

RE PORT

QUARTERLY
REPORT

AT 30 SEPTEMBER 2019

WELCOME

 **BIESSEGROUP**

75 YEARS


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Cover:

A subject of the Biesse Group 50 years campaign.

IT'S THE FUTURE THAT MAKES HISTORY.

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

[BIESSEGROUP.COM/50YEARS](https://www.biessegroup.com/50years)



THE GRO UP

 **BIESSEGROUP**

 **BIESSE**

 **INTERMAC**

 **DIAMUT**

MECHATRONICS

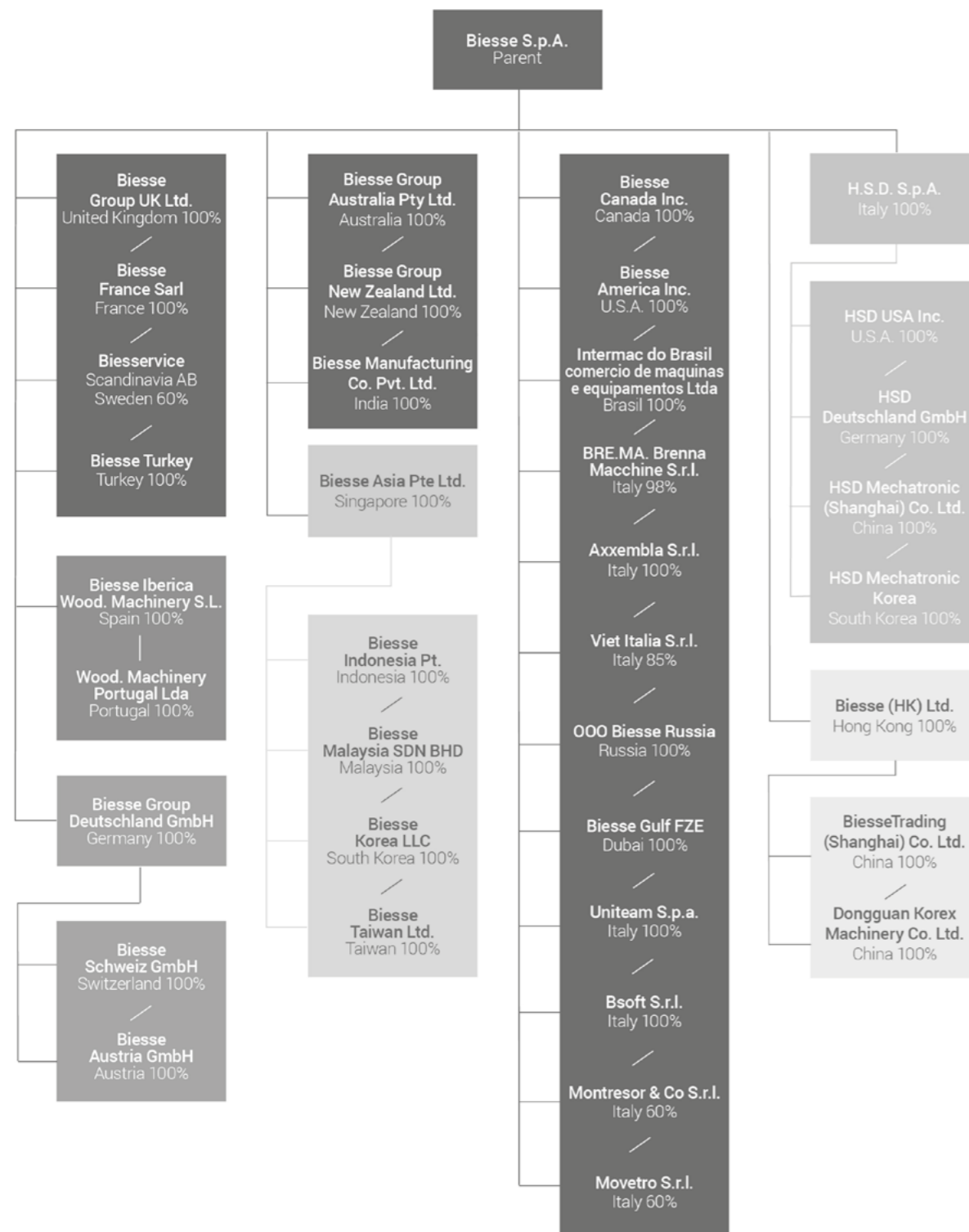
Biesse Group is a global leader in technologies for processing wood, glass, stone, plastic and metal. Founded in Pesaro in 1969 by Giancarlo Selci, the company has been listed on the STAR sector of Borsa Italiana since June 2001 and is currently a constituent of the FTSE IT Small Cap index.



ROVER

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 chain of control

NOTES TO THE FINANCIAL STATEMENTS

The Biesse Group's consolidated quarterly report at 30 September 2019, unaudited, has been prepared pursuant to Article 154-ter, paragraph 2 of the Consolidated Law on Finance and in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS).

Accounting standards and recognition criteria are consistent with those of the 2018 Annual Report, to which reference should be made. Furthermore, it should be noted that:

- The quarterly financial statements have been prepared using the discrete approach, according to which the reference period is considered to be a discrete accounting period. In this respect, the income statement items for the period are recognised in the quarterly income statement on an accruals basis;
- The financial statements underlying the consolidation process are those prepared by subsidiaries with reference to the period ended 30/09/2019, adjusted, where necessary, to align them with the Group's accounting policies;
- Some of the economic information contained in this report

presents interim profitability indicators such as gross operating profit (EBITDA). This indicator is considered by management to be an important parameter for measuring and assessing the Group's operational performance, in that it is not affected by the various methodologies adopted to determine taxable income, by the amount and features of capital employed, or by depreciation and amortisation policies. We should point out, however, that this indicator is not identified as an accounting measure for IFRS purposes, meaning that the criterion used to determine taxable income might not be consistent with what is reported by other groups or companies.

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

PARENT COMPANY CORPORATE BODIES

BOARD OF DIRECTORS

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

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

BOARD OF STATUTORY AUDITORS

Chairman
Standing Statutory Auditor
Standing Statutory Auditor
Alternate Statutory Auditor

Paolo de Mitri
Dario de Rosa
Silvia Cecchini
Silvia Muzi

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

INDEPENDENT AUDITORS

Deloitte S.p.A.



FINAN CIAL

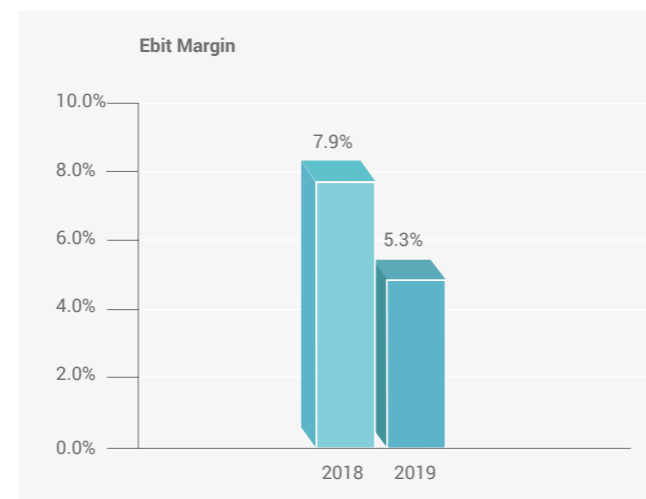
HIGHLIGHTS



FINANCIAL HIGHLIGHTS

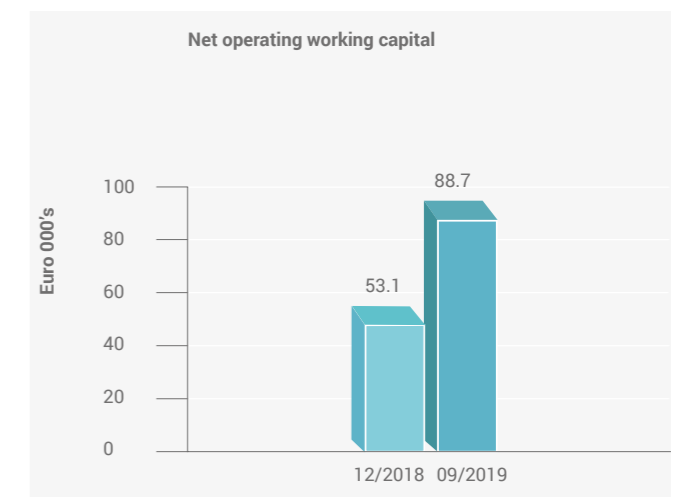
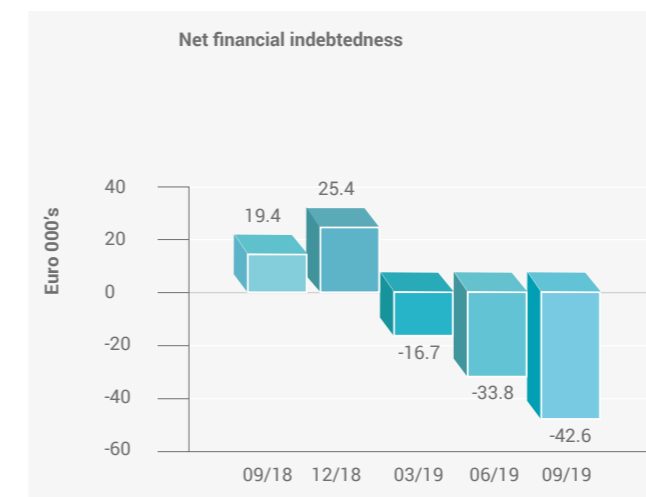
Income Statement

EURO 000'S	30 SEPTEMBER 2019	% ON SALES	30 SEPTEMBER 2018	% ON SALES	CHANGE %
Revenue from sales and services	511,142	100.0%	521,824	100.0%	(2,0)%
Normalised Value Added ⁽¹⁾	219,274	42.9%	217,597	41.7%	0,8%
Normalised EBITDA (Normalised gross operating profit) ⁽¹⁾	55,978	11.0%	60,900	11.7%	(8,1)%
Normalised EBIT (Normalised operating profit) ⁽¹⁾	29,367	5.7%	42,465	8.1%	(30,8)%
EBIT (Operating profit) ⁽¹⁾	26,998	5.3%	40,972	7.9%	(34,1)%
Profit for the year	14,759	2.9%	23,486	4.5%	(37,2)%



Statement of Financial Position

EURO 000'S	30 SEPTEMBER 2019	31 DECEMBER 2018
Net invested capital ⁽¹⁾	265,086	194,127
Equity	222,466	219,536
Net financial position ⁽¹⁾	42,619	(25,407)
Net operating working capital ⁽¹⁾	88,686	53,092
Fixed asset/standing capital ratio	0,99	1,17
Order intake	381,716	618,952

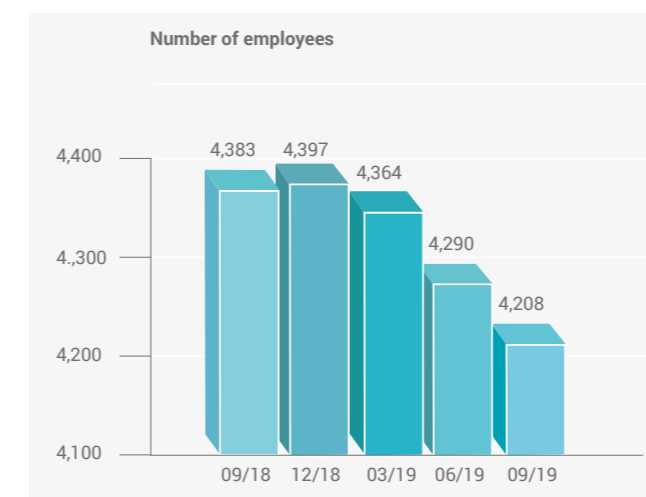


Cash flow

EURO 000'S	30 SEPTEMBER 2019	30 SEPTEMBER 2018
Ebitda (Gross operating profit)	55,978	59,408
Change in net working capital	(37,796)	(17,921)
Change in other operating assets/liabilities	(12,340)	(13,637)
Operating cash flow	5,842	27,849
Cash flow used in investment activity	(34,415)	(26,760)
Cash flow	(28,573)	1,089
Foreign exchange rate differences	(13,171)	(13,144)
Change in net financial indebtedness (net of IFRS16 effect)	705	1,088
IFRS16 effect on cash flow used in investment activity	(41,038)	(10,967)
Change in net financial indebtedness	(26,988)	-
Variazione dell'indebitamento finanziario netto	(68,027)	(10,967)

Personnel

	30 SEPTEMBER 2019	30 SEPTEMBER 2018
Number of employees at year end	4,208	4,383



⁽¹⁾ Amounts referring to interim results and to aggregate equity and financial figures. The relevant calculation criteria are provided in the Directors' Report

The figures include temporary staff

DIRECTORS' REPORT

REPORT ON
OPERATIONS



DIRECTORS' REPORT ON OPERATIONS

At the end of the third quarter of 2019, Biesse Group revenues amounted to € 511,142 thousand, down 2% from the previous year. The drop in volumes was reflected in the operating result for the period, as indicated by EBITDA, which, net of non-recurring charges, decreased by 8.1%.

The order backlog was equal to around € 206 million, down from both September and December 2018 (-19.7% and -8.5%, respectively): this decline was mainly due to the reduction of the Systems component, which in 2018 benefitted from orders for large systems destined for the North American market.

Order intake was down 16.5% compared to September 2018, with a stable trend compared to the figure recorded at the end of June 2019. This result is in line with the general performance of the Machinery and Capital Equipment sectors, which were affected by difficulties experienced in European and Asian markets.

It should be noted that the third quarter recorded a positive trend compared to the previous year, with turnover of around € 167 million and EBITDA at € 18 million, up 3.5% on the prior-year period.

ECONOMIC OVERVIEW

The contraction of international trade and deceleration of global growth continued. Significant risks remained in association with trade tensions, the slowing of the Chinese economy and uncertainties regarding the timing and implementation of the UK's exit from the European Union (Brexit). Global financial conditions became extremely expansionary; the increased uncertainty over growth prospects and the accommodative stance taken by central banks translated into a marked decline in long-term returns.

EUROZONE

In the Eurozone, there was a marked contraction in German industrial production, particularly vulnerable to international trade, and this weakening extended to other sectors and countries. There is increased risk that the unfavourable cyclical phase will result in a prolonged decrease in the inflation expectations of financial markets, businesses and households. Confirming the assessments expressed in previous months, the Governing Council of the ECB adopted a broad package of expansionary measures, with widespread consensus albeit with differing views on individual instruments. Analyses carried out by the Bank of Italy confirm that the measures activated are necessary and appropriate for countering cyclical risks and the weak price outlook.

ITALY

In Italy, economic activity grew marginally in the second quarter; in light of the information available, it seems to have remained relatively stationary in the third quarter, also affected

As regards financial position, net operating working capital increased by around € 35.6 thousand compared to December 2018. This change was mainly a result of the significant decrease in trade payables equal to around € 41.6 million, linked to both payables to suppliers (due to the slowdown in production activities) and advances from customers (due to the reduction in order intake). In line with historical trends, inventories increased by € 14.1 million to cater for the planning of deliveries expected in the final quarter. In this quarter too, the overall increase in the value of working capital was offset by the decrease in trade receivables for around € 20.2 million.

The Group's Net Financial Position at 30 September 2019 was negative at around € 42.6 million, down compared to the figure of December 2018 (positive to the tune of € 25.4 million). The NFP figure was affected by the first-time adoption of IFRS 16, which had a negative impact (due to higher payables for rights of use) of around € 26.9 million.

Again, following the first-time adoption of IFRS 16, there was an increase of € 29.2 million in property, plant and equipment at 30 September 2019.

by weakness in the manufacturing sector, against a slightly positive growth in services and the modest recovery of the construction industry. The risk of the unfavourable trend in industry spreading to other sectors of the economy remains. Nevertheless, in the second quarter investments in capital goods increased, also thanks to the reintroduction of tax incentives in force since April. In surveys conducted by the Bank of Italy in September, companies reported slightly more expansionary investment plans, with a discrete improvement of opinions on investment conditions, the economic situation and product demand dynamics.

Exports continued to increase in the second quarter, despite the contraction in world trade. The current account surplus continued to rise, to 2.8% of GDP; however, foreign sales reportedly weakened in the following months. The US announcement of new tariffs against the European Union will concern a relatively limited share of Italian exports to the United States, but the indirect effects could be significant.

BUSINESS SECTOR REVIEW

UCIMU – SISTEMI PER PRODURRE

In the third quarter of 2019, the UCIMU index of machine tool orders showed a 18.6% decrease on the prior-year period. The absolute value of the index was 69 (100 base in 2015). This overall result was driven by a decided backwards step in both the domestic and international markets.

In particular, orders received from domestic manufacturers showed a decrease of 19.3% when compared to the July-September period for 2018.

Italian manufacturers recorded a significant reduction in international orders as well, with a decline of 14% compared to the third quarter of 2018.

Massimo Carboniero, the Chairman of UCIMU-SISTEMI PER PRODURRE, stated: "Unfortunately, 2019 marks a step back for Italian machine tool, robotics and automation manufacturers, which experienced a decline both on the domestic market and abroad. Business owners in the sector are particularly concerned about the complexity of the international context, which, in many markets including Italy, has resulted in the partial blocking of investments in production systems".

"The trade war between the leading economic powers, US and China, the crisis in various sectors driving the manufacturing industry, first and foremost the automotive industry, and outbreaks of war in hot spots around the world, make the work of manufacturing companies particularly complex and their future very uncertain".

"In this already difficult context, the Italian industrial system risks being further penalised by the indecisive approach of government authorities, busy dealing with the definition of the 2020 Budget Law and allocation of the (scarce) resources available".

"Never has the country needed a plan to support investments and development in the manufacturing industry – the real activator of employment – as it does today. In this regard, the reduction of the tax wedge for workers is appreciated, if backed by adequate economic resources, but will not be enough. With

specific reference to the machine tool sector," added Massimo Carboniero, "we have come up with a short list of measures that should absolutely be implemented, so that 2020 marks the beginning of a new positive cycle, as confirmed by the positive feedback regarding participation in the 32nd edition of BI-MU, scheduled from 14 to 17 October 2020".

"With the aim of encouraging continued modernisation and transformation of Italian production plants, also in digital terms, which is crucial for improving Italy's competitiveness, we need to activate a single structural Package for the growth of companies, liberating it from annual expectations and uncertainties linked to the possible renewal or discontinuation of the measures included therein".

"The Business Growth Package should incorporate all tax benefits associated with research and development, accelerated depreciation and hyper-depreciation for investments in new machinery, software, automation and technologies related to environmental concerns".

"There must also be a complementary 4.0 training program in 2020, allowing staff to be updated on the new requirements of digitised factories".

"The situation abroad is more complex," noted Massimo Carboniero, "due to the general economic and political instability. For this reason, we ask for interventions aimed at facilitating the internationalisation of Italian SMEs, above all in distant countries".

2019 MAIN EVENTS

SYSTEMS, SOFTWARE AND SERVICES TO AUTOMATE FACTORIES

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

THE FUTURE THAT MAKES HISTORY, FUTURE ON TOUR

In 2019, Biesse Group turns 50 and is celebrating with a series of events around the world dedicated to its customers and having a single common denominator: future. Believing in the future also means putting important investments into play to produce tools and machinery that provide customers with greater production efficiency and simplify their work safely, by improving the integration between mechanics, electronics and software and making "smart" and "collaborative" products. "Future on Tour" kicked off in January at the Pesaro Headquarters, and will end in Russia in December 2019, with a total of 18 events in 15 countries over the course of the year.

Biesse Group also had a presence in Milan Design Week as the technological partner of two excellent Italian design brands, LAGO and Arpa | Fenix, with whom it shares values, a commitment to environmental sustainability, and investments in research and technology. The Group joined the prestigious Leonardo Committee, whose over 160 members include entrepreneurs,

artists, scientists and cultural figures eager to share the goal of enhancing Italy and its originality through the organisation of prestigious cultural and economic events. Thanks to its collaboration with Accenture and the Marche Polytechnic University in the scope of the SOPHIA project, it participated in the MESA 2019 - Middle East Studies Association - conference in California, dedicated to Machine Learning in the context of predictive maintenance for Industry 4.0, demonstrating the Group's ongoing collaboration with universities.

Through the Biesse brand, the Group participated in numerous trade fairs for the wood industry: the international CIFM/Interzum trade fair in Guangzhou, dedicated to woodworking and furniture production, Delhiwood in India, AWFS in Las Vegas, WMF 2019 in Shanghai, TUYAP Woodtech in Istanbul. In addition, various tech tours and events took place at the Biesse headquarters and campuses around the world, in Brianza, Triveneto, Middle East, Asia, France and India. The main event Biesse attended in 2019 was the Ligna Trade Fair (Hannover, Germany) where it demonstrated how man and machine can connect: 49 technologies and three completely automated process solutions were on show at its 6,000 square metre stand. In October, the Pesaro Campus opened its doors to customers for a new edition of the Inside Biesse event: 3 days, over 3,000 visitors, 41 technologies for wood and advanced material processing, with the chance to visit factories and attend workshops.

The main events Biesse attended in the Advanced Material sector were Mecspe in Parma and Jec World in Paris, dedicated to technologies for processing advanced materials, the K fair in Düsseldorf, global reference for plastic and rubber processing. Among the main events for the Intermac brand was China Glass, Lamiera, You+Tech, the exclusive event dedicated to industry specialists, which took place at the Intermac plants in Pesaro, and CamEurasia Glass Fair, organised together with the dealer Sorglas Glass Machines at the TÜYAP Convention Center. Intermac and Diamut participated in Glass Build America, a trade fair in the glass sector, and Vitrum 2019. Intermac, Donatoni Macchine and Montresor exhibited in partnership at the Marmomac fair in Verona dedicated to operators in the marble sector.



FINANCIAL STATEMENTS

STATEMENTS

INCOME STATEMENT
FOR THE THIRD QUARTER OF 2019

FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE THIRD QUARTER OF 2019

EURO 000'S	3Q 2019	% ON SALES	3Q 2018	% ON SALES	CHANGE %
Revenue from sales and services	166,918	100.0%	165,215	100.0%	1.0%
Change in inventories, wip, semi-finished products and finished products	(9,592)	(5.7)%	6,318	3.8%	-
Other revenues	682	0.4%	1,969	1.2%	(65.4)%
Revenue	158,008	94.7%	173,502	105.0%	(8.9)%
Raw materials, consumables, supplies and goods	(57,716)	(34.6)%	(71,997)	(43.6)%	(19.8)%
Other operating costs	(32,068)	(19.2)%	(34,169)	(20.7)%	(6.1)%
Value Added	68,224	40.9%	67,336	40.8%	1.3%
Personnel expense	(50,217)	(30.1)%	(49,935)	(30.2)%	0.6%
Gross operating profit	18,007	10.8%	17,401	10.5%	3.5%
Depreciation and amortisation	(8,532)	(5.1)%	(5,617)	(3.4)%	51.9%
Provisions	(242)	(0.1)%	399	0.2%	-
Normalised operating profit	9,233	5.5%	12,183	7.4%	(24.2)%
Impairment losses and non recurring-items	(1,327)	(0.8)%	(1,362)	(0.8)%	(2.6)%
Operating profit	7,906	4.7%	10,821	6.5%	(26.9)%
Net financial expense	(770)	(0.5)%	(470)	(0.3)%	63.9%
Net exchange rate gains (losses)	(785)	(0.5)%	(996)	(0.6)%	(21.2)%
Profit (Loss) before tax	6,351	3.8%	9,354	5.7%	(32.1)%
Income taxes	(1,942)	(1.2)%	(3,101)	(1.9)%	(37.4)%
Profit/Loss for the period	4,409	2.6%	6,253	3.8%	(29.5)%

If we consider the performance for the period, the third quarter of the current year saw a modest growth in turnover (€ 167 million, +1% compared to the third quarter of 2018). The model/configuration mix, however, determined a slight decrease in the contribution margin and Added Value (partially offset by the effects of IFRS 16).

In particular, the gross operating margin (EBITDA) in the third quarter of 2019 benefitted from the first-time adoption of IFRS

16, which resulted in lower costs for the use of third-party assets, down approximately € 2.4 million from the previous year. It should be noted that the trend in Personnel Expense stabilised at € 50,217 thousand, equal to 30.1% of turnover, in line with the corresponding quarter of 2018.

Finally, EBIT before non-recurring events was equal to approximately € 9.2 million, down 24.2% compared to the same period of the previous year.

INCOME STATEMENT AT 30/09/2019

EURO 000'S	30 SEPTEMBER 2019	% ON SALES	30 SEPTEMBER 2018	% ON SALES	CHANGE %
Revenue from sales and services	511,142	100.0%	521,824	100.0%	(2.0)%
Change in inventories, wip, semi-finished products and finished products	10,874	2.1%	23,914	4.6%	(54.5)%
Other Revenues	4,206	0.8%	4,514	0.9%	(6.8)%
Revenue	526,221	103.0%	550,252	105.4%	(4.4)%
Raw materials, consumables, supplies and goods	(209,593)	(41.0)%	(226,777)	(43.5)%	(7.6)%
Other operating costs	(97,354)	(19.0)%	(105,878)	(20.3)%	(8.1)%
Normalised Value Added	219,274	42.9%	217,597	41.7%	0.8%
Personnel expense	(163,296)	(31.9)%	(156,697)	(30.0)%	4.2%
Normalised gross operating profit	55,978	11.0%	60,900	11.7%	(8.1)%
Depreciation and amortisation	(23,918)	(4.7)%	(16,845)	(3.2)%	42.0%
Provisions	(2,693)	(0.5)%	(1,590)	(0.3)%	69.4%
Normalised operating profit	29,367	5.7%	42,465	8.1%	(30.8)%
Impairment losses and non recurring-items	(2,368)	(0.5)%	(1,493)	(0.3)%	58.6%
Operating profit	26,998	5.3%	40,972	7.9%	(34.1)%
Financial income	191	0.0%	211	0.0%	(9.5)%
Financial expense	(2,253)	(0.4)%	(1,655)	(0.3)%	36.1%
Net exchange rate gains (losses)	(2,528)	(0.5)%	(3,318)	(0.6)%	(23.8)%
Profit (Loss) before tax	22,408	4.4%	36,209	6.9%	(38.1)%
Income taxes	(7,650)	(1.5)%	(12,723)	(2.4)%	(39.9)%
Profit for the year	14,759	2.9%	23,486	4.5%	(37.2)%

Revenue from sales and services at 30 September 2019 was equal to € 511,142 thousand, down 2% on the prior-year period (€ 521,824 thousand).

As for the breakdown of revenue by segment, the Wood Division saw a slight decrease of around 1.5% compared to the same period last year (€ 367,152 thousand compared to € 372,900 thousand in 2018). The Glass/Stone Division, instead, increased by 5%, as did the Tooling Division, which recorded an increase of 3.4%. The Mechatronics Division experienced a fall (-14.2%), from € 73,930 thousand to € 63,444 thousand in 2019. The Components Division also dropped significantly (-27.4%) from € 20,426 thousand in 2018 to € 14,822 thousand at September 2019.

Analysing the breakdown of revenue by area, there was significant growth in North America (+40.8%, from € 83,551 thousand to € 117,613 thousand in 2019), largely due to the delivery and installation of orders for large Systems, acquired in 2018. Western Europe remained segment leader with revenues amounting to € 232,661 thousand (45.5% of the Group total, in line with the previous year). Asia recorded a rather significant fall (-22.1%) dropping from € 100,277 thousand at September 2018 to € 78,129 thousand in 2019, along with Eastern Europe, which fell by -19.7%, recording revenues of € 63,501 thousand in 2019 compared to € 79,112 thousand in 2018. Finally, the trend in the rest of the world was also negative (-12.7%).

The change in inventories of finished products and work in progress is equal to € 10,874 thousand. The increase in inventories is in line with forecasts and aimed at meeting the need to cope with deliveries forecast for the next few months.

The value of production for the third quarter of 2019 amounted to € 526,221 thousand, -4.4% compared to September 2018, when it amounted to € 550,252 thousand.

The analysis of consumption and other operating expenses as a proportion of value of production, rather than of revenue, shows a decreased absorption of raw materials (39.8% compared to 41.2% at 30 September 2018), due to the different product mix.

Other operating expenses were down in absolute terms (€ 8,524 thousand) and decreased on a percentage basis (from 19.2% to 18.5%). This performance was largely due to the item Costs for the use of third-party assets, which fell by € 5,605 thousand, mainly due to the adoption of IFRS 16, which envisages the "reclassification" of operating lease fees under depreciation. Service costs and other operating costs remained essentially unchanged.

EURO 000'S	30 SEPTEMBER 2019	%	30 SEPTEMBER 2018	%
Revenue	526,221	100.0%	550,252	100.0%
Raw materials and goods	209,593	39.8%	226,777	41.2%
Other operating costs	97,354	18.5%	105,878	19.2%
<i>Service costs</i>	<i>87,177</i>	<i>16.6%</i>	<i>91,331</i>	<i>16.6%</i>
<i>Use of third party assets</i>	<i>3,268</i>	<i>0.6%</i>	<i>8,873</i>	<i>1.6%</i>
<i>Sundry operating expense</i>	<i>6,909</i>	<i>1.3%</i>	<i>5,674</i>	<i>1.0%</i>
Value Added	219,274	41.7%	217,597	39.5%

Finally, it should be noted that added value at 30 September 2019 was € 219,274 thousand, up 0.8% compared to the same period in 2018 (€ 217,597 thousand).

At 30 September 2019, personnel expense amounted to € 163,296 thousand, up € 6,599 thousand (+4.2%) compared to the same prior-year period (€ 156,697 thousand). The change is mainly attributable to wages and salaries (4.7% over the same period in 2018) and is due to the effect of costs linked to hiring new staff in the second half of 2018. This was done as part of the structural reinforcement policy that is required for supporting development plans. An increase in uncertainty has been recorded in the core markets, making it necessary to pay particular attention to business efficiency and organisational streamlining. This has led to a subsequent and consequent reduction in personnel expense. In fact, when broken down by quarter, the figure shows that the second and third quarters of 2019 were in line with the corresponding periods of 2018. It should be further noted that the impact on revenues increased by around 2.0%, from 30% in 2018 to 31.9% this year.

EBITDA at 30 September 2019 was € 55,978 thousand (€ 60,900 thousand at the end of September 2018). As noted above, there were positive effects on EBITDA owing to lower costs for the use of third-party assets following the adoption of the new IFRS 16 for € 4,732 thousand.

Depreciation and amortisation grew overall by 42%, from € 16,845 thousand in 2018 to € 23,918 thousand: the change is mainly attributable to the € 5,925 thousand increase in property, plant and equipment (up 82% from € 7,220 thousand to € 13,145 thousand). This phenomenon refers mainly to the first-time adoption of IFRS 16, which determined an increase in depreciation for € 5,902 thousand. The share related to intangible assets increased by € 1,147 thousand (up 11.9% from € 9,626 thousand to € 10,773 thousand).

Provisions totalled € 2,693 thousand, up from € 1,103 thousand in the first nine months of 2018 and mainly related to legal and criminal risks for disputes with customers and credit risks.

Impairment and non-recurring items, which amounted to € 2,368 thousand, include personnel costs related to early retirement incentives, provisions for non-recurring pension benefits and write-downs of development costs, relating to projects no longer deemed strategic.

As regards financial operations, financial expense amounted to € 2,253 thousand, up compared to the figure for 2018 (€ 598 thousand). The increase due to the impact of the first-time adoption of IFRS 16 was equal to € 689 thousand.

Exchange risk management in the first nine months resulted in a loss of € 2,528 thousand, improving compared to the € 3,318 thousand loss in the prior-year period.

Pre-tax profit thus amounted to € 22,408 thousand.

The estimated balance of income taxes was negative to the tune of € 7,650 thousand. Current taxes were negative to the tune of € 8,049 thousand (IRAP – regional business tax: € 1,141 thousand; IRES – corporate income tax: € 3,338 thousand; taxes from foreign jurisdictions: € 3,560 thousand; previous-years taxes: € 34 thousand; other taxes, positive for € 25 thousand), while deferred taxes were positive to the tune of € 399 thousand.

Therefore, profit at 30 September 2019 amounted to € 14.759 thousand.

NET FINANCIAL POSITION AT 30 SEPTEMBER 2019

EURO 000'S	30 SEPTEMBER 2019	30 JUNE 2019	31 MARCH 2019	31 DECEMBER 2018	30 SEPTEMBER 2018
Financial assets:	69,518	84,115	67,788	83,308	91,114
<i>Current financial assets</i>	<i>2,128</i>	<i>2,147</i>	<i>35</i>	<i>288</i>	<i>336</i>
<i>Cash and cash equivalents</i>	<i>67,391</i>	<i>81,968</i>	<i>67,753</i>	<i>83,020</i>	<i>90,778</i>
Short-term financial lease payables	(2,158)	(485)	(350)	(349)	(336)
Short-term bank loans and borrowings and loans and borrowings from other financial backers	(47,373)	(47,179)	(26,287)	(22,161)	(43,133)
Short-term net financial position	19,988	36,450	41,151	60,798	47,645
Medium/Long-term financial lease payables	(29,879)	(32,565)	(27,167)	(1,569)	(1,662)
Medium/Long-term bank loans and borrowings	(32,728)	(37,726)	(30,700)	(33,821)	(26,579)
Medium/Long-term net financial position	(62,607)	(70,291)	(57,867)	(35,390)	(28,241)
Total net financial position	(42,619)	(33,841)	(16,716)	25,407	19,403

The Group's Net Financial Position at 30 September 2019, net of the effects of IFRS 16, was negative for € 42.6 million, whereas the final balance without the impact of IFRS 16 would

have been a negative € 15.7 million due to the cyclical/seasonal nature of the Biesse business.

SUMMARY STATEMENT OF FINANCIAL POSITION

EURO 000'S	30 SEPTEMBER 2019	31 DECEMBER 2018
Intangible assets	85,332	84,240
Property, plant and equipment	139,260	102,774
Financial assets	2,725	2,847
Non-current assets	227,317	189,862
Inventories	176,928	162,786
Trade receivables	114,148	134,331
Trade payables	(202,390)	(244,024)
Net operating working capital	88,686	53,092
Post-employment benefits	(13,217)	(12,550)
Provision for risk and charges	(13,627)	(10,737)
Other net payables	(34,774)	(35,526)
Net deferred tax assets	10,701	9,985
Other net liabilities	(50,916)	(48,827)
Net invested capital	265,086	194,128
Share capital	27,393	27,393
Profit for the previous year and other reserves	179,431	147,577
Profit for the year	14,756	43,672
Non-controlling interests	886	893
Equity	222,466	219,536
Bank loans and borrowings and loans and borrowings from other financial backers	112,137	57,900
Other financial assets	(2,128)	(288)
Cash and cash equivalents	(67,391)	(83,020)
Net financial position ⁽¹⁾	42,619	(25,407)
Total sources of funding	265,086	194,128

Net invested capital amounted to € 265 million, up compared to December 2018 (€ 194.1 million).

Compared to December 2018, net tangible assets increased by approximately € 36.4 million.

The change was mainly due to the first application of the standard IFRS 16, according to which rights of use relating to leased assets were recorded under fixed assets for € 29.2 million at 30 September.

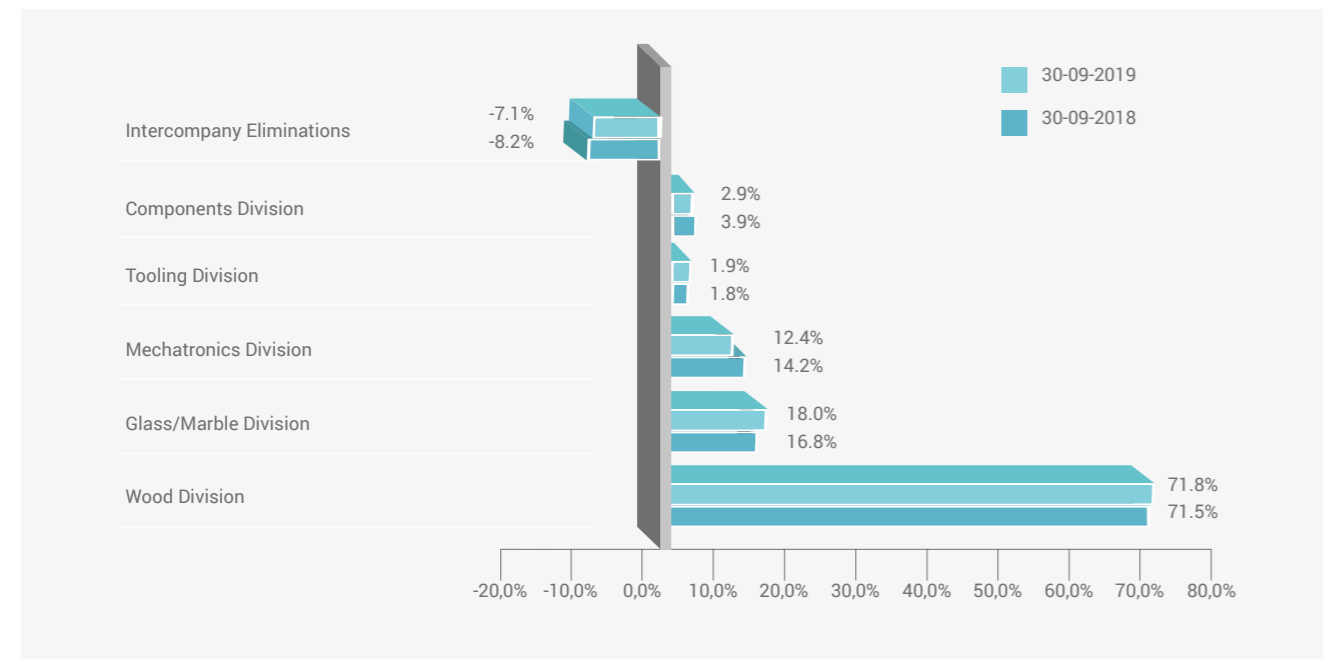
In addition to expenses related to the normal replacement of work tools, new investments made during the period included the construction of a high-bay warehouse and the purchase of a new machine tool for the Pesaro campus (around € 5 million), as well as the opening of the new Biesse Deutschland showroom (around € 3.4 million).

Net operating working capital increased by around € 35,594 thousand compared to December 2018. This change was mainly a result of the significant decrease in trade payables equal to around € 41.6 million, linked to both payables to suppliers (due to the slowdown in production activities) and advances from customers (due to the reduction in order intake). In line with historical trends, inventories increased by € 14.1 million to cater for the planning of deliveries expected in the final quarter. In this quarter too, the overall increase in the value of working capital was offset by the decrease in trade receivables for around € 20.2 million.

Equity amounted to € 222.5 million (€ 219.5 million at 31 December 2018).

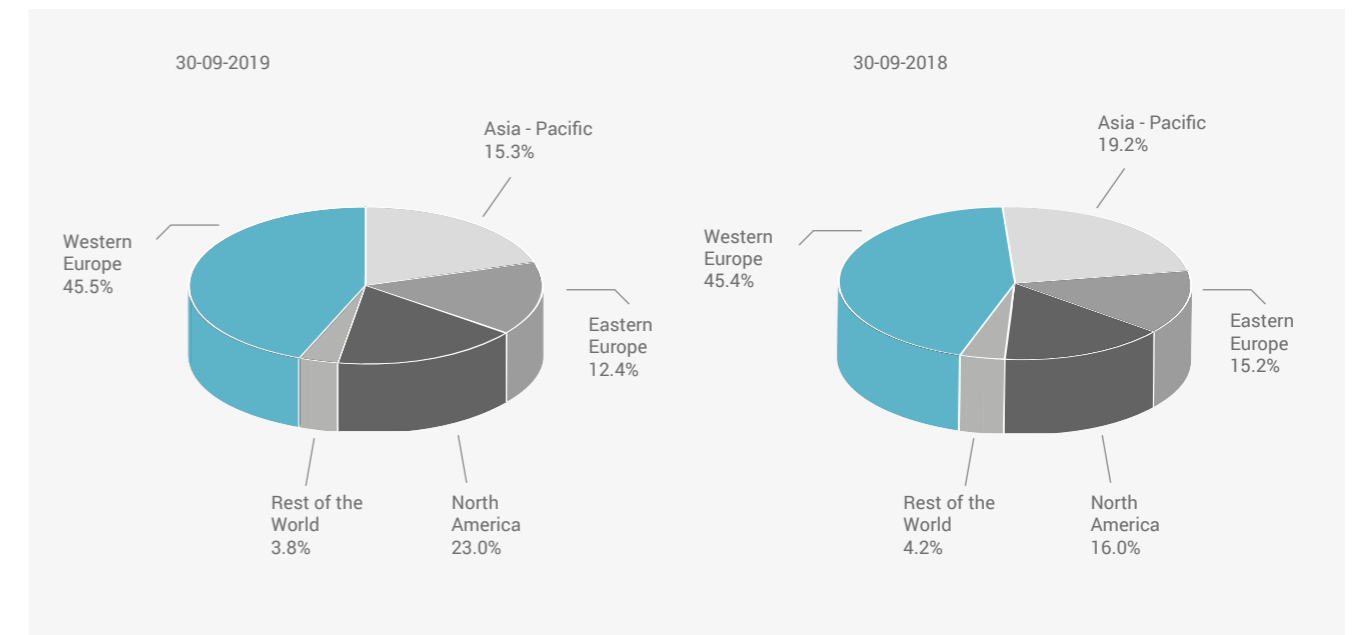
SEGMENT REPORTING - BREAKDOWN OF REVENUE BY DIVISION

EURO 000'S	30 SEPTEMBER 2019	%	30 SEPTEMBER 2018	%	CHANGE % 2019/2018
Wood Division	367,152	71.8%	372,900	71.5%	(1.5)%
Glass/Stone Division	91,909	18.0%	87,519	16.8%	5.0%
Mechatronics Division	63,444	12.4%	73,930	14.2%	(14.2)%
Tooling Division	9,964	1.9%	9,639	1.8%	3.4%
Components Division	14,822	2.9%	20,426	3.9%	(27.4)%
Intercompany eliminations	(36,149)	-7.1%	(42,591)	(8.2)%	(15.1)%
Total	511,141	100.0%	521,824	100.0%	(2.0)%



SEGMENT REPORTING - BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

EURO 000'S	30 SEPTEMBER 2019	%	30 SEPTEMBER 2018	%	CHANGE % 2019/2018
Western Europe	232,661	45.5%	236,857	45.4%	(1.8)%
Asia-Pacific	78,129	15.3%	100,277	19.2%	(22.1)%
Eastern Europe	63,501	12.4%	79,112	15.2%	(19.7)%
North America	117,613	23.0%	83,551	16.0%	40.8%
Rest of the World	19,238	3.8%	22,027	4.2%	(12.7)%
Total	511,142	100.0%	521,824	100.0%	(2.0)%



Pesaro, 30 October 2019

The Chairman of the Board of Directors
Giancarlo Selci

ANNEX

INCOME STATEMENT AT 30 SEPTEMBER 2019 WITHOUT NON-RECURRING ITEMS

EURO 000'S	30 SEPTEMBER 2019	% ON SALES	30 SEPTEMBER 2018	% ON SALES	CHANGE %
Revenue from sales and services	511,142	100.0%	521,824	100.0%	(2.0)%
Change in inventories, wip, semi-finished products and finished products	10,874	2.1%	23,914	4.6%	(54.5)%
Other revenues	4,206	0.8%	4,514	0.9%	(6.8)%
Revenue	526,221	103.0%	550,252	105.4%	(4.4)%
Raw materials, consumables, supplies and goods	(210,204)	(41.1)%	(226,907)	(43.5)%	(7.4)%
Other operating costs	(97,357)	(19.0)%	(107,240)	(20.6)%	(9.2)%
Value Added	218,660	42.8%	216,104	41.4%	1.2%
Personnel expense	(163,815)	(32.0)%	(156,697)	(30.0)%	4.5%
Gross operating profit	54,845	10.7%	59,407	11.4%	(7.7)%
Depreciation and amortisation	(23,602)	(4.6)%	(16,845)	(3.2)%	40.1%
Provisions	(3,471)	(0.7)%	(1,585)	(0.3)%	119.0%
Impairment losses	(774)	(0.2)%	(5)	(0.0)%	-
Operating profit	26,998	5.3%	40,972	7.9%	(34.1)%
Net financial expense	(2,062)	(0.4)%	(1,444)	(0.3)%	42.8%
Net exchange rate gains (losses)	(2,528)	(0.5)%	(3,318)	(0.6)%	(23.8)%
Profit (Loss) before tax	22,408	4.4%	36,209	6.9%	(38.1)%
Income taxes	(7,650)	(1.5)%	(12,723)	(2.4)%	(39.9)%
Profit for the year	14,759	2.9%	23,486	4.5%	(37.2)%

CERTIFICATION PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2 OF THE CONSOLIDATED LAW ON FINANCE (TUF)

Pursuant to Article 154-bis, paragraph 2 of the Consolidated Law on Finance (TUF), the Manager in charge of corporate financial reporting declares that the accounting information contained herein corresponds to the Company's documentary evidence and accounting books and records.

Manager in charge of
corporate financial reporting

Pierre La Tour

