

## **BIESSE S.P.A.**

**DIRECTORS' REPORT TO THE ORDINARY MEETING OF SHAREHOLDERS OF BIESSE S.P.A. ON 21 APRIL AND 8 MAY 2020 , PREPARED IN ACCORDANCE WITH ARTICLE 125 – TER OF LEGISLATIVE DECREE 58 OF 24 FEBRUARY 1998 ("TUF") AND ARTICLES 73 AND 84 - TER OF THE ISSUERS' REGULATION ADOPTED BY THE CONSOB RESOLUTION NO. 11971 OF 14 MAY 1999 AS AMENDED (THE "ISSUERS' REGULATION").**

*19 MARCH 2020*

Shareholders,

In the notice of meeting published on 20 March 2020 and on the website of Biesse S.p.A. (the "**Company**", "**Biesse**" or the "**Issuer**"), an ordinary meeting of the Company's shareholders was called for 9 AM on 21 April 2020 and 8 May 2020, at the first and second call respectively, at the Company's head office in Pesaro, Via della Meccanica 16, at 9.00 am, to discuss and resolve on the following:

### **Agenda**

1. Financial statements as at 31 December 2019; Directors' report on operations, including the non-financial report prepared in accordance with Legislative Decree 254/2016; Report of the Board of Statutory Auditors and of the auditing firm, on the financial statements for the year ending 31 December 2019; Related and consequential resolutions. Presentation of the Consolidated Financial Statements as at 31 December 2019.
2. Allocation of the profit for the year 2019 of Biesse S.p.A.;
3. Approval of the Biesse Group's remuneration policy.
4. Presentation of the Remuneration Report and decisions on the second section of that report.
5. Replacement of members of the Board of Statutory Auditors; Related and consequential resolutions.
6. Authorisation to purchase and dispose of treasury shares; Related and consequential resolutions.

**First of all**, please note that, pursuant to Article 106 of Decree Law No. 18, dated 17 March 2020 (the so-called "Cura Italia" Decree), participation in the Shareholders' Meeting by those who have the right to vote is permitted exclusively through the Designated Shareholders' Representative. Consequently, the Company has appointed Computershare S.p.A. - with registered office in Milan, via Mascheroni No. 19, 20145 - to represent the shareholders pursuant to art. 135-*undecies* of Legislative Decree No. 58/98 and the aforementioned Decree Law (the "**Designated Shareholder's Representative**"). Shareholders which have the right to attend the Shareholders' Meeting shall therefore grant the Appointed Representative a proxy - with voting instructions - on all or some of the proposed resolutions concerning the items on the agenda filled the specific proxy form, also electronic, prepared by the Designated Shareholders' Representative agreed with the Company, available on the Company's website at [www.biessegroupp.com](http://www.biessegroupp.com) (section "*Investor Relations*" - "*Information for investors*" - "MEETING 21/04/2020"), where a link which shows the procedure for the electronic submission of the proxy is provided.

The proxy form with voting instructions must be submitted following the instructions on the form itself and on the Company's website by the second trading day prior to the Shareholders' Meeting (**by 17 April 2020**, with reference to the first call, and by **6 May 2020**, with reference to the second call) and may be revoked by the same deadline.

The proxy, thus conferred, is effective only for those proposals in relation to which voting instructions have been given.

Please note that, the shares for which the proxy has been conferred, even partially, are counted for the purposes of the regular constitution of the Shareholders' Meeting. In relation to the proposals for which no voting instructions have been given, the shares are not counted for the purposes of

calculating the majority and the amount of capital required for the approval of resolutions.

It should also be noted that the Designated Shareholders' Representative may also be granted with proxies or sub-delegations pursuant to Article 135-*novies* of the Italian Consolidated Law on Finance ("TUF"), as an exception to Article 135-*undecies*, paragraph 4, of the TUF, under the terms and conditions indicated on the Company's website.

The Designated Representative will be available for clarification or information at 02-46776814, or at the e-mail address [ufficiomi@computershare.it](mailto:ufficiomi@computershare.it).

Shareholders entitled to attend the Shareholders' Meeting are those who will have the right to vote at the end of the accounting day (*record date*) of 8 April 2020, and for whom the Company has received the relevant communication from the authorized intermediary.

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- 1. FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019; DIRECTORS' REPORT ON OPERATIONS, INCLUDING THE NON-FINANCIAL REPORT PREPARED IN ACCORDANCE WITH LEGISLATIVE DECREE 245/2016; REPORT OF THE BOARD OF STATUTORY AUDITORS AND OF THE AUDITING FIRM, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019; RELATED AND CONSEQUENTIAL RESOLUTIONS. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019.**

Shareholders,

The Meeting of Shareholders called for 21 April and 8 May 2020 (second call if necessary) was called to approve the Company's financial statements for the year ending 31 December 2019. In accordance with the legal requirements, Biesse provided the shareholders with the annual financial report for 2019 (including the draft financial statements to 31 December 2019, the Consolidated financial report, the report on operations and the certification required by Article 154-bis of the Italian Consolidate Law on Finance "TUF"), before 30 March 2020 together with the reports by the auditing firm on the annual and consolidated financial reports and on the Board of Statutory Auditors' report. Please refer to the above documents for more information about the first item on the agenda.

The Board of Directors, in light of both the continuous evolution of the most recent events and the strong acceleration of the negative repercussions that impact all international markets, has proposed not to proceed with the distribution of dividends from net profit and, consequently, to resolve upon the allocation of the profit for the year of Euro 4,062,882.80 to the Extraordinary Reserve. Furthermore the Board proposes to allocate the Reserve for Exchange Gains, amounting at Euro 79,364.39, to the Extraordinary Reserve.

The Board of Directors now makes the following proposal to the Meeting, with regard to the first item on the agenda:

*"The Ordinary Meeting of Shareholders of Biesse S.p.A.,*

- acknowledging the Board of Directors' report on operations, including the non-financial report prepared in accordance with Legislative Decree 254/2016,
- acknowledging the reports of the Board of Statutory Auditors and of the auditing firm,
- having examined the draft of the financial statements of Biesse S.p.A. as of 31 December 2019,

### **RESOLVED**

- (a) to approve the financial statements of Biesse S.p.A. as of 31 December 2019, which show a net profit of Euro 4,062,882.80;
- (b) to allocate the profit for the year 2019, amounting at Euro 4,062,882.80, to Extraordinary Reserve;
- (c) to allocate the Reserve for Exchange Gains, amounting at Euro 79,364.39, to the Extraordinary Reserve.

### *The proposal*

*was then put to the vote and was declared to be approved with the vote in favour of.... As per the attached details."*

## **2. ALLOCATION OF THE PROFIT FOR THE YEAR 2019 OF BIESSE S.P.A.;**

Shareholders,

The Meeting of Shareholders called for 21 April and 8 May 2020 (second call if necessary) was also called to decide on the allocation of the profit for the year ending on 31 December 2019. The Board of Directors, in light of both the continuous evolution of the most recent events and the strong acceleration of the negative repercussions that impact all international markets, has proposed not to proceed with the distribution of dividends from net profit and, consequently, to resolve upon the allocation of the profit for the year of Euro 4,062,882.80 to the Extraordinary Reserve.

For the proposed resolution submitted to the Shareholders' Meeting on the second item on the agenda, see item (b) of the proposed resolution on the first item on the agenda. ~~At the meeting on 13 March 2020, the Board of Directors proposed to the Meeting that a dividend of Euro 0.14 per share be distributed, gross of taxes.~~

## **3. APPROVAL OF THE BIESSE GROUP'S REMUNERATION POLICY**

Shareholders,

Following the issuance of the Legislative Decree No. 49/2019 which amended, among other things, Article 123-ter of the Italian Consolidated Law on Finance ("TUF"), the Meeting called for 21 April and 8 May 2020 (second call if necessary) was asked to pass a binding resolution on the Company's remuneration policy (Article 123-ter, paragraph, 3-bis and 3-ter of TUF), at the intervals required by the duration of the policy, and in any event at least once every three years or when the policy is amended.

Compared to the remuneration policy presented to the Meeting of shareholders called to approve the financial report for the year ended 31 December 2019, the main changes are as follows: (i) the policy now includes an explanation of the criteria used to determine the remuneration for the members of the

supervisory body; (ii) the objectives used to determine the variable remuneration also include objectives linked to sustainability and corporate social responsibility, as may be identified in the sustainability report prepared in accordance with Legislative Decree 254/2016; and (iii) the need to obtain the approval of the Remuneration Committee, and to apply the procedure set out in the Related Parties Regulation in the event that certain exceptional bonuses are awarded, or in the event that the policy criteria are varied, in order to attract new talent.

The remuneration report of the Biesse Group, as required by Article 123-ter of TUF, which contains the related policy and the procedures for its adoption and documentation, will be made available to the public in accordance with the legal and regulatory requirements.

In view of the above, the following proposal is submitted to the Meeting, with regard to the decision on the third item on the agenda:

*"The Meeting of shareholders, acknowledging the information given by the Chairman and the documentation provided,*

**RESOLVED**

*to approve, in accordance with Article 123-ter, paragraph 3-bis and 3-ter of the Legislative Decree No. 58/98, the remuneration policy pursuant to Article 123-ter paragraph 3 of the Legislative Decree No. 58/98.*

*The proposal was then put to the vote and was declared to be approved with the vote in favour of.... As per the attached details."*

**4. PRESENTATION OF THE REMUNERATION REPORT AND DECISIONS ON THE SECOND SECTION OF THAT REPORT.**

Shareholders,

The Meeting of Shareholders called for 21 April and 8 May 2020 (second call if necessary) has also been called in order to decide, with a non-binding vote pursuant to Article 123-ter, paragraph 6 of TUF, on the second section of the report which provides a clear, comprehensible illustration of each of the remuneration components for the year ending on 31 December 2019.

The Group's remuneration report, as required by Article 123-ter of TUF, including the second section (Article 123-ter, paragraph 4, of TUF), was made available to the public in accordance with the legal and regulatory requirements.

In view of the above, the following proposal was submitted to the Meeting, with regard to the decision on the fourth item on the agenda, in the ordinary section:

*"The ordinary Meeting of shareholders of Biesse S.p.A., in acknowledging the information illustrated by the Chairman and the documents presented,*

**RESOLVED**

*to approve, in accordance with Article 123-ter, paragraph 6 of the Legislative Decree No. 58/98, the remuneration policy pursuant to Article 123-ter, paragraph 4, of the Legislative Decree No. 58/98.*

*The proposal*

*was then put to the vote and was declared to be approved with the vote in favour of.... As per the attached details."*

**5. REPLACEMENT OF MEMBERS OF THE BOARD OF STATUTORY AUDITORS; RELATED AND CONSEQUENTIAL RESOLUTIONS.**

Shareholders,

The Meeting of Shareholders called for 21 April and 8 May 2020 (second call if necessary) has been called in order to decide on the addition of a member to the Board of Statutory Auditors, by appointing a new substitute auditor in accordance with Article 2401 of the Italian Civil Code.

The Board of Statutory Auditors currently in office was appointed by the ordinary Shareholders' Meeting on 24 April 2018 and will remain in office until approval of the financial statements for the year ended on 31 December 2020. On June 5<sup>th</sup> 2019, the Standing Auditor Mr. S. Sanchioni resigned and therefore, following his resignation, the substitute auditor Mr D. De Rosa took his place.

As this is a replacement of members of the supervisory body, the appointments are to be made with a majority vote because the voting list system does not apply. It should also be noted that in accordance with Article 19bis of the By-laws, when appointing a standing and/or substitute auditor to replace a member of the Board of Statutory Auditors who has resigned or forfeited office, the new standing or substitute auditor will be taken from the list of the outgoing auditor, subject in any case to compliance with the legal gender balance requirement. If that is not possible, the Meeting of Shareholders is called to pass a resolution with the majorities required for resolutions passed by an ordinary meeting, subject in any event to compliance with the legal gender balance requirement.

As there were no other candidates on the lists apart from those who were nominated on 24 April 2018, and as the voting list system does not apply, the replacement of the outgoing member of the Board of Statutory Auditors will take place by a majority vote.

*"The ordinary Meeting of shareholders of Biesse S.p.A., in acknowledging the information illustrated by the Chairman and the documents presented,*

**RESOLVED**

*to appoint Mr D. De Rosa as the Company's new standing auditor, and to appoint Mrs. S. Farina as the Company's new substitute auditor.*

*The proposal*

*was then put to the vote and was declared to be approved with the vote in favour of.... As per the attached details."*

## **6. AUTHORISATION TO PURCHASE AND DISPOSE OF TREASURY SHARES; RELATED AND CONSEQUENTIAL RESOLUTIONS.**

Shareholders,

The Meeting of Shareholders called for 21 April and 8 May 2020 (second call if necessary) has been called to discuss and resolve, pursuant to Articles 2357 and following of the Italian Civil Code, upon the proposal to authorise the purchase and the disposal of treasury shares, for the purposes and under the terms and conditions described below.

### **1. REASONS FOR THE PROPOSED AUTHORISATION**

The request for authorisation to purchase and dispose of treasury shares is based on the opportunity to grant the Board of Directors of Biesse with the power to purchase and dispose of treasury shares pursuant to the provisions of the European and national legislation in force (including European Regulation No. 596/2014 (“Market Abuse Regulation”) and European Delegated Regulation No. 1052/2016) and market practices permitted by Consob, pursuant to article 180, paragraph 1, let. c) of the Italian Consolidated Law of Finance (“TUF”) and recital No. 76, and to article 13, paragraph 11 of European Regulation No. 596/2014, as identified by Consob Resolution No. 16839 of 19 March 2009 for the following purposes:

- to create a stock of securities in order to sell, dispose of and/or use treasury shares, in accordance with the strategic guidelines that the Company intends to pursue in the context of extraordinary transactions, including, by way of example, swap transactions, exchange, contribution at the service of capital transactions, or at the service of other corporate and/or financial transactions and/or other transactions of extraordinary nature such as, by way of example, acquisitions, mergers, demergers, convertible bond issues, bonds, warrants, etc;
- at the service of any share incentive plans that may be approved by the Company in the future;
- investment in the medium and long term or, in any case, to take advantage of opportunities which may arise out of the market performance.

### **2. MAXIMUM NUMBER OF SHARES TO WHICH THE AUTHORISATION REFERS**

At the date of this report, the Company's share capital is divided into 27,393,042 ordinary shares with a par value of Euro 1 each, and stands at Euro 27,393,042, fully subscribed and paid up.

At this regards, it is proposed that the Shareholders' Meeting authorizes the purchase of treasury shares, in one or more tranches, up to a maximum number of 2,739,304 ordinary shares, it being understood that the aforementioned maximum quantity may not exceed the twenty per cent of the Company's share capital, pursuant to Article 2357, paragraph 3, of the Italian Civil Code or any other maximum amount provided for by the law in force at the time of the purchase, taking into account the Biesse shares held at any time by the Company and by the Company's subsidiaries.

It is therefore proposed to grant the Board of Directors with the powers to identify the amount of shares to purchase for the purposes specified in section 1 above, in relation to each purchase program, before starting each purchase program, and within the maximum limit mentioned above.

Pursuant to Article 2357, paragraph 1, of the Italian Civil Code, purchase transactions will be carried out within the limits of distributable profits and available reserves resulting from the latest financial statements (including middle-year financial statements) approved at the time the transaction is carried out and, when treasury shares are purchased and sold, the necessary accounting entries will be made in compliance with the provisions of the law and the applicable accounting principles.

The authorisation includes the right to subsequently dispose of all or part of the shares in the portfolio, in whole or in part, and even on several tranches, even before the maximum quantity of shares that may be purchased has been used up and, if necessary, to repurchase the shares to such an extent that the treasury shares held by the Company and its subsidiaries do not exceed the limit established by the authorisation.

### **3. USEFUL INFORMATION FOR ASSESSING DUE COMPLIANCE WITH THE PROVISIONS OF ARTICLE 2357, SUBSECTION 3, OF THE ITALIAN CIVIL CODE**

At the date of this report, neither Biesse nor its subsidiaries hold shares in the Company.

The Board of Directors will be required to verify the compliance with the limits established by Article 2357, paragraphs 1 and 3, of the Italian Civil Code, prior to each purchase of ordinary shares. In order to allow such evaluations on the Company's subsidiaries, specific instructions will be given to the Company's subsidiaries, so that they can promptly report any acquisition of shares made pursuant to articles 2359-*bis* of the Italian Civil Code.

### **4. TERM FOR WHICH AUTHORISATION IS REQUESTED**

The authorisation for the purchase of treasury shares is requested for a period of 18 (eighteen) months, commencing as of the date of the Shareholders Meeting's resolution.

Within the period of the authorisation, if granted, the Board of Directors may proceed with authorised purchases of shares in one or more tranches at any time, to an extent and for a period freely determined, in compliance with the applicable rules, and with the graduality deemed appropriate in the interest of the Company.

The authorisation for the disposal of treasury shares is requested without term limits.

### **5. MINIMUM PRICE AND MAXIMUM PRICE TO BE PAID FOR THE PURCHASE OF TREASURY SHARES**

The Board of Directors proposes that purchases of treasury shares should be carried under the terms and conditions set forth in the applicable law and, in particular, in European Regulation No. 596/2014, European Delegated Regulation No. 1052/2016 and permitted practices, where applicable.

At this regards, it is proposed that the unit price for the purchase of shares shall be established on a case-by-case basis for each individual transaction, provided that the purchases will be made at a price that does not differ in decrease and increase by more than 15% compared to the reference price



recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the stock exchange session prior to each individual transaction.

It is also proposed to appoint a qualified intermediary to manage the programme, operating independently of the Company, to be identified by the Chief Executive Officer among persons of primary standing, who normally follow such transactions on the market on behalf of issuers.

The maximum financial commitment is estimated at Euro 25,000,000.

The sale or other disposals of treasury shares will be carried out according to the economic terms determined by the Board of Directors, in compliance with the terms, conditions, and requirements established by the regulations, including European regulations, and by the market practices in force from time to time, it being understood that (i) if executed in cash, they will be made at a price not less than 15% below the reference price recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the stock exchange session prior to each individual transaction; (ii) if carried out in the context of extraordinary transactions, including, by way of example and without limitation, swap transactions, exchange, contribution at the service of capital transactions or at the service of other corporate and/or financial transactions and/or other transactions of an extraordinary nature or any other act of disposition not in cash, according to the economic terms that will be determined by the Board of Directors on the basis of the nature and characteristics of the transaction, also taking into account the market trend of Biesse securities and the interest of the Company.

#### **6. MODALITIES THROUGH WHICH PURCHASES AND USE OF TREASURY SHARES WILL BE MADE**

Purchase transactions will be carried out on regulated markets pursuant to the provisions of art. 144-bis, paragraph 1, letter b) of the Issuers' Regulation, in strict compliance with art. 5 of European Regulation No. 596/2014, and through intermediaries authorised by law.

The aforesaid operating procedures do not apply with reference to purchases of treasury shares held by employees of the Company or by the Company's subsidiaries, as well as to those assigned or subscribed pursuant to Articles 2349 and 2441, paragraph 8, of the Italian Civil Code, or resulting from compensation plans approved pursuant to Article 114-*bis* of the TUF.

The provisions of the shares may be made, in one or more tranches, even before the quantity of own shares that can be purchased has been used up. The disposition may be made in the manner deemed most appropriate in the interest of the Company and, in any case, in compliance with applicable regulations and accepted market practices.

#### **7. INFORMATION ON THE INSTRUMENTALITY OF THE PURCHASE TO REDUCE THE SHARE CAPITAL**

It is noted that the purchase of treasury shares, to which the authorisation refers, is not instrumental to the reduction in share capital.

\* \* \*

That said, we submit the following resolution for Your approval:

*The Ordinary Meeting of Shareholders of Biesse S.p.A.,*

- *examined the report of the Board of Directors provided pursuant to art. 125-ter of Legislative Decree No. 58 of 24 February 1998, as well as art. 73 of the Regulation issued by Consob with resolution no. 11971 of 14 May 1999 and in compliance with Annex 3 - Schedule 4, of the same Regulation and the proposal contained therein;*
- *having regard to the provisions of Articles 2357 and following of the Italian Civil Code, Article 132 of Legislative Decree No. 58 of 24 February 1998 and Article 144-bis of the Regulation issued by Consob with resolution no. 11971 of 14 May 1999, as well as any other applicable provisions (including European Regulation No. 596/2014 and European Delegated Regulation No. 1052/2016),*

### **RESOLVED**

1. *to authorise the Board of Directors to purchase, in one or more tranches, for a period of eighteen months from the date of this resolution, ordinary shares of Biesse S.p.A. for the purposes set out in the aforesaid explanatory report of the Board of Directors within the limits and under the conditions set forth in said report, which have to be considered an integral part of the latter, and, in particular, in the manner specified below:*
  - *the maximum number of shares to be purchased is 2,739,304 ordinary shares, it being understood that the aforementioned maximum quantity may not exceed the maximum limit allowed by the regulations in force at the time;*
  - *purchases will be made on regulated markets in accordance with the provisions of art. 144-bis, paragraph 1, letter b) of the Issuers' Regulation, in strict compliance with art. 5 of European Regulation No. 596/2014 and through intermediaries authorised by law;*
  - *the maximum financial commitment is envisaged in Euro 25,000,000.00 (twenty-five million/00)*
2. *to authorise the Board of Directors to dispose of treasury shares, in one or more tranches, without time limits, in the manner and economic terms deemed most appropriate in the interest of the Company and in compliance also with the applicable European Law, for the purposes set forth in the explanatory report of the Board of Directors, within the limits and under the conditions set forth in said report, which have to be considered an integral part of the latter,*
3. *to grant the Board of Directors and, on its behalf, the Chairman of the Board of Directors and the Chief Executive Officer, also severally and with the power to sub-delegate, all the powers necessary to implement the resolutions referred to in the previous points, including the power to identify the amount of shares to be purchased in relation to each purchase program, within the scope of the above purposes, prior to the start of the program itself, any assignment to intermediaries authorised by law and to provide information to the market in relation to the same, in accordance with also the European Law, and accepted market practices in force from time to time."*

\* \* \*

Pesaro, 19 March 2020

The Chairman of the Board of Directors