

# REPORT<sup>17</sup>

QUARTERLY REPORT

AT 31/03/2017

 **BIESSEGROUP**

# INDEX

## THE BIESSE GROUP

Group Structure	page 3
Notes to the Financial Statements	page 4
Parent Company Officers	page 5
Financial Highlights	page 7

## DIRECTORS' REPORT ON OPERATIONS

Directors' report on operations	page 10
General economic overview	page 11
Main events of the period	page 13
Financial Statements	page 16
Annex	page 23



# THINK FOR WARD

THINKFORWARD is all about Biesse Group's ability to innovate and provide integrated solutions that are sophisticated but easy to use, allowing our customers to produce more, better and at a lower cost. It is an incentive to look ahead, to understand how the digital factory can change the way in which we conceive and produce things.

LIVE THE EXPERIENCE



# THE GRO UP

 **BIESSE**GROUP

 **BIESSE**

 **INTERMAC**

 **DIAMUT**

MECHATRONICS

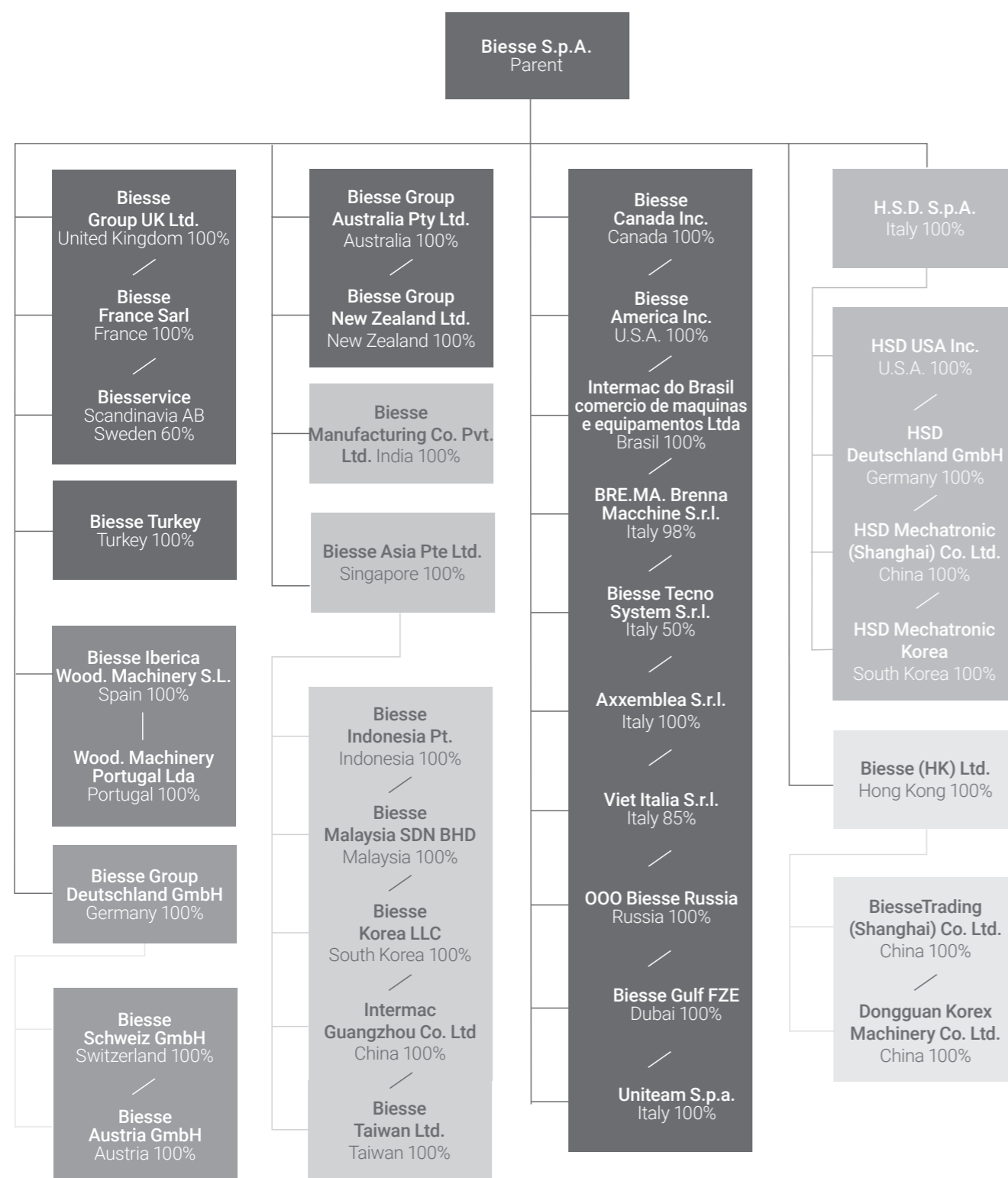
Biesse Group is a global leader in technologies for processing wood, glass, stone, plastic and metal. Founded in Pesaro in 1969 by Giancarlo Selci, the company has been listed on the STAR sector of Borsa Italiana since June 2001 and is currently a constituent of the FTSE IT Mid Cap index.



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 control chain

# NOTES TO THE FINANCIAL STATEMENTS

The Biesse Group's consolidated quarterly report at 31 March 2017, 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 2016 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 31 March 2017, 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 in-

come, 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 2016, the consolidation scope underwent no changes.

It should be noted that during 2016 the process was started to shorten the chain of control over the Chinese companies. This project involved the companies Biesse Hong Kong Ltd and Centre Gain Ltd, both resident in Hong Kong, and involved the transfer of all the assets and liabilities from the parent to the subsidiary (the name of which was changed as part of this operation to Biesse Hong Kong Ltd) and the subsequent liquidation of the parent. In March 2017 the liquidation and the cancellation of the parent were still incomplete and in any case, since it no longer holds any assets or liabilities, there is no accounting effect on the financial statements of Biesse S.p.A. The diagram shows the equity investments at 31 December 2017.

# PARENT COMPANY CORPORATE BODIES

## BOARD OF DIRECTORS

Chairman and Chief Executive Officer  
Managing Director  
Executive Director  
Executive Director and Group General Manager  
Executive Director  
Independent Director  
Independent Director

Roberto Selci  
Giancarlo Selci  
Alessandra Parpajola  
Stefano Porcellini  
Cesare Tinti  
Salvatore Giordano  
Elisabetta Righini

## BOARD OF STATUTORY AUDITORS

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

Giovanni Ciurlo  
Cristina Amadori  
Riccardo Pierpaoli  
Silvia Cecchini  
Nicole Magnifico

## CONTROL AND RISKS COMMITTEE – REMUNERATION COMMITTEE – RELATED PARTY COMMITTEE

Salvatore Giordano  
Elisabetta Righini

## SUPERVISORY BODY

Salvatore Giordano  
Elisabetta Righini  
Domenico Ciccopiedi  
Elena Grassetti

## INDEPENDENT AUDITORS

KPMG S.p.A.



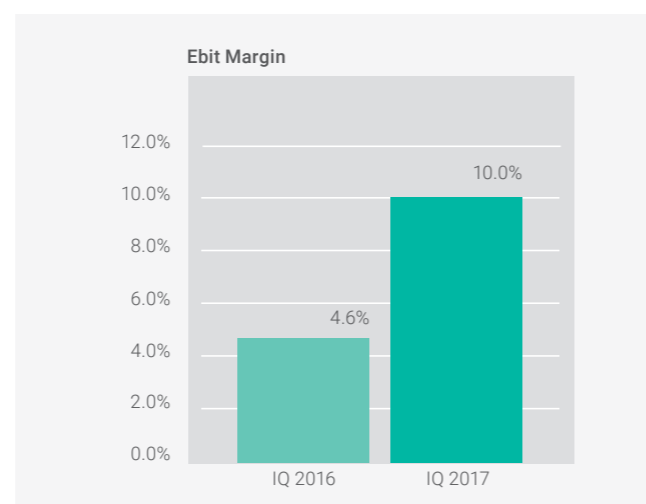
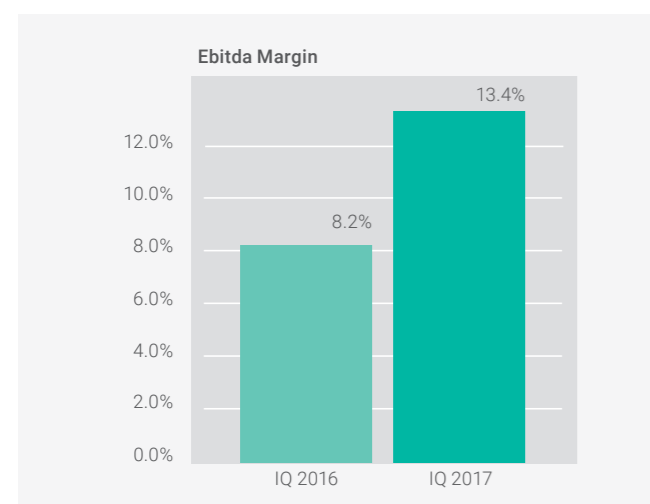
# FINANCIAL HIGHLIGHTS



# FINANCIAL HIGHLIGHTS

## Income Statement

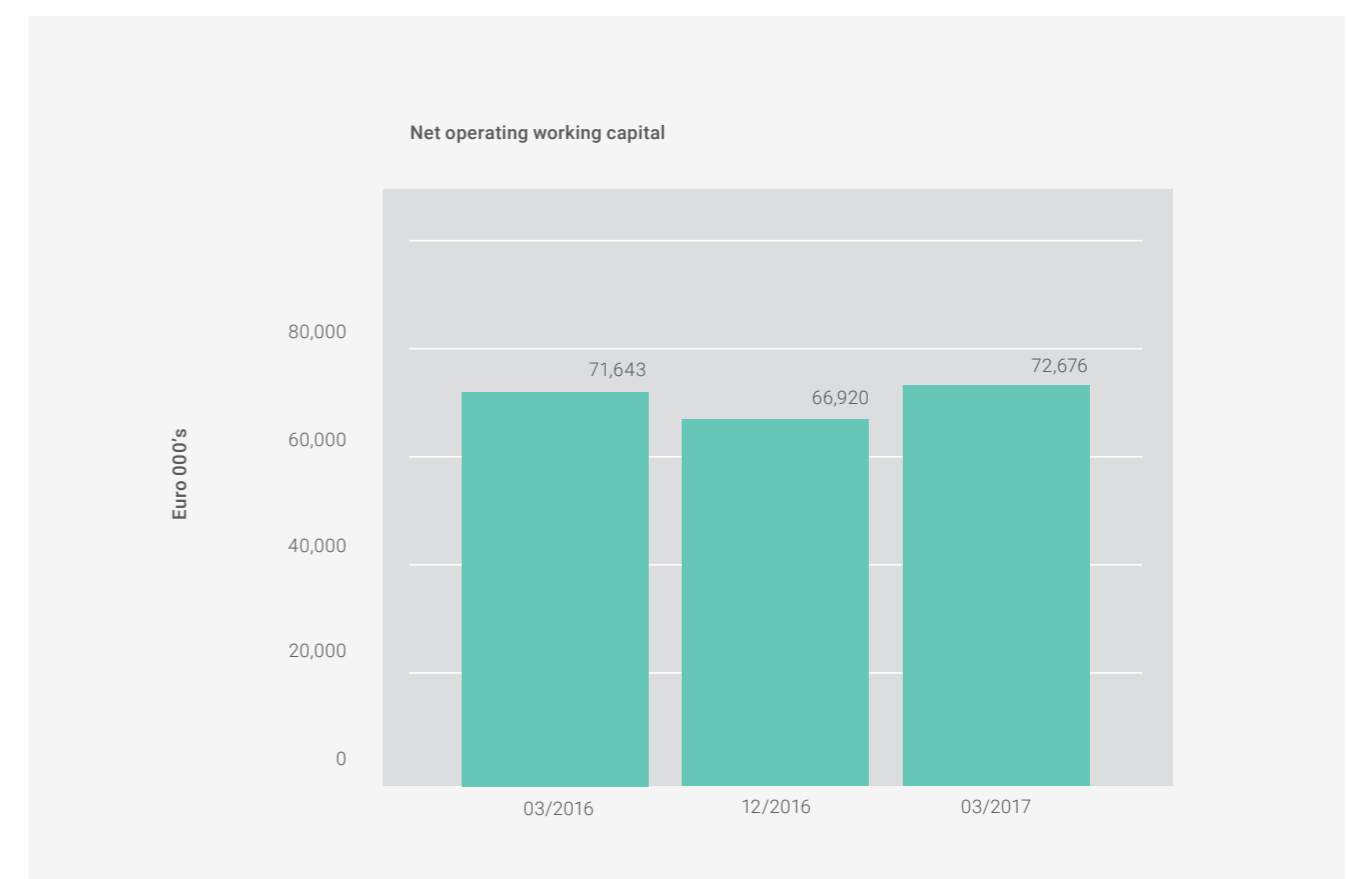
Euro 000's	1Q 2017	% on sales	1Q 2016	% on sales	Change %
<b>Revenue from sales and services</b>	161,449	100.0%	117,593	100.0%	37.3%
Added value (1)	69,760	43.2%	50,904	43.3%	37.0%
EBITDA	21,597	13.4%	9,651	8.2%	123.8%
Ebit (Operating profit) (1)	16,123	10.0%	5,365	4.6%	-
Profit/Loss for the period	9,378	5.8%	3,132	2.7%	-



## Statement of Financial Position

Euro 000's	31 March 2017	31 December 2016	31 March 2016
<b>Net Invested Capital (1)</b>	<b>165,011</b>	<b>154,804</b>	<b>154,296</b>
Equity	169,965	159,723	142,512
Net financial indebtedness (1)	(4,955)	(4,919)	11,784
Net operating working capital (1)	72,676	66,920	71,643
Gearing (net financial position/equity)	(0.03)	(0.03)	0.08
Fixed asset/standing capital ratio	1.14	1.09	1.11

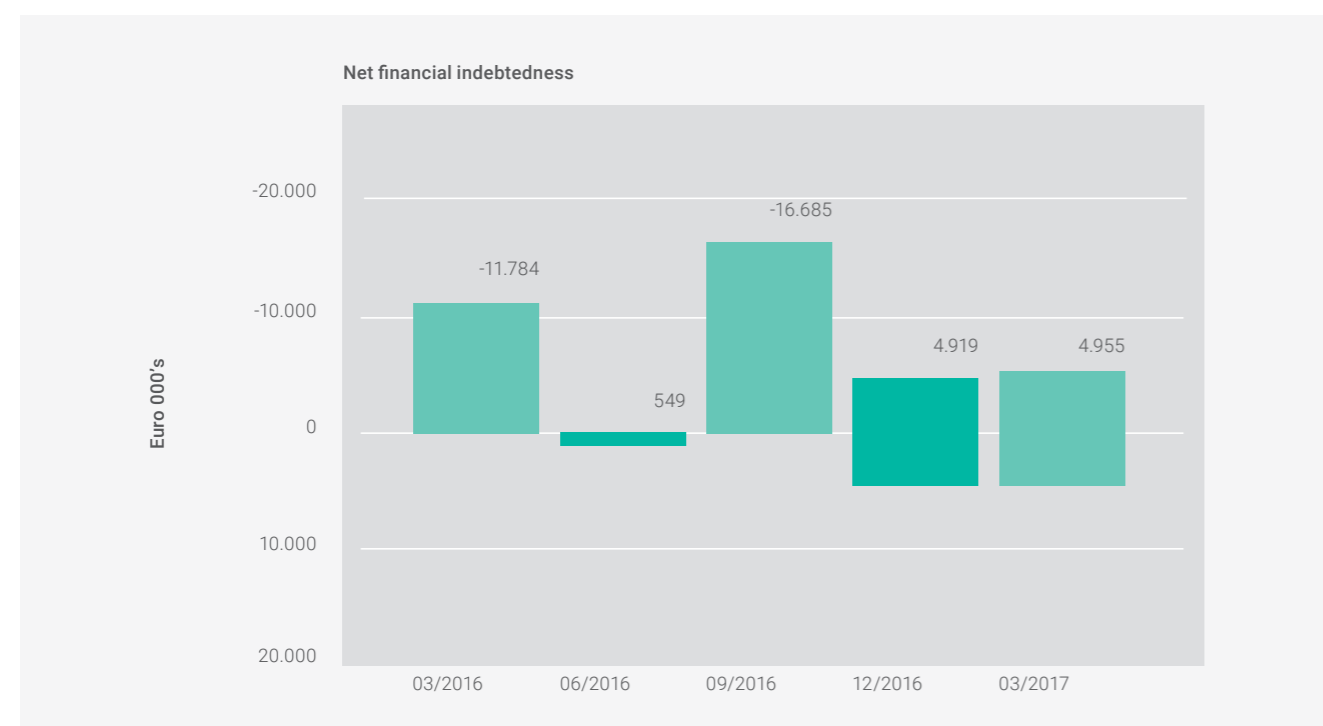
(1) Amounts referring to interim results and to aggregate equity and financial figures. The relevant calculation criteria are provided in the Directors' Report.





### Cash flow

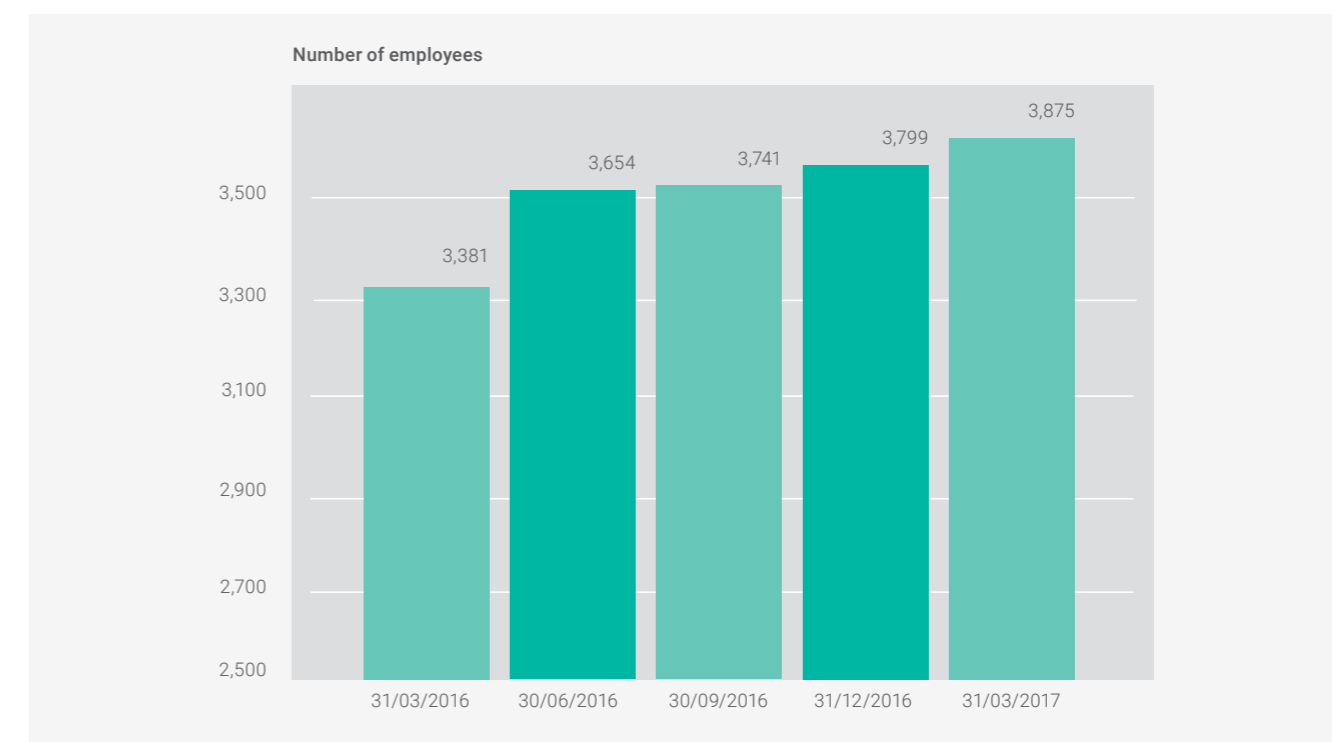
Euro 000's	31 March 2017	31 March 2016
<b>Ebitda (Gross operating profit)</b>	<b>21,597</b>	<b>9,651</b>
Change in net working capital	(6,249)	(9,085)
Change in other operating assets/liabilities	(8,322)	(7,772)
<b>Operating cash flow</b>	<b>7,026</b>	<b>(7,206)</b>
Cash flow used in investment activity	(7,004)	(4,585)
<b>Cash flow</b>	<b>22</b>	<b>(11,791)</b>
Sale of treasury shares	-	-
<b>Foreign exchange rate differences</b>	<b>16</b>	<b>(118)</b>
<b>Change in net financial indebtedness</b>	<b>40</b>	<b>(11,909)</b>



### Personnel

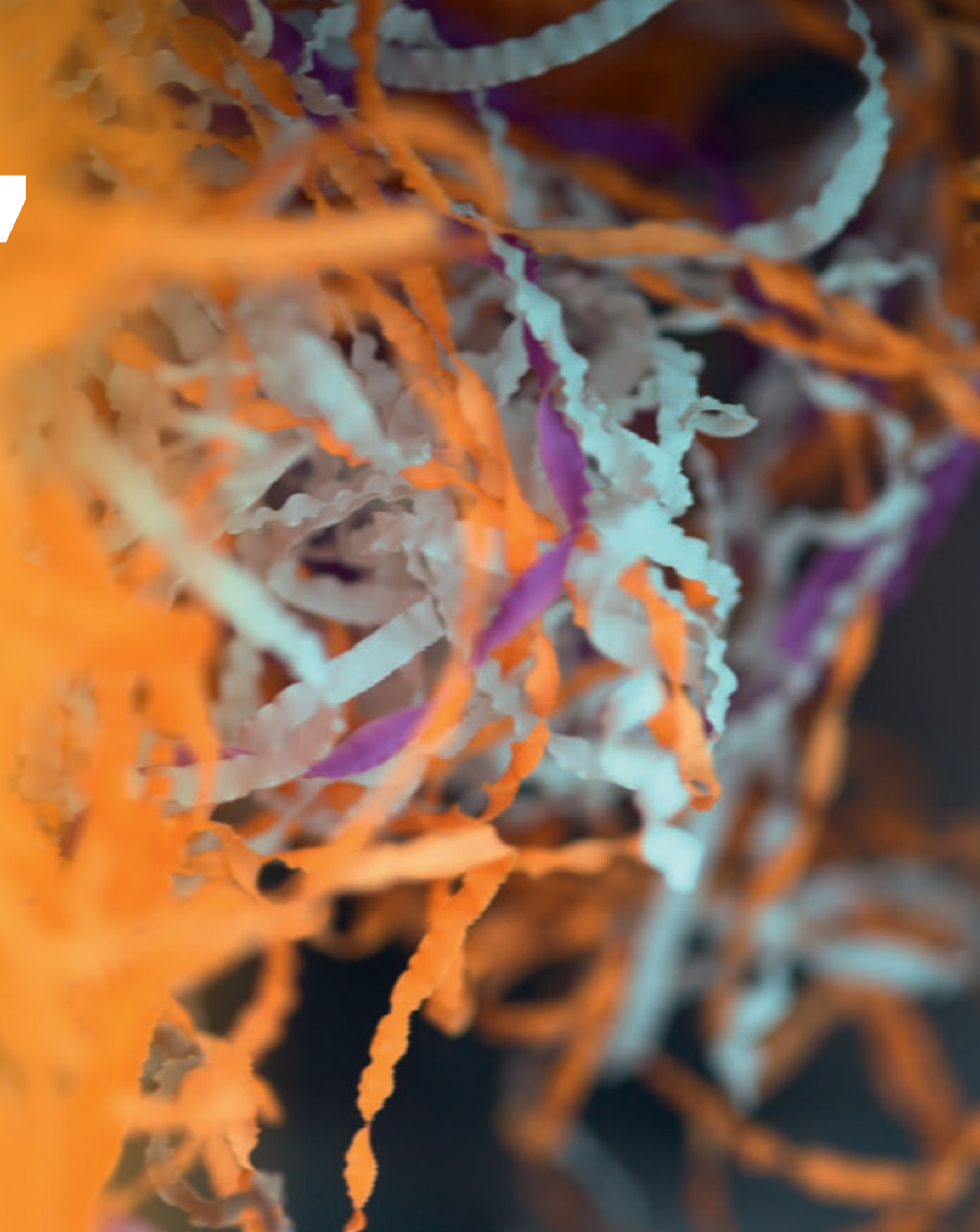
	31 March 2017	31 March 2016
Number of employees at period end	3,875	3,381

The figures include temporary staff



# DIRECTORS' REPORT

ON  
OPERATIONS



Following the significant order backlog at the end of 2016, at the end of the first quarter of 2017 the Biesse Group's position is positive both in terms of short-term trend (order intakes) and results achieved in terms of profitability. Concerning the financial position, the Group's net financial indebtedness amounted to €4.9 million, substantially unchanged compared to December 2016, notwithstanding the normal cyclical nature of Biesse business in the first quarter of the year.

As for order intakes, at the end of March 2017 there was an approximate 14.9% overall increase on the prior-year period (€139 million compared to €121 million for the same prior-year period), confirming the positive trend already seen for some time now.

The positive trend of order intakes, combined with the sales forecasts for the rest of the year, determined an increase in finished and semi-finished goods inventories at the end of the period, which underpin the increase in Net Operating Working Capital.

As regards the performance for the period, in the first three months of 2017 the Group's revenue amounted to €161,449 thousand, sharply up compared to the same prior-year period (+37.3%). Please note that the comparison with 2016 is particularly rewarding, both because in the first quarter of 2016 a slight delay was recorded in turnover (which also affected EBITDA and EBIT), thereafter reabsorbed as at 30 June 2016, and due to the unloading of the major backlog accumulated at end 2016.

In the first three months of 2017 added value thus totalled €69,760 thousand, up by 37% compared to the same prior-year period.

EBITDA for the first three months of 2017 totalled €21,597 thousand, up €11,946 thousand. As a percentage of revenue, it increased from 8.2% to 13.4%. EBIT improved in the same period as well, increasing by €10,758 thousand (€16,123 thousand in 2017 compared to €5,365 thousand for the same period in 2016). As a percentage of revenue it increased from 4.6% to 10.0%.

As detailed in the following Notes, all divisions reported excellent results in the first three months of 2017: turnover of the Wood Division grew by 44.7%, the Glass/Stone Division by 21.6% and the Tooling Division by 14.5%. These increases are due to the different sales mix by distribution channel (increasing importance of own sales branches, as a consequence of significant investments in the direct sales force) and by product (top-quality items with a greater technological content). The Mechatronics Division too performed strongly, continuing its growth trend in terms of volumes and profits (with a 29.4% increase in sales).

As for the financial position, the Net Operating Working Capital increased by around €5,576 million compared to December 2016, mainly due to the approximately €13,5 million increase in inventories. It should be noted that this increase is in line with forecasts since it ensues from the need to facilitate the scheduling of the deliveries planned for the coming months. In terms of overall working capital, the impact was partially offset by the nearly €10.6 million decrease in trade receivables, while trade payables fell by about €2.9 million.

Net operating working capital increased by approximately €1 million compared to 31 March 2016.

Finally, as at 31 March 2017 the Group's Net Financial Position totalled approximately €4.9 million, unchanged compared to 31 December 2016, but up nearly €21 million compared to 30 September 2016 (negative to the tune of € 16.7 million), largely as a result of the cash flows resulting from the considerable improvement in operating performance.

## GENERAL ECONOMIC OVERVIEW

### GLOBAL ECONOMIC TREND

The recovery of economic activity has continued worldwide. Global growth improved in the second half of last year and remained solid in early 2017, despite recording a limited rate as compared with historic data. Comprehensive global inflation increased in the last few months, following the recovery of oil prices, whilst it is expected that the slow reduction of unused production capacity should supply a certain level of support to underlying inflation in the medium-term.

Prospects of a global recovery are gradually being consolidated, also thanks to the drive of expansion policies in the main areas; international trade has speeded up, benefiting from the strengthening of investments in a great many economies. Risks do, however, remain high as a result of the continued uncertainty over the future approach of economic policies: the characteristics of the tax stimulation package in the United States of America have not yet been outlined and it cannot be excluded that commercial protection initiatives may have a negative effect on international trade.

### SOME MARKET TRENDS

#### United States

In the fourth quarter of 2016, domestic demand in the United States strengthened, thanks to private consumption holding fast and a growth in investments. The slowing of the GDP (which increased by 2.1% year-on year compared to 3.5% of the previous period) is due to the decline in exports, which had reached exceptionally high levels in the third quarter. Data relating to the early months of this year show a continuation of the positive performance of economic activities; employment has grown beyond expectations, family faith has improved considerably and the PMI has risen to the highest levels seen for more than two years.

#### Japan

In Japan, product growth has remained unchanged at 1.2%. Data relating to the first quarter of 2017 suggest a strengthening of domestic demand and of the employment market.

#### United Kingdom

In the United Kingdom, growth has sped up to 2.7% year-on-year (from 2.0% in the previous quarter), thanks to the positive net contribution made by foreign trade: exports have increased considerably, also thanks to the depreciation of the pound sterling, whilst imports have declined. Industrial production and PMIs record growth in the first quarter of 2017 too. Medium-term pro-

spects remain shrouded in great uncertainty, connected with the outcome of the complex procedure to leave the European Union launched by the British government on 29 March, with the sending of the official notice.

#### China

In China, growth strengthened slightly in the fourth quarter of 2016 (6.8% compared to 6.7% in the same prior-year period). The recovery of exports and the continued effects of the tax and monetary stimulus on domestic demand helped to support the performance of economic activities into the early months of 2017.

#### Eurozone

In the Eurozone economic growth is consolidating, driven by domestic demand. Inflation rose, but the underlying component remains modest, also withheld by the high level of unemployment and the continued salary moderation in a great many economies of the area. The Governing Council of the European Central Bank (ECB) has confirmed that, in order to bring inflation permanently back in line with the price stability objective, a very high level of monetary accommodation is as yet required.

In the fourth quarter of 2016, Eurozone GDP increased by 0.5% on a quarterly basis, up from 0.4% in the previous period. The activity benefited from the acceleration on family consumption spending (0.5% from 0.3% in the third quarter) and the strong recovery seen by investments (3.3% from -0.2%). The contribution of foreign trade has been decidedly negative, with a strong rise in imports that more than offset that in exports. Among the main countries in the area, GDP rose by 0.4% in Germany and France (up from 0.1% and 0.2% respectively), and by 0.2% in Italy (down from 0.3%).

On the basis of the latest information, in the first quarter of 2017 growth of economic activities in the area would appear to be in line with that of the previous period. The €-coin indicator prepared by the Bank of Italy, which estimates the underlying GDP trend in the Eurozone, saw an increase in spring months, standing at 0.72 in March (from 0.59 in December). The purchasing managers' indexes (PMIs) report a continued growth in product. In March consumer confidence recovered the decline booked the previous month, during which it had suffered the more pessimistic appraisals of its financial position. According to the forecasts prepared by BCE analysts, which were published in March, in 2017 GDP will rise by 1.8% overall.

#### Italy

The recovery of the Italian economy continued in the autumn, benefiting above all from the drive by investment spending. According to the annual accounts, as a whole, 2016 saw activities grow by 0.9% (0.8% in 2015); the trend of capital goods accumulation has also been raised significantly. Forecast indicators suggest that during the first three months of 2017 the product has continued to grow at a similar rate to that of the last quarter of last year (+0.2% on the previous period). In the fourth quarter of 2016, the Eurozone's GDP was up 0.2% on the previous period. Domestic demand, measured net of stocks, supported the product for 0.4 percentage points. The increase in the accumulation of capital (1.3% with respect to the previous quarter) was particularly clear for the means of transport component (13.6%) and more modest for investments in machinery and equipment and for those in constructions. Household and non-profit social institutions spending has slowed slightly (0.1%, from 0.2%), affected by the downturn in semi-durable goods purchases and the stationary position seen for non-durable goods. Imports and exports rose considerably (2.2% and 1.9% respectively); the contribution

of foreign trade to product growth was virtually null. The added value has increased in industry in the strictest sense (0.9%) and in the construction sector (0.6%); it remained at a standstill in services, penalised by the reduction in the sectors of financial and insurance intermediation and professional services; it decreased in agriculture (-3.7%).

According to the latest indicators, in the first three months of 2017 GDP apparently continued to increase as in the quarter in issue. After five consecutive increases, the Ita-coin indicator prepared by the Bank of Italy, which tracks the underlying performance of the Italian economy, remains stable in March, at 0.16, above the average of the last few quarters. Favourable signs emerge from the qualitative indicators drawn from the surveys with purchasing managers (PMI), ISTAT surveys into business confidence and the quarterly survey conducted by the Bank of Italy in collaboration with Il Sole 24 Ore.

Inflation, measured by the change over twelve months of the harmonised index of consumer prices ("HICP"), during the first quarter of the year reached the highest levels seen since 2013; in March it came in at 1.3% according to the preliminary estimates. The recovery in the last few months has mainly reflected the performance of the more volatile components, particularly the acceleration of fresh food and energy prices; the underlying component of inflation, although slightly up on the last quarter, remains weak at 0.5% in March (from 0.7% in February).

## BUSINESS SECTOR REVIEW

### UCIMU – SISTEMI PER PRODURRE

In the third quarter of 2017, the index of machine tool orders, prepared by the Centre for Enterprise Studies & Culture of UCIMU-SISTEMI PER PRODURRE, recorded a 5.1% increase on the prior-year period.

More specifically, the indicator of orders received from foreign markets was unchanged (+0.3%) compared to January-March 2016.

The orders received from the domestic market increased instead by 22.2% compared to the same prior-year period.

Massimo Carboniero, the Chairman of UCIMU-SISTEMI PER PRODURRE, stated: "the government authorities' choice to provide the country with a compact industrial policy intended to foster the technological and organisational update of businesses was without doubt long-sighted, not only because of the provisions given in the Plan, but also because of the timing chosen."

In actual fact, after years of difficulty, from 2014 the domestic market had gone back to investing in production systems. The reawakening of demand and the simultaneous ageing of the production plants, which have an average seniority of 13 years, are the factors that made the time frame within which to apply the Plan "perfectly suitable".

Whilst awaiting confirmation, including as from the next quarterly records, of the validity of the two tax incentives - the Chairman of UCIMU-SISTEMI PER PRODURRE concluded - manufacturing businesses, involved nor more than ever before in R&D would in any case benefit tremendously from the immediate interventions of the reduction of the tax wedge and the deduction of contribution charges for young employees. These provisions can help encourage the introduction of human resources to satisfy the new professionalism required by the new approach taken by the *Industria 4.0 Plan*".

## MAIN EVENTS OF THE PERIOD

### JAN

Intermac America exhibited its hi-tech products at StonExpo Marmomacc Americas, held in Las Vegas from 18 to 20 January. At the Mandalay Bay Convention Center the InterMac stand had working versions of the Master 38 machining centre and the 5-axis JET 625 by Donatoni, an outstanding partner of the group.

On 27 January at the Biesse Campus in Pesaro the one2one event Integrated Automation on CNC took place, a meeting dedicated to the manufacturers of furniture and contract manufacturers of shaped panels, as well as to companies which are looking for innovative solutions for the loading and unloading of heavy panels.

From 23 January to 3 February the Biesse Campus in Pesaro hosted the Academy weeks, to allow partners and subsidiaries, above all, to discover and experience Biesse innovation. The annual event allows colleagues to take part, through an innovative formula, in continuous training, to receive updates on the innovations in Biesse products and on the last year news, taking part in seminars and discussion panels.

### FEB

From 22 to 24 February the Distributor 2.0 dealer meeting was held in Pesaro, an event with a highly innovative formula, which was designed by Biesse in order to listen to its strategic partners and organised to facilitate interaction and the exchange of knowhow and successful experiences among professionals from around the world.

On the same dates, the subsidiary Biesse Iberica exhibited its technologies at the Promat fair in Valencia, dedicated to materials, technologies and solutions for interior design and architecture projects. In the Biesse stand customers and visitors were able to see the flexible and innovative Made in Biesse technological so-

lutions, with a focus on the residential building and construction sector.

On 28 February 2016, the Board of Directors of Biesse S.p.A. approved the updating of the business plan for the three-year period 2017-2019.

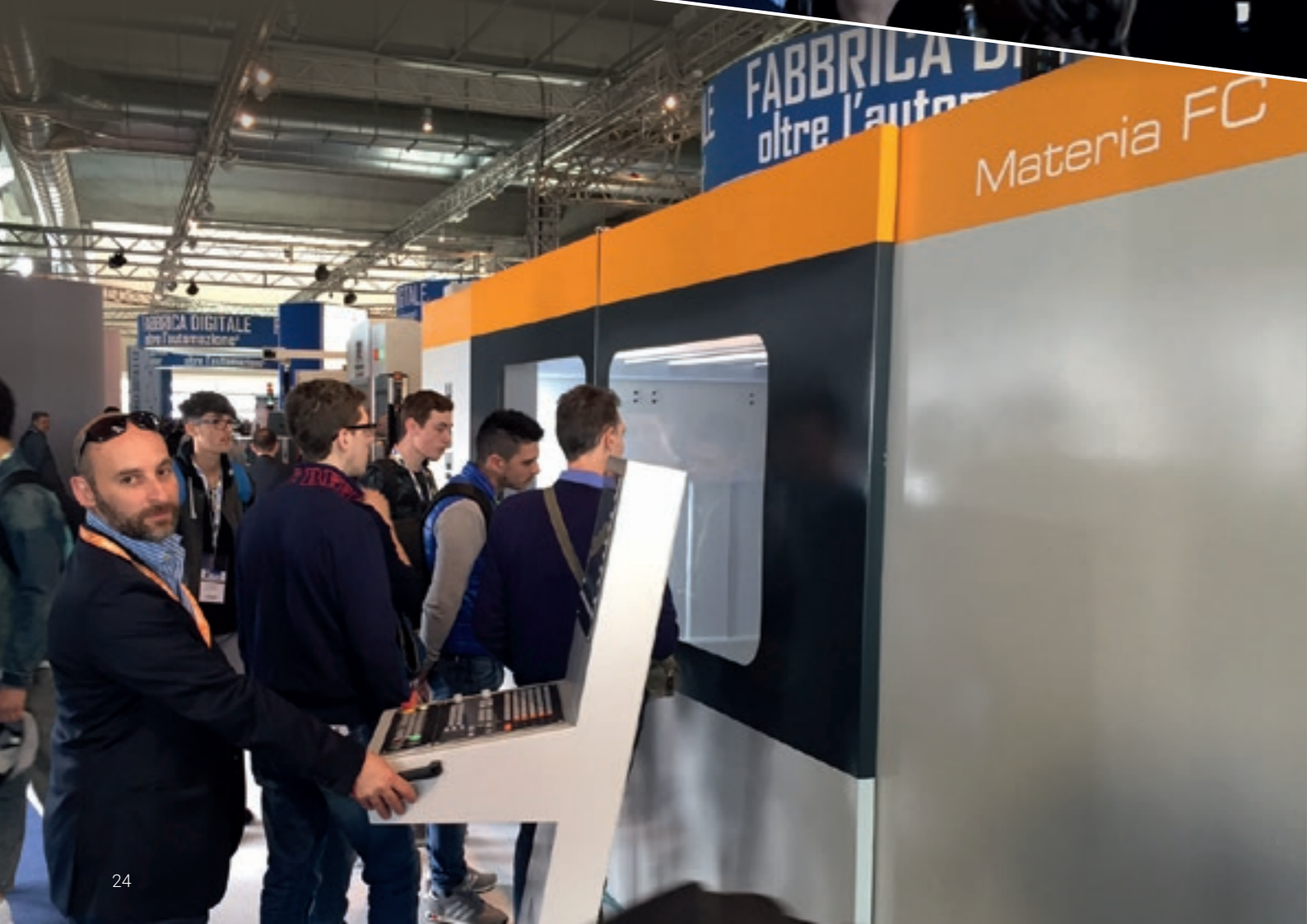
### MAR

From 1 to 4 March Biesse India took part in Delhiwood at India Expo Center, the main Indian fair dedicated to hi-tech solutions for the woodworking sector, exhibiting machines that meet the requirement for "Affordable High-tech Solutions". The four days of the fair allowed Biesse to show the latest technological innovations for the processing of panels and solid wood, and more besides. One of the main innovations was the presentation of the Cabinet software to manage production, a solution of great interest for customers and visitors. 450 sq.m. in surface area, 10 machines exhibited, including CNC, solutions for sizing, drilling, edgbanding and sanding. Holding centre stage was Skipper V31 for drilling, which will be manufactured in the Biesse Group factory in India. In addition, at the exhibition Biesse announced the forthcoming inauguration of the new factory near Makali, in Bangalore, which will allow to increase the production area to more than 20 thousand square metres.

From 7 to 9 March Biesse took part in the Woodshow trade fair in Dubai with a larger exhibition space and a wider range of technologies compared to previous editions. By way of confirmation of the Group's particular attention to the Middle East, during the fair the ambitious project of the Biesse Group Campus in Dubai was presented, a project aimed at providing all the necessary support to customers in this important geographic area.

From 14 to 16 March Biesse solutions for advanced hi-tech materials were on display at Jec World 2017 in Paris, the





international exhibition dedicated to the whole segment of compound materials, from raw materials to machines for the transformation of finished products. This event shows that Biesse renewed its range of technologies for advanced materials, with ad-hoc solutions for a growing sector, offering its customers a complete and integrated range of machining centres, sizing centres, waterjet cutting systems and sanding machines for all the stages of advanced material processing. In addition, again with specialist technologies for the processing of advanced materials, Biesse took part in the Mecspe trade fair in Parma from 23 to 25 March.

Diamut and InterMac opened the doors for Inside InterMac "Stone Edition", the event dedicated for the first time exclusively to the working of stone, stone materials and ceramics, once again

alongside Donatoni Macchine. From 16 to 18 March the Inside InterMac "Glass edition" event took place for solutions dedicated to the working of glass. In addition, InterMac exhibited its hi-tech innovations at the Intec trade fair in Leipzig in Germany from 7 to 10 March and at the Izmir trade fair in Turkey from 22 to 25 March.

Biesse was present at the Fimma trade fair in Brazil from 28 to 31 March in collaboration with the local dealer. On the same dates, the company took part in the Interzum trade fair in Guangzhou in China, the key Asian meeting for machines for woodworking and furniture and furnishings production. An opportunity to discover how the opportunities offered by the fourth industrial revolution are accessible to everyone through machines made by the Biesse Group.

APR

The one2one events held at the Biesse Triveneto Advanced Material branch included three days dedicated to plastic and advanced materials processing, as well as an area entirely given over to Uniteam technologies. From 19 to 21 April, the one2one Solid Wood event was held at Campus Biesse in Pesaro, dedicated to the world of solid wood in its universal use, which also staged the first ever seminar on Biesse Housing solutions, with special guest Casa Clima. Biesse Schweiz organised an open house, opening up the doors of its office to its current and potential customers from 27 to 29 April.

Thanks to two important collaborations with customers in the world of glass and wood, Biesse Group successfully took part in the 2017 Design Week, which saw Milan become a world capital of furnishing and design from 4 to 9 April. Having teamed up with Fiam, it was present at the Salone del Mobile with its "Ghost 30th Anniversary" project, created to celebrate 30 years of the icon international design armchair, developed thanks to the technological solutions produced by InterMac. It is a matter of great pride that Biesse Group took part in this project, which combines technology, design and social issues. In fact, the mini Ghosts developed as part of the project by internationally-famous designers will be put up for auction and the profits allocated to support the populations struck by the earthquake in Central Italy. We would also remind you of the institutional presence of the group at the Fuorisalone, together with Wood-Skin in the location of Ventura Lambrate, a temporary design district given over entirely to Innovation, design and experimentation.

Among the most important participations during this month, from 4 to 7 April InterMac America was present at the Coverings Expo fair in Orlando, the most important stone sector appointment in North America, exhibiting, at centre stage, the Master 38 machining centre. On these same dates, Biesse France showed off its technology for the processing of plastic and composite materials at the Industrie Lyon fair. From 8 to 12 April, it took part in the Izwood fair, one of the most important sector events in Turkey, and from 20 to 22 April in Isa Sign Expo, held in Las Vegas with a focus on technologies used to process plastic and composite materials. Finally, from 25 to 27 April, InterMac UK exhibited at the 25th edition of the Natural Stone Show in London, flaunting its innovative technological solutions for stone processing.

Biesse Group then exhibited for the first time at the Hanover Messe fair, the world's most important showcase for innovation,

with a technological solution displayed on the Accenture stand from 24 to 28 April. The joint participation in Hanover Messe is the next step in a partnership embarked on with Accenture, for the development of an IIoT project, which will allow group customers to generate even more value from industrial machines, offering customers new functions and creating a solid range of evolved digital services. The Milan Technology Hub fair set the stage for the third dimension from 20 to 22 April: Biesse Group teamed up with Indexlab and Wood-Skin to unveil the Arches project, a 3-metre tall structure comprising 202 different two-dimensional elements assembled together.

Biesse Group also had a great many HR appointments: Contamination Lab of the Marche Polytechnic University stopped off at the Pesaro Campus, with students of agriculture, economics, engineering, sciences and medicine. The project stems from the initiative promoted by MIUR (Ministry for Education, University and Research), which envisages a cross-contamination of the academic world and social-economic system, with a view to promoting culture. The Assessment Days continue to run for talented young graduates, meeting the Biesse Group for the very first time. A staff selection technique, focused on assessing potential and personal aptitudes, uses different individual and group tools, such as simulations, tests and drills, through which selectors can record the behaviour of candidates in order to assess their skills, capacities, motivation and attitudes, a real opportunity to test competences and invest in the future.

On 28 April 2017, the Ordinary Shareholders' Meeting of Biesse S.p.A. approved in second call the 2016 Separate and Consolidated Financial Statements, both prepared in accordance with IASs/IFRSs, and resolved to distribute a €0.36 dividend per share in light of the results achieved in 2016 (ex-dividend date scheduled for 8 May 2017 – record date 9 May 2017), paying a total of €9,861,495.12 – excluding treasury shares.

With the aim of strengthening its offer in the System world and being even more autonomous in the development of projects in support of the Industria 4.0 Plan, Biesse S.p.A., through the NewCo. BT SOFT, in April 2017 acquired control over the company Avant S.r.l. Software & Engineering, specialised in the development of software for the integration and supervision of working cells and lines. The Avant applications can automatically manage all information of the production process, from cutting to edgebanding, drilling and, in recent years, also sorting, the backbone of every batch-one production.





# FINANCIAL STATEMENTS

INCOME STATEMENT  
AT 31 MARCH 2017

# FINANCIAL STATEMENTS

## INCOME STATEMENT AT 31 MARCH 2017

Euro 000's	1Q 2017	% on sales	1Q 2016	% on sales	CHANGE %
<b>Revenue from sales and services</b>	<b>161,449</b>	<b>100.0%</b>	<b>117,593</b>	<b>100.0%</b>	<b>37.3%</b>
Change in inventories, wip, semi-finished and finished goods	11,059	6.8%	9,488	8.1%	16.6%
Other revenue	771	0.5%	988	0.8%	(21.9)%
Revenue	173,279	107.3%	128,069	108.9%	35.3%
<b>Consumption of raw materials, consumables, supplies and goods</b>	<b>(71,586)</b>	<b>(44.3)%</b>	<b>(51,521)</b>	<b>(43.8)%</b>	<b>38.9%</b>
Other operating expense	(31,932)	(19.8)%	(25,643)	(21.8)%	24.5%
<b>Added Value</b>	<b>69,760</b>	<b>43.2%</b>	<b>50,905</b>	<b>43.3%</b>	<b>37.0%</b>
Personnel expense	(48,163)	(29.8)%	(41,254)	(35.1)%	16.7%
<b>Gross Operating profit</b>	<b>21,597</b>	<b>13.4%</b>	<b>9,651</b>	<b>8.2%</b>	<b>123.8%</b>
Depreciation and amortisation	(4,814)	(3.0)%	(4,326)	(3.7)%	11.3%
Provisions	(661)	(0.4)%	63	0.1%	-
Normalised Operating profit	16,123	10.0%	5,388	4.6%	-
Impairment losses and non recurring items	-	-	(23)	(0.0)%	(100.0)%
<b>Operating profit</b>	<b>16,123</b>	<b>10.0%</b>	<b>5,365</b>	<b>4.6%</b>	<b>-</b>
Finance income/expense	(299)	(0.2)%	(335)	(0.3)%	(10.7)%
Net exchange rate losses	(987)	(0.6)%	887	0.8%	-
<b>Pre-tax profit/loss</b>	<b>14,837</b>	<b>9.2%</b>	<b>5,917</b>	<b>5.0%</b>	<b>-</b>
Income taxes	(5,458)	(3.4)%	(2,785)	(2.4)%	96.0%
<b>Profit/Loss for the period</b>	<b>9,378</b>	<b>5.8%</b>	<b>3,132</b>	<b>2.7%</b>	<b>-</b>

Revenue from sales and services for the first three months of 2017 was equal to €161,449 thousand, up 37.3% compared to 31 March 2016 (€117,593 thousand).

The breakdown of sales by segment shows how, in comparison to the same period in 2016, all the Divisions have posted increases in turnover: the Wood Division increased by 44.7% (revenue totalled €114,577 thousand in March 2017 compared to €79,178 thousand in the same prior-year period), the Tooling Division and the Glass/Stone Division recorded improvements of +14.5% (with revenue that increased from €3,170 thousand to €3,629 thousand) and +15% (with revenue increasing from €21,747 thousand to €25,020 thousand) respectively, while the Mechatronics Division experienced a 29.4% increase (revenue rose from €19,830 thousand to €25,669 thousand).

The geographical breakdown of sales compared to the same prior-year period showed a particularly positive performance for Western Europe (+43%), accounting for a larger share of consolidated turnover (from 42.9% to 44.7%) confirming its position as the Group's core market. This result is the consequence of an increase in market share with respect to the main competitors. The area of Asia-Oceania also posted a good performance (+40.5%), and its impact slightly increased from 19.7% to 20.1%. North America recorded a significant increase of 32.2%, even though its impact on turnover slightly decreased from 20.2% to 19.4%. Finally, Eastern Europe recorded a significant increase in terms of sales (+35.5%). On the other hand, worthy of mention is the decrease in the Rest of

the World (-8.2% compared to the same prior-year period), as has been the case for some time now, due to the lack of positive signs on markets like Brazil, Turkey and others.

Inventories increased by €13.5 million overall compared to 31 December 2016. The change is due to the €9.3 million increase in finished goods, to the €2.6 million increase in raw materials, and to the €2.5 million increase in inventories of semi-finished goods. The increase is in line with forecasts and aimed at meeting the need to cope with deliveries forecast for the next few months in order to accomplish the year-end targets.

Revenue for the first three months of 2017 amounted to €173,279 thousand, up 35.3% from €128,068 thousand in March 2016.

The analysis of consumption and other operating expense as a proportion of revenue, rather than of revenue from sales and services, shows an increased absorption of raw materials (41.3% compared to 40.2% at 31 March 2016).

Other operating expense, although increasing in absolute value due to the volume effect, reduced its percentage weight from 20.0% to 18.4%, a sign that work is also going towards production efficiency. This item is mainly attributable to Service costs (+ €5,682 thousand), which consists of both "variable" cost items (i.e. outsourced processing, third party technical services, transport fees and sales commissions) and "fixed" cost items (i.e. travel and lodging expenses, trade fairs and maintenance).

Euro 000's	1Q 2017	%	1Q 2016	%
<b>Revenue</b>	<b>173.279</b>	<b>100,0%</b>	<b>128.068</b>	<b>100,0%</b>
Consumption of raw materials and goods	71.586	41,3%	51.521	40,2%
Other operating expense	31.932	18,4%	25.643	20,0%
Service costs	27.676	16,0%	21.994	17,2%
Use of third party assets	2.607	1,5%	2.149	1,7%
Sundry operating expense	1.650	1,0%	1.500	1,2%
<b>Added Value</b>	<b>69.760</b>	<b>40,3%</b>	<b>50.904</b>	<b>39,7%</b>

In the first three months of 2017, added value totalled €69,760 thousand, up 37.0% compared to the same period in 2016 (€50,904 thousand). As a percentage of revenue, it dropped from 39.7% to 40.3%.

In the first three months of 2017, personnel expense amounted to €48,163 thousand, up €6,909 thousand (+16.8%) compared to the same prior-year period (€41,254 thousand). The increase was largely attributable to the fixed component represented by wages and salaries (€6,749 thousand, +17.4% compared to the same prior-year period), and in part to the increase in the variable component relating to bonus remuneration (€247 thousand, +9.9% on the same prior-year period). These increases in personnel expense are mainly due to the increase in staff.

EBITDA at 31 March 2017 was €21,597 thousand (€9,651 thousand at 31 March 2016).

Depreciation and amortisation grew overall by 11.3%, from €4,326 thousand in 2016 to €4,814 thousand: the change is mainly attributable to the €328 thousand increase in property, plant and equipment (up 17.8% from €1,847 thousand to €2,176 thousand). The share related to intangible assets increased by €161 thousand (up 6.5% from €2,478 thousand to €2,639 thousand).

Provisions totalled €661 thousand, up €63 thousand on the first three months of 2016, mainly due to the adjustment to the pro-

duct warranty provision and to the allowance for impairment in relation to some impaired positions at the Australian branch.

As regards financial operations, finance expense amounted to €299 thousand, down 10.7% compared to 2016 (€335 thousand).

Exchange rate risk management in this first three months of 2017 resulted in a loss of €987 thousand, deteriorating compared to the same prior-year period (positive to the tune of €887 thousand). The greatest exchange rate differences are recorded with reference to the Australian, Chinese and English currencies.

Pre-tax profit thus amounted to €14,837 thousand.

The estimated balance of income taxes was negative to the tune of €5,458 thousand. The impact of current taxes was a negative €5,868 thousand (IRAP – regional business tax: €875 thousand; IRES – corporate income tax: €3,545 thousand; taxes from foreign jurisdictions: €1,421 thousand; previous-years taxes: -€10 thousand; other taxes: €36 thousand), while deferred taxes were positive to the tune of €410 thousand.

Therefore, profit for the first three months of 2017 amounted to €9,378 thousand.



# NET FINANCIAL POSITION AT 31 MARCH 2017

Euro 000's	31 March 2017	31 December 2016	30 September 2016	30 June 2016	31 March 2016
Financial assets:	49,510	46,381	33,432	41,200	35,598
<i>Current financial assets</i>	(587)	87	17	30	16
<i>Cash and cash equivalents</i>	50,097	46,295	33,414	41,170	35,582
Short term finance lease payables	(111)	(111)	(137)	(137)	(457)
Short term bank loans and borrowings and loans from other financial backers	(37,140)	(33,769)	(40,331)	(26,750)	(27,069)
<b>Short Term Net Financial Indebtedness</b>	<b>12,259</b>	<b>12,501</b>	<b>(7,037)</b>	<b>14,313</b>	<b>8,072</b>
Medium/Long term finance lease payables	-	(43)	(54)	(92)	(1,236)
Medium/Long bank loans and borrowings	(7,305)	(7,539)	(9,594)	(14,770)	(18,621)
<b>Medium/Long Term Net Financial Indebtedness</b>	<b>(7,305)</b>	<b>(7,582)</b>	<b>(9,648)</b>	<b>(14,862)</b>	<b>(19,857)</b>
<b>Total Net Financial Indebtedness</b>	<b>4,955</b>	<b>4,919</b>	<b>(16,685)</b>	<b>(549)</b>	<b>(11,785)</b>

At 31 March 2017 the Group's Net Financial Position was positive for €4.9 million, significantly improving (up € 16.7 million) compared to the (debt) position recorded in March 2016. The Net Financial Position remained substantially unchanged compared to December 2016, notwithstanding the normal cyclical nature of Biesse business in the first quarter of the year.

Net operating working capital (€5.4 million in absolute value with respect to December 2016) has a percentage incidence on consolidated revenue of 44.8% (56.9% in March 2016), which, although not indicative on an annual basis, shows the constant attention paid to controlling its components (Group DPOs and DSOs are unchanged).

## SUMMARY STATEMENT OF FINANCIAL POSITION

Euro 000's	31 March 2017	31 December 2016	31 March 2016
Intangible assets	66,196	65,218	60,089
Property, plant and equipment	82,927	81,939	68,092
Financial assets	2,395	2,346	1,897
<b>Non current assets</b>	<b>151,518</b>	<b>149,503</b>	<b>130,078</b>
Inventories	144,236	130,785	129,341
Trade receivables	118,149	128,748	101,004
Trade payables	(189,709)	(192,613)	(158,702)
<b>Net Operating Working Capital</b>	<b>72,676</b>	<b>66,920</b>	<b>71,643</b>
Post-employment benefits	(13,392)	(13,746)	(13,319)
Provision for risk and charges	(12,500)	(11,994)	(10,721)
Other net payables	(44,018)	(45,890)	(34,442)
Net deferred tax assets	10,726	10,011	11,057
<b>Other net liabilities</b>	<b>(59,183)</b>	<b>(61,618)</b>	<b>(47,425)</b>
<b>Net Invested Capital</b>	<b>165,011</b>	<b>154,804</b>	<b>154,296</b>
Share capital	27,393	27,393	27,393
Profit/loss for the previous year/period and other reserves	132,905	102,656	111,753
Profit/Loss for the period	9,378	29,384	3,130
Non-controlling interests	289	290	236
<b>Equity</b>	<b>169,965</b>	<b>159,723</b>	<b>142,512</b>
Bank loans and borrowings and loans from other financial backers	44,555	41,462	47,383
Other financial assets	587	(87)	(16)
Cash and cash equivalents	(50,097)	(46,295)	(35,582)
<b>Net financial indebtedness</b>	<b>(4,955)</b>	<b>(4,919)</b>	<b>11,785</b>
<b>Total sources of funding</b>	<b>165,011</b>	<b>154,804</b>	<b>154,297</b>

Compared to 31 December 2016, net intangible assets increased by €1 million. This was mainly attributable to R&D capitalisation of new products and new ICT investments.

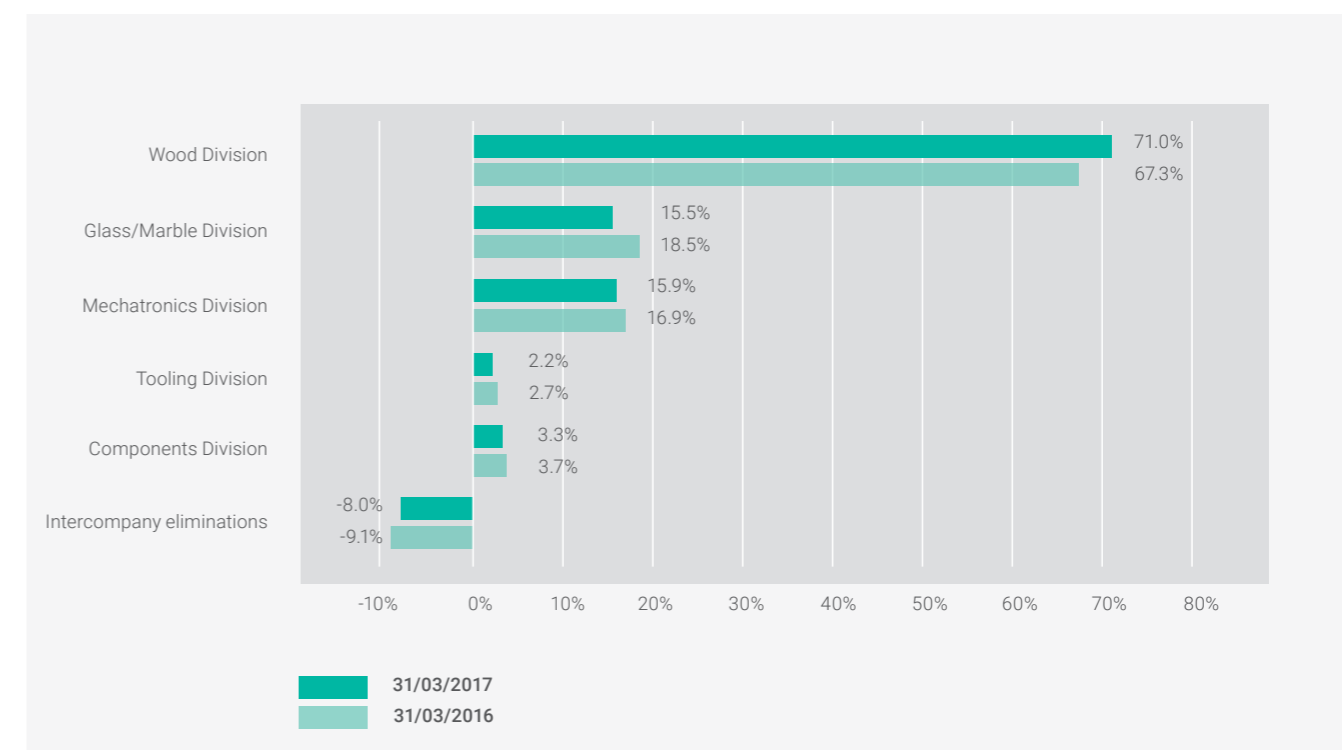
Compared to 31 December 2016, net property, plant and equipment increased by €0.9 million. Besides the amounts concerning the regular replacement of work equipment, works concerning the expansion and renovation of Buildings (in particular Biesse Edge, Intermac and Cosmec) should be mentioned.

Overall, inventories were up €13,541 thousand from 31 December 2016. This was mainly due to the €2,579 thousand increase in raw materials and the €2,525 thousand increase in

finished goods, so as to support the scheduling of deliveries. Concerning the other items of Net Operating Working Capital, overall increasing by some €5,756 thousand compared to 31 December 2016, trade payables decreased by €2,904 thousand (related to the increase in turnover) and trade receivables decreased by €10,600 thousand.

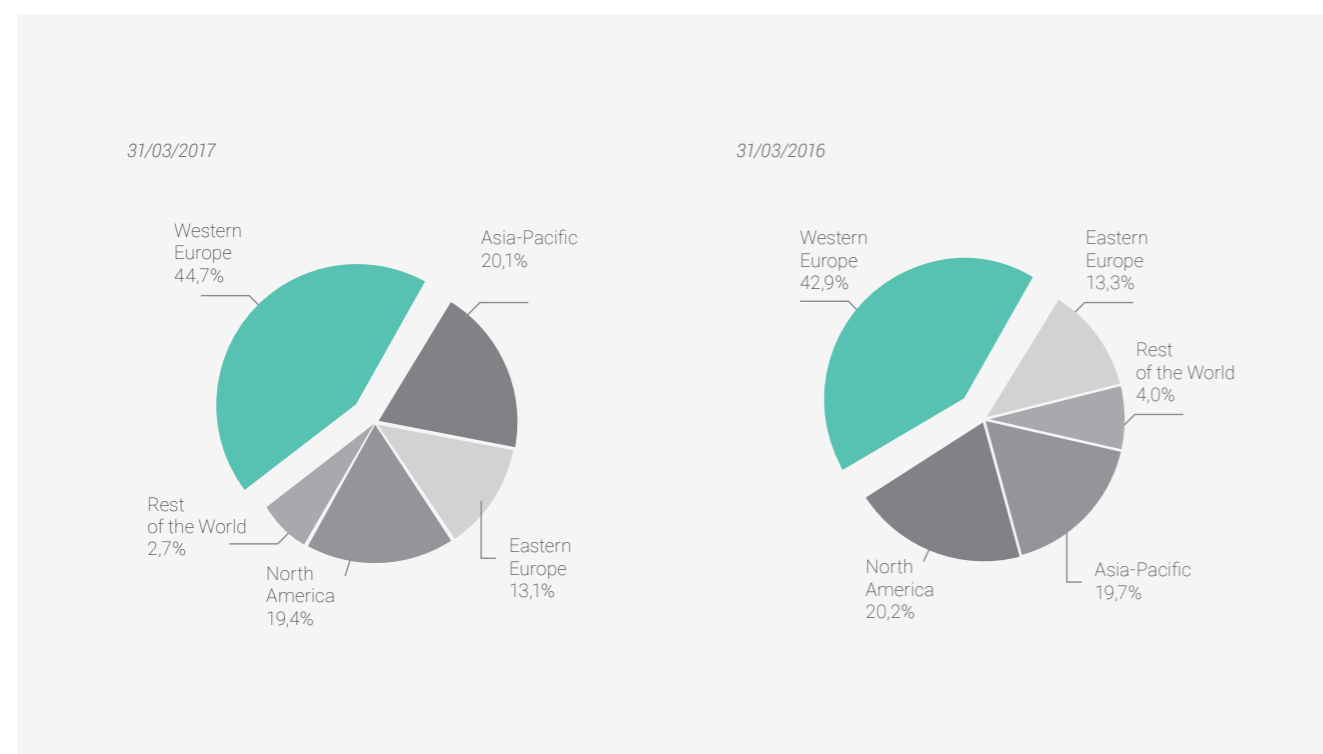
## SEGMENT REPORTING - BREAKDOWN OF REVENUE BY DIVISION

Euro 000's	1Q 2017	%	1Q 2016	%	CHANGE %
Wood Division	114,577	71.0%	79,178	67.3%	44.7%
Glass/Marble Division	25,020	15.5%	21,747	18.5%	15.0%
Mechatronics Division	25,669	15.9%	19,830	16.9%	29.4%
Tooling Division	3,629	2.2%	3,170	2.7%	14.5%
Components Division	5,394	3.3%	4,358	3.7%	23.8%
Intercompany eliminations	(12,842)	(8.0)	(10,691)	9.1%	20.1%
<b>Total</b>	<b>161,449</b>	<b>100.0%</b>	<b>117,593</b>	<b>100.0%</b>	<b>37.3%</b>



# SEGMENT REPORTING - BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

Euro 000's	1Q 2017	%	1Q 2016	%	CHANGE %
Western Europe	72,144	44.7%	50,453	42.9%	43.0%
Asia-Pacific	32,492	20.1%	23,120	19.7%	40.5%
Eastern Europe	21,118	13.1%	15,590	13.3%	35.5%
North America	31,398	19.4%	23,750	20.2%	32.2%
Rest of the World	4,297	2.7%	4,680	4.0%	(8.2)%
<b>Total</b>	<b>161,449</b>	<b>100.0%</b>	<b>117,593</b>	<b>100.0%</b>	<b>37.3%</b>



Pesaro, 12 May 2017

The Chairman of the Board of Directors  
Roberto Selci



# ANNEX

Euro 000's	1Q 2017	% on sales	1Q 2016	% on sales	CHANGE %
Revenue from sales and services	161,449	100.0%	117,593	100.0%	37.3%
Other revenues	771	0.5%	988	0.8%	(21.9)%
<b>Net Revenues</b>	<b>162,220</b>	<b>100.5%</b>	<b>118,581</b>	<b>100.8%</b>	<b>36.8%</b>
COGS	(74,005)	(45.8)%	(52,551)	(44.7)%	40.8%
<b>Gross Profit</b>	<b>88,215</b>	<b>54.6%</b>	<b>66,030</b>	<b>56.2%</b>	<b>33.6%</b>
Overhead	(18,454)	(11.4)%	(15,124)	(12.9)%	22.0%
<b>Added Value</b>	<b>69,760</b>	<b>43.2%</b>	<b>50,906</b>	<b>43.3%</b>	<b>37.0%</b>
Personnel expense	(48,163)	(29.8)%	(41,254)	(35.1)%	16.7%
<b>Gross Operating Income (EBITDA)</b>	<b>21,597</b>	<b>13.4%</b>	<b>9,652</b>	<b>8.2%</b>	<b>123.8%</b>
Depreciation and amortisation	(4,814)	(3.0)%	(4,326)	(3.7)%	11.3%
Provisions	(661)	(0.4)%	63	0.1%	-
<b>Normalised Operating profit</b>	<b>16,123</b>	<b>10.0%</b>	<b>5,389</b>	<b>4.6%</b>	<b>-</b>
Impairment losses and non recurring items	-	-	(23)	(0.0)%	(100.0)%
<b>Net Operating Income (EBIT)</b>	<b>16,123</b>	<b>10.0%</b>	<b>5,366</b>	<b>4.6%</b>	<b>-</b>
Financial revenues and expenses	(299)	(0.2)%	(335)	(0.3)%	(10.7)%
Net exchange rate losses	(987)	(0.6)%	887	0.8%	-
<b>Pre-tax profit/loss</b>	<b>14,837</b>	<b>9.2%</b>	<b>5,918</b>	<b>5.0%</b>	<b>-</b>
Taxes	(5,458)	(3.4)%	(2,785)	(2.4)%	96.0%
<b>Profit/Loss for the period</b>	<b>9,378</b>	<b>5.8%</b>	<b>3,133</b>	<b>2.7%</b>	<b>-</b>

## 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.

*The Manager in charge of  
corporate financial reporting  
Cristian Berardi*



# THANK YOU

**BIESSE S.P.A.**

Headquarters  
Via della Meccanica, 16  
61122 Pesaro - Italy  
[www.biessegroup.com](http://www.biessegroup.com)

