, amounting to € 119,465 thousand as at 31 December 2020, increased by € 4,142 thousand compared to the previous year due to the allocation of the Parent company's 2019 profit, amounting to € 4,063 thousand, and to the reclassification to this item of the Reserve for exchange rate gains, amounting to € 79 thousand.

The reserve for actuarial gains/losses, negative for € 5,146 thousand, is shown net of the tax effect of € 1,881 thousand.

Retained earnings and other reserves totalling € 40,393 thousand (€ 31,516 thousand in 2019) increased by € 8,877 thousand. The item other reserves consists of consolidated undistributed profits and other Parent company's reserves.

For an analysis of the changes in these reserves, please refer to the Statement of changes in equity.

## Non-controlling interests

Non-controlling interests amounted to € 790 thousand as at 31 December 2020 (€ 858 thousand as at 31 December 2019).

## 23. FINANCIAL LIABILITIES

The following table shows a breakdown of current and non-current financial liabilities as at 31 December 2020 and 31 December 2019.

€ 000's	At 31 December	
	2020	2019
<b>Non-current liabilities</b>		
Lease liabilities	23,526	27,043
Other non current financial debt	42,954	26,006
	<b>66,480</b>	<b>53,049</b>
<b>Current liabilities</b>		
Lease liabilities	6,746	7,415
Payables to bank and financial institutions	63,753	43,816
Other financial liabilities	4,040	2,295
Derivatives	971	748
	<b>75,509</b>	<b>54,274</b>
<b>Financial liabilities</b>	<b>141,989</b>	<b>107,323</b>

### Lease liabilities

The breakdown of lease payables by expiry is set out below:

€ 000's	At 31 December	
	2020	2019
<b>Leasing Liabilities:</b>		
- due within a year	7,161	9,033
- due over one year, but within five years	16,103	18,553
- due over five year	10,649	12,226
<b>Total</b>	<b>33,914</b>	<b>39,812</b>
After deduction of charges for future financial charges	(3,642)	(5,354)
<b>Present Value of lease liabilities</b>	<b>30,272</b>	<b>34,458</b>
whose:		
Current	6,746	7,415
Non current	23,526	27,043

Payables relating to right-of-use assets include liabilities due to related parties of € 27 thousand (of which € 12 thousand in the short term) and due to parents for € 1,236 thousand (of which € 131 thousand in the short term).

For further information on Lease liabilities, please refer to note 14 below.

### Bank overdrafts and other financial liabilities

For 2020, the average interest rate on loans was 0.659%.

As at 31 December 2020, granted but unused credit lines in Italy amounted to € 268.4 million. Of these only € 105 million is used in non-mortgage technical forms with a duration of over 12 months.

As at 31 December 2020 the Group, in compliance with the Treasury Policy in force, invested € 27 million of its liquidity in various instruments with a high prudence profile issued by counterparties with a high credit standing. These instruments have no time restrictions whatsoever and are therefore liquid and collectable.



There are no covenants on outstanding loans.

#### Derivatives

Liabilities consisting of derivative instruments are equal to the fair value of foreign currency hedging transactions ("forward" contracts) in place as at 31 December 2020, amounting to € 971 thousand. The Group has chosen not to adopt hedge accounting policies for recognising this type of instrument.

#### Net financial debt

Shown below is a breakdown of net financial debt as at 31 December 2020 and 31 December 2019. Please note that net financial debt is presented in accordance with the provisions set out by Consob Communication no. 6064293 of 28 July 2006 as well as with ESMA/2013/319 recommendations.

€ 000's	At 31 December	
	2020	2019
Cash	(1,288)	(1,491)
Cash and cash equivalents	(162,137)	(84,570)
<b>Cash and cash equivalents</b>	<b>(163,425)</b>	<b>(86,061)</b>
<b>Financial Assets (including derivative financial instruments)</b>	<b>(28,107)</b>	<b>(2,653)</b>
Short-term lease liabilities	6,746	7,415
Current bank debts	687	688
Short-term loans and current portion of non-current indebtedness	63,066	43,129
Other current financial liabilities	5,011	3,043
<b>(Current financial indebtedness)</b>	<b>75,509</b>	<b>54,274</b>
<b>(Net current financial indebtedness) / availability</b>	<b>(116,023)</b>	<b>(34,440)</b>
Medium/long-term lease liabilities	23,526	27,043
Medium and long term bank debts	42,954	26,006
<b>(Non-current financial indebtedness)</b>	<b>66,480</b>	<b>53,049</b>
<b>(Net financial indebtedness) / cash and cash equivalents</b>	<b>(49,543)</b>	<b>18,609</b>

Medium/long-term debt as a percentage of total debt decreased from 49.4% to 46.8%.

For further details, reference should be made to note 30 below, to the comments in the report on operations concerning the trend in net financial debt, and to the analysis in the cash flow statement.

#### Reconciliation of cash flows

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

€ 000's	31/12/2019	Cash flow	No cash movements		31/12/2020
			New leasing	Other movements	
Bank loans and borrowings	688	2		(3)	687
Loans and derivatives	72,177	39,424		(571)	111,030
Leasing	34,458	(8,600)	4,725	(310)	30,272
<b>Total</b>	<b>107,323</b>	<b>30,825</b>	<b>4,725</b>	<b>(884)</b>	<b>141,989</b>

## 24. EMPLOYEE BENEFITS

#### Defined-contribution plans

As a result of the Supplementary Pension Reform, the amounts accruing from 1 January 2007 – and at the discretion of employees – are allocated to supplementary pension schemes or transferred by the company to the treasury fund managed by INPS (the Italian National Social Security Institution), taking the form of defined-contribution plans (no longer subject to actuarial measurement), starting from when the employee's choice has been formalised. These costs are in addition to those incurred by foreign subsidiaries for defined-contribution plans. The total cost of these employee plans amounts to € 7,798 thousand (€ 7,823 thousand in the previous year).

### Defined-benefit plans

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

€ 000's	At 31 December	
	2020	2019
Defined benefit plans	13,028	13,259
Activities serving the plan	(253)	(227)
<b>Other reserves</b>	<b>12,775</b>	<b>13,032</b>

Changes in defined-benefit plans are as follows:

€ 000's	At 31 December	
	2020	2019
<b>Opening balance at 1 January</b>	<b>13,259</b>	<b>13,061</b>
Current services	428	474
Financial (expenses)/revenues	13	(29)
Benefits paid out	(809)	(906)
Actuarial gain/(losses)	214	624
Exchange differences and other movements	(77)	35
<b>Closing balance at 31 December</b>	<b>13,028</b>	<b>13,259</b>

Changes in defined-benefit plan assets are as follows:

€ 000's	At 31 December	
	2020	2019
<b>Opening balance at 1 January</b>	<b>227</b>	<b>174</b>
Increases	61	61
Financial revenues	13	12
Benefits paid out	(22)	(17)
Exchange differences and other movements	(27)	(2)
<b>Closing balance at 31 December</b>	<b>252</b>	<b>227</b>

The severance indemnity provision of Italian companies accounts for approximately 90% of defined benefit plans. The assumptions used for measuring severance indemnity obligations are as follows:

Economic assumptions	31 December	
	2020	2019

Annual rate of inflation	0.80%	1.20%
Annual discount rate	from -0.38% in 2021 to 0.31% in 2035	from -0.23% in 2020 to 0.83% in 2034

Demographic assumptions	31 December	
	2020	2019
Death	RG48 mortality tables published by the Government General Accounting Office	
Disability	INPS tables broken down by age and sex	
Retirement	100% upon reaching the AGO requirements	
Probability of early retirement	3%	3%
Turnover	4%	4%

The effects of the remeasurement of defined-benefit plans were negative to the tune of € 164 thousand as at 31 December 2020; the impact of taxes calculated on them amounted to € 49 thousand.

#### Average number of employees

The average headcount in 2020 was 4,065 (4,279 in 2019).

## 25. INCOME TAXES

### Income taxes recognised in profit or loss

€ 000's	At 31 December	
	2020	2019
IRES and other deferred taxes	(2,385)	3,952
Income tax related to foreign subsidiaries	3,625	4,660
Other taxes	(24)	(26)
<b>IRES and other taxes for the year</b>	<b>1,216</b>	<b>8,587</b>
IRAP and other current taxes	(173)	1,405
Income taxes relating to previous years	(276)	449
<b>Income taxes</b>	<b>767</b>	<b>10,441</b>

IRES and other deferred taxes, positive to the tune of € 2,385 thousand overall (negative to the tune of € 3,952 thousand in 2019), mainly referred to the IRES tax expense for the period (determined by the national tax consolidation scheme), the recognition of deferred taxes and the use of deferred taxes set aside in previous years.

The balance of tax items was negative to the tune of € 767 thousand. This is attributable to the following items: IRES (Italian corporate income tax) and other deferred taxes positive for € 2,385 thousand and IRAP (Italian regional business tax) positive for € 173 thousand; provisions for income taxes relating to foreign subsidiaries (€ 3,625 thousand) and previous-year taxes, positive for € 276 thousand.

The provision for taxes of the year can be reconciled with the profit or loss for the year shown in the financial statements as follows:

€ 000's	At 31 December		At 31 December	
	2020		2019	
<b>Pre-tax profit</b>	<b>3,222</b>		<b>23,443</b>	
National income tax rate 24%	(773)	24.00%	(5,626)	24.0%
Tax effect of non-deductible expense/exempt profit in determining income	664	(20.62)%	(81)	0.34%
Detection and utilisation of losses not previously recognised	432	(13.40)%	270	(1.15)%
Tax effect on losses unrecognised	(948)	29.41%	(3,275)	13.97%
Deferred Tax Asset effect unrecognised on previous year	(512)	15.90%	(77)	0.33%
Effect of the different tax rates relating to subsidiaries operating under other jurisdictions	(83)	2.56%	(168)	0.72%
Other differences	4	(0.13)%	370	(1.58)%
<b>Income taxes for the year and effective tax rate</b>	<b>(1,216)</b>	<b>37.7%</b>	<b>(8,587)</b>	<b>36.6%</b>
IRAP and other current taxes	173	5.36%	(1,405)	5.99%
Income taxes relating to previous years	276	8.57%	(449)	1.92%
<b>Income taxes for the year and effective tax rate</b>	<b>(767)</b>	<b>23.8%</b>	<b>(10,441)</b>	<b>44.5%</b>

The significant tax-rate decrease is mainly due to two combined factors: (i) for IRAP purposes, the recognition of higher deferred tax assets in addition to the benefits provided for by the "Decreto Rilancio" (Decree Law No. 34 of 19 May 2020); (ii) the benefit recognised following the closure of an international procedure that resulted in the recovery of taxes paid in previous years.

### Deferred tax assets/liabilities

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

€ 000's	At 31 December	
	2020	2019
<b>Accrual to provisions for risks and charges</b>	<b>7,004</b>	<b>3,845</b>
<b>Intercompany profits included in the amount of closing inventories</b>	<b>3,721</b>	<b>3,981</b>
<b>Recoverable tax losses</b>	<b>1,437</b>	<b>1,780</b>
<b>Other</b>	<b>5,337</b>	<b>3,729</b>
<b>Deferred tax assets</b>	<b>17,499</b>	<b>13,334</b>
<b>Amortisation</b>	<b>2,668</b>	<b>2,068</b>
<b>Other</b>	<b>324</b>	<b>808</b>
<b>Deferred tax liabilities</b>	<b>2,992</b>	<b>2,876</b>
<b>Net deferred tax assets</b>	<b>14,508</b>	<b>10,458</b>

As at 31 December 2020, the Group recorded deferred tax assets and liabilities with a net positive balance of € 14,508 thousand (€ 10,458 thousand in 2019). Management recognised such deferred tax assets to the extent they are likely to be recovered. The calculation of the various items took into consideration budget results and forecasts for the subsequent years consistent with those used for the purposes of impairment testing, approved by the Board of Directors of the parent company on 15 March 2021, and described in the above paragraph concerning the recoverable amount of non-current assets. It should be noted that during the year deferred tax assets of € 49 thousand were recognised directly in equity, following the change in the actuarial reserve pursuant to IAS 19.

Deferred tax assets on past year losses not recognised in the financial statements as at 31 December 2020 were approximately € 10 million.

### Income tax payables

Income tax payables amounted to € 4,041 thousand (€ 6,786 thousand as at 31 December 2019) and include income tax payables still to be paid as at the reporting date.

## 26. PROVISIONS FOR RISKS AND CHARGES

€ '000	Guarantees	Retirement of agents	Restructuring	Legal disputes and Others	Total
Value at 31/12/2019	7,055	1,029	3,725	5,379	17,188
Provision	(1,558)	569	(537)	8,295	6,770
Utilised	(47)	(254)	(2,358)	(1,054)	(3,713)
Exchange rate and other differences	(145)	-	(35)	(77)	(258)
Value at 31/12/2020	5,305	1,345	794	12,544	19,988
				current	19,666
				non current	322

The product warranty provision represents the best estimate made by the Parent company's Directors with respect to the obligations deriving from the warranty on products sold by the Group. The provision derives from estimates based on past experience and on the analysis of the level of reliability of the marketed products.

The provisions for agents' retirement benefits refers to the liabilities related to existing agency agreements.

The balance of provisions for corporate restructuring mainly refers to the aforementioned review of the Group's strategy in China, in respect to which charges relating to redundant staff and the relocation of the Biesse Trading Shanghai sales subsidiary remain to be incurred.

The increase in the provision for legal disputes is due to the increase in provisions for legal and criminal risks and for disputes with customers. These provisions represent the Directors' best estimate with respect to the probable liability that could arise from outstanding disputes.

## 27. TRADE PAYABLES

The Group's trade payables as at 31 December 2020 and 31 December 2019 are detailed below:

€ 000's	At 31 December	
	2020	2019
Trade payables to suppliers	131,245	131,184
Trade payables to related parties	1,542	1,471
Trade payables to parent company	2	18
<b>Trade payables</b>	<b>132,790</b>	<b>132,673</b>

Trade payables amounted to € 132,790 thousand (€132,673 thousand in the previous year), up by € 117 thousand due to the slowdown in production. It should be noted that trade payables are due within the next year and it is believed that their carrying amount at the reporting date is a reasonable approximation of their fair value.

For an analysis of trade payables to related parties and the parent, please see note 32.

## 28. CONTRACT LIABILITIES

Contract liabilities amounted to € 72,189 thousand as at 31 December 2020 (€ 67,536 thousand as at 31 December 2019) and are made up as follows:

€ 000's	At 31 December	
	2020	2019
Advances from customers before the sale of goods	59,040	53,434
Net customer advances for services	13,149	14,102
<b>Contract liabilities</b>	<b>72,189</b>	<b>67,536</b>

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.

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

## 29. OTHER CURRENT AND NON-CURRENT PAYABLES

Other non-current payables amounted to € 969 thousand (€ 925 thousand as at 31 December 2019) and mainly refer to payables relating to the recognition of the Call/Put option in connection with the acquisition of the remaining 40% stake in the subsidiary Movetro S.r.l.

A breakdown of other current payables as at 31 December 2020 is as follows:

€ 000's	At 31 December	
	2020	2019
<b>Tax liabilities</b>	14,338	13,187
<b>Social security liabilities</b>	12,155	11,759
<b>Other payables to employees</b>	21,976	22,622
<b>Other payables to third parties</b>	7,273	8,403
<b>Other liabilities to related parties</b>		1
<b>Other liabilities</b>	<b>55,742</b>	<b>55,972</b>

Other payables amounted to € 55,742 thousand, decreasing by € 229 thousand compared to the previous year.

Other payables to third parties of € 7,273 thousand, down compared to the previous year (€ 8,403 thousand in 2019), mainly consist of deferred income.

## 30. FINANCIAL ASSETS/LIABILITIES FOR DERIVATIVE INSTRUMENTS

€ '000	31 December 2020		31 December 2019	
	Asset	Liability	Asset	Liability
<b>Currency derivatives</b>	1,108	971	429	748
<b>Totale</b>	<b>1,108</b>	<b>971</b>	<b>429</b>	<b>748</b>

The value of open contracts at year-end (with a positive net balance of € 137 thousand) refers to hedging contracts that are not compatible with the requirements of IFRS 9 for the application of hedge accounting. As from 2016, the Group no longer records financial derivatives with the method envisaged for hedge accounting.

## 31. FINANCIAL RISK MANAGEMENT

The Group is subject to the following financial risks connected to its operations:

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

The Group's risk management policies aim to identify and analyse the risks to which the Group is exposed. They also endeavour to establish appropriate limits and controls, and to monitor risk and compliance with these limits. These policies and associated procedures are regularly reviewed in order to reflect any changes to market conditions or Group activities.

With regard to the risk connected with the fluctuation in raw material prices, the Group tends to transfer the relevant management and economic impact to its own suppliers by agreeing fixed purchase costs for three-month periods. The impact of the main raw materials, steel in particular, on the average value of the Group's products is marginal compared to the final production cost.

The following paragraphs use sensitivity analysis to assess the potential impact on actual results that hypothetical fluctuations in benchmarks may cause. As required under IFRS 7, these analyses are based on simplified scenarios being applied to actual data for benchmark periods. By their very nature, these analyses cannot be considered to truly evidence the effect of future changes in the benchmark in view of different financial and equity structures as well as different market conditions. Nor are they able to reflect the interrelations and complexity of the reference markets.

### Market risk

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

#### Exchange rate risk

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

##### a) Transaction exchange rate risk

This risk comes about due to the individual companies carrying out commercial and financial transactions in currencies other than their normal operating currency. Exchange rates may fluctuate between the time when the commercial/financial relationship begins and the time when the transaction is completed (collection/payment), thus originating gains or losses.

The Group manages such risk by making use of derivative instrument purchases, such as forward exchange contracts and cross currency swaps. As from 2016, the Group, following Biesse S.p.A. Board of Directors' resolution of 11 March 2016 which approved the new exchange rate risk management policy for the Biesse Group, has put on hold the use of hedge accounting techniques for recognising derivative instruments, since the rules set out in the reference standards were found to be quite stringent to be applied effectively and in full to business operations.

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

€ '000	Financial Asset		Financial Liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Australian Dollar	5,370	10,907	641	562
Canadian Dollar	2,013	2,074	875	319
Pound Sterling	3,614	3,008	13,470	928
Hong Kong Dollar	11,470	12,586	0	15
Indian Rupee	10,859	3,418	725	2,374
US Dollar	26,802	22,022	17,697	8,366
Chinese Renmimbi Yuan	11,387	5,255	3,593	13,868
Other currencies	5,037	3,031	2,965	513
<b>Total</b>	<b>76,553</b>	<b>62,299</b>	<b>39,966</b>	<b>26,945</b>

In defining the amount exposed to interest rate risk, the Group also includes foreign currency orders acquired in the period before they become trade receivables (shipping-invoicing).

A sensitivity analysis follows, illustrating the expected impact on the income statement of a +15%/-15% appreciation/depreciation of the Euro.

This analysis assumes that all other variables, in particular interest rates, are unchanged.



€ '000	IMPACT ON INCOME STATEMENT	
	if exchange rate > 15%	if exchange rate < 15%
Australian Dollar	(617)	834
Canadian Dollar	(148)	201
Pound Sterling	1.285	(1.740)
Hong Kong Dollar	(1.496)	2.024
Indian Rupee	(1.322)	1.788
US Dollar	(1.188)	1.607
Chinese Renmimbi Yuan	(1.017)	1.375
<b>Total</b>	<b>(4.502)</b>	<b>6,089</b>

The above amounts are shown gross of hedging.

*b) Translation exchange rate risk*

The Group holds a controlling interest in companies that prepare their Financial Statements in currencies other than the Euro, which is the currency used for presenting the consolidated financial statements. Therefore this exposes the Group to translation risk, which arises from converting assets and liabilities of these subsidiaries into Euro.

The effects of these changes are accounted for directly under equity in the translation reserve.

The main exposures to translation risk are constantly monitored. As at the reporting date, it was decided not to adopt specific hedging policies for this type of exposure.

*c) Interest rate risk*

Interest rate risk represents exposure to changes in the fair value of, or future cash flows from, financial assets or liabilities, due to changes in market interest rates.

The sensitivity analysis aimed at assessing the potential impact of a hypothetical sudden and unfavourable 10% change in short-term interest rates on financial instruments (typically cash and some financial payables) reveals no significant impact on the results or the equity of the Group.

**Credit risk**

Credit risk represents the Group's exposure to potential financial losses deriving from the failure of commercial and financial counterparties to fulfil their contractual obligations.

The main exposure is towards customers. In order to limit this risk, the Group has implemented procedures for assessing the financial potential and soundness of its customers, monitoring expected cash flows from collections and for any debt collection activities.

These procedures typically provide for sales to be finalised by obtaining advance payments. However, for those customers who are considered strategically important by Management, credit can be provided with limits being established and monitored.

The carrying amount of financial assets, net of any impairment for expected losses, represents the maximum exposure to credit risk.

For more information on how the allowance for impairment was determined and on the characteristics of overdue receivables, please refer to note 19 above on trade receivables.

Shown below is a table, as required by IFRS 9, which reports the allocation of the allowance for impairment by maturity date.



€ '000

At 31 December 2020						
	Current	Overdue by 1 to 30 days	Overdue by 30 to 180 days	Overdue by 180 to 365 days	Overdue more than 365 days	Total
% Estimated loss	0.6%	0.1%	2.2%	15.5%	58.7%	5.8%
Receivables	69,910	13,673	13,217	3,787	8,615	109,202
Estimates credit losses	385	6	291	588	5,057	6,327

### 31 December 2019

€ '000

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

## Liquidity risk

Liquidity risk is the risk that available financial resources will be insufficient to meet financial and commercial obligations as and when they fall due.

Negotiation and management of banking relationships are centralised at the Biesse Group level, by virtue of the Cash Pooling agreement, so as to ensure that short and medium-term financial needs will be met at the lowest possible cost. Raising medium and long-term capital funds on the market is also optimised with centralised management.

The type of prudent risk management described above implies maintaining an adequate level of cash and/or easily convertible short-term securities. The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers. During the second quarter of 2020, in light of the exceptional impacts of the ongoing pandemic, the Directors took steps to use every form of financial support envisaged by the law in force and allowed by the Group's credit rating. Considering the current uncertainty and limited visibility over the short term, the Directors provided the Group with financing two times in excess of the expected maximum requirements.

The following table shows the expected flows based on the maturities of financial liabilities other than derivatives. Balances relating to bank overdrafts and bank loans are expressed at their contractual value without being discounted, which includes both principal and interest amounts. Loans and other financial liabilities are classified on the basis of the earliest maturity date, and revocable financial liabilities, as well as other liabilities whose maturities are not available, are considered payable on demand ("worst case scenario").

### 31 December 2020

€ '000	Less than 30 days	30-180 days	180 days-1year	1-5 years	After 5 years	Total
Trade and other payables	70,235	92,981	9,513	1,229	236	174,194
Bank loans and borrowings	20,961	13,680	33,687	43,202	0	111,531
<b>Total</b>	<b>91,196</b>	<b>106,661</b>	<b>43,200</b>	<b>44,431</b>	<b>236</b>	<b>285,725</b>

### 31 December 2019

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

The Group monitors liquidity risk by controlling net flows on a daily basis in order to ensure financial resources

are managed efficiently.

The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers.

As at 31 December 2020, the Group had lines of credit arranged for the entire Group through the parent company Biesse S.p.A.

## Classification of financial instruments

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

€ '000	At 31 December	
	2020	2019
<b>FINANCIAL ASSETS</b>		
<i>Designated at fair value through profit or loss:</i>		
<b>Derivative financial assets</b>	1,108	429
<i>Designated at fair value with counterparty on OCI:</i>		
<i>Other financial assets short term</i>	27,000	2,224
<i>Measured at amortised cost:</i>		
<i>Trade receivables</i>	102,875	116,973
<i>Other assets</i>	3,277	3,617
<b>- other financial assets and non-current receivables</b>	3,277	2,640
<b>- other current assets</b>		977
<i>Cash and cash equivalents</i>	163,425	86,061
<b>FINANCIAL LIABILITIES</b>		
<i>Designated at fair value through profit or loss:</i>		
<i>Derivative financial liabilities</i>	971	748
<i>Liabilities to perform Put Movetro</i>	969	925
<i>Measured at amortised cost:</i>		
<i>Trade payables</i>	132,528	132,673
<b>Bank loans and borrowings</b>	110,746	72,117
<i>Lease liabilities</i>	30,272	34,458
<b>Other current liabilities</b>	34,677	35,114

The carrying amount of the above financial assets and liabilities is equal to or a reasonable approximation of their fair value.

For financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. To this end, IFRS 13 identifies the three levels of FV that have already been indicated in the early part of these financial statements:

Level 1 – input data used in the measurements are represented by quoted prices in active markets for assets or liabilities identical to those being measured;

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

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

Derivative financial instruments measured at fair value and current financial assets measured at FVOCI are classified under Level 2 (same as in 2019). The liabilities arising from the exercise of the Movetro put option and the other financial liabilities measured at FVTPL are classified under Level 3. During the financial year there were

no transfers between Levels.

## 32. RELATED-PARTY TRANSACTIONS

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

Set out below are the Group financial and income balances arising from related-party transactions for the years 2020 and 2019. It should be noted that commercial transactions with these entities were carried out at arm's length and that all transactions were in the interest of the Group.

Furthermore, it should be noted that related parties also include companies owned by close relatives of Board of Directors' members.

<i>Euro 000's</i>	Revenues		Costs	
	For Year ended 31/12/2020	For Year ended 31/12/2019	For Year ended 31/12/2020	For Year ended 31/12/2019
<b>Parent</b>				
Bi. Fin. S.r.l.	-	-	29	31
<b>Other related companies</b>				
Fincobi S.r.l.	1	1	0	1
Se. Mar. S.r.l.	11	15	2,066	2,507
Wirutex S.r.l.	12	40	1,053	1,456
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	1	1	4,733	2,913
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	162	146
<b>Executives with strategic responsibilities</b>			1,205	514
<b>Total</b>	<b>25</b>	<b>57</b>	<b>9,249</b>	<b>7,568</b>

<i>Euro 000's</i>	Receivables		Payables	
	For Year ended 31/12/2020	For Year ended 31/12/2019	For Year ended 31/12/2020	For Year ended 31/12/2019
<b>Parent</b>				
Bi. Fin. S.r.l.	-	977	1,355	1,499
<b>Other related companies</b>				
Fincobi S.r.l.	-	-	28	43
Se. Mar. S.r.l.	11	4	913	880
Wirutex S.r.l.	0	13	593	479
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	1	-		1
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	36	111
<b>Total</b>	<b>12</b>	<b>994</b>	<b>2,924</b>	<b>3,013</b>

For all the financial years under consideration, no guarantees have been given or received. The Group has not accounted for any losses on receivables from related parties in the current or previous financial years. It should be noted that, as from 31 December 2019, payables to the Parent and to other related parties include lease

payables (€ 1,352 thousand to the Parent Bi.Fin. S.r.l. and € 27 thousand to the related party Fincobi S.r.l.) as at 31 December 2020.

Directors' fees are proposed by the Board of Directors and approved at the ordinary shareholders' meeting according to the average market remuneration levels. It should be noted that, as regards managers with strategic functions who perform management and coordination activities, their remuneration (including fees and bonuses) is included under personnel expense.

For full details regarding remuneration of Directors and Statutory Auditors, please refer to the Remuneration Report published on the company website [www.biesse.com](http://www.biesse.com).

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

- reference should be made to the latest approved financial statements, namely the financial statements as at 31 December 2019;
- given that summary information is required, it was considered appropriate to limit this disclosure to indicating the total amounts for the most material items.

(In thousands of Euro)	31 December	
	2019	2018
Value of Production	431	462
Production costs	(547)	(637)
Exchange rate gains and losses	6,857	6,821
Income taxes	(17)	(4)
<b>Profit (loss) for the year</b>	<b>6,724</b>	<b>6,642</b>

(In thousands of Euro)	31 December	
	2019	2018
Non-current assets	31,939	32,647
Working capital	25,230	25,981
<b>Total assets</b>	<b>61,169</b>	<b>58,628</b>
Equity		
Share capital	10,569	10,569
Reserves	42,460	40,218
Profit for the year	6,724	6,642
Payables	1,416	1,199
<b>Total liabilities</b>	<b>61,169</b>	<b>58,628</b>

### 33. OTHER INFORMATION

#### Contingent liabilities

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

#### Commitments and guarantees issued and received

With regard to guarantees given, the Group issued (bank) guarantees in favour of customers for advance payment bonds (€ 2,793 thousand) and other minor guarantees.

#### Atypical and unusual transactions

No transactions of such nature were reported.

#### Government grants pursuant to Article 1, paragraphs 125-129 of Law no. 124/2017

For details on government aid and the *de minimis* aid which was received – for which there is the obligation to report to the National Registry of Government Aid, in accordance with Art. 52, Law 234/2012 – express reference is made to said register. However, the following details are reported:

€ '000

N.	PROVIDER	GRANT RECEIVED 2020	CAUSAL
1	FONDIMPRESA/FONDIRIGENTI	406	Financed training grant
2	COMMISSIONE EUROPEA	26	European grant project
3	Erario	37	Non-repayable grant art.25 D.L. 19/05/2020 N.34
4	Erario	258	IRAP exemption "Decreto Rilancio" art.24 D.L. 19/05/2020 n.34
5	GSE SPA Gestore dei Servizi Energetici	4	Grant GSE Energy Services
6	Invitalia	144	Grant "Secure enterprise"
		<b>875</b>	

#### 34. EVENTS AFTER THE REPORTING DATE

Please refer to the note in the Directors' Report on Operations.

Pesaro, 15 March 2021

*The Chairman of the Board of Directors*

*Giancarlo Selci*

## ANNEXES

### INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006<sup>1</sup>

<i>Euro 000's</i>	Note	31 December 2020	Attributable to related parties	% of Incidence	31 December 2019	Attributable to related parties	% of Incidence
Revenue	5	578,789		0.0%	705,872		0.0%
Other operating income	6	5,767	25	0.4%	6,417	57	0.9%
Change in inventories of finished goods and work in progress		(10,911)		0.0%	652		0.0%
Purchase of raw materials and consumables	7	(234,320)		0.0%	(287,038)		0.0%
Personnel expense	8	(192,623)		0.0%	(221,576)		0.0%
Depreciation, amortisation and impairment	9	(48,434)		0.0%	(45,957)		0.0%
Other operating costs	10	(92,045)	9,248	-10.0%	(128,726)	(7,054)	5.5%
<b>Operating result</b>		<b>6,223</b>	<b>9,273</b>	<b>149.0%</b>	<b>29,644</b>		<b>-23.6%</b>
Financial income	11	11,623		0.0%	7,867		
Financial expense	11	(14,624)		0.0%	(14,068)		
<b>Pre-tax result</b>		<b>3,222</b>	<b>9,273</b>	<b>287.8%</b>	<b>23,443</b>	<b>(6,997)</b>	<b>-29.8%</b>
Income taxes	25	(767)		0.0%	(10,441)		
<b>Result for the year</b>		<b>2,455</b>	<b>9,273</b>	<b>377.7%</b>	<b>13,002</b>	<b>(6,997)</b>	<b>-53.8%</b>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006<sup>1</sup>

<i>Euro 000's</i>		31 December	Attributable to	% of	31 December	Attributable to	% of incidence
ASSETS	Note	2020	related parties	incidence	2019	related parties	
Equipment and other items of property, plant and equipment							
Property, plant and equipment	13, 14	125,130	-	0%	139,710	-	0%
Goodwill	16	23,471	-	0%	23,550	-	0%
Other intangible assets	17	49,884	-	0%	59,678	-	0%
Deferred tax assets	18	17,499	-	0%	13,334	-	0%
Other financial assets and receivables (including derivatives)	18	3,277	-	0%	2,640	-	0%
<b>Total non current assets</b>		<b>219,260</b>	-	0%	<b>238,912</b>	-	0%
Inventories	19	129,848	-	0%	155,498	-	0%
Trade receivables and contract assets	20	102,875	-	0%	116,973	-	0%
Other revceables	21	14,773	12	0.1%	22,890	994	4.3%
Other financial assets and receivables (including derivatives)	31	28,107	-	0%	2,653	-	0%
Cash and cash equivalents	22	163,425	-	0%	86,061	-	0%
<b>Total current assets</b>		<b>439,028</b>	<b>12</b>	<b>0.0%</b>	<b>384,074</b>	<b>994</b>	<b>0.3%</b>
<b>TOTAL ASSETS</b>		<b>658,288</b>	<b>12</b>	<b>0.0%</b>	<b>622,987</b>	<b>994</b>	<b>0.2%</b>

<i>Euro 000's</i>		31 December	Attributable to	% of incidence	31 December	Attributable to	% of incidence
	Note	2020	related parties		2019	related parties	
<b>EQUITY AND LIABILITIES</b>							
Share capital		27,393	-	0%	27,393	-	0%
Reserves		184,099	-	0%	177,397	-	0%
Profit for the year		2,531	-	0%	13,027	-	0%
<b>Equity attributable to the owners of the parent</b>		<b>214,022</b>	-	0%	<b>217,817</b>	-	0%
Non-controlling interests		790	-	0%	858	-	0%
<b>TOTAL EQUITY</b>	<b>22</b>	<b>214,812</b>	-	0%	<b>218,675</b>	-	0%
Financial liabilities	14, 23	66,480	-	0%	53,049	-	0%
Post-employment benefits	24	12,775	-	0%	13,032	-	0%
Deferred tax liabilities	25	2,992	-	0%	2,876	-	0%
Provisions for risks and charges	26	322	-	0%	563	-	0%
Other liabilities	29	969	-	0%	925	-	0%
<b>Total non current liabilities</b>		<b>83,538</b>	-	0%	<b>70,445</b>	-	0%
Financial liabilities	14, 23	75,509	-	0%	54,274	-	0%
Provisions for risks and charges	26	19,666	-	0%	16,625	-	0%
Trade payables	27	132,790	2,924	2.20%	132,673	3,013	2.27%
Contract Liabilities	28	72,189	-	0%	67,536	-	0%
Other liabilities	29	55,742	-	0%	55,972	-	0%
Liabilities for income tax	26	4,041	-	0%	6,786	-	0%
<b>Total Current liabilities</b>		<b>359,937</b>	-	0%	<b>333,866</b>	-	0%
<b>LIABILITIES</b>		<b>443,476</b>	<b>2,924</b>	<b>0.66%</b>	<b>404,311</b>	<b>3,013</b>	<b>0.75%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>658,288</b>	<b>2,924</b>	<b>0.44%</b>	<b>622,987</b>	<b>3,013</b>	<b>0.48%</b>

**Certification of the consolidated financial statements in accordance with article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as subsequently amended and integrated**

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

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

2. The administrative and accounting procedures for preparing the consolidated financial statements as at 31 December 2020 were defined, and their adequacy was assessed, based on the rules and methods established by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission. This is a reference framework for internationally accepted internal control systems.

3. In addition, they also certify that the consolidated financial statements as at 31 December 2020:

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

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

Pesaro, 15 March 2021

**The Chairman of the  
Board of Directors**

Giancarlo Selci

**The Manager in charge of  
financial reporting**

Pierre Giorgio Sallier de La Tour



# SEPARATE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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**Biesse S.p.A.**

**2020**

# INCOME STATEMENT AS AT 31/12/2020

		31 December 2020	31 December 2019
	Notes		
Revenue	6	362,727,613	425,281,911
Other operating income	6	5,817,479	7,168,795
Change in inventories of finished goods and work in progress		(6,541,895)	8,669,724
Purchase of raw materials and consumables	8	(199,659,197)	(235,958,086)
Personnel expense	9	(97,226,211)	(107,502,975)
Other operating costs	10	(47,555,625)	(64,610,239)
Depreciation and amortisation		(19,981,992)	(19,785,266)
Accruals to provisions		(7,645,691)	(3,255,575)
Impairment	11	(6,550,679)	(4,745,509)
<b>Operating result</b>		<b>(16,616,198)</b>	<b>5,262,780</b>
Share of loss of associates	12	275,542	(8,900,000)
Financial income	13	8,834,944	5,100,525
Dividends	14	16,522,237	11,653,116
Financial expense	13	(8,135,434)	(8,312,070)
<b>Result before taxes</b>		<b>881,091</b>	<b>4,804,351</b>
Income taxes	15	4,660,839	(741,468)
<b>Result for the year</b>		<b>5,541,930</b>	<b>4,062,883</b>

# STATEMENT OF COMPREHENSIVE INCOME AS AT 31/12/2020

		31 December 2020	31 December 2019
	Notes		
<b>Result for the year</b>		5,541,930	4,062,883
Actuarial gains/(losses) on defined benefit plans	33	(150,389)	(366,069)
Translation differences on foreign operations	31	(12,132)	3,617
<b>Items that will not be reclassified to profit or loss</b>		<b>(162,521)</b>	<b>(362,452)</b>
<b>Total comprehensive income for the year</b>		<b>5,379,409</b>	<b>3,700,431</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31/12/2020

		<b>31 December</b>	<b>31 December</b>
	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and machineries	16	57,556,731	59,359,971
Equipment and other tangible assets	16	6,330,410	8,557,779
Goodwill	17	6,345,588	6,247,288
Other intangible assets	18	40,376,652	48,599,675
Deferred tax assets	34	9,045,619	4,481,752
Investments in subsidiaries and associates	19	98,228,184	97,962,642
Other financial assets and non-current receivables	20	1,514,629	709,955
		<b>219,397,813</b>	<b>225,919,062</b>
<b>Current assets</b>			
Inventories	21	60,510,173	68,230,141
Trade receivables and contract assets	22	53,976,731	60,344,495
Trade receivables and contract assets - related parties	23-24	53,665,751	46,766,235
Other assets	25	4,829,789	8,781,229
Other assets - related parties	44	13,028,019	2,372,222
Assets for derivative financial instruments	46	1,024,128	397,376
Financial assets	26	26,999,750	2,222,917
Financial assets - related parties	27	25,625,753	30,406,665
Cash and cash equivalents	28	128,277,813	38,663,731
		<b>367,937,907</b>	<b>258,185,011</b>
<b>TOTAL ASSETS</b>		<b>587,335,720</b>	<b>484,104,073</b>

# STATEMENT OF FINANCIAL POSITION AS AT 31/12/2020

Share capital	29	27,393,042	27,393,042
Capital reserves	30	36,202,011	36,202,011
Other reserves and retained earnings	31	123,439,144	118,731,796
Result for the year		5,541,930	4,062,883
<b>EQUITY</b>		<b>192,576,127</b>	<b>186,389,732</b>
<b>Non-current liabilities</b>			
Post-employment benefits	33	9,722,367	9,955,412
Deferred tax liabilities	34	1,199,995	1,073,006
Bank loans and borrowings	35	42,086,827	24,610,066
Lease liabilities under IFRS 16	36	5,423,576	5,948,206
		58,432,765	41,586,690
<b>Current liabilities</b>			
Trade payables	39	93,348,762	92,765,553
Trade payables - related parties	40	24,578,236	18,023,540
Contract liabilities	41	25,920,345	23,655,032
Contract liabilities - related parties	42	12,260	2,517,759
Other liabilities	43	30,347,492	30,824,424
Other liabilities - related parties	44	328,347	2,344,979
Tax liabilities	45	900,000	845,000
Lease liabilities under IFRS 16	36	2,023,608	2,078,696
Bank loans and borrowings	35	63,418,339	32,161,021
Other financial liabilities - related parties	27	80,885,761	43,718,098
Provisions for risks and charges	38	13,807,931	6,673,127
Liabilities for derivative financial instruments	46	755,747	520,422
		336,326,828	256,127,651
<b>LIABILITIES</b>		<b>394,759,593</b>	<b>297,714,341</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>587,335,720</b>	<b>484,104,073</b>

# STATEMENT OF CASH FLOWS AS AT 31/12/2020

	Notes	31 December 2020	31 December 2019
<b>OPERATING ACTIVITY</b>			
Result for the year		5,541,930	4,062,883
Depreciation and amortisation of:			
+ tangible assets		8,185,314	7,339,600
+ intangible assets		11,796,678	12,445,666
Increase/decrease of accruals to			
+ post employment benefit fund		17,197	(22,924)
+ allowance for impairment of trade receivables		124,327	(6,599)
+ allowance for impairment of current assets		18,602	-
+/- provision for the write-down of inventory		1,992,370	857,800
+ provision for risks and charges		9,109,608	3,443,943
- Contingent gains for provision excess		(1,606,846)	(181,770)
+/- Gains/losses from sales of property, plant and equipment		(159,107)	(42,393)
+ Impairment losses on intangible assets		6,550,679	4,745,510
+ Income from investment activities		(17,318,852)	(12,213,074)
+/- Unrealized exchange gains/(losses)		(210,312)	401,992
+ Income taxes		(4,660,839)	741,468
+ Net financial expense		1,165,482	1,260,276
+/- Revaluation/write-off of investments		(275,542)	8,900,000
<b>SUBTOTAL OPERATING ACTIVITIES</b>		<b>20,270,689</b>	<b>31,732,378</b>
- Payment for post employment benefits		(558,079)	(691,461)
- Utilisation of provision for risks and charges		(367,959)	(291,071)
+/- Change in trade receivables		6,240,793	1,155,771
+/- Change in trade receivables - related parties		(8,453,759)	18,954,676
+/- Change in contract assets - related parties		0	2,495,137
+/- Change in other receivables		209,224	(165,090)
+/- Change in other receivables - related parties		1,770,019	(1,030,484)
+/- Change in inventories		6,106,636	(9,295,651)
+/- Change in trade payables		(479,253)	(18,921,245)
+/- Change in trade payables - related parties		7,509,426	(2,819,716)
+/- Change in contract liabilities		2,248,973	(1,300,397)
+/- Change in contract liabilities - related parties		(2,678,492)	(6,898,173)
+/- Change in other payables		9,787	142,502
+/- Change in other payables - related parties		2,338	1,155,173
+/- Change in assets/liabilities for derivative financial instruments		(123,047)	(595,002)
- Tax paid		1,029,636	(240,861)
- Interest paid		(751,789)	(915,447)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>31,985,143</b>	<b>12,471,039</b>
<b>INVESTING ACTIVITIES</b>			
Gains/(losses) from shareholdings		(321,241)	-
Revenues from trade of financial assets		0	(120,443)
- Investment in property, plant and equipment		(2,658,524)	(9,162,810)
+ Sale of property, plant and equipment		14,796	67,089
- Investment in intangible assets		(9,651,569)	(16,280,476)
+ Sale of intangible assets		178,413	1,226
- Investment/disposal of shareholdings in subsidiaries and associates		(85,000)	(1,285,000)
- Investment/disposal of shareholdings in other companies		347,049	(90,000)
+ Dividends received	14	5,522,237	11,653,116
+ Cash and cash equivalents from mergers		198,386	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(6,455,453)</b>	<b>(15,217,298)</b>
<b>FINANCING ACTIVITIES</b>			
+/- New long term loans		115,000,000	25,000,000
+/- Long term loans reimbursement		(66,359,451)	(11,645,364)
- Finance lease payments		(2,422,012)	(2,314,460)
+/- Increase/decrease of borrowings		(76,786)	60,346
+/- Increase/decrease of other non-current financial assets		(214,513)	110,398
+ Interests received		731,643	695,490
- New loans to related parties		(3,513,236)	(17,808,621)
+ Reimbursement of loans from related parties		7,228,700	2,500,000
+ New loans to related parties		39,346,607	12,195,495
- Reimbursement of loans from related parties		(740,000)	(7,083,635)
+/- Increase/decrease of other current financial assets		(24,776,833)	(2,004,371)
- Dividends paid		0	(13,148,660)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>64,204,119</b>	<b>(13,443,382)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>89,733,809</b>	<b>(16,189,641)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 01/01/2020</b>		<b>38,663,731</b>	<b>54,977,605</b>
+/- Effect of exchange rate fluctuations on cash held		(119,727)	(124,233)
<b>CASH AND CASH EQUIVALENTS AS AT 31/12/2020</b>		<b>128,277,813</b>	<b>38,663,731</b>
Cash and cash equivalents	28	<b>128,277,813</b>	<b>38,663,731</b>

## STATEMENT OF CHANGES IN EQUITY AS AT 31/12/2020

	Notes	Share capital 29	Capital reserves 30	Other reserves and retained earnings 31	Result for the year	EQUITY
<b>January 1, 2019</b>		<b>27,393,042</b>	<b>36,202,011</b>	<b>100,229,815</b>	<b>32,013,093</b>	<b>195,837,961</b>
Other comprehensive income				(362,452)		<b>(362,452)</b>
Result for the year					4,062,883	<b>4,062,883</b>
<b>Total gains/(losses) recognised in other comprehensive income</b>				<b>(362,452)</b>	<b>4,062,883</b>	<b>3,700,431</b>
Dividends				(13,148,660)		<b>(13,148,660)</b>
Allocation of the profit of the year				32,013,093	(32,013,093)	-
<b>December 31, 2019</b>		<b>27,393,042</b>	<b>36,202,011</b>	<b>118,731,796</b>	<b>4,062,883</b>	<b>186,389,732</b>
	Notes	Share capital 29	Capital reserves 30	Other reserves and retained earnings 31	Result for the year	EQUITY
<b>January 1, 2020</b>		<b>27,393,042</b>	<b>36,202,011</b>	<b>118,731,796</b>	<b>4,062,883</b>	<b>186,389,732</b>
Other comprehensive income				(162,521)		<b>(162,521)</b>
Result for the year					5,541,930	<b>5,541,930</b>
<b>Total gains/(losses) recognised in other comprehensive income</b>				<b>(162,521)</b>	<b>5,541,930</b>	<b>5,379,409</b>
Allocation of the profit of the year				4,062,883	(4,062,883)	-
Merger of Axxembla Srl				806,986		<b>806,986</b>
<b>December 31, 2020</b>		<b>27,393,042</b>	<b>36,202,011</b>	<b>123,439,144</b>	<b>5,541,930</b>	<b>192,576,127</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. OVERVIEW

Biesse S.p.A. (hereafter also the "Company") is an Italian company, with registered office in Pesaro (Italy), via della Meccanica, 16.

The Company operates in the production and marketing of machinery and systems for processing wood, glass, marble and stone. The company is listed on the STAR segment of the Milan Stock Exchange.

The presentation currency of the Financial Statements is the Euro. Balances are shown in Euro, unless otherwise indicated.

These separate financial statements as at 31 December 2020 were submitted to the Board of Directors on 15 March 2021.

In addition, the Company prepares the consolidated financial statements.

As per deed of Notary Public Luisa Rossi dated 9 December 2020, the subsidiary Axxembla S.r.l. was merged into Biesse S.p.A. The accounting and tax effects of this transaction were backdated to 1 January 2020. The merger did not entail significant variances compared to the figures in the 2019 financial statement and consequently, for comparative purposes, the balances of the previous year were not arranged on a pro forma basis.

## 2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

### Statement of compliance with international financial reporting standards and general standards

The separate financial statements as at 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as with the implementing provisions issued pursuant to article 9 of Italian Law Decree 38/2005 and the Consob regulations and provisions regarding financial statements.

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

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

### Financial statements

All statements conform to the minimum content requirements set by the International Financial Reporting Standards and the applicable provisions laid down by national legislation and Consob. The statements adopted are considered fit for fairly presenting the Company'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 Company's performance. The statements comprising the Financial Statements are:

### Income Statement

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

assets.

### **Statement of Comprehensive Income**

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

### **Statement of Financial Position**

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

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

- it is expected to be recovered/settled, or intended for sale or consumption, in the Company'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 Company's profit (loss) for the year to non-controlling interests;
- amounts relating to transactions with shareholders (purchase and sale of treasury shares);
- any gains or losses net of any tax effects which, as required by IFRSs, are either recognised directly in equity (gains or losses from trading of treasury shares, actuarial gains or losses arising from the measurement of defined-benefit plans) or 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 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.

### **Other information**

The company has availed itself of the right – granted by Article 40 of Legislative Decree 127/1991, paragraph 2-bis, for companies required to prepare consolidated financial statements – to prepare both the Directors' Report on Operations concerning the separate financial statements of the parent company and that concerning the consolidated financial statements in a single document.

With reference to the operating performance for 2020, reference is made to the Consolidated Directors' Report on Operations.

Biesse S.p.A. owns subsidiaries which it controls directly or indirectly.

During the financial year there were no non-recurring events.

The separate financial statements as at 31 December 2020 were submitted by the Board of Directors at the meeting held today (15 March 2021).

## **3. MEASUREMENT CRITERIA AND USE OF ESTIMATES**

The preparation of the financial statements and related notes pursuant to IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on historical experience and other factors deemed as material. In preparing these financial statements, 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.

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 separate 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 Company, 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 Company 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 implemented 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 Company 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 Company's latest plans.

### **Product warranties**

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

### **Contingent liabilities**

The Company 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 Company 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 Company 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.

## **4. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA ADOPTED**

### **Main accounting standards adopted**

The accounting standards adopted in the separate financial statements as at 31 December 2020 were applied in the same way also to the comparative period, except as described in the following section 5.a) "Accounting standards, amendments and IFRS interpretations applied as from 1 January 2020". As of 1 January 2020, the Company has recognised the tax provisions, previously included in the Provisions for risks and charges, under the item Income tax payables, in compliance with the indications of IFRIC 23 and the considerations expressed in this regard by the IFRS Interpretation Committee. As a result, financial position figures relating to 2019 have been reclassified for comparative purposes, with a consequent decrease in the provisions for non-current risks and an increase in income tax payables of € 845 thousand. These reclassification did not affect equity or prior-year result.

### **A. Foreign currency transactions**

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

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

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

### **B. Revenue recognition**

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

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

- e) Sales of machines and systems: revenue is generally recognised when the machine is delivered to the customer, which normally coincides with the moment when the customer obtains control of the good. The advances obtained from customers before completion of the sale are recorded as advances from customers, under the item Contract liabilities. In the case of machines and systems made to the customer's specific indications, the revenue is recognised over time, on the basis of the progress of the work with a counter-entry under the item Contract assets. The invoices for advances and payments on account issued in compliance with the contractual conditions are recorded as a deduction from contract assets. Should the overall payments on account and advances received exceed the value of the asset realised at that date, a payable due to the customer on orders is recorded under Contract liabilities.
- f) Mechanical and electronic components, and other goods. The related revenue is recognised when the customer obtains control of the good, taking account of the delivery conditions agreed with the customer. Any advances paid

- by the customer before the sale of the good are recognised as such under Contract liabilities.
- g) Installation of machines and systems for machining wood, stone and marble. These are services generally sold together with the machines and systems as set out in point a) above, the revenue from which is recognised in the income statement over time on the basis of the progress of the service to be provided to the customer.
  - h) Other services. These are services provided over time and the related revenue is consequently recognised in the income statement on a straight-line basis over the duration of the contract.

## **C. Government Grants**

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

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

## **D. Employee benefits**

### **Short-term employee benefits**

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

### **Post-employment benefits**

Provisions for post-employment benefits include the severance indemnity ("TFR") provision of the parent company and the pension funds of some foreign subsidiaries. The severance indemnity ("TFR") provision and some pension funds of subsidiaries are recorded in accordance with the arrangements of defined-benefit plans under IAS 19.

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

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

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

## **E. Costs and charges**

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

## **F. Finance income and expense**

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

## **G. Income taxes**

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

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

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

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

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

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

## **H. Property, plant, machinery owned**

### **Recognition and measurement**

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

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

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

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

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

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

### **Subsequent costs**

Costs incurred after assets are acquired as well as the costs associated with replacing various parts of assets in this category are added to the carrying amount of the item to which they refer and capitalised only when the inherent future economic benefit of the asset increases. In this case, the costs are also depreciated on the basis of the remaining useful life of the asset. All other costs are recognised in the income statement when incurred.

When the cost of replacing asset parts is capitalised, the residual value of the parts being replaced is charged to the income statement.

## Depreciation

Depreciation periods start from when the asset is available for use, and end at either the date when the asset is classified as being held for sale in compliance with IFRS 5, or on the date on which useful life of the asset is concluded.

Any changes to the depreciation schedules only apply prospectively. The amount to be depreciated represents the original book value less the net expected disposal value of the asset at the end of its useful life when it is material and can be reasonably determined.

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

Category	Rate
Property	3%
Plant and machinery	10%
Equipment	12% - 25%
Furniture and fittings	12%
Office machinery	20%
Motor vehicles	25%

### I. Right of use assets and lease liabilities

In compliance with the provisions of IFRS 16, the Group identifies as leases those contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has chosen to use the modified retroactive method, therefore the cumulative effect of IFRS 16 has been recognised as an adjustment to the opening balance as at 1 January 2019, date of first adoption of this standard.

For every lease, starting from its commencement date, the Group records an asset (right-of-use asset) against a corresponding financial liability (lease liability), except for the following cases:

- short term leases, i.e. those whose term is twelve months or less;
- low-value leases applied to situations in which the leased asset has a value of no more than Euro 5 thousand (value as new). The leases for which this exemption has been applied mainly fall in the following categories: computers, telephones and tablets; printers; other electronic devices; fixtures and furnishings.

Therefore, for short-term and low-value contracts the financial lease liability and the corresponding right-of-use asset are not recognised, but the lease payments are charged to the income statement on a straight-line basis for the duration of their respective contracts.

In the case of a complex contract that includes a lease component, the latter is always managed separately compared to the other services included in the contract.

### Lease liabilities

Lease liabilities are shown under Financial liabilities (current and non-current), together with other financial payables of the Group.

At the time of initial recognition, the lease liability is measured at the current value of the lease payments payable over the lease term, discounted at the rate implicit in the lease (i.e. the interest rate which makes the current value of all the payments and the residual value equal to the fair value of the underlying asset plus the initial direct costs incurred by the Group); where this rate is not indicated in the lease or cannot be readily determined, the current value is determined by using the incremental borrowing rate, i.e. the incremental interest rate which, in a similar economic context and in order to obtain a sum equal to the value of the right of use, the Group would have recognised for a loan with similar duration and guarantees.

The lease payments subject to discounting include fixed lease payments; variable lease payments that depend on an index or a rate; the redemption price, where it exists and where the Group is reasonably certain of using it; the size of the payment envisaged given any issue of guarantees on the residual value of the asset; the size of penalties to be paid in the case of exercise of options for the early termination of the lease, where the Group is reasonably certain to exercise such options.

After initial recognition, the lease liability is increased to reflect the interest accrued, determined on the basis of the amortised cost, and is decreased by the lease payments made.

In addition, the lease liability is remeasured to reflect any changes in leases or other situations envisaged by IFRS 16 which entail a change in the amount of the lease payments and/or term. In particular, given situations which entail a change in the estimate of the likelihood of exercise (or non-exercise) of the options for renewal or early termination of the lease or in the possible redemption (or non-redemption) of the asset upon expiry of the lease, the lease liability is remeasured by discounting the new value of the lease payments due on the basis of a new discount rate.

## **Right of use assets**

Right-of-use assets are set out under "Property, plant and equipment" together with items of property, plant and equipment owned by the Group, and are broken down by category on the basis of the nature of the asset used through the lease.

At the time of initial recognition of the lease, the right-of-use asset is recognised at a value corresponding to the lease liability, determined as described above, plus the lease payments made in advance and ancillary costs and net of any incentives received. Where applicable, the initial value of the right-of-use asset also includes the related costs for decommissioning and restoring the area.

Situations entailing the remeasurement of the lease liability imply a corresponding change in the value of the right-of-use asset.

After initial recognition, the right-of-use asset is depreciated on a straight-line basis, as from the commencement date of the lease, and subject to write-down in the case of impairment.

Depreciation is carried out on the basis of the lesser period between the lease term and the useful life of the underlying asset; however, should the lease envisage the transfer of ownership, also in the case of the exercise of redemption options included in the value of the right-of-use asset, depreciation is applied on the basis of the useful life of the asset.

## **J. Intangible assets and Goodwill**

### **Goodwill**

Goodwill is an intangible asset with an indefinite useful life that arises from business combinations accounted for using the acquisition method. It is recognised as the positive difference between the acquisition cost and the Group's interest, having measured at fair value all other identifiable assets, liabilities and contingent liabilities attributable to both the Group and non-controlling interests (full fair value method) at the acquisition date.

Goodwill is an intangible asset with an indefinite useful life, and is therefore not subject to amortisation. However, it remains subject to impairment test at least once a year, generally at the consolidated financial statements date, in order to verify that there has been no impairment loss, unless market or management indicators identified by the Group suggest that the impairment test is necessary also when preparing interim reports.

Goodwill is measured by identifying the cash-generating units (CGUs) that benefit from the synergies of the acquisition. The cash flows are discounted at the cost of capital in relation to the specific risks of the unit.

Impairment losses are recognised in the income statement whenever the discounted cash flow calculation indicates that the recoverable amount of the CGU is lower than its carrying amount. Losses identified in this way are not subject to any subsequent reversal of impairment.

### **Development costs and other intangible assets**

Intangible assets generated by developing Group products are entered as assets only when the following requirements are met:

- the cost attributable to the asset during its development can be reliably measured;
- the product or process is feasible in both technical and commercial terms;
- future economic benefits are likely;
- the Group has sufficient resources available and intends to complete the asset's development, and to use or sell the asset.

These intangible assets are amortised on a straight-line basis over their useful lives. Whenever the above criteria are not met, development costs are recognised in the income statement for the financial year in which they are incurred.

Capitalised development costs are recognised at cost less accumulated amortisation and/or any accumulated impairment losses.

Research and development costs are recognised in the income statement as incurred.

Other intangible assets including trademarks, patents and licences, which have a finite useful life, are initially recognised at acquisition cost, and are systematically amortised on a straight-line basis over their useful life or over a period not exceeding that established by the underlying licence or purchase contract.

The annual rates applied by the Group are as follows:

Category	Rate
Trademarks	10%
Patents	33,33%
Development costs	10% - 50%
Software and licences	20%

### Subsequent costs

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

## K. Investments

Investments in subsidiaries, joint ventures and associates not classified as held-for-sale are measured at cost.

At the end of each reporting period, the Company evaluates whether there are any indications of impairment in the cost of the investment. When it is determined that a potential loss exists, the Directors make valuations on the recoverable amount of those investments in order to identify the potential amount of the loss.

Any reduction in value of the equity investment is recorded if the recoverable value is lower than its book value.

In the event that, following recognition of the reduction in value, there are indications that the loss does not exist or has been reduced, the value of the equity investment is restored to take account of the lower loss of value.

After writing off the cost of the equity investment, any further losses incurred by the subsidiary are entered among the liabilities, in cases where there is a legal or implicit obligation on the part of the investor to cover the higher losses of the company.

## L. Financial assets and liabilities

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

### Subsequent classification and measurement

At the time of initial recognition, a financial asset is classified on the basis of its measurement: amortised cost; fair value recognised through other comprehensive income (FVOCI) – debt security; FVOCI – equity security; or at fair value through profit or loss for the year (FVTPL).

Financial assets are not reclassified after their initial recognition unless the Group changes its business model to manage financial assets. In this case, all affected financial assets are reclassified on the first day of the first year following the change of the business model.

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

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

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

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

At the time of initial recognition of an equity security not held for trading purposes, the Group can make the irrevocable decision to report subsequent changes in fair value through other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. All derivative financial instruments are included. At the time of initial recognition, the Group can irrevocably report the financial asset as measured at fair value through profit or loss for the year if this eliminates or significantly reduces an accounting mismatch that would otherwise result from the measurement of the financial asset at amortised cost or at FVOCI.

For the purposes of measurement, 'principal' is the fair value of the financial asset at the time of initial recognition while 'interest' is the compensation for the time value of money as well as for the credit risk associated with the amount of principal to be repaid during a given period of time and for other risks and basic costs related to the loan (for example, liquidity risk and administrative costs) as well as for the profit margin.

In assessing whether the contractual cash flows are represented solely by payments of principal and interest, the Group considers the contractual terms of the instrument. Therefore, it evaluates, amongst other items, whether the financial asset contains a contractual clause that modifies the timing or the amount of the contractual cash flows such as to not satisfy the following condition. For measurement purposes, the Group considers:

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

The advance payment element is in line with the criterion of “cash flows represented solely by payments of principal and interest” if the amount of the advance payment substantially consists of principal amounts due and the interest accrued on the principal amount to be repaid, which may include reasonable additional compensation for the early termination of the contract. In addition, in the case of a financial asset acquired with a premium or at a significant discount on the contractual nominal amount, any element that allows or requires an advance payment equal to an amount that substantially represents the nominal contractual amount plus the contractual interest which was accrued (but not paid) (which may include reasonable additional compensation for the early termination of the contract) is recognised in accordance with this criterion if the fair value of the advance payment element is not significant at the time of initial recognition.

Financial liabilities are measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, or is a derivative or is designated as such at the time of initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including payable interest, are recognised in profit/(loss) for the year. Other financial liabilities are subsequently measured at amortised cost by using the effective interest method. Payable interest and exchange rate gains/(losses) are recognised in profit/(loss) for the year, as are any profits or losses deriving from derecognition.

### **Impairment of financial assets**

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

The value of trade receivables, contract assets and other financial assets is shown in the financial statements net of the relevant allowance for impairment, while impairment losses are recognised in the income statement under “Amortisation, depreciation, impairment and provisions”.

### **Derecognition**

Financial assets are derecognised from the financial statements when the contractual rights to the cash flows deriving from them expire, or when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and benefits derive from ownership of the financial asset are transferred, or when the Group neither transfers or substantially maintains all the risks and benefits deriving from ownership of the financial asset and does not maintain control of the financial asset.

The Group is involved in transactions that involve the transfer of assets recognised in the statement of financial position, but retains all or substantially all the risks and benefits deriving from the transferred asset. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Group derecognises a financial liability even if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value on the basis of the modified contractual terms.

The difference between the carrying amount of the derecognised financial liability and the amount paid (including assets not represented by transferred liquid funds or assumed liabilities) is recognised in profit/(loss) for the year.

### **M. Provision for risks and charges**

Provisions for risks and charges are recorded where there are legal or implicit, contractual or otherwise obligations towards third parties, deriving from past events, which are likely to require an outlay of resources whose amount can be reliably estimated.

Whenever it is estimated that these obligations will mature after twelve months and that the related effects will be material, they are discounted at a rate that reflects the time value of money and the risks specific to the recognised liability. In those cases, the increase in the provision due to the passage of time and any effect arising from a change in



the discount rate are recognised as a finance expense. Any change in the estimate of provisions is reflected in profit or loss in the reporting period in which they arise.

### **Contingent liabilities**

The Group is subject to legal and tax disputes falling under the jurisdiction of several states, in relation to which a liability is ascertained when it is considered probable that a financial outlay will occur, and the amount of the resulting losses can be reasonably estimated. If an outflow of financial resources becomes probable but its amount cannot be determined, this fact is reported in the notes to the financial statements.

In the ordinary course of business, management monitors the progress of disputes also thanks to the support of its own legal advisors as well as legal and tax experts.

### **Product warranties**

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

### **N. Inventories**

Inventories are valued at the lesser of cost (determined using the weighted average cost method) and the net realisable value, namely, the estimated sale price less all estimated costs related to finalising the goods, the cost of sales, and distribution costs that must be incurred in order to finalize the sale.

The cost comprises the cost of direct materials and, where appropriate, direct labour, general production overheads and other costs incurred in bringing the inventories to their present location and condition.

Obsolete and slow moving inventories are written down in relation to the possibility that they can be used or sold.

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

### **O. Cash and cash equivalents**

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

### **P. Share capital**

Share capital represents subscribed and paid-up capital. Any incremental costs that are directly attributable to issuing ordinary shares are recognised as a decrease in equity. Income tax relating to capital transaction costs are recognised in accordance with IAS 12.

As provided for under IAS 32, any treasury shares are recognised as a reduction in equity. Any consideration received from a subsequent sale or reissue of such treasury shares would then recognised as an increase in equity. Gains and losses from trading, if any, are recognised under equity, net of tax effects.

### **Q. Impairment losses on property, plant and equipment and intangible assets**

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

Goodwill, other intangible assets with an indefinite useful life and intangible assets in progress are tested for impairment annually and whenever there is any indication of impairment.

The recoverability of the recognised amounts is tested by comparing the carrying amount with the higher of its fair value less costs to sell, where an active market exists, and the value in use. The value in use is determined based on the present value of the future cash flows expected to be derived from continuing use of an asset or group of assets and from its disposal at the end of its useful life.

The Directors determine the recoverable amount of goodwill by calculating the value in use for the cash generating units to which goodwill is allocated. The Cash Generating Units have been defined as a group of similar assets that generate independent cash inflows through continuing use of the assets attributable to it. In line with the provisions of the relevant accounting standards, and consistent with the organisational and business structure, the Biesse Group has identified 5

Cash Generating Units (CGUs); for further details, reference should be made to note 15.

Management makes several assumptions in calculating the present value of future cash flows, including estimates of future increases in sales, gross operating profit, operating expense, the growth rate of terminal values, investments, changes in working capital and the weighted average cost of capital (discount rate), taking account of the specific risks of the asset or of the cash generating units. The expected cash flows used in the model are calculated during the Group's budgeting and planning process. They represent the best estimate of the amounts and timing of future cash flows based on the Group's long-term plan, which is updated annually, reviewed by the strategic management and approved by the parent company's Board of Directors while approving the Group's long-term business plan. Expected sales growth is based on management forecasts. The operating expense estimated in the expected cash flows is also determined on the basis of management estimates for the next three years and are supported by the Group's product development and production plans. The amounts of investments and working capital estimated in the expected cash flows are determined on the basis of several factors, including the information necessary to support expected future growth rates and the product development plan. The carrying amount attributed to the cash-generating unit is determined with reference to the consolidated statement of financial position by direct, where applicable, or indirect allocation criteria.

If the recoverable amount of a tangible or intangible asset (including goodwill) is less than the carrying amount, then the latter is reduced and it is adjusted to match the recoverable amount. This reduction reflects an impairment loss, which will be recognised in profit or loss.

Where there are indications that an impairment loss, recorded in previous years and relating to property, plant and equipment or intangible assets other than goodwill, may no longer exist or may have been reduced, then the recoverable amount of the asset is estimated anew. If the revised value is higher than the net carrying amount, the latter will be increased to match the recoverable amount. The reversal of the impairment loss cannot exceed the carrying amount that would have been determined (net of amortisation, depreciation and write-downs) if no impairment had been recognised in previous years.

The reversal of the impairment loss on an asset other than goodwill is recognised in profit or loss.

## **5. Adoption of new accounting standards, amendments and IFRS interpretations**

### **d) Accounting standards, amendments and IFRS interpretations applied as of 1 January 2020**

The following accounting standards, amendments and interpretations issued by the IASB and endorsed by the European Union have been applied as of 1 January 2020.

- 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 applies to annual reporting periods beginning on or after 1 June 2020, but the Group elected to apply this amendment in advance, as of 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 applies to periods beginning on or after 1 January 2020. 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.

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

### **e) Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted in advance by the Group as at 31 December 2020**

Amendments endorsed by the European Union but not yet applicable as at 31 December 2020 are the following:

- In light of the reform of interbank interest rates such as IBOR, on 27 August 2020, the IASB issued "Interest Rate Benchmark Reform-Phase 2", which contains amendments to the following standards:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts; and
- IFRS 16 Leases.

The document was endorsed by the EU on 13 January 2021. All amendments will be effective as of 1 January 2021.

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

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

The amendments issued by the IASB as at 31 December 2020 and not yet endorsed by the European Union are set out below.

- 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 as of 1 January 2023; earlier application is nonetheless permitted.
- 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 directly 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 of 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.

## NOTES TO THE FINANCIAL STATEMENTS

### INCOME STATEMENT

#### 6. REVENUE FROM SALES AND SERVICES AND OTHER OPERATING INCOME

The breakdown of revenue from sales and services is as follows:

	31 December 2020	31 December 2019
€ '000		
Revenues from goods	340,757	398,977
Revenues from services	20,938	24,946
Other revenues	1,033	1,359
<b>Revenues</b>	<b>362,728</b>	<b>425,282</b>
Lease and rental income	170	256
Income-related grants	277	246
Gains on sales of assets	187	59
Other non-recurring income and prior year income	5,183	6,608
<b>Total other operating income</b>	<b>5,817</b>	<b>7,169</b>

In 2020, revenue from sales and services amounted to € 362,728 thousand, compared to € 425,282 thousand in 2019, down by 14.7% over the previous year. As already shown in the Group's sales analysis, it should be noted that the drop in revenue concerned both the Wood Division and the Glass/Stone Division.

As no operations were discontinued, the data above relates exclusively to continuing operations.

Under the item "Other operating income", the most significant figures related to "Other non-recurring income and prior year income" for € 5,183 thousand, including € 2,377 thousand (€ 3,036 thousand in 2019) for income deriving from the re-debiting of centralised service costs and consulting services that Biesse S.p.A. provides to Group companies, and € 1,497 thousand (€ 1,248 thousand in 2019) for the share of the year's income deriving from the R&D tax credit and the tax credit on investments (the former hyper-super depreciation).

The item "Income-related grants" included € 144 thousand for an Invitalia grant relating to the purchase of personal protective equipment, € 28 thousand for a tax credit on sanitisation and the remainder for the share of grants receivable for training courses.

In line with the provisions of IFRS 15 and as better explained in above note 4, the Company considers the sale of the good as a performance obligation separate from ancillary services, which are accounted for separately.

Here below is a breakdown of the item "Revenue from sales and services" to related parties:

€ '000

**Subsidiaries**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Axxembla Srl	-	2
Biesse America Inc.	36,919	46,753
Biesse Asia Pte Ltd	4,760	3,940
Biesse Canada Inc.	9,978	11,081
Biesse Deutschland GmbH	20,695	17,848
Biesse France Sarl	25,778	25,618
Biesse Group Australia Pte Ltd	6,379	6,618
Biesse Group New Zealand PTY Ltd	1,147	1,005
Biesse Group Russia LLC	4,686	4,582
Biesse Group UK Ltd	13,639	19,104
Biesse Gulf FZE	1,526	2,502
Biesse Iberica Woodworking Machinery S.L	11,845	19,157
Biesse Indonesia Pt	128	1,071
Biesse Korea LLC	724	221
Biesse Malaysia SDN BHD	2,890	3,564
Biesse Manufacturing CO PVT Ltd	684	1,442
Biesse Schweiz GmbH	3,356	2,823
Biesse Trading (Shanghai) CO.LTD	4,040	2,199
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	4,514	2,821
Biesservice Scandinavia AB	962	1,174
Bre.ma. Brenna Macchine S.r.l.	598	503
HSD S.p.A.	1,516	1,842
Intermac Do Brasil Servicos e Negocios Ltda.	682	835
Montesor & Co. Srl	85	5
Movetro Srl	-	1
Uniteam Spa	105	33
Viet Italia S.r.l.	297	17
WMP-Woodworking Machinery Portugal Unipessoal LDA	1,831	616

**Related parties**

Wirutex S.r.l.	6	31
<b>Total</b>	<b>159,770</b>	<b>177,408</b>

Here below is a breakdown of the item "Other operating income" to related parties:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
<b>Subsidiaries</b>		
Axxembla Srl	-	82
Biesse America Inc.	-	37
Biesse France Sarl	-	118
Biesse Group Australia Pte Ltd	1	-
Biesse Group Russia LLC	2	-
Biesse Group UK Ltd	40	-
Biesse Gulf FZE	1	-
Biesse Manufacturing CO PVT Ltd	350	530
Biesse Schweiz GmbH	1	-
Biesservice Scandinavia AB	7	-
Bre.ma. Brenna Macchine S.r.l.	547	736
Bsoft Srl	18	21
HSD S.p.A.	864	960
Montesor & Co. Srl	28	33
Movetro Srl	30	79
Uniteam Spa	213	65
Viet Italia S.r.l.	496	620
<b>Related parties</b>		
Fincobi S.r.l.	1	1
Porcellini Stefano	1	1
<b>Total</b>	<b>2,600</b>	<b>3,283</b>

## 7. ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHICAL SEGMENT

The Company, in compliance with the provisions of IFRS 8, discloses this information in the Notes to the Consolidated Financial Statements of the Group.

## 8. CONSUMPTION OF RAW MATERIALS AND CONSUMABLES

Consumption of raw materials and consumables fell from € 235,958 thousand in 2019 to € 199,659 thousand, down by 15.4% compared to the previous year. The percentage impact of this item on the value of production, equal to 55.2%, was unchanged compared to the previous year.

Here below are the amounts due to related parties and referring to the item "Consumption of raw materials and consumables":

€ '000

**Subsidiaries**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Axxembla Srl	-	3,163
Biesse America Inc.	(28)	30
Biesse Asia Pte Ltd	(6)	(7)
Biesse Canada Inc.	(17)	166
Biesse Deutschland GmbH	41	28
Biesse France Sarl	(13)	19
Biesse Group Australia Pte Ltd	252	308
Biesse Group New Zealand PTY Ltd	(5)	(4)
Biesse Group Russia LLC	1	3
Biesse Group UK Ltd	(19)	13
Biesse Gulf FZE	56	19
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	705	420
Biesse Iberica Woodworking Machinery S.L	56	234
Biesse Indonesia Pt	5	(2)
Biesse Korea LLC	(2)	-
Biesse Malaysia SDN BHD	2	(3)
Biesse Manufacturing CO PVT Ltd	13,384	3,644
Biesse Schweiz GmbH	2	140
Biesse Trading (Shanghai) CO.LTD	(11)	337
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	16	22
Biesservice Scandinavia AB	11	11
Bre.ma. Brenna Macchine S.r.l.	4,861	4,708
Bsoft Srl	369	605
HSD S.p.A.	18,163	21,733
Intermac Do Brasil Servicos e Negocios Ltda.	(1)	(2)
Korex Dongguan Machinery Co. Ltd.	-	(684)
Montresor & Co. Srl	1,551	1
Movetro Srl	1,104	2,608
Uniteam Spa	3,512	2,497
Viet Italia S.r.l.	12,987	16,651
<b>Related parties</b>		
Renzoni S.r.l.	1	-
Semar S.r.l.	839	1,191
Wirutex S.r.l.	1,011	1,396
<b>Total</b>	<b>58,827</b>	<b>59,245</b>

9. **PERSONNEL EXPENSE**

€ '000

	<b>31 December 2020</b>	<b>31 December 2019</b>
Wages, salaries, bonuses and social security contributions	97,615	111,847
Accruals to pension plans	5,822	5,915
Capitalization and recovery of personnel expense	(6,211)	(10,259)
<b>Personnel expense</b>	<b>97,226</b>	<b>107,503</b>

Personnel expense in 2020 was € 97,226 thousand, compared with € 107,503 thousand as at 31 December 2019, with an decrease of € 10,277 thousand in absolute terms.

Compared to the previous year, the fixed component "Wages, salaries, performance bonuses, other bonuses and related social security contributions" decreased by € 14,232 thousand, mainly due to the use of the temporary redundancy fund and the use by employees of unused prior years' holiday leave, following the drop in turnover and therefore in work as a consequence of the COVID-19 pandemic.

The recoveries on personnel expense for € 901 thousand refer to recharges of staff seconded to Group companies, while the capitalisations for the year of € 5,310 thousand in personnel expense refer mainly to costs for the development of new products; the decrease compared to the previous period was due to the lower number of hours spent on developing new products compared to the previous years.

#### Average number of employees

The average number of staff members in 2020 was 1,815 (1,842 in 2019), broken down as follows:

	31 December 2020	31 December 2019
Workers	722	724
Employees	1,041	1,066
Directors	52	52
<b>Total</b>	<b>1,815</b>	<b>1,842</b>

## 10. OTHER OPERATING EXPENSE

The item "Other operating expenses" is detailed as follows:

	31 December 2020	31 December 2019
€ '000		
Production services	11,074	14,300
Maintenance	2,694	3,329
Sales commissions and transport	6,400	9,467
Consultancy fees	4,089	3,570
Utilities	2,910	3,359
Exhibitions and advertising	1,354	4,804
Insurance	774	826
Directors, statutory auditors and consultants' remuneration	2,472	2,483
Travel	3,451	7,442
Other operating expenses	6,413	8,127
Use of third party assets	920	1,150
Other charges	5,005	5,753
<b>Total</b>	<b>47,556</b>	<b>64,610</b>

2020 was conditioned by the COVID-19 pandemic, which led to a marked reduction not only in revenue, but also in all the expense items; among the items which were most affected, besides those linked to manufacture such as "Production services", "Sales commissions and transport" and "Utilities", we may note those linked to the ban on movement "Travel expenses" and the ban on public gatherings "Trade fairs and advertising".

The only item on an opposite trend refers to "Consultancy fees", which rose by € 519 thousand.

The item Costs for the use of third-party assets includes leases pertaining to the year excluded from the application of IFRS 16 because of their short term or low value (€ 856 thousand), as further detailed in note **Errore. L'origine riferimento non è stata trovata.** below, and other costs for the use of third-party assets (€ 64 thousand).

As required by article 149-*duodecies* of the CONSOB Issuers' Regulations, a list of the services provided by the Independent Auditors is shown below:



Service Type	Entity providing the service	Remuneration € '000
Annual and quarterly audit	Deloitte & Touche SpA	115
Other services	Deloitte & Touche SpA	28
<b>Total</b>		<b>143</b>

With reference to transactions with related parties, here below is a breakdown of the costs of the item "Other operating expense":

€ '000

**Subsidiaries**

Axxembla Srl	-	7
Biesse America Inc.	268	402
Biesse Asia Pte Ltd	57	374
Biesse Canada Inc.	(118)	(142)
Biesse Deutschland GmbH	(619)	1,024
Biesse France Sarl	154	(279)
Biesse Group Australia Pte Ltd	(73)	114
Biesse Group New Zealand PTY Ltd	(3)	(6)
Biesse Group Russia LLC	(36)	17
Biesse Group UK Ltd	(721)	(294)
Biesse Gulf FZE	166	120
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	6	15
Biesse Iberica Woodworking Machinery S.L	150	599
Biesse Korea LLC	-	80
Biesse Malaysia SDN BHD	212	46
Biesse Manufacturing CO PVT Ltd	266	214
Biesse Schweiz GmbH	(83)	(79)
Biesse Taiwan Ltd.	(2)	(1)
Biesse Trading (Shanghai) CO.LTD	391	501
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	233	34
Biesse Scandinavia AB	47	167
Bre.ma. Brenna Macchine S.r.l.	305	(66)
Bsoft Srl	225	482
HSD Deutschland GmbH	(2)	(2)
HSD S.p.A.	305	506
Intermac Do Brasil Servicos e Negocios Ltda.	242	372
Korex Dongguan Machinery Co. Ltd.	51	-
Montesor & Co. Srl	(13)	(62)
Movetro Srl	71	(46)
Uniteam Spa	362	(140)
Viet Italia S.r.l.	209	103
WMP-Woodworking Machinery Portugal Unipessoal LDA	(40)	18

**Parent company**

Bifin Srl	1	1
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**Related parties**

Semar S.r.l.	-	1
Wirutex S.r.l.	23	39
Selci Giancarlo	850	850
Selci Roberto	830	830
Parpajola Alessandra	225	330
Porcellini Stefano	100	80
Potenza Massimo	117	-
Righini Elisabetta	27	24
Chiura Giovanni	20	21
Palazzi Federica	27	24
Vanini Silvia	15	13
De Mitri Paolo	71	74
Cecchini Silvia	46	46
De Rosa Dario	46	26
Sanchioni Claudio	-	20

<b>Total</b>	<b>4,408</b>	<b>6,457</b>
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## 11. IMPAIRMENT LOSSES

During the year, impairment losses of € 6,551 thousand were recognised (€ 4,746 thousand in 2019), of which € 4,932 thousand on development projects, capitalised in previous years, that are no longer deemed strategic and are being replaced by other new products, € 1,149 thousand on licences and patents that are no longer used and € 470 on a plot of land whose market value is currently substantially lower than its carrying amount.

For further details, reference should be made to the Directors' Report on Operations and to note 18.

## 12. SHARE OF PROFITS/LOSSES OF RELATED COMPANIES

Here below is a breakdown of impairment losses and reversal of impairment losses made during the year:

	31 December 2020	31 December 2019
€ '000		
Biesse Group Australia Pty Ltd.	-	(4,800)
Biesse Group New Zealand Ltd.	(1,300)	-
Biesse Group Russia LLC	(580)	-
Biesse Gulf FZE	(1,019)	(1,800)
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	6,100	(2,300)
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş.	(2,000)	-
Intermac Do Brasil Servicos e Negocios Ltda.	(926)	-
<b>Share of loss of subsidiaries and associates</b>	<b>275</b>	<b>(8,900)</b>

The impairment losses detailed in the table are the result of the valuation of equity investments through the impairment test disciplined by IAS 36. For further details, please refer to note 19, commenting on the item equity investments.

## 13. FINANCE INCOME AND EXPENSE

The item "Finance income" is detailed below:

	31 December 2020	31 December 2019
€ '000		
Revenues from financial assets	536	348
Bank interest	99	25
Interest from customers	19	5
Other financial income	464	303
Exchange rate gains	7,717	4,420
<b>Total financial income</b>	<b>8,835</b>	<b>5,101</b>

The item "Other financial income" includes the capital gain of € 321 thousand arising from the sale in September of part of the equity interest in Hyperlean S.r.l., a minor company not included in the scope of consolidation.

The amounts due to related parties referring to the item "Finance income" are shown below:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
<b>Subsidiaries</b>		
Biesse Group Australia Pte Ltd	74	136
Biesse Group New Zealand PTY Ltd	6	7
Biesse Group Russia LLC	24	25
Biesse Group UK Ltd	5	-
Biesse Gulf FZE	14	10
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	291	38
Bre.ma. Brenna Macchine S.r.l.	17	27
Bsoft Srl	-	1
Montesor & Co. Srl	32	34
Movetro Srl	-	1
Uniteam Spa	32	22
Viet Italia S.r.l.	41	47
<b>Total</b>	<b>536</b>	<b>348</b>

Finance expense is detailed below:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Bank, mortgage and financing interest	651	363
Interest on right of use assets	117	109
Interest on discounting of bills	44	17
Other interest	105	282
Customer discounts	238	294
Other financial expense	10	171
Exchange rate losses	6,970	7,076
<b>Total financial expense</b>	<b>8,135</b>	<b>8,312</b>

"Interest expense on leases" included € 89 thousand for financial charges on payables relating to right-of-use assets in application of IFRS 16.

Here below are the amounts due to related parties in relation to the item "Finance expense":

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
<b>Subsidiaries</b>		
Biesse America Inc.	59	199
Biesse Group UK Ltd	36	86
HSD S.p.A.	11	12
Uniteam Spa	-	(151)
<b>Parent company</b>		
Bifin S.r.l.	28	30
<b>Related parties</b>		
Fincobi S.r.l.	-	1
<b>Total</b>	<b>134</b>	<b>177</b>

The balance between the positive and negative exchange rate differences for the year is positive to the tune of € 747 thousand (negative to the tune of € 2,656 thousand in 2019).

Unrealised exchange rate gains and losses are negative for € 58 thousand (negative for € 279 thousand in 2019) and relate to the adjustment of receivables and payables expressed in foreign currency to the exchange rate at the end of the period.

Realised exchange rate differences were positive for € 537 thousand (negative for € 2,254 thousand in 2019).

## 14. DIVIDENDS

Dividends amounting to € 16,522 thousand refer to the dividends distributed in 2020 by the following companies:

- HSD S.p.A.: € 10,000 thousand. This dividend was authorised on 30 December 2020.
- Biesse America Inc.: € 2,886 thousand (USD 3,500 thousand). This dividend was authorised on 7 December 2020.
- Biesse Group UK Ltd.: € 331 thousand (GBP 300 thousand). This dividend was authorised on 14 December 2020.
- Biesse Canada Inc.: € 519 thousand (CAD 800 thousand). This dividend was authorised on 4 November 2020.
- Biesse France Sarl: € 500 thousand. This dividend was authorised on 4 December 2020.
- Biesse Asia Pte. Ltd.: € 400 thousand; This dividend was authorised on 26 November 2020.
- Biesse Iberica Woodworking Machinery s.l.: € 500 thousand. This dividend was authorised on 1 December 2020.
- Biesse Deutschland GmbH: € 1,000 thousand; This dividend was authorised on 1 December 2020.
- Bsoft S.r.l.: € 300 thousand. This dividend was authorised on 11 November 2020.
- Hyperlean S.r.l.: € 86 thousand. This dividend was authorised on 9 June 2020.

With the exception of HSD S.p.A. and Biesse Deutschland GmbH, all dividends were collected by the reporting date.

## 15. TAXES

	31 December 2020	31 December 2019
€ '000		
Current taxes IRES	(1,146)	1,309
Deferred taxes IRES	(2,880)	(972)
<b>Taxes IRES</b>	<b>(4,026)</b>	<b>337</b>
Current taxes IRAP	13	755
Deferred taxes IRAP	(503)	(112)
Income taxes relating to previous years	(145)	(239)
<b>Total</b>	<b>(4,661)</b>	<b>741</b>

Biesse S.p.A. ended 2020 with a positive balance on total taxes of € 4,661 thousand (negative for € 741 thousand in 2019), down sharply on the previous year.

The balance on "IRES taxes" (corporate income tax) was positive at € 4,026 thousand (negative for € 337 thousand in 2019), falling due to the effect of the reduction in taxable income.

"IRES current taxes", which were positive for € 1,146 thousand (negative for € 1,309 thousand in 2019), take account for € 1,193 thousand of the remuneration of the tax consolidation on the loss for the year and for € 47 thousand of the negative impact following the reclassification of taxes recognised directly in equity referring to the actuarial adjustment of the severance indemnity (TFR). In 2020 "IRAP current taxes" (regional business tax) were set aside for € 13 thousand (€ 755 thousand in 2019).

Deferred taxes, overall positive for € 3,383 thousand, mainly refer to the change in temporary IRES adjustments; for further details, reference should be made to note 34.

"Income taxes relating to previous years" were positive to the tune of € 145 thousand (positive to the tune of € 239 thousand in 2019).

The provision for taxes of the year can be reconciled with the profit or loss for the year shown in the financial statements as follows:

	<b>Year ended at 31/12/2020</b>		<b>Year ended at 31/12/2019</b>	
€ '000				
Profit (Loss) before tax	881		4,804	
Taxes	211	24.00%	1,153	24.00%
Tax effect of permanent differences	(4,224)	(479.46)%	(792)	(16.49)%
Other movements	(13)	(1.48)%	(24)	(0.50)%
<b>Income taxes and effective tax rate</b>	<b>(4,026)</b>	<b>(456.98)%</b>	<b>337</b>	<b>7.02%</b>

The positive impact on the actual IRES tax rate mainly came from the reduced taxation on dividends received and the benefits from investments that fall under the incentives for hyper-/super-depreciation.

## STATEMENT OF FINANCIAL POSITION

### 16. PROPERTY, PLANT, EQUIPMENT AND OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT

	Property, plant and machinery	Equipment and others tangible assets		Total
€ '000		Equipment and others tangible assets	Assets under construction and advances	
<b>Historical cost</b>				
Value at 01/01/2019	106,015	33,304	2,365	141,684
Increase FTA IFRS 16	3,953	1,781	-	5,734
Increases	4,800	3,213	4,499	12,512
Disposals	(1,703)	(901)	-	(2,604)
Reclassification	5,764	267	(6,035)	(4)
Value at 31/12/2019	118,829	37,664	829	157,322
Increases	974	1,839	1,786	4,599
Disposals	(216)	(925)	-	(1,141)
Reclassification	2,196	21	(2,218)	(1)
Other changes	(469)	-	-	(469)
Merger effect	148	51	50	249
<b>Value at 31/12/2020</b>	<b>121,462</b>	<b>38,650</b>	<b>447</b>	<b>160,559</b>
<b>Depreciation Funds</b>				
Value at 01/01/2019	57,352	27,488	-	84,840
Amortisation of the period	3,840	3,499	-	7,339
Disposals	(1,723)	(1,052)	-	(2,775)
Value at 31/12/2019	59,469	29,935	-	89,404
Amortisation of the period	4,519	3,667	-	8,186
Disposals	(140)	(877)	-	(1,017)
Merger effect	57	42	-	99
<b>Value at 31/12/2020</b>	<b>63,905</b>	<b>32,767</b>	<b>-</b>	<b>96,672</b>
<b>Net book Value</b>				
Value at 31/12/2019	59,360	7,729	829	67,918
<b>Value at 31/12/2020</b>	<b>57,557</b>	<b>5,883</b>	<b>447</b>	<b>63,887</b>

As of 1 January 2019, property, plant and equipment include, in addition to owned assets, the so-called Right-of-use assets, introduced by IFRS 16.

Investments in the reference period amounted to € 4,599 thousand (€ 12,512 thousand in 2019). These investments included € 1,306 thousand for the purchase of two machines for the workshop, € 221 thousand for the restructuring of an existing building, € 218 thousand for the modernisation of the electrical system for energy efficiency, € 179 thousand for the revamping of a machine, while the residual amount refers to the normal replacement of equipment that is necessary for ordinary production activities.

The item "Other changes" includes the impairment loss on a plot of buildable land located in Secchiano (RN), whose market value is currently well below its carrying amount, as supported by a specific survey estimate.

As at 31 December 2020, there were no commitments to purchase tangible fixed assets and there were no liens or mortgages on land and buildings.

#### Leased property, plant and equipment

Right-of-use assets are included in property, plant and equipment separately by category, while lease liabilities are included in "Finance lease liabilities" falling due within and beyond one year.

During 2020 right-of-use assets rose by € 1,950 thousand, with a net decrease of € 98 thousand due to the early closures of lease contracts.

The breakdown of depreciation of leased assets is summarised below:

- Depreciation of Buildings: € 556 thousand (€ 562 thousand in 2019).
- Depreciation of Machinery: € 493 thousand (€ 221 thousand in 2019).
- Depreciation of Motor vehicles: € 1,318 thousand (€ 1,208 thousand in 2019).
- Depreciation of Means of internal transport: € 13 thousand (€ 11 thousand in 2019).

The items relating to leases other than depreciation are summarised below:

- Interest expense: € 117 thousand (€ 109 thousand in 2019), recognised under "Finance expense";
- Costs (fees) relating to short-term leases: € 774 thousand (€ 1,025 thousand in 2019), recognised under "Other operating expense" in "Use of third-party assets";
- Costs (fees) relating to low-value leases: € 82 thousand (€ 82 thousand in 2019), recognised under "Other operating expense" in "Use of third-party assets".

During 2020, the outflows for payments connected to leases totalled € 3,367 thousand (€ 3,530 thousand in 2019), of which € 2,422 thousand (€ 2,314 thousand in 2019) for the repayment of lease payables and the residual amount for interest payments made on these payables and on short-term or low-value leases.

The breakdown of leases outflows is summarised below:

- Lease repayments – principal amounts: € 2,422 thousand (€ 2,314 thousand in 2019)
- Lease interest paid during the year: € 117 thousand (€ 109 thousand in 2019)
- Payments relating to short-term leases: € 774 thousand (€ 1,025 thousand in 2019)
- Payments relating to low-value leases: € 82 thousand (€ 82 thousand in 2019)

## 17. GOODWILL

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

- Wood – production and distribution of woodworking machines and systems;
- Glass & Stone – production and distribution of glass and stone processing machines and systems;
- Tooling – production and distribution of glass and stone processing tools for all the machines on the market;
- Components – production and distribution of other components related to additional precision processing

The following table shows the allocation of goodwill by CGU:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Tooling	3,940	3,940
Wood	2,406	2,307
<b>Total</b>	<b>6,346</b>	<b>6,247</b>

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.

Operating cash flows for future financial years were estimated with reference to the 2021-2025 business plan (hereinafter referred to as the "Plan") approved by the Board of Directors on 15 March 2021, along with the goodwill impairment test procedure. This plan was drawn up in keeping with the methodology adopted during the year for the approval of the 2020 interim report, updated to take into account the most recent information acquired from the market, as well as the 2021 budget approved by the Directors on 29 January 2021. Specifically, even though the current scenario is still extremely complex and uncertain, based on historical analyses of the Company's performance in the face of disruptive events (2002 crisis following the 2001 terrorist attacks, 2008-2009 financial crisis), and taking into account the potential recovery of the business cycle, forecast by leading international institutions, the Directors have concluded that Biesse should be able to more than recover from the negative market trend recorded in 2020.



Amid limited visibility, the Group decided to take a conservative approach. Indeed, under a conservative simulation, it would take 5 years for the Group's performance to return to pre-COVID levels.

The recoverable amount of the Cash Generating Unit was verified by determining its value in use, taken as the present value of future cash flows generated by the CGU, and calculated in accordance with the discounted cash flow method. The analysis did not show any changes to recognised amounts.

### Assumptions underlying the discounted cash flow method

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

	31 December	
	2020	2019
WACC	7.5%	8.0 %
CAGR forecast revenue	3.2%	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 ( $\beta$ ) considered was that of Biesse (compared to that of comparable businesses in the machinery sector – Euro Area);
- as for the market risk premium (MRP), it was assumed to be 5.5%;
- 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 2%, 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

Operating cash flows used to test for impairment in 2020 were based on the business plan for the 2021-2025 five-year period, as approved by Biesse S.p.A. Board of Directors on 15 March 2021, in keeping with the methodology and conservative criteria outlined above. 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:

	Wood Division	
	31 December	
	2020	2019
Average incidence of the cost of sales on plan revenue	58.1%	55.2 %
Average incidence of personnel expense on plan revenue	21.5%	23.9 %
Average incidence of fixed operating costs on revenue	10.9%	11.1 %
	Tooling Division	
	31 December	
	2020	2019
Average incidence of the cost of sales on plan revenue	35.2%	36.3 %
Average incidence of personnel expense on plan revenue	33.3%	34.8 %
Average incidence of fixed operating costs on revenue	18.7%	18.8 %

### Impairment test results

	Wood Division	
	31 December	
	2020	2019
CGU carrying amount (CA)	66,762	78,911
CGU recoverable amount (RA)	231,443	239,971
Impairment	-	-
	Tooling Division	

31 December		
	2020	2019
CGU carrying amount (CA)	5,944	5,256
CGU recoverable amount (RA)	9,063	7,088
Impairment	-	-

The above test results did not show the need to impair the Goodwill recorded in the consolidated financial statements as at 31 December 2020.

### Breakeven point

As regards the breakeven point of the individual CGUs, please see the following table:

	Wood	Tooling
WACC	+19.2 %	+10.2 %
Growth rate	-36.2 %	-2.6 %
Terminal value EBITDA	€ 17.9 m	€ 1.1 m

### Sensitivity analysis

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

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

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

		Wood	Tooling
WACC +0.5%	CGU (CA)	66,762	5,944
	CGU (RA)	212,175	8,288
Growth rate -0.5%	CGU (CA)	66,762	5,944
	CGU (RA)	216,760	8,472
CAGR -50%	CGU (CA)	66,762	5,944
	CGU (RA)	72,280	898

Finally, it should be noted that the estimates and budget figures to which the aforementioned parameters were applied are calculated by the Group's management on the basis of past experience and expectations about the trend in the markets in which the Group operates. Therefore, the management makes judgements and assumptions in calculating the recoverable amount of the cash-generating unit. The Group cannot guarantee that goodwill will not become impaired in future periods. Indeed, various factors relating also to the evolution of the current challenging market conditions, impacted by the ongoing COVID-19 pandemic, could result in adjustments to goodwill. The Company continues to monitor the circumstances and events that could require further impairment testing.

## 18. OTHER INTANGIBLE ASSETS

	Development costs	Patents, trademarks and other intangible assets	Assets under construction and advances	Total
€ '000				
<b>Historical cost</b>				
Value at 01/01/2019	72,338	36,349	15,652	124,339
Increases	-	3,163	13,118	16,281
Disposals	-	(5)	-	(5)
Reclassification	6,601	4,775	(11,372)	4
Other changes	(5,645)	(3,660)	(913)	(10,218)
Value at 31/12/2019	73,294	40,622	16,485	130,401
Increases	-	1,904	7,747	9,651
Disposals	-	(61)	-	(61)
Reclassification	9,147	1,828	(10,974)	1
Other changes	(8,252)	(4,015)	(1,525)	(13,792)
Merger effect	-	39	-	39
<b>Value at 31/12/2020</b>	<b>74,189</b>	<b>40,317</b>	<b>11,733</b>	<b>126,239</b>
<b>Depreciation Funds</b>				
Valore al 01/01/2019	55,292	19,540	-	74,832
Ammortamento del periodo	8,186	4,260	-	12,446
Cessioni	-	(4)	-	(4)
Altre variazioni	(3,339)	(2,134)	-	(5,473)
Valore al 31/12/2019	60,139	21,662	-	81,801
Ammortamento del periodo	7,375	4,422	-	11,797
Cessioni	-	(52)	-	(52)
Altre variazioni	(4,577)	(3,134)	-	(7,711)
Effetto fusione	-	27	-	27
<b>Value at 31/12/2020</b>	<b>62,937</b>	<b>22,925</b>	<b>-</b>	<b>85,862</b>
<b>Net book Value</b>				
Value at 31/12/2019	13,155	18,960	16,485	48,600
<b>Value at 31/12/2020</b>	<b>11,252</b>	<b>17,392</b>	<b>11,733</b>	<b>40,377</b>

The intangible assets shown above have a finite useful life and are amortised accordingly.

The increase of € 9,651 thousand (€ 16,281 thousand in 2019) comprises € 6,569 thousand of capitalised costs for assets under construction relating to development projects not yet completed.

As at 31 December 2020, the separate financial statements included assets that represent new product development costs of € 22.1 million, of which € 10.8 million recognised under assets under construction and advances.

Capitalising development costs involves the Directors preparing estimates, since the recoverability of those costs depends on cash flows from the sale of products marketed by the Company.

These estimates are characterised both by a complexity of assumptions underlying the revenue and future margin projections, and by strategic industrial choices made by the Directors.

Patents, trademarks and other rights are amortised in relation to their useful life.

The item "Other changes", amounting to € 6,081 thousand, included the impairment loss recorded following the impairment of development projects deemed no longer recoverable and/or strategic and licences no longer used.

As already highlighted, from the verification of cash flows expected from the sale of products, which incorporate development projects covered by capitalisation, as at 31 December 2020 it was necessary to proceed with an impairment of costs relating to development projects, both to those which are being amortised and to current ones, which were previously capitalised for € 4,932 thousand, since they are considered as no longer recoverable and/or strategic, and with an impairment of licences that are no longer used, for € 1,149 thousand.

## 19. EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

They totalled € 98,228 thousand (€ 97,963 thousand in 2019), up € 265 thousand compared to the previous year.

Changes in the period are detailed below:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Opening balance	97,963	106,109
Acquisitions/Increases	-	1,754
Disposals	(10)	(1,000)
Impairment	275	(8,900)
<b>Closing balance</b>	<b>98,228</b>	<b>97,963</b>

As at 31 December 2020, there were no equity investments in associates.

Transaction details are provided here below:

The cash outflow for the year amounted to € 85 thousand and related to the fourth and final instalment relating to the purchase in 2017 of 100% of Bsoft Srl;

The item "Disposal/Liquidation" for € 10 thousand refers to the cancellation of the equity investment in the subsidiary Axxembla S.r.l. due to its merger into Biesse S.p.A. through the deed of Notary Public Luisa Rossi dated 9 December 2020.

The impairment losses/reversal of impairment losses on the cost of equity investments recognised in the financial statements were implemented after an in-depth analysis of their cash generation capacity by applying the same method described above in the explanatory note relating to goodwill, to which reference should be made, with consequent recognition of an impairment loss on the portion considered as no longer recoverable. Details of the companies that, following the impairment test, experienced an impairment/reversal of impairment (as already indicated in note 12) are as follows:

- Reversal of impairment of the subsidiary Biesse Hong Kong Ltd for € 6,100 thousand
- Impairment of the subsidiary Intermac Do Brasil Servicos e Negocios Ltda for € 926 thousand
- Impairment of the subsidiary Biesse Group New Zealand Ltd for € 1,300 thousand
- Impairment of the subsidiary Biesse Turkey Makine Ticaret Ve Sanayi A.S. for € 2,000 thousand
- Impairment of the subsidiary Biesse Group Russia LLC for € 580 thousand
- Impairment of the subsidiary Biesse Gulf FZE for € 1,019 thousand

Here below is a table comparing the carrying amount of equity investments, already net of the relevant accumulated allowance for impairment, their equity and the result for the year as at 31 December 2020 attributable to the Parent Biesse S.p.A. (Appendix A), converted into Euro:

	<b>Investment value</b>	<b>Equity including net result of the year</b>	<b>Year end result</b>	<b>Difference</b>
€ '000				
Biesse America Inc.	7,580	13,717	3,240	6,137
Biesse Asia Pte Ltd	1,088	1,665	56	577
Biesse Canada Inc	96	575	449	479
Biesse Deutschland GmbH	6,228	3,208	1,121	(3,020)
Biesse France Sarl	4,879	3,331	1,787	(1,548)
Biesse Group Australia Pte Ltd	507	1,954	1,115	1,447
Biesse Group New Zealand PTY Ltd	506	718	219	212
Biesse Group Russia	-	(164)	(297)	(164)
Biesse Group UK Ltd	1,088	1,613	465	525
Biesse Gulf FZE	-	(267)	(793)	(267)
Biesse Hong Kong Ltd ( ex Centre Gain Lt	13,800	8,727	(295)	(5,073)
Biesse Iberica Woodworking Machinery :	4,448	2,906	1,420	(1,542)
Biesse Indonesia PT.	23	45	(4)	22
Biesse Manufacturing CO PVT Ltd	17,839	27,301	2,669	9,462
Biesse Turkey Makine Ticaret Ve Sanayi A.	3,800	3,766	(40)	(34)
Biesservice Scandinavia AB	13	290	46	277
Bre.Ma. Brenna Macchine Srl	4,147	2,309	(239)	(1,838)
Bsoft Srl	507	295	(22)	(212)
H.S.D. Spa	21,915	46,949	7,107	25,034
Intermac Do Brasil Servicos e Negocios Lt	-	61	(485)	61
Montresor & Co. Srl	619	644	(11)	25
Movetro Srl	2,748	1,153	13	(1,595)
Uniteam Spa	3,942	930	(716)	(3,012)
Viet Italia Srl	2,455	1,400	(789)	(1,055)
<b>Total</b>	<b>98,228</b>	<b>123,126</b>	<b>16,016</b>	<b>24,898</b>

The figures relating to equity and the result for the year refer to the financial year.

The Company, at least on an annual basis or more frequently when there is an indication of impairment, analyses the item Equity investments, first identifying the equity investments with a carrying amount higher than the corresponding pro-quota equity and with a negative result for the period, as well as those worthy of particular attention. Such analysis also takes account of the historic performance of the subsidiary, also in reference to the ability to distribute dividends arising from positive results, and to further information relating to the relevant market and/or sector.

With reference to the companies for which this comparison revealed permanent impairment, the company carried out a specific impairment test.

In the current year, impairment indicators were identified with respect to the subsidiaries Biesse New Zealand PTY Ltd, Biesse Group Russia, Biesse Gulf FZE, Biesse Turkey Makine Ticaret Ve Sanayi As, Intermac Do Brasil Ltda, Viet Italia Srl, Movetro Srl, Uniteam Spa and Bre.Ma. Brenna Macchine Srl.

For these equity investments, the main assumptions used in determining the value in use of the cash generating unit relate to the discount rate (WACC = Weighted Average Cost of Capital) and the growth rate ("g rate"). In particular, the calculations used the cash flow projections of the individual investee companies for the period 2021-2025, which can be inferred from the individual company budgets/business plans, consistent with the Group Business Plan prepared by Management and approved by the Board of Directors on 15 March 2021. The discount rate used (WACC) reflects the current market evaluation of the cost of money and the risks of the business in question and takes into account country-specific variables.

The results of the impairment tests carried out showed the need to proceed with the impairment of the aforementioned equity investments.

In reference to the other subsidiaries whose carrying amount is higher than the corresponding pro-quota equity, this difference was not considered representative of permanent impairment, in consideration both of the positive results achieved in the year by the investee companies and of their ability to distribute dividends as well as of the forecast future profitability expected by these companies. For these reasons, no impairment losses were recognised in these financial statements.

Instead, a partial reversal of impairment losses on the equity investment in Biesse Hong Kong Ltd was carried out, mainly following the cash flows that will be generated by the disposal of the equity investment in Korex Machinery Co Ltd (a company wholly controlled by Biesse Hong Kong Ltd) in 2021, for which a Share purchase agreement was signed on 28 January 2021. The value of this operation is estimated at CNY 183.5 million (HK\$ 212.5 million – € 22.5 million) and, should all the contractual provisions be complied with, the completion of the deal is expected by the end of March 2021. The full financial settlement of the operation is also envisaged by the end of March, through the contribution of J.P. Morgan.

### Assumptions underlying the discounted cash flow method

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

	As at 31 December 2020		
	WACC	CAGR forecast revenue	Growth rate of the final value
Biesse New Zealand PTY Ltd	9.5%	7.7%	1.5%
Biesse Group Russia	10.0%	4.4%	1.5%
Biesse Gulf FZE	9.5%	14.9%	1.5%
Biesse Hong Kong Ltd	9.5%	9.2%	1.5%
Biesse Turkey Makine Ticaret Ve Sanayi As	12.0%	4.2%	1.5%
Intermac Do Brasil Ltda	12.0%	26.2%	1.5%
Viet Italia Srl	11.0%	8.2%	1.5%
Movetro Srl	9.5%	7.3%	1.5%
Uniteam Spa	10.0%	6.4%	1.5%
Bre.Ma. Brenna Macchine Srl	11.0%	4.6%	1.5%

For the purposes of the impairment test, different Weighted Average Costs of Capital were used to take into account the different risk components (country risk, spread risk, interest rate risk, etc.) of the individual companies.

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 ( $\beta$ ) considered was that of Biesse (compared to that of comparable businesses in the machinery sector – Euro Area);
- as for the market risk premium (MRP), a company-specific value was assumed;
- finally, a specific rate for the gross cost of debt was assumed, determined on the basis of the Company's average cost of debt and of a "country" spread.

### Sensitivity analysis

In addition, a sensitivity analysis of the results was carried out with respect to the equity investments under review that were not impaired: Viet Italia Srl, Movetro Srl, Uniteam Spa and Bre.Ma Brenna Macchine Srl, assuming a deterioration in key parameters such as:

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

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

		Viet Italia Srl	Movetro Srl	Uniteam Spa	Bre.Ma Brenna Macchine Srl
WACC +0.5%	CGU (CA)	2,455	2,748	3,942	4,147
	CGU (RA)	3,843	3,566	3,689	4,703
CAGR -50%	CGU (CA)	2,455	2,748	3,942	4,147
	CGU (RA)	(4,987)	(1,711)	(6,167)	(537)

Finally, it should be noted that the estimates and budget figures to which the aforementioned parameters were applied are calculated by the Company's management on the basis of past experience and expectations about the trend in the markets in which the companies operate. Therefore, the management makes judgements and assumptions in calculating the recoverable amount. The Company cannot guarantee that equity investments will not become impaired in future periods. Indeed, various factors relating also to the evolution of the current challenging market, conditions, impacted by the ongoing COVID-19 pandemic, could result in adjustments to equity investments. The Company continues to monitor the circumstances and events that could require further impairment testing.

Details concerning equity investments in subsidiaries together with the statement of changes in these equity investments are shown in Appendix A to the Notes.

## 20. OTHER NON-CURRENT FINANCIAL ASSETS AND RECEIVABLES

The item "Other non-current financial assets and receivables", amounting to € 1,515 thousand (€ 710 thousand in 2019), is broken down as follows:

	31 December 2020	31 December 2019
€ '000		
Minor investments in other companies and consortiums	139	165
Other receivables / guarantee deposits	1,376	545
<b>Total</b>	<b>1,515</b>	<b>710</b>

The item "Non-controlling interests in other companies and consortia" decreased by € 26 thousand due to the sale in September of part of the equity investment in Hyperlean S.r.l.

The item "Other receivables / Guarantee deposits – non-current portion" includes € 210 thousand in guarantee deposits and € 1,165 thousand in receivables from the tax authorities. The increase compared to the previous period is due for € 620 thousand to the recognition of the tax credit on investments (former hyper-/super-depreciation) which in the previous years was used to calculate taxes through tax recoveries.

## 21. INVENTORIES

	31 December 2020	31 December 2019
€ '000		
Raw materials, consumables and suppliers	20,181	20,909
Work in progress and semi-finished goods	14,706	16,375
Finished goods	15,728	20,601
Spare parts	9,895	10,345
<b>Total</b>	<b>60,510</b>	<b>68,230</b>

The carrying amount is recorded net of the allowances for inventory write-downs which totalled € 6,029 thousand (€ 4,036 thousand in 2019). These allowances included € 1,840 thousand for the allowance for inventory write-downs of raw materials (€ 1,656 thousand at the end of 2019), € 1,811 thousand for the allowance for inventory write-downs of finished products (€ 955 thousand at the end of 2019) and € 2,378 thousand for the allowance for inventory write-downs of spare parts (€ 1,425 thousand at the end of 2019). The allowance for inventory write-downs of raw materials amounted to 8.4% as a percentage of the historical cost of the relevant inventories (7.3% at the end of 2019), the one for the write-downs of finished products was 10.3% (4.4% at the end of 2019), and the one for spare parts 19.4% (12.1% at the end of 2019).

Quantification of the allocation to the allowances for inventory write-downs is based on assumptions made by the management.

The total value of the Company's inventories decreased by € 7,720 thousand compared to the previous year. In particular, inventories of "Raw, ancillary and consumable materials" decreased by € 728 thousand, inventories of "Work in progress and semi-finished goods" decreased by € 1,669 thousand, inventories of "Finished products and goods" decreased by € 4,873 thousand and inventories of "Spare parts" decreased by € 450 thousand.

## 22. TRADE RECEIVABLES FROM THIRD PARTIES

	31 December 2020	31 December 2019
€ '000		
Trade receivables within one year	54,519	60,612
Trade receivables beyond one year	2,285	2,702
Allowance for impairment	(2,827)	(2,970)
<b>Total</b>	<b>53,977</b>	<b>60,344</b>

The alignment of the value of receivables at their fair value is implemented through the allowance for impairment; management believes that the carrying amount of trade receivables is a reasonable approximation of their fair value.

The decrease in trade receivables from third parties is mainly attributable to the decrease in turnover due to the COVID-19 pandemic. There are no particular critical issues in terms of days sales outstanding, impaired positions or deterioration of credit quality.

Trade receivables are recognised net of the allowance for impairment, which is estimated with reference to both non-performing loans and loans overdue more than 180 days. Receivables that were not yet overdue at the reporting date also include a general impairment loss estimated on the basis of data and past experience with respect to losses on receivables recorded by the Company, adjusted to take account of specific forecast factors relating to debtors and the macroeconomic environment.

The changes in the allowance are summarised in the following table:

	31 December 2020	31 December 2019
€ '000		
Opening balance	2,970	3,177
Allowance/Release	124	(7)
Utilisation	(267)	(200)
<b>Total</b>	<b>2,827</b>	<b>2,970</b>

Provisions to the allowance for impairment are made on the basis of specific assessments of expired receivables and receivables due to expire. With respect to other receivables, provisions are determined on the basis of information updated as at the financial statement date, taking account both of past experience and of losses expected over the life of the receivable. The amount of the provisions is determined on the basis of the current value of the estimated recoverable flows, after taking into account the related recovery costs and the fair value of any collaterals given to the Company.

Recognised trade receivables included receivables specifically impaired as individual assets whose net value amounted to € 1,576 thousand, following impairment losses of € 2,644 thousand (in 2019, net receivables amounted to € 1,594 thousand following impairment losses of € 2,787 thousand). Impairment losses recognised in the income statement were recognised indirectly through provisions to the allowance for impairment.

Specific impairment losses arise mainly from the measurement of receivables subject to specific legal disputes, and the relevant legal opinion is usually provided.

Please also note that the allowance for impairment recognised in the financial statements reflects the uncertainties generated by the COVID-19 emergency, the evolution and impacts of which are still in progress.

Receivables due over 5 years amount to €32 thousand.



## 23. TRADE RECEIVABLES FROM RELATED PARTIES

	31 December 2020	31 December 2019
€ '000		
Trade receivables due from related parties	1	13
Trade receivables due from subsidiaries	53,665	46,753
<b>Total</b>	<b>53,666</b>	<b>46,766</b>

The amounts receivable from subsidiaries are trade receivables and refer to transactions undertaken for the sale of goods and/or rendering of services.

Receivables from subsidiaries are detailed here below:

	31 December 2020	31 December 2019
€ '000		
Axxembla Srl	-	89
Biesse America Inc.	15,054	14,711
Biesse Asia Pte Ltd	845	941
Biesse Canada Inc.	1,485	1,994
Biesse Deutschland GmbH	4,856	1,379
Biesse France Sarl	6,195	4,300
Biesse Group Australia Pte Ltd	3,685	2,228
Biesse Group New Zealand PTY Ltd	650	366
Biesse Group Russia LLC	2,074	1,475
Biesse Group UK Ltd	4,047	2,902
Biesse Gulf FZE	913	1,937
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	39	38
Biesse Iberica Woodworking Machinery S.L	2,217	2,820
Biesse Indonesia Pt	81	138
Biesse Korea LLC	32	(26)
Biesse Malaysia SDN BHD	479	873
Biesse Manufacturing CO PVT Ltd	3,082	2,342
Biesse Schweiz GmbH	382	(188)
Biesse Taiwan Ltd.	-	2
Biesse Trading (Shanghai) CO.LTD	1,359	720
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	199	172
Biesservice Scandinavia AB	323	381
Bre.ma. Brenna Macchine S.r.l.	940	1,370
Bsoft Srl	35	30
HSD Deutschland GmbH	-	-
HSD S.p.A.	1,567	1,513
Intermac Do Brasil Servicos e Negocios Ltda.	1,023	961
Korex Dongguan Machinery Co. Ltd.	-	763
Montesor & Co. Srl	66	121
Movetro Srl	75	156
Uniteam Spa	407	1,097
Viet Italia Spa	493	843
WMP-Woodworking Machinery Portugal Unipessoal LDA	1,062	305
<b>Total</b>	<b>53,665</b>	<b>46,753</b>

## 24. CONTRACT ASSETS DUE FROM RELATED PARTIES

As at 31 December 2020 there were no "Contract assets from related parties".

## 25. OTHER CURRENT ASSETS DUE FROM THIRD PARTIES

"Other current assets due from third parties" are detailed as follows:

	31 December 2020	31 December 2019
€ '000		
Consumption tax receivables and other tax receivables	979	1,455
Income tax assets	1,433	4,895
Other assets	2,418	2,431
<b>Total</b>	<b>4,830</b>	<b>8,781</b>

The item "Consumption tax receivables and other receivables from tax authorities" included € 389 thousand for the recognition of the 2020 tax credits for R&D activities (€ 1,352 in 2019) and € 155 thousand for the tax credit on investments (the former super-/hyper-depreciation).

"Income tax receivables" include the IRES tax credit balance for € 1,162 and the IRAP tax credit balance for € 271 thousand, due to payment in previous years of advances higher than the current taxes due for the year; no advances were paid in 2020 in anticipation of a tax result that did not exceed the remaining credits.

The Company, as consolidating entity, participates in the group national tax consolidation scheme, along with its subsidiaries Bre.Ma. Brenna Macchine S.r.l., Viet Italia S.r.l., HSD S.p.A., Uniteam S.p.A., Montresor S.r.l., Movetro S.r.l., BSoft S.r.l. In this context, pursuant to articles 117 et seq. of Presidential Decree 917/86, the IRES tax has been determined at an aggregated level by offsetting the positive and negative taxable amounts of the above-mentioned companies. The financial relationships and the mutual responsibilities and obligations among the companies are defined in the regulation governing participation in the group tax consolidation scheme.

The item "Other receivables from third parties" mainly refers to deferrals on costs pertaining to subsequent years.

## 26. CURRENT FINANCIAL ASSETS DUE FROM THIRD PARTIES

Current financial assets due from third parties amounted to € 27,000 thousand (€ 2,223 thousand in 2019).

During 2020, 5 savings accounts have been opened with Intesa Sanpaolo for a total value of € 20,000 thousand, in addition the life policy taken out in 2019 with Generali S.p.A. was increased for € 1,000 thousand and a new life policy was taken out with AXA S.p.A. for € 4,000 thousand. These operations were carried out with the aim of using cash surpluses in temporary liquidity investments that can be quickly converted for short-term financial needs.

Furthermore, during 2020 the RAS life policy was redeemed for € 228 thousand.

## 27. CURRENT FINANCIAL ASSETS AND LIABILITIES DUE FROM RELATED PARTIES

Current financial assets and liabilities due from related parties refer to intercompany treasury activities aimed at optimising cash flows between Biesse S.p.A. and its subsidiaries. Loans granted and received are at floating rate with application of the Libor / Euribor rate and have variable and renewable maturities.

Financial assets are broken down as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Biesse Group Australia Pte Ltd	1,101	7,034
Biesse Group New Zealand PTY Ltd	309	435
Biesse Group Russia LLC	328	429
Biesse Gulf FZE	2,450	1,300
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	11,010	12,318
Bre.ma. Brenna Macchine S.r.l.	1,191	-
Montresor & Co. Srl	3,240	3,740
Uniteam Spa	2,623	1,451
Viet Italia S.r.l.	3,374	3,700
<b>Total</b>	<b>25,626</b>	<b>30,407</b>

Financial liabilities are broken down as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Biesse America Inc.	16,421	6,409
Biesse Asia Pte. Ltd.	1,070	1,810
Biesse Deutschland GmbH	6,544	1,919
Biesse France Sarl	9,028	4,215
Biesse Group UK Ltd	12,594	9,544
Biesse Iberica Woodworking Machinery S.L	4,489	2,821
Biesse Schweiz GmbH	278	-
HSD S.p.A.	30,462	17,000
<b>Total</b>	<b>80,886</b>	<b>43,718</b>

The balances concerning the subsidiaries Biesse Deutschland GmbH, Biesse France Sarl, Biesse Group UK Ltd, Biesse Iberica Woodworking Machinery S.L, Uniteam S.p.A. and, as from 2020, Viet Italia Spa, Bre.Ma. Brenna Macchine Srl and HSD Spa derive from cash pooling management.

## 28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank deposits of € 127,285 thousand (€ 37,499 thousand in 2019) and cash or cash equivalents on hand of € 993 thousand (€ 1,165 thousand in 2019). The carrying amount of these assets is a reasonable approximation of their fair value.

For further details, reference should be made to the Statement of cash flows.

## 29. SHARE CAPITAL AND TREASURY SHARES

The share capital amounts to € 27,393 thousand and consists of 27,393,042 ordinary shares, each with a par value of € 1 and dividend rights.

As at the date on which these financial statements were approved, the Company held no treasury shares.

## 30. EQUITY RESERVES

The amount of € 36,202 thousand (unchanged compared to 2019) relates to the share premium reserve.

### 31. OTHER RESERVES AND RETAINED EARNINGS

The carrying amount was broken down as follows:

	31 December 2020	31 December 2019
€ '000		
Legal reserve	5,479	5,479
Extraordinary reserve	119,465	115,322
Actuarial reserve	(4,576)	(4,422)
Translation reserve	(9)	4
Other reserves and retained earnings	3,080	2,349
<b>Total other reserves and retained earnings</b>	<b>123,439</b>	<b>118,732</b>

The item "Extraordinary reserve" increased by € 4,143 thousand, due for € 4,063 thousand to the allocation of the 2019 profit and for the remainder to the transfer of funds from the reserve for exchange rate gains. The balance of the reserve includes € 3,851 thousand for the effects resulting from the IAS transition which – to date – make this amount unavailable and non-distributable; in addition, reserves for € 22,079 thousand are deemed non-distributable to cover the amortisable residual amount of development costs.

The item "Severance indemnity actuarial gains (losses)" includes actuarial losses relating to defined-benefit plans.

The "Translation reserve" includes the exchange rate gains (losses) arising from the consolidation of the financial statements of the Dubai branch.

The item "Retained earnings and other reserves" includes:

- the merger surplus arising from the incorporation of the subsidiary ISP Systems S.r.l. occurred in 2009 for € 2,147 thousand;
- the merger surplus arising from the incorporation of the subsidiary Axxembla S.r.l. occurred in 2020 for € 753 thousand;
- the creation of the IAS transition reserve deriving from the FTA entries on the balances of the statements of financial position arising from the merged companies ISP Systems S.r.l., Digipac S.r.l. and Axxembla S.r.l. for € 180 thousand;
- The reserve for exchange rate gains with a balance of € 79 thousand in 2019, covering unrealised exchange rate gains, was transferred to the "Extraordinary reserve".

Type/description	Amount	Possibility of use	Available amount	Summary of use in the three previous years	
				To cover losses	For other reasons
€ '000					
Share capital	27,393				
<i>Share capital reserves:</i>					
Share premium reserve	36,202	A,B,C	36,202		
<i>Profit reserves:</i>					
Legal reserve	5,479	B			
Extraordinary reserve	119,465	A,B,C	93,535		
Severance indemnity actuarial gains (losses) reserve	(4,576)				
Translation reserve	(9)				
Retained earnings and other reserves	3,080	A,B,C	3,010		
<b>Total</b>	<b>187,034</b>		<b>132,747</b>		
Non-distributable amount					
Residual distributable amount			<b>132,747</b>		

Key:

A: for share capital increase

B: to cover losses  
C: for distribution to shareholders

With regard to the items under equity, the following are to be considered as non-available and non-distributable reserves: the "Legal Reserve", the portion of the "Extraordinary reserve", the "Severance indemnity actuarial gains (losses) reserve", and the "Translation reserve".

The other reserves recognised in the financial statements can be considered available for distribution.

## 32. DIVIDENDS

In 2020 no dividends were distributed to shareholders.

## 33. POST-EMPLOYMENT BENEFITS

### Defined-contribution plans

As a result of the Supplementary Pension Reform, the amounts accruing from 1 January 2007 – and at the discretion of employees – are allocated to supplementary pension schemes or transferred by the company to the treasury fund managed by INPS (the Italian National Social Security Institution), taking the form of defined-contribution plans (no longer subject to actuarial measurement), starting from when the employee's choice has been formalised.

Because of the aforementioned circumstances the total expense provided for at year end amounted to € 5,822 thousand (€ 5,915 thousand in 2019).

### Defined-benefit plans

The present value of the liabilities for post-employment benefits, accrued at the end of the period by company employees and consisting of the severance indemnity provision amounted to € 9,722 thousand (€ 9,955 thousand in 2019).

The amounts recognised in the income statement can be summarised as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Current service	31	1
Financial expenses	(14)	(24)
<b>Total</b>	<b>17</b>	<b>(23)</b>

The item "Accrued in the period / provisions" includes the amount set aside by the Dubai Branch; the amount for 2020 also includes € 10 thousand arising from the merger of Axxembla.

The charge for the year, recorded under financial charges, was positive to the tune of € 14 thousand (positive to the tune of € 24 thousand in 2019); this is due to the fact that the discount rate curve is negative for the first few years and then becomes positive.

The changes in the year relating to the present value of severance indemnity obligations, are as follows:

	31 December 2020	31 December 2019
€ '000		
Opening balance	9,955	10,188
Current service	31	1
Financial expenses	(14)	(24)
Payments	(559)	(692)
Actuarial gains/(losses)	198	482
Merger of Axxembla Srl	111	-
<b>Closing balance</b>	<b>9,722</b>	<b>9,955</b>

The item "Actuarial gains/losses", recognised directly in equity net of the tax effect of € 48 thousand, is recognised in the statement of comprehensive income for € 150 thousand.

The item "Merger effect" includes the discounted value of the severance indemnity provision of the company Axxembla S.r.l. incorporated in 2020.

The assumptions used for measuring severance indemnity obligations are:

- Annual rate of inflation: 0.80%.
- Annual discount rate: determined by reference to market yields of leading companies bonds as at the measurement date. In this regard, the Euro Composite AA interest-rate curve was used for the actuarial calculation.

#### 34. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
€ '000		
Deferred tax assets	9,046	4,482
Deferred tax liabilities	(1,200)	(1,073)
<b>Net deferred tax assets</b>	<b>7,846</b>	<b>3,409</b>

Overall, deferred tax assets, net of deferred tax liabilities and broken down by type, can be analysed as follows:

	31 December 2020	31 December 2019
€ '000		
Accrual to provision for risks and charges	5,400	3,003
Amortisation	2,566	385
Other	1,080	1,094
<b>Deferred tax assets</b>	<b>9,046</b>	<b>4,482</b>
Amortisation	1,079	1,070
Other	121	3
<b>Deferred tax liabilities</b>	<b>1,200</b>	<b>1,073</b>
<b>Net deferred tax assets</b>	<b>7,846</b>	<b>3,409</b>

The allocation of deferred tax assets was implemented by critically assessing the existence of the conditions for future recoverability of these assets on the basis of the Company's business plans.

The item "Other" under "Deferred tax assets" includes deferred tax assets of € 47 thousand set aside during the year and recognised directly in equity, following the change in the actuarial reserve pursuant to IAS 19.

The item "Other" under "Deferred tax liabilities" includes taxes of € 120 thousand set aside on the dividend authorised by HSD S.p.A. and not collected.

## 35. BANK OVERDRAFTS AND LOANS

The table below provides the breakdown of payables relating to bank overdrafts and loans.

	31 December 2020	31 December 2019
€ '000		
Bank loans and borrowings	566	473
Unsecured mortgages	62,852	31,688
<b>Current liabilities</b>	<b>63,418</b>	<b>32,161</b>
Unsecured mortgages	42,087	24,610
<b>Non-current liabilities</b>	<b>42,087</b>	<b>24,610</b>
<b>Total</b>	<b>105,505</b>	<b>56,771</b>

The item "Bank overdrafts and loans" includes the amount of € 357 thousand relating to with-recourse effects for which trade receivables were recognised with a balancing entry under the relevant bank payable. There are no secured mortgages or loans.

The liabilities are payable as follows:

	31 December 2020	31 December 2019
€ '000		
On demand or within one year	63,418	32,161
Within two years	42,087	18,360
Within three years	-	6,250
<b>Total</b>	<b>105,505</b>	<b>56,771</b>

As at 31 December 2020 the Company had no loans in foreign currency.

All the payables indicated above are at floating rates, thereby exposing the Company to an interest rate fluctuation risk. The strategic corporate choice remains that of not covering the interest rate risk by relying on substantial stability, at least for the short-term portion.

For 2020, the average interest rate on loans was 0.659%.

As at 31 December 2020, the amount of granted but unused credit lines in Italy was € 268.4 million. Of these only € 105 million is used in non-mortgage technical forms with a duration of over 12 months.

As at 31 December 2020, the Company had short-term (revocable) credit lines of €93.4 million (34.8% of total cash credit lines granted), whereas the remaining part is represented by unsecured loans and residual portions of capital goods leases.

Compared to the financial statements for the year ended 31 December 2019, the Company's financial payables increased by € 48,734 thousand. In particular, the amount due within 12 months was € 63,418 thousand (up by € 31,257 thousand), whereas the amount due after 12 months was € 42,087 thousand (up by € 17,477 thousand). Medium/long-term debt as a percentage of total debt decreased from 43.3% to 39.9%.

As at 31 December 2020 the Company, in compliance with the Treasury Policy in force, invested € 27 million of its liquidity in various instruments with a high prudence profile issued by counterparties with a high credit standing (Insurance Policies and Savings Bonds). These instruments have no time restrictions whatsoever and are therefore liquid and collectable.

For further details, reference should be made to section 37 below, to the comments on the trend in net financial debt and to the analysis in the cash flow statement.

There are no covenants on outstanding loans.

## 36. FINANCE LEASE LIABILITIES

	31 December 2020	31 December 2019
€ '000		
Leasing liabilities		
- due within one year	2,117	2,184
- due over one year, but within five years	4,478	4,640
- due over five years	1,186	1,613
<b>Total</b>	<b>7,781</b>	<b>8,437</b>
After deduction for future financial charges	(334)	(410)
<b>Present value of lease liabilities</b>	<b>7,447</b>	<b>8,027</b>
whose:		
Current	2,024	2,079
Non-current	5,423	5,948

Finance lease liabilities refer both to finance leases on machinery for the mechanical workshop and to rights of use relating to buildings, apartments, vehicles and production equipment according to IFRS 16.

As at 31 December 2020, rights of use impacted on the item "Present value of minimum payments due for leases" for € 4,971 thousand (€ 6,100 thousand in 2019) and for € 5,255 thousand (€ 6,466 thousand in 2019) on the item "Minimum payments due for leases".

In addition, it should be noted that payables to related parties totalled € 1,892 thousand (€ 2,135 thousand in 2019), and they included payables to the Parent Bifin Srl for € 1,352 thousand (€ 1,481 thousand in 2019), to HSD Spa for € 513 thousand (€ 575 thousand in 2019), to Fincobi Srl for € 27 thousand (€ 42 thousand in 2019). During 2020 the following lease contracts were closed: with Biesse Group Russia LLC (€ 34 thousand in 2019) and with Uniteam Spa (€ 3 thousand in 2019).

## 37. NET FINANCIAL DEBT

Shown below is a breakdown of net financial debt as at 31 December 2020 and 31 December 2019. Please note that net financial debt is presented in accordance with the provisions set out by Consob Communication no. 6064293 of 28 July 2006 as well as with ESMA/2013/319 recommendations.

	31 December 2020	31 December 2019
€ '000		
Cash	(993)	(1,165)
Cash equivalents	(127,285)	(37,499)
<b>Cash and cash equivalents</b>	<b>(128,278)</b>	<b>(38,664)</b>
Financial assets	(28,024)	(2,620)
Financial assets - related parties	(25,626)	(30,407)
Current bank loans	567	473
Short term portion of non current liabilities	64,875	33,767
Other current financial liabilities	756	520
Other current financial liabilities - related parties	80,886	43,718
<b>Other non current financial debt</b>	<b>147,084</b>	<b>78,478</b>
<b>Short-term net financial indebttness</b>	<b>(34,844)</b>	<b>6,787</b>
Other non current financial liabilities	47,510	30,558
<b>Long-term financial indebttness</b>	<b>47,510</b>	<b>30,558</b>
<b>Net financial indebttness</b>	<b>12,666</b>	<b>37,345</b>

It should be noted that interim results set out in the table were not identified as an accounting measure under the International Accounting Standards and, therefore, they must not be considered a replacement measure for the assessment of the Company's performance and result. In addition, it should be noted that the criterion used by the



Company to determine interim results may not be consistent with that adopted by other companies and/or groups in the sector and, consequently, these figures may not be comparable.

As at 31 December 2020, the Company's net financial debt improved by approximately € 24.7 million compared to the figure as at 31 December 2019.

It should also be noted that the figure as at 31 December 2019 takes into account the distribution to shareholders, made in 2019, of the dividend on the 2018 result, amounting to approximately € 13.1 million. In 2020 no dividends were distributed.

Credit lines obtained from Italian counterparties for Biesse S.p.A., but which are also valid for the other Italian subsidiaries, were negotiated also during 2020.

### 38. PROVISIONS FOR RISKS AND CHARGES

	Guarantees	Retirement of agents	Legal disputes and Others	Total
€ '000				
<b>Value at al 31/12/2019</b>	<b>2,929</b>	<b>816</b>	<b>2,928</b>	<b>6,673</b>
Provision	-	563	8,546	9,109
Release	(1,146)	-	(460)	(1,606)
Utilised	-	(102)	(266)	(368)
<b>Value at 31/12/2020</b>	<b>1,783</b>	<b>1,277</b>	<b>10,748</b>	<b>13,808</b>

The warranty provision represents the best estimate made by the Company's Directors with respect to the obligations deriving from the warranty on products sold by the Company. The adjustment derives from estimates based on past experience and on the analysis of the level of reliability of the marketed products. The decrease over the previous period is due to the decrease in turnover.

The provisions for agents' retirement benefits refers to the liabilities related to existing agency agreements.

Pursuant to IFRIC 23, the provisions for "uncertain tax positions" were reclassified in 2020 under "Income tax payables".

The increase in the "Provision for legal disputes and other" derives from the increase in the provisions for legal risks and for penalties with some customers.

The provisions represent the best estimate made by the management to cover risks.

### 39. TRADE PAYABLES TO THIRD PARTIES

Trade payables to third parties, amounting to € 93.349 thousand (€ 92,766 thousand in 2019), refer primarily to payables to suppliers for the Company's ordinary operations.

It should be noted that the discounted value of trade payables due beyond the next financial year was € 260 thousand. It is believed that their carrying amount at the reporting date is a reasonable approximation of their fair value.

### 40. TRADE PAYABLES TO RELATED PARTIES

Trade payables to related parties are broken down as follows:

	31 December 2020	31 December 2019
€ '000		
Trade payables - parent company	2	19
Trade payables - subsidiaries	23,614	17,028
Trade payables - related parties	962	977
<b>Total</b>	<b>24,578</b>	<b>18,024</b>

The amounts payable to subsidiaries are trade payables and refer to transactions undertaken for the sale of goods and/or rendering of services.

The balance is as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Axxembla Srl	-	779
Biesse America Inc.	318	755
Biesse Canada Inc.	-	205
Biesse Deutschland GmbH	5	91
Biesse France Sarl	23	27
Biesse Group Australia Pte Ltd	8	432
Biesse Group Russia LLC	9	10
Biesse Group UK Ltd	12	49
Biesse Gulf FZE	267	90
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	8	173
Biesse Iberica Woodworking Machinery S.L	307	218
Biesse Korea LLC	-	32
Biesse Malaysia SDN BHD	32	47
Biesse Manufacturing CO PVT Ltd	8,665	2,798
Biesse Schweiz GmbH	11	99
Biesse Trading (Shanghai) CO.LTD	329	304
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	248	332
Biesservice Scandinavia AB	32	43
Bre.ma. Brenna Macchine S.r.l.	1,667	1,772
Bsoft Srl	120	295
HSD S.p.A.	6,001	5,353
Intermac Do Brasil Servicos e Negocios Ltda.	81	70
Montresor & Co. Srl	1,183	1
Movetro Srl	552	-
Uniteam Spa	2,122	657
Viet Italia S.r.l.	1,566	2,369
WMP-Woodworking Machinery Portugal Unipessoal LDA	48	27
<b>Total</b>	<b>23,614</b>	<b>17,028</b>

#### 41. CONTRACT LIABILITIES DUE TO THIRD PARTIES

The item "Contract liabilities due to third parties" amounting to € 25,920 thousand (€ 23,655 thousand in 2019) includes advances, down payments and deposits paid by customers.

#### 42. CONTRACT LIABILITIES DUE TO RELATED PARTIES

The item "Contract liabilities due to related parties" amounting to € 12 thousand (€ 2,518 thousand in 2019) includes advances, down payments and deposits paid by the Group's sales branches.

The balance is as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Biesse America Inc.	12	2,518
<b>Total</b>	<b>12</b>	<b>2,518</b>

#### 43. OTHER LIABILITIES DUE TO THIRD PARTIES

There were no "Other non-current liabilities due to third parties".

The balance of "Other current liabilities due to third parties" amounted to € 30,347 thousand (€ 30,824 thousand in 2019), broken down as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Tax liabilities	6,105	7,189
Social security liabilities	8,140	8,004
Other payables to employees	11,616	11,239
Other current liabilities	4,486	4,392
<b>Total</b>	<b>30,347</b>	<b>30,824</b>

The item "Tax payables" includes the VAT debit balance of € 722 thousand (€ 2,198 thousand in 2019).  
The item "Other current liabilities" mainly refers to deferrals on revenue pertaining to subsequent years.

#### 44. OTHER CURRENT ASSETS AND LIABILITIES DUE FROM/TO RELATED PARTIES

The balance of other current assets is as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Other assets - parent company	-	866
Other assets - subsidiaries	13,028	1,506
<b>Total</b>	<b>13,028</b>	<b>2,372</b>

The item "Other assets due from parents" referred to IRES DL 201/2011 reimbursement requests made by the parent Bi.Fin. Srl following the tax consolidation for the 2005-2007 three-year period, during which it was the consolidating entity; the reimbursement was received during the year.

The increase in "Other assets due from subsidiaries" referred for € 11,000 thousand to the receivable from the subsidiaries HSD S.p.A. and Biesse Deutschland GmbH for dividends authorised in 2020 and not collected by the end of the year. This item also includes the amount receivable from the Italian subsidiaries participating in the national tax consolidation scheme.

The balance of other current liabilities is broken down as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
€ '000		
Other liabilities - related parties	-	1
Other liabilities - subsidiaries	328	2,344
<b>Total</b>	<b>328</b>	<b>2,345</b>

The decrease in "Other liabilities due to subsidiaries" mainly referred to the payment of € 1,180 thousand to the subsidiary Biesse Deutschland GmbH for the recognition of a penalty. This item includes the amount payable to the Italian subsidiaries participating in the national tax consolidation scheme.

#### 45. INCOME TAX PAYABLES

The item "Income tax payables" for € 900 thousand (€ 845 thousand in 2019) includes the provisions for tax risks; pursuant to IFRIC 23 this item was reclassified from the item "Provisions for risks and charges".

#### 46. FINANCIAL ASSETS AND LIABILITIES FROM DERIVATIVE INSTRUMENTS

	31 December 2020		31 December 2019	
	Asset	Liability	Asset	Liability
€ '000				
Derivatives on exchange rates	1,024	(756)	397	(520)
<b>Total</b>	<b>1,024</b>	<b>(756)</b>	<b>397</b>	<b>(520)</b>

The value of open contracts at year-end, with a positive balance on the income statement of € 268 thousand (negative balance of € 123 thousand in 2019), refers to hedging contracts that are not compatible with the requirements of IFRS 9 for the application of hedge accounting. As from 2016, the Company no longer records financial derivatives according to the hedge accounting procedures.

#### Derivative financial instruments and forward contracts outstanding at year-end (amounts in thousands of Euro)

€ '000	Type of hedged risk	Notional amount		Fair value of derivatives	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Hedging transactions					
Forward contracts (Australian Dollar)	Currency	9,229	9,784	(161)	(182)
Forward contracts (Canadian Dollar)	Currency	-	5,624	-	(89)
Forward contracts (Swiss Franc)	Currency	1,361	1,336	(4)	(15)
Forward contracts (Chinese Renminbi)	Currency	-	1,841	-	-
Forward contracts (Pound Sterling)	Currency	6,118	3,409	(25)	(48)
Forward contracts (New Zealand Dollar)	Currency	645	976	(15)	(33)
Forward contracts (US Dollar)	Currency	1,426	14,047	108	120
Forward contracts (Russian Rouble)	Currency	382	572	4	(11)
Forward contracts (Hong Kong Dollar)	Currency	11,010	12,318	361	135
Total		30,171	49,907	268	(123)

The individual effects reported in the table above include positive and negative changes.

## 47. CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

### Contingent liabilities

Biesse S.p.A. is party to various lawsuits and disputes. It is nevertheless believed that the settlement of such disputes will not give rise to further liabilities in addition to those already provided for in a specific provision for risks. Please refer to note 38 above for details on contingent liabilities relating to tax risks.

### Commitments

In relation to purchase commitments, it should be noted that the contract entered into to acquire the controlling interest in Movetro S.r.l. Provides for a Put option in favour of the vendors on the remaining 40% of the share capital of the subsidiary. As at the reporting date, the fair value of the option approximates zero in view of the underlying values and contractual provisions.

### Guarantees issued and received

The Company has issued sureties totalling € 26,854 thousand (€ 37,443 thousand 2019). The most significant items were the following: the guarantee in favour of UBI Banca for the credit line granted to the subsidiary HSD S.p.A. (€ 6,000 thousand), the guarantees issued in favour of UNICREDIT for credit lines granted to Dongguang Korex Machinery (€ 9,000 thousand) and Biesse Trading (Shanghai) Co. Ltd. (€ 6,000 thousand); the guarantee issued in favour of BPM (€ 3,000 thousand) for credit lines granted to our subsidiary Biesse Turkey. In addition to the above, there are (bank) guarantees in favour of customers for prepayments made – advance payment bonds (€ 2,793 thousand) and other minor guarantees for € 61 thousand.

As at the reporting date, the Company had issued letters of patronage to subsidiaries for € 16,265 thousand.

## 48. RISK MANAGEMENT AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Company is exposed 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, to other financial assets;
- liquidity risk, with reference to the availability of financial resources to meet the obligations related to financial liabilities;

The Company's risk management policies aim to identify and analyse the risks to which the Company is exposed, to establish appropriate limits and controls, and to monitor risk and compliance with these limits. These policies and associated procedures are regularly reviewed in order to reflect any changes to market conditions or Company activities.

With regard to the risk connected with the fluctuation in raw material prices, the Company tends to manage the economic impact by agreeing purchase costs for periods of no less than six months. The impact of the main raw materials, steel in particular, on the average value of the Company's products is marginal compared to the final production cost.

The following paragraphs use sensitivity analysis to assess the potential impact on actual results that hypothetical fluctuations in benchmarks may cause. As required under IFRS 7, these analyses are based on simplified scenarios being applied to actual data for benchmark periods. By their very nature, these analyses cannot be considered to truly evidence the effect of future changes in the benchmark in view of different financial and equity structures as well as different market conditions. Nor are they able to reflect the interrelations and complexity of the reference markets.

### Market risk

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

#### Exchange rate risk

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

##### *a) Transaction exchange rate risk*

This risk is the result of commercial and financial transactions carried out by the Company in currencies other than the Company's functional currency. Exchange rates may fluctuate between the time when the commercial/financial relationship begins and the time when the transaction is completed (collection/payment), thus originating gains or losses.

The Company manages such risk by making use of derivative instrument purchases, such as forward exchange contracts and cross currency swaps. As from 2016, the Company, following the Board of Directors' resolution of 11 March 2016 which approved the new exchange risk management policy for the Biesse Group, has put on hold the use of hedge accounting techniques for recognising derivative instruments, since the rules set out in IFRS 39 were found to be quite stringent to be applied effectively and in full to business operations.

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

€ '000	Financial Asset		Financial Liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
US Dollar	20,562	16,373	17,349	7,500
Canadian Dollar	1,490	1,892	-	270
Pound Sterling	3,607	2,959	11,979	928
Australian Dollar	4,851	10,364	191	545
Swiss Franc	668	(182)	295	108
Indian Rupee	1	2	-	-
Hong Kong Dollar	11,470	12,494	-	15
Chinese Renmimbi Yuan	1,649	1,397	-	150
Other currencies	1,592	1,572	209	404
<b>Total</b>	<b>45,890</b>	<b>46,871</b>	<b>30,023</b>	<b>9,920</b>

In defining the amount exposed to interest rate risk, the Company also includes foreign currency orders acquired in the period before they become trade receivables (shipping invoicing).

Here below is a sensitivity analysis illustrating the impact on profit or loss of a +15%/-15% appreciation/depreciation of the Euro.

This analysis assumes that all other variables, in particular interest rates, remain unchanged.

€ '000	IMPACT ON INCOME STATEMENT	
	if exchange rate > 15%	if exchange rate < 15%
US Dollar	(419)	567
Canadian Dollar	(194)	263
Pound Sterling	1,092	(1,478)
Australian Dollar	(608)	822
Swiss Franc	(49)	66
Indian Rupee	-	-
Hong Kong Dollar	(1,496)	2,024
Chinese Renmimbi Yuan	(215)	291
<b>Total</b>	<b>(1,889)</b>	<b>2,555</b>

The amounts reported above, are shown gross of hedging (which is not material in value).

#### Interest rate risk

Interest rate risk represents exposure to changes in the fair value of, or future cash flows from, financial assets or liabilities, due to changes in market interest rates.

The Company is exposed to fluctuations in interest rates with reference to finance expense relating to payables to lease companies for fixed assets acquired under finance leases. Considering that the exposure is currently limited and that there is substantial stability in interest rates (for the Eurozone), the company has chosen not to hedge its own debt.

The sensitivity analysis aimed at assessing the potential impact of a hypothetical sudden and unfavourable 10% change in short-term interest rates on financial instruments (typically cash and some financial payables) reveals no significant impact on the results or the equity of the Company.

#### **Credit risk**

Credit risk represents the Company's exposure to potential financial losses deriving from the failure of commercial and financial counterparties to fulfil their contractual obligations.

The main exposure is towards customers. In order to limit this risk, the Company has implemented procedures for assessing the financial potential and soundness of its customers, monitoring expected cash flows from collections and for any debt collection activities.

These procedures typically provide for sales to be finalised by obtaining advance payments. However, for those customers who are considered strategically important by Management, credit can be provided with limits being established and monitored.

The carrying amount of financial assets, net of any impairment for expected losses, represents the maximum exposure to credit risk. As regards the potential impacts of COVID-19 on credit risk, there are no particular critical issues in terms of days sales outstanding, impaired positions or deterioration of credit quality.

For more information on how the allowance for impairment was determined and on the characteristics of overdue receivables, please refer to note 22 above on trade receivables.

### **31/12/2020**

€ '000	Current	Less than 30 days	30-180 days	180 days-1 year	Beyond 1 year	Total
% estimated loss	0.4%	0.1%	1.5%	14.2%	82.1%	5.0%
Value of the receivable	47,510	2,670	2,804	823	2,997	56,804
Estimated credit loss	203	3	42	117	2,462	2,827

### **Liquidity risk**

Liquidity risk is the risk that available financial resources will be insufficient to meet financial and commercial obligations as and when they fall due.

Negotiation and management of banking relationships are centralised at the Biesse Group level, by virtue of the Cash Pooling agreement, so as to ensure that short and medium-term financial needs will be met at the lowest possible cost. Raising medium and long-term capital funds on the market is also optimised with centralised management.

The type of prudent risk management described above implies maintaining an adequate level of cash and/or easily convertible short-term securities. The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers.

During the second quarter of 2020, in light of the exceptional impacts of the ongoing pandemic, the Directors took steps to use every form of financial support envisaged by the law in force and allowed by the Company's credit rating. Considering the current uncertainty and limited visibility over the short term, the Directors provided the Company with financing two times in excess of the expected maximum requirements.

The following table shows the expected flows based on the maturities of financial liabilities other than derivatives. Balances relating to financial lease liabilities, bank overdrafts and bank loans are expressed at their contractual value without being discounted, which includes both principal and interest amounts. Loans and other financial liabilities are classified on the basis of the earliest maturity date, and revocable financial liabilities, as well as other liabilities whose maturities are not available, are considered payable on demand ("worst case scenario").

### **31/12/2020**

€ '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	Beyond 5 years	Total
Trade and other payables	46,360	90,039	5,840	198	61	142,498
Bank overdrafts and bank/intercompany loans	20,724	31,136	32,862	42,336	-	127,058
<b>Total</b>	<b>67,084</b>	<b>121,175</b>	<b>38,702</b>	<b>42,534</b>	<b>61</b>	<b>269,556</b>

### **31/12/2019**

€ '000	Less than 30 days	30-180 days	180 days-1 year	1-5 years	Beyond 5 years	Total
Trade and other payables	48,850	78,490	8,944	361	108	136,753
Bank overdrafts and bank/intercompany loans	2,157	63,043	10,946	24,729	-	100,875
<b>Total</b>	<b>51,007</b>	<b>141,533</b>	<b>19,890</b>	<b>25,090</b>	<b>108</b>	<b>237,628</b>

The Company monitors liquidity risk by controlling net flows on a daily basis in order to ensure that financial resources are managed efficiently.

The portfolio of trade receivables and the conditions attaching to them contribute to balancing the working capital and, in particular, to hedging payables to suppliers.

### **Classification of financial instruments**

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

	31 December 2020	31 December 2019
€ '000		
<b>FINANCIAL ASSETS</b>		
Designated at fair value through profit or loss:		
<i>Derivative financial assets</i>	1,024	397
Designated at fair value through OCI:		
- <i>other current financial assets</i>	27,000	2,223
Measured at amortised cost :		
<i>Trade receivables</i>	107,642	107,111
<i>Other assets</i>	40,169	33,489
- <i>other financial assets and non current receivables</i>	1,515	710
- <i>other current financial assets</i>	25,626	30,407
- <i>other current assets</i>	13,028	2,372
<i>Cash and cash equivalents</i>	128,278	38,664
<b>FINANCIAL LIABILITIES</b>		
Designated at fair value through profit or loss:		
<i>Derivative financial liabilities</i>	756	520
Measured at amortised cost :		
<i>Trade payables</i>	117,927	110,032
<i>Bank loans, borrowings and lease liabilities</i>	193,838	108,516
<i>Other current liabilities</i>	20,046	21,589

The carrying amount of the above financial assets and liabilities is equal to or a reasonable approximation of their fair value.

For financial instruments recognised at fair value in the statement of financial position, IFRS 7 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are as follows:

- Level 1 – quoted prices in an active market for assets or liabilities subject to measurement;
- Level 2 – inputs other than quoted prices included within level 1 that are observable in the market, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – inputs that are not based on observable market data.

Derivative financial instruments measured at FVTPL are classified under Level 2 (same as in 2019). During the financial year there were no transfers between Levels.

Other current financial assets measured at FVOCI are classified under Level 2.

#### 49. OPERATING LEASE CONTRACTS

During the year, fees were paid for leases that do not fall under IFRS 16 as they are short-term and low-value leases; in addition fees were paid for the rental of a business unit and on services relating to car rentals, the amounts are as follows:

	31 December 2020	31 December 2019
€ '000		
Instalments paid during the year	1,545	1,651
<b>Total</b>	<b>1,545</b>	<b>1,651</b>

Here below are the amounts of the lease fees received during the year:



€ '000

Instalments received during the year

**Total**

<b>31 December 2020</b>	<b>31 December 2019</b>
171	256
<b>171</b>	<b>256</b>

## 50. TRANSACTIONS NOT INVOLVING CHANGES IN CASH FLOWS AND RECONCILIATION OF CASH FLOWS

In 2020, significant transactions not involving changes in cash flows were as follows:

- Opening of a new lease for the purchase of a machine for the workshop for € 1,146 thousand;
- Signing/closure of lease and rental contracts pursuant to IFRS 16 for € 696 thousand.

### Reconciliation of cash flows

The following tables provide details on the changes in financial liabilities, with separate specification of those which generated cash flows (shown in the "Financial assets" section of the statement of cash flows) and other changes that do not have cash flow effects:

€ '000

Bank loans  
Payables for finance leases  
Other current financial liabilities to related parties  
**Total**

<b>31 December 2019</b>	<b>Cash flows</b>	<b>Non-cash changes Other</b>	<b>31 December 2020</b>
56,771	48,564	170	105,505
8,027	(2,422)	1,842	7,447
43,718	38,607	(1,439)	80,886
<b>108,516</b>	<b>84,749</b>	<b>573</b>	<b>193,838</b>

€ '000

Bank loans  
Payables for finance leases  
Other current financial liabilities to related parties  
**Total**

<b>31 December 2018</b>	<b>Cash flows</b>	<b>Non-cash changes Other</b>	<b>31 December 2019</b>
43,432	13,415	(76)	56,771
1,060	(2,314)	9,281	8,027
38,693	5,111	(86)	43,718
<b>83,185</b>	<b>16,212</b>	<b>9,119</b>	<b>108,516</b>

## 51. ATYPICAL OR UNUSUAL TRANSACTIONS

In 2020, there were no such transactions.

## 52. RELATED-PARTY TRANSACTIONS

The Company is directly controlled by Bi. Fin. Srl (operating in Italy) and indirectly by Mr Giancarlo Selci (resident in Italy). Members of the Board of Directors as well as of the Board of Statutory Auditors and companies controlled directly or indirectly or owned by close relatives are also classified as related parties.

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

	Costs 2020	Costs 2019	Revenue 2020	Revenue 2019
€ '000				
<b>Subsidiaries</b>				
Subsidiaries	58,260	59,704	179,334	192,659
<b>Parent</b>				
Bifin S.r.l.	169	171	-	-
<b>Other related companies</b>				
Fincobi S.r.l.	15	16	1	1
Semar S.r.l.	839	1,192	-	-
Wirutex S.r.l.	1,035	1,434	6	31
Renzoni S.r.l.	1	-	-	-
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	4,175	2,873	1	1
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	162	166	-	-
<b>Other related companies</b>				
<b>Total transactions with related parties</b>	<b>64,656</b>	<b>65,556</b>	<b>179,342</b>	<b>192,692</b>

	Receivables 2020	Receivables 2019	Payables 2020	Payables 2019
€ '000				
<b>Subsidiaries</b>				
Subsidiaries	92,318	78,666	105,353	66,220
<b>Parent</b>				
Bifin S.r.l.	-	866	1,355	1,499
<b>Other related companies</b>				
Fincobi S.r.l.	-	-	28	43
Semar S.r.l.	-	-	351	400
Wirutex S.r.l.	-	13	574	465
<b>Members of the Board of Directors</b>				
Members of the Board of Directors	1	-	-	1
<b>Members of the Board of Statutory Auditors</b>				
Members of the Board of Statutory Auditors	-	-	36	111
<b>Other related companies</b>				
<b>Total transactions with related parties</b>	<b>92,319</b>	<b>79,545</b>	<b>107,697</b>	<b>68,739</b>

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.

Payables to related parties include payables relating to right-of-use assets in accordance with IFRS 16; as at 31 December 2020 there were payables to the Parent Bifin Srl for € 1,352 thousand (€ 1,481 thousand in 2019), to HSD Spa for € 513 thousand (€ 575 thousand in 2019), to Fincobi Srl for € 27 thousand (€ 42 thousand in 2019). During 2020 the following contracts were closed: with Biesse Group Russia LLC (€ 34 thousand in 2019) and with Uniteam Spa (€ 3 thousand in 2019).

Remuneration paid to Directors is set by the Remuneration Committee, and is based on average market remuneration levels; for more details, reference should be made to the Remuneration Committee report published on the website [www.biesse.com](http://www.biesse.com).

Pursuant to Article 2497-bis paragraph 4 of the Italian Civil Code, note must be taken that Bi.Fin. S.r.l., based in Pesaro, viale F.lli Rosselli No. 46, manages and coordinates Biesse S.p.A.

As required by the Italian Civil Code, below we disclose the key figures (in thousands of Euro) from the latest financial statements of Bi.Fin. S.r.l as lodged with the Chamber of Commerce, highlighting that:

- reference should be made to the latest approved financial statements, namely the financial statements as at 31 December 2019;
- given that summary information is required, it was considered appropriate to limit this disclosure to total amounts of the items indicated with capital letters in the Statement of Financial Position and the Income Statement, in accordance with the Italian Civil Code.

**STATEMENT OF FINANCIAL POSITION**

€ '000

**ASSETS**

B) Non-current assets

C) Current assets

D) Accruals and deferrals

**Total assets****LIABILITIES**

A) Equity:

Share Capital

Reserves

Profit (loss) for the year

B) Provisions for risks and charges

D) Payables

E) Accruals and deferrals

**Total liabilities****INCOME STATEMENT**

€ '000

A) Value of production

B) Costs of production

C) Financial income and expenses

Income taxes for the year

**Result of the year**

	31 December 2019	31 December 2018
B) Non-current assets	31,938	32,647
C) Current assets	29,227	25,979
D) Accruals and deferrals	4	2
<b>Total assets</b>	<b>61,169</b>	<b>58,628</b>
<b>LIABILITIES</b>		
A) Equity:		
Share Capital	10,569	10,569
Reserves	42,460	40,218
Profit (loss) for the year	6,724	6,642
B) Provisions for risks and charges	-	-
D) Payables	1,416	1,199
E) Accruals and deferrals	-	-
<b>Total liabilities</b>	<b>61,169</b>	<b>58,628</b>
	31 December 2019	31 December 2018
A) Value of production	431	462
B) Costs of production	(547)	(637)
C) Financial income and expenses	6,857	6,821
Income taxes for the year	(17)	(4)
<b>Result of the year</b>	<b>6,724</b>	<b>6,642</b>

With reference to commercial and financial relations with the Parent Bi.Fin. S.r.l., reference should be made to notes 23 and 40.

**53. OTHER INFORMATION**

As required by the Italian Civil Code, it should be noted that:

- the Company has not issued financial instruments (Article 2427, paragraph 1, no. 19)
- the Company is not financed by shareholders with interest-bearing loans (art. 2427, paragraph 1, no. 19-bis)
- there are no assets allocated for a specific business (Article 2427, paragraph 1, No. 20)

**54. EVENTS AFTER THE REPORTING DATE**

On 26 February 2021, the Board of Directors approved the planned mergers of Viet Italia S.r.l. and Bsoft S.r.l.. The mergers will take place by 30 June 2021, with retroactive accounting and tax effect as of 1 January 2021. These operations are part of the new corporate project called "ONE COMPANY", aimed at rationalising and streamlining the organisational structure across the Biesse Group.

As for the equity investment in Viet Italia S.r.l., the preliminary step will be to buy the remaining 15% of the share capital.

**55. PUBLIC CONTRIBUTIONS PURSUANT TO ART. 1, PARAGRAPHS 125-129, OF LAW NO. 124/2017**

For details on government aid and the *de minimis* aid which was received – for which there is the obligation to report to the National Registry of Government Aid, in accordance with Art. 52, Law 234/2012 – express reference is made to said register. However, the following details are reported:

<b>N</b>	<b>PROVIDER</b>	<b>GRANT RECEIVED 2020 € '000</b>	<b>CAUSAL</b>
1	Fondimpresa	340	Personal training contribution granted by Fondimpresa
2	Fondirigenti	12	Personal training contribution granted by Fondirigenti
3	GSE SPA Gestore dei Servizi Energetici	4	Grant GSE Energy Services
4	Invitalia	144	Grant "Secure enterprise"
5	Erario	29	Non-refundable contribution Art 25 D.L. 19/05/2020 n. 34 (Received from Axxembla S.r.l.)
6	Erario	3	"Growth Decree" (IRAP 2019 Axxembla)

56. **REMUNERATION OF DIRECTORS, GENERAL MANAGERS, MANAGERS WITH STRATEGIC RESPONSIBILITIES AND MEMBERS OF THE BOARD OF STATUTORY AUDITORS**

<i>Description of position</i>				<i>Remuneration</i>			
Thousands of Euro				Fees	Non-monetary benefits	Bonuses and other incentives	Other remuneration
<b>Name</b>	<b>Position</b>	<b>Duration of mandate</b>					
Selci Giancarlo	Chairman of the BoD	24/04/2021	850	4	-	-	-
Selci Roberto	CEO	24/04/2021	830	13	-	-	-
Parpajola Alessandra	Board member	24/04/2021	226	12	-	-	-
Potenza Massimo	Board member** and General Manager as of 02/11/2020	24/04/2021	17	-	-	116	200
Porcellini Stefano	Board member** and General Manager up to 01/09/2020	24/04/2021	80	4	-	1,260	303
Vanini Silvia	Board member**	29/09/2020	15	5	-	181	103
Righini Elisabetta	Board member*	24/04/2021	20	-	-	-	7
Palazzi Federica	Board member*	24/04/2021	20	-	-	-	7
Chiura Giovanni	Board member*	24/04/2021	20	-	-	-	-
<b>Total</b>			<b>2,078</b>	<b>38</b>		<b>1,557</b>	<b>620</b>
De Mitri Paolo	Chairman of the Board of Statutory Auditors	24/04/2021	70	-	-	-	-
Cecchini Silvia	Statutory auditor	24/04/2021	46	-	-	-	-
De Rosa Dario	Statutory auditor	24/04/2021	46	-	-	-	-
<b>Total</b>			<b>162</b>				

\* Independent Directors.

\*\* Biesse S.p.A.'s managers with strategic responsibilities holding the position of Director.

The Ordinary Shareholders' Meeting of 24 April 2018 appointed the Board of Directors and the Board of Statutory Auditors for the 2018-2020 financial years.

## **57. PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING**

The Board of Directors proposes not to proceed with the distribution of dividends from net profit. Therefore, you are invited to resolve on the allocation of the profit for the year of € 5,541,929.54 to the extraordinary reserve.

Pesaro, 15 March 2021

**The Chairman  
of the Board of Directors**

## Certification of the separate financial statements in accordance with article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as subsequently amended and integrated

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

- the adequacy in relation to the characteristics of the business and
- the effective implementation of the administrative and accounting procedures for the preparation of the separate financial statements during 2020.

2. The administrative and accounting procedures for preparing the separate financial statements as at 31 December 2020 were defined, and their adequacy was assessed, based on the rules and methods established by Biesse consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission. This is a reference framework for internationally accepted internal control systems.

3. In addition, they also state that the separate financial statements as at 31 December 2020:

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

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

Pesaro, 15 March 2021

The Chairman of the Board of Directors  
Giancarlo Selci

The Manager in charge of financial reporting  
Pierre Giorgio Sallier De La Tour

# **ANNEXES**

## **2020 Financial Statements**

## APPENDIX "A"

### DIRECT AND INDIRECT INVESTMENTS IN SUBSIDIARIES

Name and registered office	Registered office	Currency	Share Capital	Equity including profit/loss for the year	Profit/loss for the year	Share held
<b>Biesse America Inc.</b>	4110 Meadow Oak Drive (28208) - Charlotte - North Carolina - USA	USD	11,500,000	16,832,319	3,701,283	Direct (100%)
<b>Biesservice Scandinavia AB</b>	Maskinvägen 1 Lindas - Sweden	SEK	200,000	4,853,901	797,005	Direct 60%
<b>Biesse Inc.</b>	18005 Rue Lapointe - Mirabel (Quebec) - Canada	CAD	180,000	898,401	687,020	Direct (100%)
<b>Biesse Asia Pte. Ltd.</b>	5 Woodlands terrace - #02-01 Zagro Global Hub - Singapore	EUR	1,548,927	1,665,341	56,073	Direct (100%)
<b>Biesse Group UK Ltd.</b>	Lamport Drive, Heartlands Business Park - Northamptonshire - United Kingdom	GBP	655,019	1,450,295	413,570	Direct (100%)
<b>Biesse Sarl</b>	4, Chemin de Moninsable - Brignais - France	EUR	1,244,000	3,331,388	1,786,751	Direct (100%)
<b>Biesse Iberica Woodworking Machinery SL</b>	C/Montserrat Roig,9 - L'Hospitalet de Llobregat - Barcelona - Spain	EUR	699,646	2,906,386	1,419,588	Direct (100%)
<b>Biesse Group Deutschland GmbH</b>	Gewerberstrasse, 6/A - Elchingen (Ulm) - Germany	EUR	1,432,600	3,208,229	1,121,336	Direct (100%)
<b>Biesse Group Australia Pte Ltd</b>	3 Widemere Road - Wetherill Park - Sydney New South Wales - Australia	AUD	15,046,547	3,105,470	1,845,638	Direct (100%)
<b>Biesse Group New Zealand PTY Ltd</b>	UNIT B, 13 Vogler Drive - Manukau - Auckland - New Zealand	NZD	3,415,665	1,219,921	384,109	Direct (100%)
<b>H.S.D. S.p.A.</b>	Via della Meccanica, 16 Loc. Chiusa di Ginestreto - (PU)	EUR	1,141,490	46,949,409	7,107,476	Direct (100%)
<b>Bre.ma Brenna macchine Srl</b>	Via Manzoni, 2340 - Alzate Brianza (CO)	EUR	70,000	2,355,624	(243,787)	Direct 98%
<b>Viet Italia Srl</b>	Via della Meccanica, 16 Loc. Chiusa di Ginestreto - (PU)	EUR	10,000	1,647,110	(928,101)	Direct 85%



Name and registered office	Registered office	Currency	Share Capital	Equity including profit/loss for the year	Profit/loss for the year	Share held
<b>Uniteam S.p.A.</b>	Via della Meccanica, 12 Thiene (VI)	EUR	390,000	929,533	(715,719)	Direct (100%)
<b>Bsoft Srl</b>	Via della Meccanica, 16 Loc. Chiusa di Ginestreto - (PU)	EUR	10,000	294,790	(21,883)	Direct (100%)
<b>Movetro Srl</b>	Via della Meccanica, 16 Loc. Chiusa di Ginestreto - (PU)	EUR	51,000	1,921,327	21,476	Direct 60%
<b>Montresor Srl</b>	Via della Meccanica, 16 Loc. Chiusa di Ginestreto - (PU)	EUR	1,000,000	1,072,896	(17,976)	Direct 60%
<b>Biesse manufacturing PVT Ltd</b>	Jakkasandra Village, Sondekoppa rd. - Nelamanga Taluk Survey No. 32, No. 469 - Bangalore Rural District, - India	INR	721,932,182	2,447,807,235	225,927,280	Direct (100%)
<b>OOO Biesse Group Russia</b>	Ul. Elektrozavodskaya, 27 Moscow, Russian Federation	RUB	99,209,440	(14,962,679)	(24,586,794)	Direct (100%)
<b>Biesse Gulf FZE</b>	Dubai, free Trade Zone	AED	11,242,857	(1,204,859)	(3,326,834)	Direct (100%)
<b>Biesse Hong Kong Ltd (ex Centre Gain Ltd)</b>	Room 703, 7/F, Cheong Tai Comm, Bldg., 60 Wing Lok Street, Sheung Wan, Hong Kong	HKD	325,952,688	83,033,129	(2,610,914)	Direct (100%)
<b>Dongguan Korex Machinery Co. Ltd</b>	Dongguan City - Guangdong Province	CNY	313,148,568	49,809,546	(1,731,218)	Indirect (100%)
<b>HSD USA Inc</b>	3764 SW 30 <sup>th</sup> Avenue - Hollywood - Florida - USA	USD	250,000	1,416,867	603,518	Indirect (100%)
<b>HSD Deutschland Gmbh</b>	Brückenstraße 32 - Göppingen - Germany	EUR	25,000	260,191	61,666	Indirect (100%)
<b>HSD Mechatronic (Shanghai) CO.LTD</b>	D2, first floor, 207 Taigu road - Waigaoqiao free trade zone - Shanghai - China	CNY	2,118,319	5,308,299	(989,131)	Indirect (100%)
<b>HSD Mechatronic Korea</b>	414, Tawontakra2, 76, Dongsan-ro, Danwon-gu, Ansan-si 15434, South Korea	KRW	101,270,000	164,880,469	4,216,208	Indirect (100%)
<b>Biesse Schweiz GmbH</b>	Grabenhofstrasse, 1 Kriens - Switzerland	CHF	100,000	861,272	246,625	Indirect (100%)
<b>Intermac do Brasil Comercio de Maquinas e Equipamentos Ltda.</b>	Andar Pilotis Sala, 42 Sao Paulo - 2300 Brazil	BRL	12,964,254	393,776	(2,885,493)	Direct (99.96%) Indirect (0.04%)
<b>Biesse Turkey Makine Ticaret Ve Sanayi A.Ş</b>	Yukari Dudullu Mahallesi Bayraktar CD Nutuk Sock. 4 - Umraniye - Istanbul 34 34775 - Turkey	TRY	45,500,000	34,317,338	(318,767)	Direct 100%

Name and registered office	Registered office	Currency	Share Capital	Equity including profit/loss for the year	Profit/loss for the year	Share held
<b>WMP-Woodworking machinery Portugal Unipessoal LDA</b>	Sintra business park, ED.01 - 1ºQ Sintra - Portugal	EUR	5,000	(1,006,974)	(191,050)	Indirect (100%)
<b>Biesse Trading (Shanghai) CO.LTD</b>	Building 10 No.205 Dong Ye Road - Dong Jing Industrial Zone, Song Jiang District - Shanghai - China	CNY	76,000,000	(3,457,264)	(5,067,445)	Indirect (100%)
<b>Biesse Indonesia Pt.</b>	Jl. Kh.Mas Mansyur 121 Jakarta, Indonesia	IDR	2,500,000,000	7,677,143,393	(716,875,646)	Direct (10%) Indirect (90%)
<b>Biesse Malaysia SDN BHD</b>	Dataran Sunway , Kota Damansara – Petaling Jaya, Selangor Darul Ehsan – Malaysia	MYR	7,083,765	8,529,424	(479,372)	Indirect (100%)
<b>Biesse Korea LLC</b>	Geomdan Industrial Estate, Oryu-Dong, Seo-Gu – Incheon – South Korea	KRW	100,000,000	119,438,381	(84,948,055)	Indirect (100%)
<b>Biesse Taiwan</b>	6F-5, No. 188, Sec. 5, Nanking E. Rd., Taipei City 105, Taiwan (ROC)	TWD	500,000	4,068,460	2,022,183	Indirect (100%)

## STATEMENT OF CHANGES IN EQUITY INVESTMENTS

Company	Historical value	Write-downs from previous years	Purchases, share capital increases and capital contributions	Disposals and other changes	Impairment losses and reversal of impairment losses in 2020	Value as at 31/12/2020
€ '000						
Axxembla Srl	10	-	-	(10)	-	-
Biesse America Inc.	7,580	-	-	-	-	7,580
Biesse Asia Pte. Ltd	1,088	-	-	-	-	1,088
Biesse Canada Inc.	96	-	-	-	-	96
Biesse Group Deutschland GmbH	9,719	(3,491)	-	-	-	6,228
Biesse Groupe France Sarl	4,879	-	-	-	-	4,879
Biesse Group Australia Pte Ltd	10,807	(10,300)	-	-	-	507
Biesse Group New Zealand PTY Ltd	1,806	-	-	-	(1,300)	506
Biesse Group Russia	1,580	(1,000)	-	-	(580)	-
Biesse Group UK Ltd	1,088	-	-	-	-	1,088
Biesse Gulf FZE	2,819	(1,800)	-	-	(1,019)	-
Biesse Hong Kong Ltd (ex Centre Gain Ltd)	48,860	(41,160)	-	-	6,100	13,800
Biesse Iberica Woodworking Machinery SL	11,793	(7,345)	-	-	-	4,448
Biesse Indonesia PT.	23	-	-	-	-	23
Biesse Manufacturing Co. PVT Ltd	17,839	-	-	-	-	17,839
Biesse Turkey Makine Ticaret Ve Sanayi A.Ş	8,800	(3,000)	-	-	(2,000)	3,800
Biesservice Scandinavia AB	13	-	-	-	-	13
Bre.ma Brenna Macchine Srl	10,678	(6,531)	-	-	-	4,147
Bsoft Srl	507	-	-	-	-	507
HSD S.p.A.	21,915	-	-	-	-	21,915
Intermac Do Brasil Servicos e Negocios Ltda.	3,433	(2,507)	-	-	(926)	-
Montresor Srl	619	-	-	-	-	619
Movetro Srl	2,748	-	-	-	-	2,748
Uniteam S.p.A.	3,942	-	-	-	-	3,942
Viet Italia Srl	2,455	-	-	-	-	2,455
<b>TOTAL</b>	<b>175,097</b>	<b>(77,134)</b>	<b>-</b>	<b>(10)</b>	<b>275</b>	<b>98,228</b>

## APPENDIX "B"

### INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	<b>31 December 2020</b>	<b>Related parties</b>	<b>%</b>	<b>31 December 2019</b>	<b>Related parties</b>	<b>%</b>
Revenue	362,727,613	159,770,215	44.05%	425,281,911	177,407,481	41.72%
Other operating income	5,817,479	2,599,879	44.69%	7,168,795	3,283,028	45.80%
Change in inventories of finished goods and work in progress	(6,541,895)	-	-	8,669,724	-	-
Purchase of raw materials and consumables	(199,659,197)	(58,827,727)	29.46%	(235,958,086)	(59,244,431)	25.11%
Personnel expense	(95,526,295)	277,425	(0.29)%	(106,983,975)	548,739	(0.51)%
Personnel expense - non recurring items	(1,699,916)	(1,341,000)	78.89%	(519,000)	-	-
Other operating costs	(46,512,922)	(4,408,237)	9.48%	(64,561,739)	(6,457,749)	10.00%
Other operating costs - non recurring items	(1,042,703)	-	-	(48,500)	-	-
Depreciation and amortisation	(19,981,992)	(222,937)	1.12%	(19,785,266)	(225,569)	1.14%
Accruals to provisions	(7,645,691)	-	-	(2,439,575)	-	-
Accruals to provisions - non recurring items	-	-	-	(816,000)	-	-
Impairment - non recurring items	(6,550,679)	-	-	(4,745,509)	-	-
<b>Operating result</b>	<b>(16,616,198)</b>	-	-	<b>5,262,780</b>	-	-
Share of loss of associates	275,542	275,542	100.00%	(8,900,000)	(8,900,000)	100.00%
Financial income	8,834,944	536,076	6.07%	5,100,525	348,070	6.82%
Dividends	16,522,237	16,435,754	99.48%	11,653,116	11,653,116	100.00%
Financial expense	(8,135,434)	(133,847)	1.65%	(8,312,070)	(177,373)	2.13%
<b>Result before taxes</b>	<b>881,091</b>	-	-	<b>4,804,351</b>	-	-
Income taxes	4,660,839	-	-	(741,468)	-	-
<b>Result for the year</b>	<b>5,541,930</b>	-	-	<b>4,062,883</b>	-	-

STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31 December 2020	Related parties	%	31 December 2019	Related parties	%
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and machineries	57,556,731	-	-	59,359,971	-	-
Equipment and other tangible assets	6,330,410	-	-	8,557,779	-	-
Goodwill	6,345,588	-	-	6,247,288	-	-
Other intangible assets	40,376,652	-	-	48,599,675	-	-
Deferred tax assets	9,045,619	-	-	4,481,752	-	-
Investments in subsidiaries and associates	98,228,184	98,228,184	100.00%	97,962,642	97,962,642	100.00%
Other financial assets and non-current receivables	1,514,629	-	-	709,955	-	-
	<b>219,397,813</b>	<b>98,228,184</b>	<b>44.77%</b>	<b>225,919,062</b>	<b>97,962,642</b>	<b>43.36%</b>
<b>Current assets</b>						
Inventories	60,510,173	-	-	68,230,141	-	-
Trade receivables and contract assets	107,642,482	53,665,751	49.86%	107,110,730	46,766,235	43.66%
Other assets	17,857,808	13,028,019	72.95%	11,153,451	2,372,222	21.27%
Assets for derivative financial instruments	1,024,128	-	-	397,376	-	-
Financial assets	52,625,503	25,625,753	48.69%	32,629,582	30,406,665	93.19%
Cash and cash equivalents	128,277,813	-	-	38,663,731	-	-
	<b>367,937,907</b>	<b>92,319,523</b>	<b>25.09%</b>	<b>258,185,011</b>	<b>79,545,122</b>	<b>30.81%</b>
<b>TOTAL ASSETS</b>	<b>587,335,720</b>	<b>190,547,707</b>	<b>32.44%</b>	<b>484,104,073</b>	<b>177,507,764</b>	<b>36.67%</b>

STATEMENT OF FINANCIAL POSITION IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31 December 2020	Related parties	%	31 December 2019	Related parties	%
<b>EQUITY AND LIABILITIES</b>						
Share capital	27,393,042	-	-	27,393,042	-	-
Capital reserves	36,202,011	-	-	36,202,011	-	-
Other reserves and retained earnings	123,439,144	-	-	118,731,796	-	-
Profit for the year	5,541,930	-	-	4,062,883	-	-
<b>EQUITY</b>	<b>192,576,127</b>	-	-	<b>186,389,732</b>	-	-
<b>Non-current liabilities</b>						
Post-employment benefits	9,722,367	-	-	9,955,412	-	-
Deferred tax liabilities	1,199,995	-	-	1,073,006	-	-
Bank loans and borrowings	42,086,827	-	-	24,610,066	-	-
Lease liabilities under IFRS 16	5,423,576	1,683,003	31.03%	5,948,206	1,920,099	32.28%
	58,432,765	1,683,003	0.03%	41,586,690	1,920,099	0.05%
<b>Current liabilities</b>						
Trade payables	117,926,998	24,578,236	20.84%	110,789,093	18,023,540	16.27%
Contract liabilities	25,932,605	12,260	0.05%	26,172,791	2,517,759	9.62%
Other liabilities	30,675,839	328,347	1.07%	33,169,403	2,344,979	7.07%
Tax liabilities	900,000	-	-	845,000	-	-
Lease liabilities under IFRS 16	2,023,608	209,545	10.36%	2,078,696	214,338	10.31%
Bank loans and borrowings	144,304,100	80,885,761	56.05%	75,879,119	43,718,098	57.62%
Provisions for risks and charges	13,807,931	-	-	6,673,127	-	-
Liabilities for derivative financial instruments	755,747	-	-	520,422	-	-
	336,326,828	106,014,149	31.52%	256,127,651	66,818,714	26.09%
<b>LIABILITIES</b>	<b>394,759,593</b>	<b>107,697,152</b>	<b>27.28%</b>	<b>297,714,341</b>	<b>68,738,813</b>	<b>23.09%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>587,335,720</b>	<b>107,697,152</b>	<b>18.34%</b>	<b>484,104,073</b>	<b>68,738,813</b>	<b>14.20%</b>

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

To the Shareholders of  
Biesse S.p.A.

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Biesse S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2020, the income statement, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

### Basis for Opinion

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

### Key audit matters

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

## *Recoverability of goodwill*

### Description of key audit matter

At 31 December 2020, the consolidated financial statements include goodwill of Euro 23.5 million relating to the Wood, Glass & Stone, Mechatronics and Tooling CGUs.

The recoverable amount of goodwill is determined by the Directors at least once a year by calculating the value in use. By its very nature, this method requires important assessments to be made by the Directors regarding the trend in operating cash flows during the period used for the calculation, as well as the discount rate and the rate of growth in the said cash flows. The assumptions underlying the impairment test are, however, by their nature, influenced by future expectations regarding the evolution of external market conditions also connected to the business and depend on factors that may change over time, also as a result of the potential effects of prolongation of the Covid-19 pandemic. The operating cash flows of future years have been estimated with reference to the business plan for the period 2021-2025 (hereafter the "Plan"), which was approved by the Board of Directors on 15 March 2021, together with the procedure for the impairment test on goodwill.

Given the subjective nature of the estimates relating to the determination of the cash flows and the key variables of the impairment model, as well as the even greater uncertainty caused by the ongoing Covid-19 pandemic, we considered the impairment test on goodwill to be a key matter in our audit of the Company's consolidated financial statements.

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

### Audit procedures performed

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

- an understanding of the methods used by management for assessing the recoverability of goodwill; analysing the methods used for the development of the impairment test;
- identification and understanding of the key controls implemented by the Biesse Group over the process of impairment testing;
- analysis of the reasonableness of the main assumptions made in estimating the cash flows, including a review of macroeconomic



information and data for the sector and obtaining other information from management;

- analysis of actual figures compared to the original plans, in order to assess the nature of variances and the reliability of the planning process, taking into account the estimated impact of Covid-19;
- assessment of the reasonableness of the discount rate (WACC) and the long-term growth rate (g-rate);
- verification of the mathematical accuracy of the model used to determine the value in use of the CGUs;
- verification that the carrying amount of the CGUs was determined properly;
- verification of the sensitivity analysis performed by management.

We also examined the adequacy of the disclosures provided by the Group on the impairment test and their consistency with the requirements of IAS 36.

### *Recoverability of development costs*

#### **Description of key audit matter**

At 31 December 2020, the consolidated financial statements include Euro 29 million of costs for the development of new products, of which Euro 13.3 million shown under intangible assets in process and advances.

The capitalisation of development costs involves the Directors making estimates, as their recoverability depends on the cash flows that will be generated by selling the Group's products. These estimates are characterised by the complexity of the assumptions about the technical feasibility of the projects and by the complexity of the assumptions underlying the projections of revenues and future margins, as well as by the strategic industrial choices made by the Directors.

Given the complexity and subjectivity involved in making such estimates, as exacerbated by the effects and uncertainties arising from the ongoing Covid-19 pandemic, we considered the recoverability of development costs as a key audit matter.

The explanatory notes to the consolidated financial statements describe the management evaluation process and note 16 reports the information in relation to the item in question.

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Our audit procedures included:

**Audit procedures performed**

- an understanding of the company processes and relevant controls to monitor the assessment of the recoverability of development costs;
- an analysis of the technical feasibility studies carried out by the Group on the development projects to which costs have been capitalised;
- verification of the assumptions underlying the projections of revenues and future margins associated with the development projects to which costs have been capitalised;
- an analysis of the valuation models (impairment test) adopted by the Group for assessing the recoverability of development costs;
- a review of the appropriateness of the disclosures on development costs made in the notes.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Biesse S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Biesse Group at 31 December 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Biesse Group at 31 December 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Biesse Group at 31 December 2020 and are prepared in accordance with the law.

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

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

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

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

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

DELOITTE & TOUCHE S.p.A.

Signed by  
**Jessica Lanari**  
Partner

Ancona, Italy  
March 30, 2021

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

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

To the Shareholders of  
Biesse S.p.A.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Biesse S.p.A. (the "Company"), which comprise the statement of financial position at 31 December 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant art. 9 of Legislative Decree no. 38/05.

### Basis for Opinion

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

### Key audit matters

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



*Recoverability of the value of equity investments*

**Description of key audit matter**

At 31 December 2020, the financial statements show equity investments in subsidiaries of Euro 98.2 million, of which Euro 17.6 million refer to entities in respect of which the Directors identified indicators of impairment and Euro 13.8 million refer to an entity for which a partial reversal of impairment adjustments has been made, following a transfer agreement signed at the beginning of 2021. With regard to these investments, the Company therefore carried out an impairment test in accordance with IAS 36, comparing the recoverable amounts of these investments, based on value in use or on fair value in the case of the reversal of impairment adjustments, with the respective carrying amounts.

The valuation process adopted by management is complex and is based on a series of assumptions, such as the forecast cash flows, the appropriate discounting rate (WACC) and the long-term growth rate (g-rate). By their nature, these assumptions are influenced by future expectations regarding the evolution of external market conditions connected also to the business and depend on factors that may change over time, also as a result of the potential effects of prolongation of the Covid-19 pandemic.

Given the subjective nature of the estimates relating to the determination of the cash flows and the key variables of the impairment model, as well as the greater uncertainty caused by the ongoing Covid-19 pandemic, we considered the impairment test on equity investments to be a key matter in our audit of the Company's financial statements.

The explanatory notes to the financial statements describe the valuation process carried out by management and note 19 gives the key underlying assumptions and information on the items subject to impairment testing. This includes a sensitivity analysis which shows the effects of changes in the key variables used in the impairment tests.

**Audit procedures performed**

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

- an understanding of the methods adopted by the management for the assessment of the recoverability of investments in subsidiaries, as well as analysis of the methods used in developing the impairment tests;
- identification and understanding of the significant controls implemented by the Company over the impairment testing process;
- analysis of the reasonableness of the main assumptions made in estimating the cash flows, which included using data on the

sector's expected growth in revenues and obtaining other information that we deemed to be significant;

- analysis of the actual figures for the year compared with the budget, in order to assess the nature of variances and the reliability of the planning process, taking into account the estimated impact of Covid-19;
- assessment of the reasonableness of the discount rate (WACC) and the long-term growth rate (g-rate);
- analysis of the agreement signed at the beginning of 2021, including the understanding of the main characteristics and conditions of the transaction regarding the subsidiary for which a partial reversal of impairment adjustments has been made;
- verification of the mathematical accuracy of the model used to determine the value in use and fair value of the equity investments;
- comparison of the carrying amount of the investments with the recoverable amount resulting from the impairment test;
- verification of the sensitivity analysis prepared by management.

We also examined the adequacy of the information provided by the Company about the impairment test and its compliance with IAS 36.

### *Recoverability of development costs*

#### **Description of key audit matter**

At 31 December 2020, the financial statements include Euro 22.1 million of costs for the development of new products, of which Euro 10.8 million shown under intangible assets in process and advances.

The capitalisation of development costs involves the Directors making estimates, as their recoverability depends on the cash flows that will be generated by selling the Company's products. These estimates are characterised by the complexity of the assumptions about the technical feasibility of the projects and by the complexity of the assumptions underlying the projections of revenues and future margins, as well as by the strategic industrial choices made by the Directors.

Given the complexity and subjectivity of making such estimates, as exacerbated by the effects and uncertainties arising from the ongoing Covid-19 pandemic, we considered the recoverability of development costs as a key audit matter.

The explanatory notes to the financial statements describe the management evaluation process and note 18 reports the information in relation to the item in question.



**Audit procedures performed**

Our audit procedures included:

- an understanding of the company processes and relevant controls to monitor the assessment of the recoverability of development costs;
- an analysis of the technical feasibility studies carried out by the Company on the development projects to which costs have been capitalised;
- verification of the assumptions underlying the projections of revenues and future margins associated with the development projects to which costs have been capitalised;
- an analysis of the valuation models (impairment test) adopted by the Company for assessing the recoverability of development costs;
- a review of the appropriateness of the disclosures on development costs made in the notes.

**Responsibilities of the Directors and the Board of Statutory Auditors for the financial statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Biesse S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Biesse S.p.A. at 31 December 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Biesse S.p.A. at 31 December 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Biesse S.p.A. at 31 December 2020 and are prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by  
**Jessica Lanari**  
Partner

Ancona, Italy  
March 30, 2021

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



**BIESSE S.p.A.**  
**Registered office: Pesaro, Via della Meccanica 16**  
**Share capital: € 27,393,042**  
**Court of Pesaro — Tax Code 00113220412**

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS'**  
**MEETING**

(pursuant to art. 153 Legislative Decree no. 58/98 and art. 2429, paragraph 2, Italian Civil Code)

Dear Shareholders,

The Board of Statutory Auditors is required to inform the Shareholders' Meeting of BIESSE S.p.A. ("BIESSE"), called to approve the Financial Statements as at 31 December 2020, about the supervisory work undertaken, omissions and reprehensible acts that may have been detected pursuant to art. 153 of Italian Legislative Decree no. 58/1998 (Consolidated Law on Finance or "TUF") and art. 2429, paragraph 2, of the Italian Civil Code. It may also make observations and proposals on the Financial Statements, their approval and on the matters for which it is responsible.

During the year the Board of Statutory Auditors carried out its institutional duties in compliance with the Italian Civil Code, Legislative Decree no. 58/1998 ("TUF"), the by-laws, the principles of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (Italian accounting association) and in compliance with the provisions issued by the public authorities which carry out supervisory and control activities at a national level.

In particular, the Board of Statutory Auditors continuously monitored the evolution of governmental, legal and regulatory interventions following the COVID-19 epidemic and the related initiatives undertaken by the Company. The healthcare emergency relating to the spread of COVID-19 and the series of restrictive measures adopted by the Government to protect public health had a significant impact on the management methods adopted by the Company to guarantee business continuity and essential customer services, while at the same time paying particular care and attention to the health and protection of employees, customers and suppliers. Against this background, the Board of Statutory Auditors constantly verified that a high level of attention was maintained on precautionary and safety measures.

The Board of Statutory Auditors, which was appointed on 24 April 2018, and subsequently supplemented by the Shareholders' Meeting of 21 April 2020, in the persons of Paolo De Mitri (Chairman), Dario De Rosa and Silvia Cecchini (Standing Statutory Auditors), will end its engagement, due to having completed its three-year term, with the approval of the financial statements as at 31 December 2020. The Board's activities are supported by operating rules, which were last updated in December, to better fit the work it undertakes.

During the year, the Board of Statutory Auditors acquired information to help it carry out the general supervisory tasks assigned to it, using the highly organised system of information flows envisaged within the Group as well as by taking part in Board of Directors' meetings.

The Board held regular meetings with the Control and Risks Committee, with the Related Party Committee and with the senior management in the persons of the Chairman of the Board of Directors, CEOs and the General Manager. Furthermore, it met the Supervisory Body set up pursuant to Italian Legislative Decree 231/01; it held meetings with the Chairs of the Boards of Statutory Auditors of the main Group companies.

The Board held frequent meetings with the Manager in charge of financial reporting (hereafter “Financial Reporting Manager”) and with the Internal Audit Department.

During 2020 and up to the date of this Report, the Board has constantly monitored the work undertaken by the Independent Auditors, pursuant to art. 19 of Italian Legislative Decree 135/2016.

The recommendations and suggestions made by the Board are communicated to the corporate functions concerned during the meetings held or are communicated directly to the management or strategic supervision body and the related sub-committees, with subsequent monitoring.

Given the above, the information, *inter alia*, required by CONSOB Communication no. 1025664 of 6 April 2001 as subsequently amended, is hereby provided.

## **I – INDICATIONS ON THE MAIN INCOME, FINANCIAL AND EQUITY TRANSACTIONS UNDERTAKEN BY BIESSE AND ON SIGNIFICANT EVENTS AFTER THE END OF THE YEAR**

The Board of Statutory Auditors carried out specific analyses with senior management regarding progress in achieving the individual objectives set, through constant and profitable discussion within the scope of the respective responsibilities. As regards the main initiatives and events in 2020, in particular the following is highlighted:

### “One Company” Project

The Group’s structure and strategy was reformulated and defined as ONE COMPANY. This was proposed in order to strengthen the management model by improving cohesion among the different corporate areas and to make the Group more streamlined, flexible and reactive, capable of responding promptly to external stresses. The restructuring entails the shift from a model focused on divisions and business units to four macro areas: offering, extended supply chain, customer, and corporate functions.

The implementation of the project entailed major changes to the organisational structure: in particular, the top of the Corporate Organisation Chart no longer includes Silvia Vanini, Head of HR, and Stefano Porcellini, General Manager. The Board of Statutory Auditors, since it is invested, *inter alia*, with the duty to oversee the adequacy of the organisational system, will monitor the consistency of the new set-up with business and governance needs, in terms of know-how and professional profiles, in order to achieve the new strategic and operational objectives linked to the “One Company” project.

At the end of 2020, we can say that the Biesse Group is nevertheless trying to overcome the most critical stage of the crisis, keeping the economic and financial impacts under control, while trying to safeguard employment levels, and securing a high level of financing in order to be ready to seize the opportunities arising from the possible recovery of the business sector. This phenomenon started to become evident in the summer months and consolidated in the winter months, when the trend in orders was comforting, both with respect to the second half of 2020 and to the first few months of 2021. In this context, Biesse Group’s revenue from sales and services as at 31 December 2020 amounted to € 578,789 thousand, down 18% on 2019.

The fall in volumes was reflected in the operating result for the period, as indicated by EBITDA which, gross of non-recurring charges, amounted to € 55,985 thousand, down by 27%.

Normalised operating profit (EBIT) decreased as well (€ 14,227 thousand in 2020 compared to € 39,554 thousand in 2019), with a negative delta of € 25,327 thousand; as a percentage of revenue, it decreased from 5.6% to 2.5%. The fourth quarter of 2020, however, recorded operating

profit in line with that in the same prior-year period.

As at 31 December 2020, the Group's Net Financial Position was positive for € 49,543 thousand, improving by € 68,152 thousand compared to the figure as at 31 December 2019. The change is mainly due to the contribution from operations, to the positive trend in net working capital and to the postponement of some investment projects.

Regarding the above, the Board notes that the results achieved show a profit despite a fall in turnover: as indicated, normalised EBITDA stood at € 18,507 thousand, with a percentage to revenue of 10.1%.

The Board of Statutory Auditors examined the One Company reorganisation plan with an in-depth analysis of the main drivers behind the plan, including the need to revise the company's very rigid cost structure in order to improve "reaction times" during crises, within which the Group could activate its contingency strategies.

The Board noted the need for constant monitoring by the owner over the qualitative and quantitative adequacy of the corporate functions affected by the implementation of the restructuring model in question, and over the concrete results of the search for new operating paths undertaken in light of the current uncertainty surrounding the macroeconomic outlook. During 2021, the Board of Statutory Auditors will promote appropriate in-depth investigations on the activities in progress.

#### COVID-19

The spread of the COVID-19 virus and the consequent restrictive measures imposed in Italy and the rest of the world to contain it led to a marked limitation on Biesse's operations. As for Italy, at the end of the lockdown production gradually restarted, in compliance with the laws aimed at preventing the spread of the virus. Order intake, which was strongly impacted by the pandemic, also due to the cancellation of the main trade fairs worldwide, gradually started to pick up again, finally returning to pre-crisis levels. This trend in incoming orders is confirmed also by the data available for the first few months of 2021. Management, notwithstanding all the problems linked to the unpredictability of the situation, has constantly updated Biesse's strategy and organisation to evolution of the crisis and of key markets.

#### Korex Machinery Co. LTD

During 2020, the Biesse Group began negotiations, which were subsequently finalised on 28 January 2021, for the total disposal of the company Dongguan Korex Machinery Co. LTD based in Dongguan (province of Guangdong-China). The value of this transaction is estimated at approximately € 22.5 million and the forecast impact on the Group Consolidated Financial Statements is a capital gain of around € 17 million. Besides the possible manufacturing synergies, which will also involve the Group company in India, this transaction will entail a reduction in the operating costs that had contributed to the accumulation in Korex of losses for € 32 million. Following the disposal, the Biesse Group will maintain its presence in the whole Far East through its other subsidiaries already operating in the area (Biesse Trading Shanghai).

Among the most significant events after the end of the year, aimed at rationalising and streamlining the organisational structure within the Biesse Group, it should be noted that on 26 February 2021 the Board of Directors of Biesse S.p.A. approved the planned mergers of Viet Italia S.r.l. and Bsoft S.r.l. into the Parent Biesse S.p.A.

The mergers, which are part of the "One Company" project, should be completed by 30 June 2021, with accounting and tax effect as from 1 January 2021.

## **II, III – INDICATIONS ON THE EXISTENCE AND ASSESSMENT OF THE ADEQUACY OF DISCLOSURE MADE BY DIRECTORS REGARDING ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRA-GROUP OR RELATED-PARTY TRANSACTIONS.**

The Report on Operations and the Group Report on Operations, as well as the information acquired by the Board of Statutory Auditors, did not show the existence of atypical and/or unusual transactions with third parties and Group companies or with related parties.

We note that the company has adopted the regulation envisaged by CONSOB Resolutions no. 17221 of 12 March 2010 and no. 17389 of 23 June 2010, which regulate transactions with related parties, and that the committee envisaged by the aforementioned provisions held 3 meetings. In addition, the Board, where necessary, has requested further information and details.

Given this, it is noted that the information on transactions with associates and with related parties is set out in the Group Report on Operations and in the Parent's Report on Operations.

As far as the Board of Statutory Auditors is aware, these transactions were completed in the interests of the Company and do not require any observations regarding their suitability.

The Board of Directors has taken note of the amendments made by CONSOB to the Regulation on Related-Party Transactions, the Issuers' Regulation and the Market Regulation with its resolutions nos. 21624 and 21623 of 11 December 2020 aimed at implementing the delegated power contained in Italian Legislative Decree no. 49 of 10 June 2019 and started the process to update its own Regulation within the timeframe provided for by the law.

## **IV – OBSERVATIONS AND PROPOSALS ON FINDINGS AND INFORMATION REQUESTS CONTAINED IN THE INDEPENDENT AUDITORS' REPORT**

Pursuant to the combined effect of Italian Legislative Decree no. 39 of 27 January 2010 and Regulation (EU) no. 537/2014, the engagement for the statutory audit of the accounts and the audit of the separate and consolidated financial statements was conferred by the Shareholders' Meeting of 20 June 2018, for the nine-year period 2019-2027, on the Independent Auditors Deloitte & Touche S.p.A., along with the attribution of the judgment on consistency and compliance with the laws as set out in art. 123-bis, paragraph 4, of the Consolidated Law on Finance (TUF).

On 30 March 2021, the Independent Auditors issued, pursuant to art. 14 of Italian Legislative Decree no. 39/2010 and art. 10 of the Regulation (EU), no. 537/2014, the Audit report on the separate financial statements as at 31 December 2020.

In the Audit report, which does not contain any information requests or findings, the Independent Auditors:

- issued a judgment on the basis of which the separate financial statements provide a true and correct representation of the Company's equity and financial situation as at 31 December 2020, the income and cash flows in the year at such date in compliance with the International Reporting Standards adopted by the European Union as well as the orders issued in implementation of art. 9 of Italian Legislative Decree no. 38/2005 and of art. 43 of Italian Legislative Decree 136/2015;

- declared that the Report on Operations which accompanies the separate financial statements and some specific information contained in the Corporate Governance and Ownership Structure Report indicated in article 123-bis, paragraph 4, of the Consolidated Law on Finance (TUF), are consistent with the draft budget and prepared in compliance with the legal provisions;

- in reference to the Report on Operations, stated, as regards any significant mistakes in the

Reports on Operations, on the basis of the knowledge and understanding of the company and the related context acquired during the audit, that there is nothing to report.

Therefore, the Independent Auditors' report does not include any information requests or findings. In accordance with the new applicable regulatory provisions, the Independent Auditors' report sets out the audit principles applied and indicates the "key aspects" that emerged during the audit, which refer to the following:

- recoverability of the value of Equity Investments;
- recoverability of development costs.

On 30 March 2021, the Independent Auditors also issued the Audit report relating to the consolidated financial statements, which also included no findings or information requests. It contains statements and declarations similar to those set out above also at individual level, and highlights the following key aspects:

- recoverability of goodwill;
- recoverability of development costs.

On the same date, the Independent Auditors also submitted the additional Report envisaged by art. 11 of Regulation (EU) no. 537/2014 to the Board of Statutory Auditors. This shows no significant failings in the internal control system in relation to the financial disclosure process, which are worthy of being brought to the attention of the managers responsible for governance; this report also states that during the audit no cases of actual or presumed non-compliance with laws and regulations or by-laws were found.

In addition, the Independent Auditors submitted the statement relating to independence to the Board of Statutory Auditors, as required by art. 6 of Regulation (EU) no. 537/2014, from which no situations emerge that may compromise their independence.

The Board also noted the Transparency Report prepared by the Independent Auditors and published on their website pursuant to art. 18 of Italian Legislative Decree no. 39/2010.

BIESSE, in compliance with the provisions of Italian Legislative Decree no. 254/2016 implementing Directive 2014/95/EU, has also prepared the "Consolidated Non-Financial Statement" (hereafter "NFS") relating to 2020. This Statement, which was approved by the Board of Directors on 15 March 2021 and prepared as a separate report under art. 5 of the aforementioned Decree, will be published on 30 March 2021 together with the draft separate and consolidated financial statements.

The consolidated NFS of the BIESSE Group, as envisaged by art. 5, para. 3, letter b) of Italian Legislative Decree 254/2016, is a separate report from the Report on Operations and is made available on the institutional website. The NFS is included in the broader Sustainability Report. This Statement must contain environmental and social information as well as information relating to staff, respect of human rights, anti-bribery and anti-corruption, to the extent needed to understand the performance of the company, the situation in which it operates and the impact caused by its business, by considering the material issues identified in the non-financial area through the materiality analysis applied to the issues envisaged by Italian Legislative Decree 254/2016.

Within the scope of the functions attributed by the law to the Board of Statutory Auditors, the Board oversaw:

- the adequacy of all the procedures, processes and structures which are involved in the production, reporting, measurement and representation of the results and the non-financial information, as well



as the NFS compliance with the law and its completeness;

- compliance with the relevant legal provisions, also in application of CONSOB warning notice no. 1/21 of 16 February 2021, for example, the means and timeframe for publishing the NFS, the objective and subjective scope of application, respect of the “comply or explain” principle on the policies implemented, and the impact of the COVID-19 pandemic;
- the adequacy of the organisational, administrative, reporting and control system put in place by the Company in order to enable a correct and complete representation in the NFS of the company business, its results and its impacts with regard to the non-financial issues referred to in art. 3, paragraph 1, of the Decree, such as environmental and social issues and respect of human rights.

On 30 March 2021, the Independent Auditors Deloitte & Touche S.p.A. will issue the required report on the limited examination of the “Consolidated Non-Financial Statement”, without reporting in this regard any evidence worthy of note and expressing a judgment of compliance pursuant to articles 3 and 4 of Italian Legislative Decree 254/2016.

#### **V – INDICATIONS ON ANY COMPLAINTS UNDER ART. 2408 OF THE ITALIAN CIVIL CODE AND INITIATIVES UNDERTAKEN**

With reference to the submission of complaints by shareholders, under art. 2408 of the Italian Civil Code, on acts which are considered reprehensible, to the initiatives undertaken and the related outcomes, it should be noted that as at the date of this report the Board of Statutory Auditors has not received any such complaint.

#### **VI – INDICATIONS ON ANY SUBMISSION OF PETITIONS AND INITIATIVES UNDERTAKEN**

During the year no claims or petitions were received.

#### **VII – INDICATIONS ON ANY FURTHER SUPPLEMENTARY ENGAGEMENTS FOR THE INDEPENDENT AUDITORS AND THE RELATED COSTS**

The Independent Auditors received, together with the other companies belonging to its network, in addition to the duties envisaged by the law for listed companies, further engagements which are accessory and/or connected to the statutory audit, the fees for which are set out in the annex to the financial statements, as required by art. 149-duodecies of the Issuers’ Regulation, and amount to € 38 thousand as follows:

- a) € 10 thousand for the work undertaken to issue the declaration of compliance of the Consolidated Non-Financial Statement (Sustainability Report under Italian Legislative Decree no. 254/2016);
- b) € 22 thousand for work connected to confirming the actual expenses incurred for Research & Development;
- c) € 4 thousand for work connected to checks for applying the certificate of compliance (*visto di conformità*) for the purposes of Tax Returns;
- d) € 2 thousand for other certification services.

The aforementioned engagements other than the statutory audit, where required by the law and not already authorised by the resolutions of the Shareholders’ Meeting of 20 June 2018, were approved in advance by the Board of Statutory Auditors pursuant to articles 4 and 5 of Regulation (EU) no. 537/2014. In this regard, BIESSE S.p.A. adopted a “Group Regulation on the process of conferring engagements on the Independent Auditors and their network”, with the aim of defining the

process of conferring engagements by the BIESSE Group on the independent auditors and on subjects connected to them, the roles and responsibilities at Group level, and the related rules and methodologies. The aim of the Regulation is to regulate the conferment of engagements by BIESSE and by the Group on independent auditors and the subjects connected to them, setting up a specific internal supervision process aimed at monitoring their award, while safeguarding the requirement of the independent auditors' independence when engaged for the statutory audit of the accounts and allowing the identification of the admissible Non-Audit Services (NAS) and compliance with the quantitative limits envisaged by the law (the "Fee Cap").

Furthermore, it should be noted that the audit fees recognised by the subsidiaries to Deloitte & Touche S.p.A. and to companies in the Deloitte network for 2020 total € 92.5 thousand, in addition to € 22 thousand for certification services and € 2 thousand for Other services.

The Board of Statutory Auditors – having obtained the report on Independent Auditors' independence under art. 6 of Regulation (EU) no. 2014/537 – does not believe that there are critical aspects regarding the independence of the Independent Auditors or grounds for incompatibility pursuant to articles 10, 10-bis and 17 of the Consolidated law on statutory audit and the related implementing provisions.

#### **VIII – INDICATIONS ON ANY FURTHER ENGAGEMENTS TO SUBJECTS LINKED TO THE COMPANY ENGAGED FOR THE AUDIT BY ONGOING BUSINESS RELATIONS AND THE RELATED COSTS**

During 2020, the BIESSE Group did not confer any collaborative engagement on companies linked by ongoing business relations with the Independent Auditors, also in regard to activities started in previous years.

#### **IX – INDICATIONS ON THE EXISTENCE OF OPINIONS ISSUED DURING 2020 BY THE BOARD OF STATUTORY AUDITORS PURSUANT TO THE LAW**

In this regard, we inform you that during the year the Board issued an opinion on the conferment of non-audit engagements.

#### **X – INDICATIONS ON THE MEETINGS ATTENDED BY THE BOARD OF STATUTORY AUDITORS IN 2020**

In 2020 the Board of Statutory Auditors held 15 meetings that lasted an average of 5.42 hours, in many cases holding meetings on the same day with a number of bodies and/or corporate functions; the relevant minutes set out the audit and supervisory work carried out. During the current year and up to the date of approval of this Report, the Board of Statutory Auditors has held 5 meetings.

The Board took part in the meetings of the Board of Directors, which were called in accordance with the By-Laws in force; during 2020, 8 meetings were held. It also took part in the meetings of the Control and Risks Committee, which held 6 meetings during 2020, and of the Remuneration Committee, which held 4 meetings during 2020.

For further information reference should be made to the contents of the Corporate Governance and Ownership Structure Report for 2020, as approved by the Board of Directors on 15 March 2021.

#### **XI – OBSERVATIONS ON COMPLIANCE WITH THE PRINCIPLES OF CORRECT ADMINISTRATION**

The Board of Statutory Auditors oversaw compliance with the Law, the provisions of the By-Laws, and the provisions issued by the Supervisory and Audit Authorities; it acquired knowledge of and oversaw, to the extent of its responsibility, compliance with the principles of correct administration and the adequacy of the organisational and accounting structure, as well as the functioning of BIESSE's overall Internal Control System.

The work of the aforementioned Committees and Bodies, as witnessed by the Board of Statutory Auditors, focussed on compliance with the principles of correct administration and protection of the Company's assets. The Board of Statutory Auditors, as part of the meetings it took part in and the checks carried out, did not become aware of any clearly imprudent or risky transactions or involving a potential conflict of interests, or of any transactions contrary to the resolutions of the Shareholders' Meeting or which compromise the integrity of corporate assets.

In addition, the Board verified, as already noted, that the main transactions voted on were backed by adequate and detailed analyses and assessments of all the relevant aspects, suggesting, where appropriate, the acquisition of assessments by third-party experts.

In the opinion of this Board of Statutory Auditors, Biesse is managed in compliance with the laws and the By-Laws. Regarding the breakdown of powers and proxies, during 2021 the Board of Statutory Auditors will continue monitoring the adequacy of the same, also in relation to the assessment of the Organisation chart, following the implementation of the One Company project, and to the Industrial Plan approved by the Board of Directors. The administrative work did not give rise to particular or significant findings and/or observations either by us or by any other corporate body with specific control functions.

As regards the decision-making processes of the Board of Directors, the Board of Statutory Auditors oversaw, also by taking direct part in their meetings, the compliance of these processes with the law and the By-Laws and verified that the resolutions of the Board of Directors were backed by adequate information, analysis and verification processes.

The Board of Statutory Auditors took note of the statements made pursuant to art. 2391 of the Italian Civil Code.

It should be noted that the work of the Board saw the involvement, on invitation, of the Chief Executive Officer, the co-Chief Executive Officer, the General Manager, the CFO and other managers, depending on the specific items on the agenda, to illustrate and analyse the provisions subject to resolution. By drawing on these participants, the Board was able to delve into, where appropriate and prior to the Board or committee meeting, the transactions proposed and their impact on income and equity.

During the meetings with the Chief Executive Officer, the Board of Statutory Auditors developed and provided its observations on the issues of most interest to BIESSE and the Group, including preparatory activities, monitoring and implementation of the "One Company" restructuring project.

## **XII – OBSERVATIONS ON THE ADEQUACY OF THE ORGANISATIONAL STRUCTURE**

During the year, the Board of Statutory Auditors held regular meetings with the senior management in order to assess the adequacy of the organisational structure and the response of the management and strategic supervision bodies to needs and to the market and competitive context.

The Board took note of the changes made to the Organisation chart as part of the "One

Company” project and the update of the delegated powers, that had been granted to the Group’s senior managers, at the meetings of the Board of Directors on 31 July 2020 and 30 October 2020. In particular, on 30 October 2020 a new member was co-opted to the Board of Directors, due to the resignation of Silvia Vanini, whose professional experience meets the expressed need of having within the Board a qualified member with experience in the field of business process reorganisation. The same person was appointed co-Chief Executive Officer and General Manager, conferring powers and proxies, also given the central role which this latter role plays in managing staff and in the reorganisation process the company is currently going through, in relation to the analysis of the organisational structure, the optimisation and streamlining of processes and their related implementation.

The Board of Statutory Auditors considers the draft organisational model adequate, although, in light of the unpredictability of the medium/long-term impacts and the wide margin of discretion in the data available, which reflect uncertainty over the pandemic, a careful assessment will be carried out on the consistency of the strategic guidelines, in order to pursue the goal of continuous improvement in processes, and the budget for 2021.

The Board, taking account also of the Supervisory Authority’s attention to these issues and without prejudice to the Internal Audit’s core activities, will monitor the effective implementation, as well as the related efficacy, of the qualitative and quantitative aspects, given their relevance for a correct and suitable organisational structure to control risks.

The Board of Statutory Auditors, noting the annual Remuneration Report approved by the Board of Directors on 15 March 2021, recommended an adjustment to the system of three-year targets for the long-term incentive plan, in the hope that the process of establishing the targets of future plans will adhere more closely to the results achieved by the Group.

We obtained information about and oversaw, to the extent of our responsibility, the adequacy of the company’s organisational structure, compliance with the principles of correct administration and the adequacy of the orders issued by the company to subsidiaries pursuant to art. 114, paragraph 2 of Italian Legislative Decree 58/98, by collecting information from the heads of the organisational function, meetings with the parent’s and subsidiaries’ boards of statutory auditors and with the Independent Auditors, for the purposes of the reciprocal exchange of relevant data and information, and in this regard we have no particular observations to make.

### **XIII – OBSERVATIONS ON THE INTERNAL CONTROL SYSTEM**

In carrying out the tasks entrusted to us, during the year we assessed and oversaw the adequacy of the internal control system, also in light of the operational difficulties as a result of the pandemic, supervising the extent of the outsourced activities and the work of the Head of Internal Audit. We note that the Company is still pursuing the implementation of the qualitative and quantitative aspects of its internal auditing structure, which has the necessary know-how but inadequate staffing to guarantee direct oversight of the second and third level controls.

Regarding the implementation of the Enterprise Risk Management (ERM) system, we note that the company has a risk management system that complies with the provisions of the Code of Conduct in force. Management of the ERM is still delegated to Internal Audit, pending identification of a dedicated person as Risk Manager.

In particular, the Board of Statutory Auditors, as the internal control and audit committee, also following the amendments made to our legal system by Italian Legislative Decree no. 135/2016,

monitored the process and controlled the effectiveness of the internal control and risk management systems as regards financial disclosure. Financial disclosure is managed by the Financial Reporting Manager by adopting models which refer to best market practice and which provide reasonable security about the reliability of financial disclosure, the effectiveness and efficiency of operations, compliance with the laws and internal regulations. The processes and controls are periodically reviewed and updated.

#### **XIV – OBSERVATIONS ON THE ADEQUACY OF THE ADMINISTRATIVE-ACCOUNTING SYSTEM AND ON ITS RELIABILITY IN CORRECTLY REPRESENTING OPERATIONS**

The Board of Statutory Auditors oversaw the adequacy of the administrative-accounting system and its reliability in correctly representing operations, by obtaining information from relevant department heads and from the Financial Reporting Manager, examining the most important corporate documents, analysing the results of the work undertaken by the Independent Auditors Deloitte & Touche S.p.A., by the Financial Reporting Manager, as well as by the Internal Audit.

The administrative and accounting procedures for drawing up the separate and consolidated financial statements, as for every other financial communication, were prepared under the responsibility of the Financial Reporting Manager who, together with the Chief Executive Officer, confirms their adequacy and effective application.

As part of the Internal Control System, with reference to financial disclosure, a leading role is played by the Financial Reporting Manager Function, which operates in accordance with a specific Financial Disclosure Control Model applied to BIESSE and, in reference to the procedures for preparing the consolidated financial statements, to the companies which fall within the scope of consolidation. The Financial Disclosure Control Model is the set of requirements to be complied with for the correct management and control of risks of unintentional mistakes and fraud in Financial Disclosure, the approval of which is the responsibility of the Board of Directors.

During the year under examination, the Company's business was affected by the spread of the COVID-19 epidemic with effects also on the financial disclosure process: as early as the first few months of 2020, the national and EU Supervisory Authorities drew companies' attention to the need to act on financial reporting, in order to reflect, also at accounting level, the impacts of the pandemic.

The emergency situation due to the spread of the epidemic also required the Financial Reporting Manager to adjust his own work in order to reconcile the safety measures adopted by BIESSE, which still see an almost total use of smart working, with an expansion of the scope of controls.

Given the task assigned to the Board of Statutory Auditors as part of the Financial Disclosure process, also as the Internal Control and Audit Committee pursuant to art. 19, paragraph 2, lett. c. of Italian Legislative Decree 39/2010, the Board closely coordinated with Management Administration and Budget (hereafter MAB). In particular, the Board of Statutory Auditors periodically met the MAB to exchange information on the administrative-accounting system, as well as on the reliability of the latter in correctly representing operations. During these meetings, the Financial Reporting Manager too did not report any significant failings in operational and control processes which, due to their importance, may affect the judgment on adequacy and effective application of the administrative-accounting procedures put in place to control correct representation of operations, in compliance with the international accounting standards in force.

In addition, in reference to warning notice no. 1/21 of 16 February 2021 issued by CONSOB,

the Board enhanced information flows with the management body responsible for preparing the draft budget.

The Board recommends further strengthening the Parent's role of direction and coordination, in order to increase sharing, standardisation and monitoring of distinct Financial Disclosure processes and internal control systems.

As regards the goodwill impairment testing, given the current uncertainty linked to the spread of the COVID-19 healthcare emergency and the related impacts on the national economic and financial system, in compliance with CONSOB's warning notices, the BIESSE Group verified the sustainability of the value of intangible assets and the value of equity investments in subsidiaries and associates both as at 30 June 2020, for the Interim Report, and as at 31 December 2020. The analysis was undertaken on the basis of the income and equity forecasts made by Management to take account of the healthcare emergency impacts by analysing the latest forecasts for the economic and market scenarios provided by external info-providers. The Board examined and discussed at dedicated meetings with the Financial Reporting Manager, and also with the Independent Auditors, the results of the analyses (and related sensitivity analyses) which showed, as early as 30 June 2020, broad stability for all the values (goodwill and equity investments), further confirmed during the annual assessment undertaken with reference to 31 December 2020.

As for the implementation of the adjustments in regard to IFRS 16, no significant impacts emerged, since the BIESSE Group did not make any changes in its lease contracts owing to the spread of the pandemic.

In light of the above, of the information received, and of the analyses undertaken, as referred to hereafter, the administrative and accounting structure seems adequately defined and suitable to meet the corporate needs that emerged during the year and, overall, compliant with the provisions of the current relevant laws.

It is confirmed that the system of internal controls on Financial Disclosure, which is continuously evolving and being adjusted, is organised, structured and equipped with suitable staff and instruments.

The Independent Auditors checked the administrative and accounting procedures without highlighting any findings on their reliability or elements which may affect the internal control system regarding administrative and accounting procedures. In addition, they verified the accuracy of the entries in the accounting records, operations, as well as the completeness of information and the measurement criteria used to prepare the separate and consolidated financial statements, without any findings and/or observations.

Although under Italian Legislative Decree 39/2010 the statutory audit of the accounts is not part of the duties of the Board of Statutory Auditors, since it is entrusted to the Independent Auditors, it is considered, on the basis of the information received from the latter, from the Financial Reporting Manager and from the checks envisaged by articles 2403 et seq. of the Italian Civil Code, that the administrative and accounting system overall is adequate and reliable and that the operations are correctly and promptly recorded.

## **XV – OBSERVATIONS ON THE ADEQUACY OF ORDERS ISSUED TO SUBSIDIARIES PURSUANT TO ART. 114 OF THE CONSOLIDATED LAW ON FINANCE (TUF)**

The Board of Statutory Auditors oversaw the adequacy of the orders issued by the Company to its subsidiaries and considered them suitable to meet the communication obligations envisaged by

the law.

In relation to the close functional and operational connections, as well as to the presence of key people in the subsidiaries, during 2020 a correct and adequate flow of information was guaranteed, notwithstanding the difficulties caused by the pandemic, also supported by adequate documentation and accounting records relating to the management of the legal entities controlled.

The Board of Statutory Auditors maintained contact with the corresponding Boards of the main Group companies; in this context, it should be noted that, in compliance with the health requirements aimed at containing the spread of COVID-19, the Board held individual meetings with the Chairs of the Boards of Statutory Auditors of the main Group companies for an exchange of information on the main issues relevant to the individual companies (assessment of the internal control system, supervision of the statutory audit, organisation, IT, human resources, company performance, management and valuation of receivables, significant disputes/litigation, overall compliance, transposition of management and coordination orders).

In relation to the above, there are no observations to be made on the adequacy of the orders issued to the subsidiaries in order to acquire the information flows needed to guarantee prompt fulfilment of the communication obligations envisaged by the Law.

The Board of Statutory Auditors also notes that, following the discussions held throughout the whole year with the equivalent Audit bodies of the main subsidiaries, no critical issues emerged which are worthy of note.

#### **XVI – OBSERVATIONS REGARDING RELEVANT ASPECTS THAT EMERGED DURING MEETINGS WITH AUDITORS PURSUANT TO ART. 150 PARAGRAPH 3 OF ITALIAN LEGISLATIVE DECREE 58/1998**

In accordance with the provisions of art. 19 of Italian Legislative Decree no. 39/2010, the Board of Statutory Auditors, identified as the “Internal Control and Audit Committee”, undertook the prescribed supervisory work also on the activities of the Independent Auditors.

In particular, during 2020 and up to the date of this Report, the Board continuously monitored the work undertaken by the Independent Auditors, analysing its implications for Financial reporting. In addition, in reference to the supervisory work as the audit committee, pursuant to art. 19 of Italian Legislative Decree no. 39/2010 as amended, the Board of Statutory Auditors, in light of warning notices no. 6/20 of 9 April 2020 and no. 1/21 of 16 February 2021 issued by CONSOB, efficiently and promptly informed the auditors for a reciprocal exchange of information in order to carry out their respective duties, also pursuant to art. 150, paragraph 3, of the Consolidated Law on Finance.

In this context, the Board of Statutory Auditors met the Independent Auditors in October 2020 to examine the audit plan for the 2020 financial statements. Particular attention was placed on the work plan adopted to audit the financial statements of BIESSE S.p.A. and the Group consolidated financial statements (Audit Scope), the calculation of materiality, the resources assigned to the engagement (Group Engagement Team) and the hours planned for the statutory audit engagement for 2020, the risks identified as significant and the preliminary list of key aspects of the audit, as well as risk factors linked to the processes for making accounting estimates and measurement with a high degree of discretion and, therefore, significantly affected by the uncertainty connected to COVID-19.

The Board of Statutory Auditors analysed the methodology adopted by the Auditor and acquired the necessary information on an ongoing basis, with constant interaction regarding the audit approach used for the key areas of the financial statements, sharing the issues relating to corporate

risks, as well as receiving updates on the progress of the audit plan and analyses of the main aspects focussed on by the Auditor. During the year, the Board had continuous confirmation from the Auditor that the audit and control work, which was mainly done remotely, remained effective.

Through checks and information taken also from the Independent Auditors and from the Company's CFO, the Board also verified compliance with the rules and laws regarding the formation and layout of the separate financial statements, the consolidated financial statements and the Report on Operations.

The Board also oversaw, to the extent relevant for this part, the process of Financial Disclosure, the effectiveness of the internal control system on quality, internal audit and risk management, the statutory audit of the annual and consolidated accounts, and the independence of the Independent Auditors, also pursuant to Regulation (EU) no. 537/2014.

In particular, an examination was undertaken with the Auditors of the application of accounting standards as well as the best possible inclusion and representation in the financial statements of significant elements from an income, financial and equity viewpoint.

During periodic meetings with the Independent Auditors, the main issues and changes in processes and organisation with an impact on the accounting systems and on Financial Disclosure were also discussed. Particular attention was paid to the assessment processes in the Finance area and the impairment processes for equity investments and goodwill, as well as the reporting on subsequent events to be provided in the separate and consolidated financial statements relating to transactions concluded between the year-end date and the date of approval the draft financial statements by the Board of Directors.

The Board of Statutory Auditors also informed the Independent Auditors of its own activity and reported on the Company's relevant and significant facts of which it has become aware. No acts or facts deemed reprehensible and/or worthy of note were highlighted.

During the year the Board also continued to verify and monitor the independence of the Independent Auditors, Deloitte & Touche S.p.A., in particular as regards the adequacy of services provided other than the audit work on the entity subject to audit.

Overall, relations with the auditors did not reveal any anomalies, critical issues or omissions detected by them.

## **XVII – ADHERENCE BY THE COMPANY TO THE CODE OF CONDUCT OF THE CORPORATE GOVERNANCE COMMITTEE**

BIESSE S.p.A. arranged to draft the "Corporate Governance and Ownership Structure Report" drawing heavily on the "Format for Corporate Governance and Ownership Structure Report" prepared by Borsa Italiana S.p.A. and in this regard the Board of Statutory Auditors verified approval of the same by the Company's Board on 15 March 2021.

Please note that the Company, already at the time of listing, resolved to adhere to the aforementioned Code of Conduct, starting a process of alignment to the recommendations of the Code.

On the basis of the "complain or explain" principle, the Company, in the Corporate Governance and Ownership Structure Report, reported and motivated any partial non-alignment with the recommendations in the aforementioned Report. In this regard, the Board notes that the Company decided not to organise induction sessions for corporate officers, postponing them to the



next financial year, in light of the difficulties caused by the COVID-19 pandemic and since remote training sessions are not considered particularly productive.

The Board decided to adopt also for 2020 a Self-assessment process, in keeping with previous years, in order to be able to compare results. The process shows a very positive result in the assessment of the composition, structure and operation of the Board, the know-how possessed by the Auditors, as well as the overall assessment of the role of the Chairman. At its meeting on 6 July 2020, the Board also assessed the requirements of independence, good-standing and professionalism of its members and compliance with the provisions on the accumulation of positions as well as the absence of situations leading to disqualification or forfeiture.

As part of participation in the meetings of the Board of Directors, the Board of Statutory Auditors also noted that the Board of Directors gave a positive assessment to its own qualitative and quantitative composition and its functions at the end of the annual Self-assessment process, the outcomes of which were examined at the Board of Directors' meeting on 30 October 2020.

#### **XVIII – FINAL ASSESSMENT REGARDING THE SUPERVISORY WORK UNDERTAKEN AS WELL AS ANY OMISSIONS, REPREHENSIBLE ACTS OR IRREGULARITIES DETECTED**

Dear Shareholders,

At the end of this Report we wish to confirm that the Board of Statutory Auditors has verified the operation of the internal procedures and these proved suitable to guarantee compliance with the legal, regulatory and by-law provisions. As for respect of the principles of correct administration, it established that the decision-making process adequately considers the riskiness and effects of the management choices made and that the corporate bodies have an adequate arrangement of information flows, also in reference to any interests on the part of Directors. The organisational structure, the administrative and accounting system and the process for the statutory audit of the accounts are considered adequate and functional for the duties which they are required to perform.

From the supervisory and control work carried out no omissions, reprehensible acts, imprudent transactions or irregularities emerged such as to be reported to you, nor did any significant facts which should be reported to the Supervisory and Control Authorities or be mentioned in this Report.

As for the main risks and uncertainty to which BIESSE S.p.A. and the Group are exposed, business continuity and the outlook for operations, reference should be made to the contents of the Report on Operations and the Group Report on Operations.

In referring to the contents of the Directors' Report on Operations and the Group Directors' Report on Operations, the Board states that, as far as it is aware, as at the date of this report, no further significant events occurred after 31 December 2020 other than those described therein.

The Company's income, financial and equity situation, which is set out for you in the draft financial statements, shows a net profit for the period of € 5,541,930 and equity including the net profit for the year of € 192,576,127.

In relation to this result for the year, the Board of Directors proposes to allocate the net profit for the year to Retained earnings.

The consolidated financial statements of the BIESSE Group show net profit of € 2,455,192 and equity including the net profit for the year of € 214,812,303.

Both the draft separate financial statements and the consolidated financial statements were prepared on a going concern basis, were drafted without using exemptions in applying the

accounting standards and measurement criteria and, as already noted, were certified by the Independent Auditors without making any findings or information requests.

Overall, the year just ended confirmed the good performance of the Company and of the Group.

## **XIX – PROPOSALS TO THE SHAREHOLDERS' MEETING**

Summarising the supervisory and control work undertaken, the Board of Statutory Auditors does not believe that grounds exist to exercise the option of making proposals to the Shareholders' Meeting pursuant to art.153, paragraph 2 of the Consolidated Law on Finance (TUF).

## **XX – CONCLUSIONS**

Dear Shareholders,

Taking account of all the above, considering the contents of the audit reports issued by Deloitte & Touche S.p.A. and noting the statements jointly issued by the Chief Executive Officer and the Financial Reporting Manager, the Board of Statutory Auditors does not note – to the extent of its responsibilities – any elements that prevent approval of the draft financial statements of BIESSE S.p.A. as at 31 December 2020 accompanied by the Report on Operations and the Notes, as approved by the Board of Directors on 15 March 2021.

Regarding the proposal to send the total net profit for the year to Reserves as put forward by the Board of Directors, the Board of Statutory Auditors considers that the proposal is based on prudent grounds that can enable, in linear fashion over time, constant compliance with the prudential requirements to safeguard capital.

At the end of the third and final year of our mandate, we wish to express our heartfelt thanks to all Directors and, among them, in particular the Chief Executive Officer, the management and all the staff at BIESSE S.p.A. for their assistance in carrying out the functions and duties assigned to us.

Pesaro, 30 March 2021

The Board of Statutory Auditors

Paolo De Mitri

Silvia Cecchini

Dario De Rosa