

RE PORT¹⁸

QUARTERLY REPORT

AT 30 SEPTEMBER 2018

 **BIESSEGROUP**

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THE BIESSE GROUP

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Cover

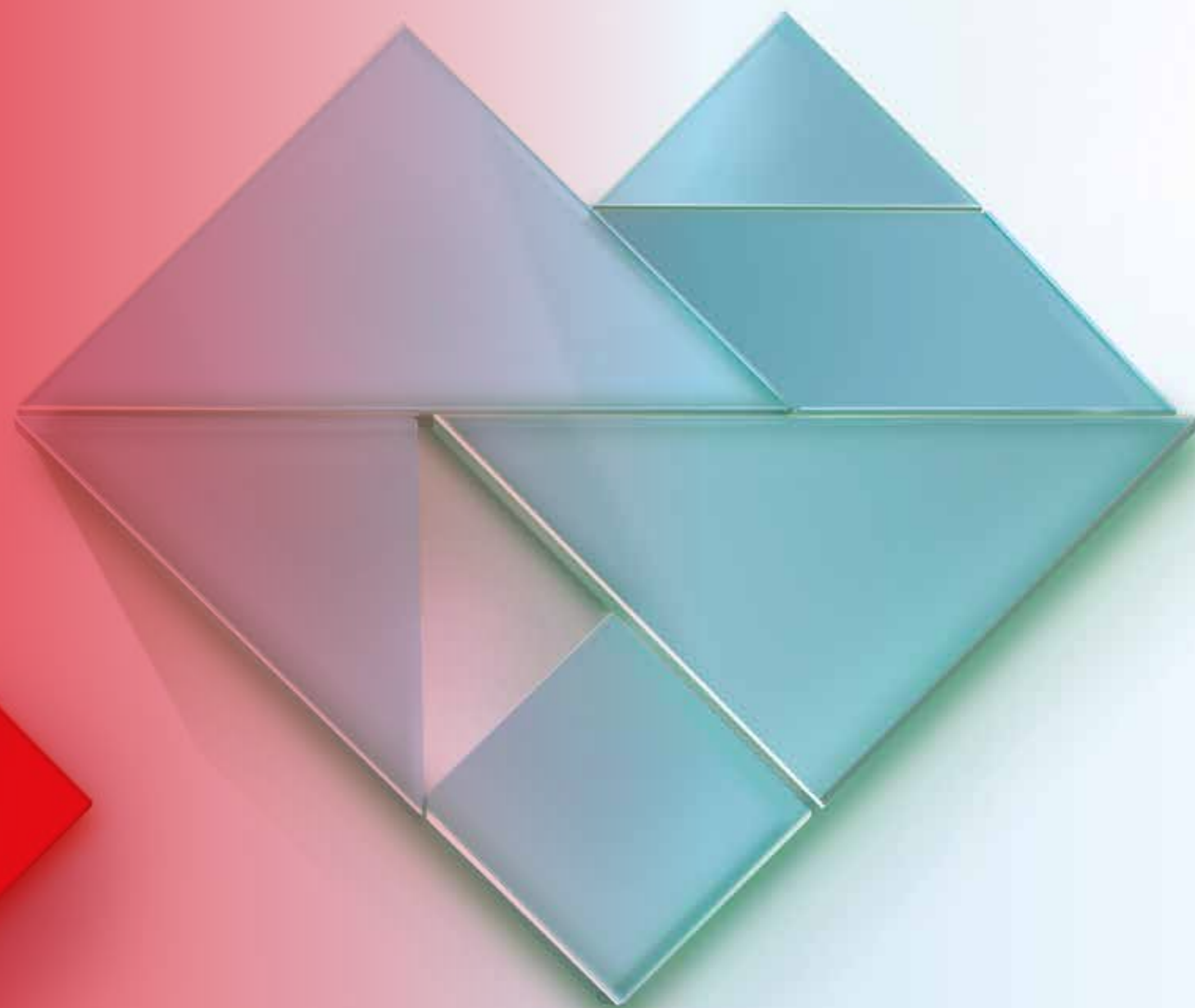
City of Arts and Sciences, Valencia (Spain)
Architect: Santiago Calatrava
Company: Cerviglas

Cerviglas produces important and unique projects using Intermac technological solutions

THINK FOR WARD

THINKFORWARD is the ability of Biesse Group to look ahead and anticipate the future, raising the bar in technological innovation and digital transformation. We create and share innovation by planning, developing and distributing integrated solutions and advanced services to help our customers produce more, better and with greater safety.

LIVE THE EXPERIENCE



THE GROUP

 **BIESSE**GROUP

 **BIESSE**

 **INTERMAC**

 **DIAMUT**

MECHATRONICS

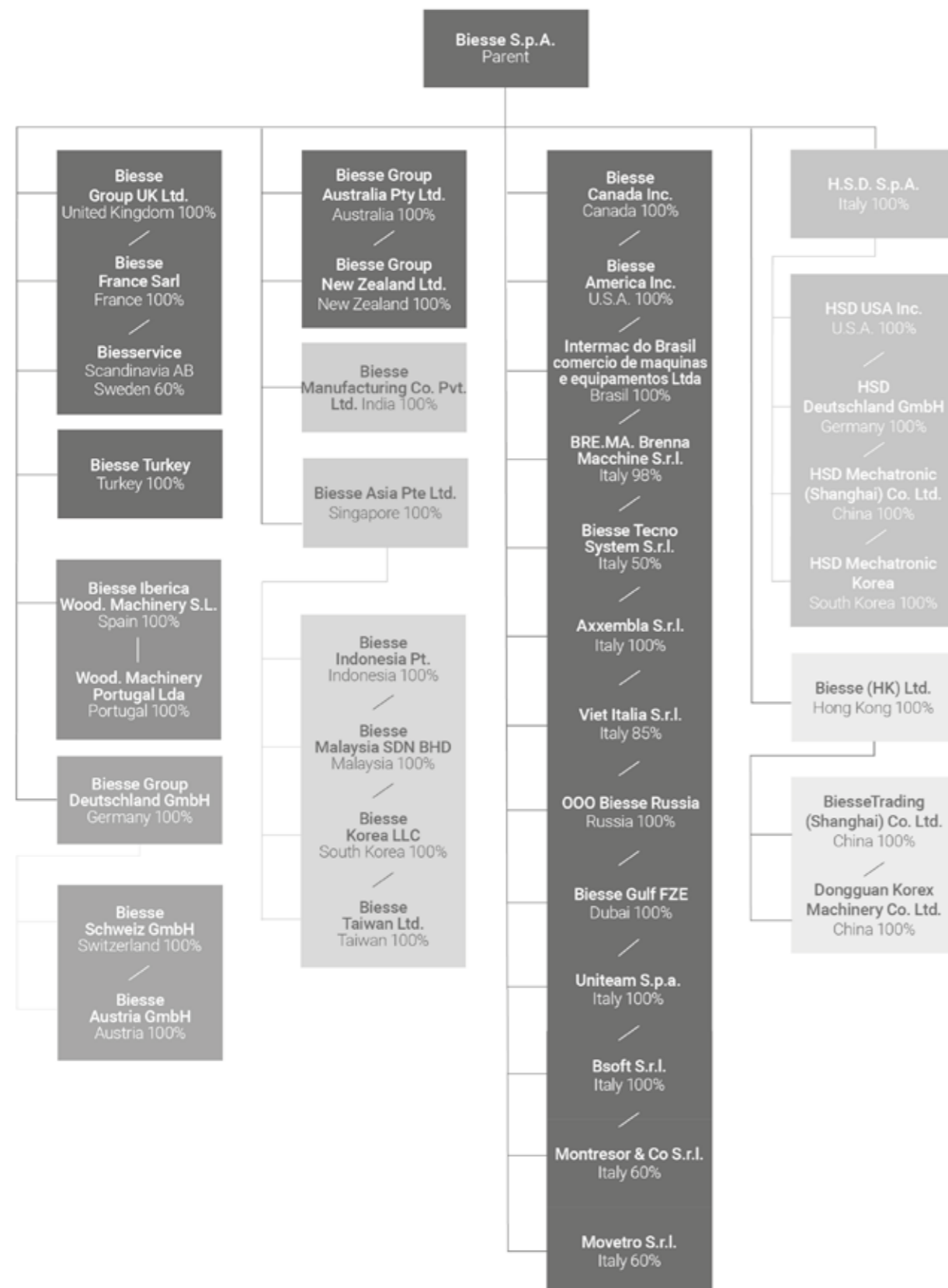


Rover

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

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 30 September 2018, 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 2017 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 September 2018, 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 2017, the consolidation scope underwent no changes.

PARENT COMPANY CORPORATE BODIES

BOARD OF DIRECTORS

Chairman
Managing Director
Executive Director
Executive Director and Group General Manager
Lead Independent Director
Independent Director
Independent Director

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

BOARD OF STATUTORY AUDITORS

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

Paolo de Mitri
Claudio Sanchioni
Silvia Cecchini
Silvia Muzi
Dario de Rosa

CONTROL AND RISKS COMMITTEE – REMUNERATION COMMITTEE – RELATED PARTY COMMITTEE

Elisabetta Righini (lead independent Director)
Federica Palazzi

SUPERVISORY BODY

Domenico Ciccopiedi
Elena Grassetti

INDEPENDENT AUDITORS

KPMG S.p.A.



FINANCIAL HIGHLIGHTS

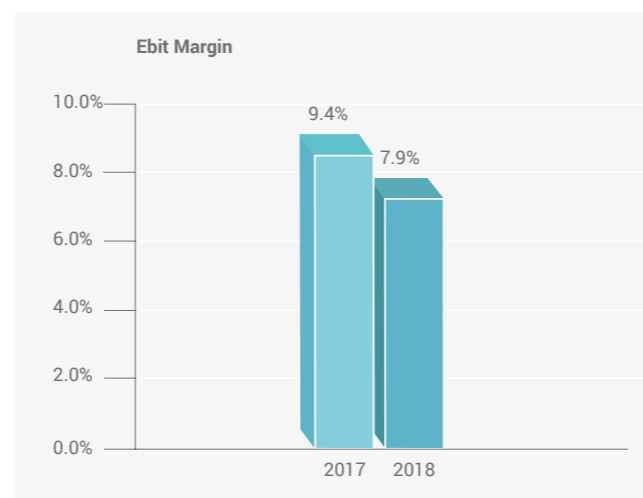
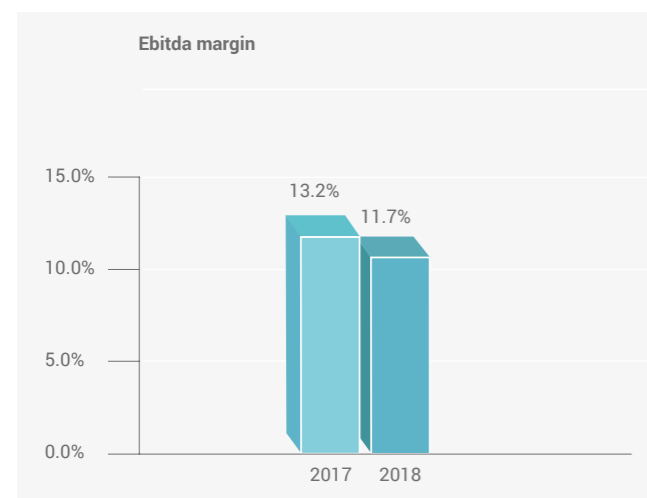


FINANCIAL HIGHLIGHTS

Income Statement

EURO 000'S	2018	% ON SALES	2017	% ON SALES	CHANGE %
Revenue from sales and services	520,804	100.0%	498,301	100.0%	4.5%
Normalised Added value ⁽¹⁾	217,597	41.8%	209,468	42.0%	3.9%
Normalised EBITDA (Normalised gross operating profit) ⁽¹⁾	60,900	11.7%	65,542	13.2%	(7.1)%
Normalised EBIT (Normalised operating profit) ⁽¹⁾	42,465	8.2%	48,096	9.7%	(11.7)%
EBIT (Operating profit) ⁽¹⁾	40,972	7.9%	46,965	9.4%	(12.8)%
Profit for the year	23,486	4.5%	28,232	5.7%	(16.8)%

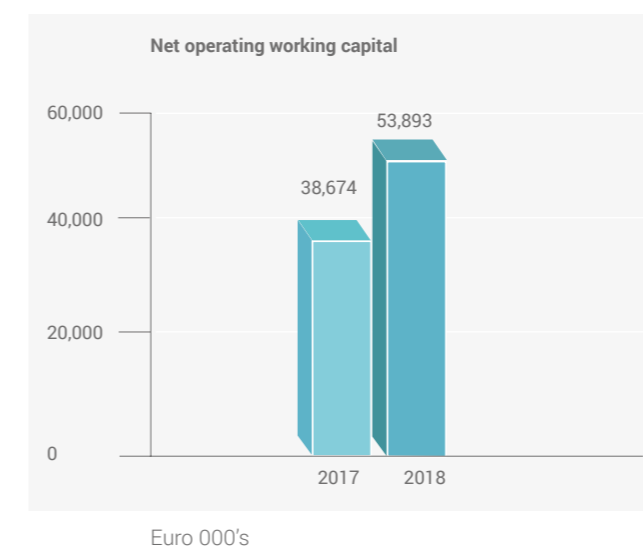
EURO 000'S	3Q 2018	% ON SALES	3Q 2017	% ON SALES	CHANGE %
Revenue from sales and services	164,796	100.0%	167,069	100.0%	(1.4)%
Added value ⁽¹⁾	67,336	40.9%	70,415	42.1%	(4.4)%
EBITDA	17,401	10.6%	24,770	14.8%	(29.8)%
Normalised EBIT (Normalised operating profit) ⁽¹⁾	12,183	7.4%	18,466	11.1%	(34.0)%
EBIT (Operating profit) ⁽¹⁾	10,821	6.6%	17,335	10.4%	(37.6)%
Profit/Loss for the period	6,253	3.8%	10,765	6.4%	(41.9)%



Statement of Financial Position

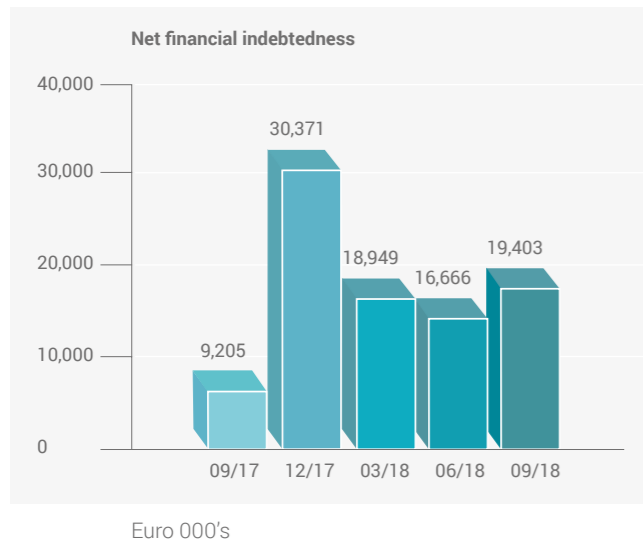
EURO 000'S	30 TH SEPTEMBER 2018	31 ST DECEMBER 2017
Net invested capital ⁽¹⁾	176,197	157,857
Equity	195,601	188,337
Net financial position ⁽¹⁾	(19,403)	(30,480)
Net operating working capital ⁽¹⁾	53,893	38,674
Gearing (net financial position/equity)	(0)	(0.16)
Fixed asset/standing capital ratio	1.12	1.14
Order intake	-	-

⁽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

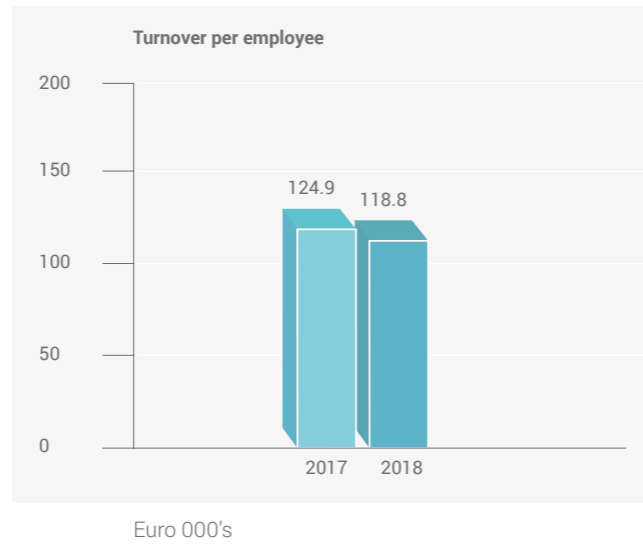
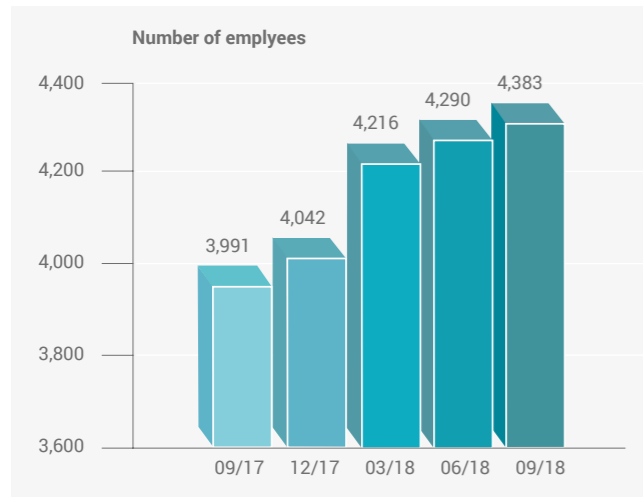
EURO 000'S	30 TH SEPTEMBER 2018	30 TH SEPTEMBER 2017
EBITDA (Gross Operating Income) after non recurring items	59,408	65,541
Change in net working capital	(17,921)	6,349
Change in other operating assets/liabilities	(13,637)	(18,452)
Operating cash flow	27,849	53,437
Cash flow used in investment activity	(26,760)	(39,289)
Cash flow	1,089	14,148
Foreign exchange rate differences	1,088	16
Dividends paid	(13,144)	(9,879)
Change in net financial indebtedness	(10,967)	4,285



Personnel

	30 TH SEPTEMBER 2018	30 TH SEPTEMBER 2017
Number of employees at year end	4,383	3,991

The figures include temporary staff



DIRECTORS'

REPORT
ON OPERATIONS



DIRECTORS' REPORT ON OPERATIONS

Notwithstanding the percentage decrease compared to the average level of previous periods, at the end of the third quarter of 2018, the Biesse Group confirms the positive trend both in terms of increase in turnover (+4.5% compared to the same period last year), and in terms of order intake (+5.2% compared to 30 September 2017). The Group's order backlog shows an increase of +18.5% equal to approximately € 257 million (€ 217 million in the same prior-year period). This however confirms the positive short-term outlook, also taking into account the important trade fairs which are scheduled for the coming months. This is happening despite the international context is rapidly changing and creating various situations where some markets are growing, in terms of order intake, compared to the average (e.g. the American market owing to the impact of the economic policies of President Trump's administration), while others are slowing down (e.g. Turkey owing to the currency crisis occurred last August or South East Asia owing to American duties). Therefore, it is clear that the business is currently required to quickly adapt to the changing economic context; for example, it is necessary to take into account: duties owing to the customs war which is reshaping global supply chains, expectations of interest rate rises due to the ending of quantitative easing in Europe, and evolving political situations.

In addition, the impact of the Industry 4.0 revolution is increasingly taking the form for the Biesse Group of an increase in the demand for technology and automation; this has an impact also in terms of business since it increases the order backlog (up by 18.5%) and visibility, but changes the turnover forecasts. If we consider, for example, the performance for the period, the third quarter of the current year saw a modest fall in turnover (€ 164.8 million, -1.4% compared to the third quarter of 2017). As for earnings, EBITDA stood at € 17.4 million, EBIT was around € 12.2 million (down by 29.8% and 34.0% respectively compared to the prior-year period), these results were largely due to the postponement in deliveries, mainly relating to system projects, the significant amount of which means uneven turnover during the various quarters of the year. In the final quarter, it is partly expected to recover the delay accumulated during the first months of the current year. In any case, this ongoing trend affecting the different product mix in order intake is the reason for the different and more limited growth forecasts (sales and profits) compared to the Three-Year Industrial Plan approved in February.

Compared to the results for the first nine months of 2017, the Biesse Group's revenue from sales and services as at 30 September 2018 amounted to € 520,804 thousand, up 4.5% compared to the same prior-year period (€ 498,301 thousand in revenue). As at 30 September 2018, added value totalled € 217,597 thousand, thus rising by 3.9% over the same period last year. EBITDA totalled € 60.9 thousand, down € 4,642 thousand (-7.1%) compared to the same prior-year period. EBIT decreased in the same period as well, down by € 5,631 thousand (€ 42,465 thousand in 2018 compared to € 48,096

thousand in the same prior-year period). The decrease was mainly due to the fact that the current sales mix is increasingly weighted towards systems and automation. This resulted in deliveries being postponed, while, obviously to ensure continuity in the development of its strategies, the Group has maintained its investment policies with a consequent increase in costs.

As for the financial position, the Net Operating Working Capital increased by around € 15.2 million compared to December 2017. The change was due to the trend in inventories (+ € 34.5 million), linked to the positive trend in order intake and the consequent need to handle the deliveries planned for coming months in 2018 which is not completely in contrast with the fall in trade receivables (-€ 1,581 thousand) and the increase in trade payables (-€ 17,685 thousand).

In 2018, "non-recurring events" mainly refer to the reclassification of costs for the project to list the HSD Group which is currently suspended awaiting better market conditions, given, however that it is not currently possible to forecast with any certainty when this might happen. On a prudent basis, the company has decided to charge in the current year the expenses which have been incurred so far. Finally, non-recurring items also include the extraordinary costs incurred for the phase-out of the Australian branch, and those relating to the write-down of development costs for projects no longer deemed strategic.

As detailed in the following Notes, nearly all divisions reported excellent results in the first nine months of 2018: the Wood Division grew by 4.7% (+€ 16.7 million), the Glass/Stone Division by 10.3% (+€ 8.2 million) and the Components Division by 30% (+€ 4.7 million). These increases are due to the different sales mix by distribution channel (increasing importance of own sales branches, with significant investments in the direct sales force) and by product (top-quality items with a greater technological content) as well as to improvements made in production efficiency. The Mechatronics Division remained substantially unchanged compared to the same prior-year period while the Tooling Division slightly decreased (-4.4%, equal to € 0.4 million).

As regards the geographical breakdown, excellent performance has been recorded by Eastern Europe (+€ 15.1 million, 23.5%). Also Western Europe improved, up by 6.7% (+€ 14.9 million). North America remained unchanged, while the Rest of the World improved by € 4.3 million (24.1%). Asia/Oceania was the only one of the five divisions which recorded a decrease, down by around € 11.8 million (-10.5%).

GENERAL ECONOMIC OVERVIEW

GLOBAL ECONOMIC TREND

Although in the first half of 2018 the trend in the global economy remained stable, its momentum should ease off. Advanced economies continue to benefit from accommodative monetary policies and the fiscal stimulus measures introduced in the United States, while in commodity-exporting countries the economic activity has been helped also by the recovery in raw material prices recorded in the past year. However, financial conditions have worsened, above all for some emerging economies. In addition, the growth in global trade has seen a slowdown and uncertainty has increased about future trade relations. In the medium term, the global economy should continue to grow at a rate close to its potential, with no, or a very small, output gap in most of the advanced economies. With the reduction in spare production capacity, global inflationary pressure should slowly rise.

The most recent economic indicators and the latest economic surveys confirm the continuation of a general expansion of the economy in the eurozone, despite some easing off following the strong growth in 2017.

The ECB's monetary policy measures continue to provide support for domestic demand. Private consumption is supported by the ongoing growth in employment, in its turn partly due to

the past labour market reforms and the rise in wages. Investments by companies benefit from favourable financing terms, the increase in corporate profits and buoyant demand. Investments in the residential construction sector remain robust. In addition, the expansion of global business should continue, which is providing support to exports from the eurozone.

According to the macroeconomic forecasts for the Eurozone – prepared in September 2018 by ECB experts – annual GDP in real terms is expected to increase by 2.0% in 2018, 1.8% in 2019 and 1.7% in 2020.

Despite the risks and the growing uncertainty, in the first half of 2018 the global economy continued to grow at a constant rate. After easing off in the first quarter, in the second quarter growth recovered strongly in the United States and Japan. There was also a modest recovery in GDP growth in the United Kingdom. Among emerging economies, growth was supported by the continuing rapid expansion in India and China. In the first half of the year, growth resumed in Russia, thanks to the increase in oil prices, while it weakened in Brazil, where confidence was undermined by interruptions caused by strikes and political uncertainty.

SOME MARKET TRENDS

UNITED STATES

It is expected that in the United States the economy activity will remain strong in the current year. Difficult labour market conditions, with unemployment at historic lows, stable participation and a rising trend in wages, should support income and household spending, while significant corporate profits and still favourable financial conditions should strengthen investments. In addition, it is expected that the stimulus from fiscal reforms and higher spending will support growth prospects for the current year and the next, before ending in 2020.

JAPAN

While, on the one hand, business should benefit from an accommodative monetary policy, on the other, it is expected that the end of fiscal stimulus measures and the strict restrictions on capacity will act as a brake on growth. Given greater labour market tensions, there is moderate growth in wages which should provide support to household spending. However, it is expected that inflation will remain under the 2% target set by the Bank of Japan.

UNITED KINGDOM

With the easing of inflation, private consumption should receive a boost, despite the uncertain outlook. It is expected that, in the meantime, the uncertainty around the Brexit negotiations will impact investments.

CHINA

The slowdown in the residential construction market and the delayed impact of the previous worsening in financial conditions

might affect growth, while higher duties imposed by the United States could have an impact on trade. However, in the short term, the growth in business should be favoured by monetary accommodation and by a certain degree of fiscal support. In the medium term, it is likely that continuing progress in the field of structural reforms will lead to a controlled slowdown and a readjustment of the Chinese economy.

OTHER AREAS

In Russia, prospects are encouraged by the increase in oil prices this year, relatively low inflation and the improvement in business and consumer confidence. On the other hand, the sanctions recently imposed by the United States will probably impact on short-term growth owing to greater political uncertainty. In the medium term it is expected that the economy will grow moderately given the difficult context in which companies are operating, the scarcity of fixed investments and an absence of structural reforms which affect Russia's growth potential. In Brazil, short-term prospects are affected by political uncertainty and interruptions due to strikes. However, taking a longer-term view, better labour market conditions and the continuation of an accommodative monetary policy should support consumption, given limited inflationary pressure. Turkey should embark on a difficult adjustment in coming months. The rapid economic growth over the last year resulted in a marked overheating of the economy. The recent depreciation of the currency in a context of capital outflows and strong inflationary pressure indicates a rapid deterioration in the economic context. Indicators already show a weakening in business which is expected to worsen in the short term.

EUROZONE

At the start of 2018, growth in the Eurozone slowed in comparison to the pace maintained last year, and remained moderate also in spring. Inflation is on the increase, but the underlying component remains at moderate levels. Progress in the adjustment of inflation is considered significant, but uncertainty is still high with the Governing Council of the European Central Bank (ECB) planning to end net securities purchases, though maintaining in the long term an ample degree of monetary easing.

ITALY

Economic activity continued to increase during the first few months of 2018, albeit at a slower pace than previously. GDP growth was set to continue at around 0.2% in the second quarter, with total risk generally moving in a downward direction with respect to the manufacturing sector performance. In the first three months of the year, GDP rose by 0.3%, reflecting a slight slow-

down compared to the final quarter of 2017. This activity was supported by the change in inventories, which became positive following the reduction in inventories recorded in the previous two quarters. Net of this component, domestic demand made a null contribution, as the acceleration in household spending was offset by lower levels of capital accumulation. The contraction in investments other than construction may be temporary, following the anticipation of part of the planned expenditure to the last three months of 2017. This occurred because of the uncertainty prevailing at the time in regards to the renewal of tax incentives due to expire at the end of the year, and which were subsequently extended to 2018. Investment in construction has become stagnant. Foreign trade indicated a more marked decline in exports than it did in imports, detracting 0.4 percentage points from GDP growth. Added value continued to increase moderately in the services area (0.3%), while in the industrial and construction sectors it remained virtually unchanged.

BUSINESS SECTOR REVIEW

UCIMU – SISTEMI PER PRODURRE

In the third quarter of 2018 the index of machine tool orders, prepared by the Centre for Enterprise Studies & Culture of UCIMU-SISTEMI PER PRODURRE, recorded a 0.2% increase on the prior-year period.

More specifically, the index of orders received from foreign markets was up by 6.8% compared to July-September 2017. The orders received from the domestic market decreased otherwise by 15.3% compared to the same prior-year period. "The decrease on domestic market – said Massimo Carboniero, Chairman of UCIMU-SISTEMI PER PRODURRE – denotes a certain slowdown in investments in new technologies by

users. The result achieved in the period July-September 2018, is compared to a record quarter (on 2017): difficult to do better than last year". "What we can say, is that the collection of orders, in Italy, at the moment it still travel on satisfactory levels. The answer comes from the feedback recorded in 31.BI-MU / SFORTEC INDUSTRY, the sector event that has closed in Milan two weeks ago, and has proved a great success in terms of visits and contacts activated. Many of our customers have been waiting BI-MU to plan their investment plans thus determining, at least in part, the downsizing of the order collection in the quarter considered".

MAIN EVENTS OF THE PERIOD

JAN

From 15 to 18 January, Intermac took part in the Steelfab trade fair, dedicated to the metal industry. The event took place in Sharjah, in the Middle East. The Primus 322 machine was displayed: it is a waterjet cutting machine that ensures high performance, as well as easy programming and versatility. The decision to attend Steelfab confirms Intermac's commitment to the Middle Eastern market, which is further demonstrated by the use of Waterjet technology at the Biesse Group permanent campus that has been inaugurated in the Dubai Silicon Oasis.

Among the chief events to start off the year was the Back to Business event. It was hosted by the Biesse Campus in Pesaro and customers were invited to discover new business opportunities. This event showcased a return to technology, experimentation, and productivity – an example of the way innovation can transform businesses into being 4.0 ready, ranging from production to product sales. In the same

time period as the Back to Business event, the Biesse Group also hosted the Academy weeks at the Headquarters. This three-week event is directed at branch employees and business partners around the world, with full days dedicated to exploring product innovations and new sales tools. This regular and ongoing training tracks technological product developments and innovations being made in the Group's service offering, so that we are always able to provide added value to customers. Biesse participated in the Megan ExpoMueblera event held in Mexico City – a trade fair for getting close to customers in the region and showing them the group's innovative ability born from its guiding philosophy: 'Thinkforward'. It represents the ability to create innovation through integrated solutions, which are sophisticated but simple in their use, in order to have better and greater production, at a lower cost. Having a presence at Klimahouse in Bolzano, an event dedicated to housing where technology meets sustainability, was



also important. Customers and visitors were able to make contact with our specialists, and learn about solutions for building the housing of the future.

FEB

On 9 February 2018, Biesse S.p.A. announced its intention to proceed with the listing of its subsidiary HSD S.p.A. on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., in the STAR segment. Biesse S.p.A., however, will continue to hold a controlling position in HSD S.p.A. The transaction should be completed within the first half of 2018, compatibly with market conditions. As a result of the listing process, the company HSD S.p.A. has taken steps to adopt, and expects implementation thereof following the successful listing on the Stock Exchange, the following:

- Preparation of Governance regulations (for regulating relationships with related parties, market abuse, internal dealing, transparency, etc.).
- Finalising contracts with Biesse S.p.A. for business relationships and centralised services.
- Finalising contracts with Directors and key management in relation to regulating base earnings, conditions of service, and long-term incentive schemes.

With regards to the subsidiary HSD S.p.A., the Board of Directors met in a session held on 9 February 2018 and proposed that the date for the Shareholders' Meeting should be set for 22 March 2018.

On 28 February 2018, the Board of Directors of HSD S.p.A. resolved the following:

- Approval of the 2018-2020 three-year plan.
- Approval of a new dividend policy, in line with that which is already in place for the parent Biesse S.p.A. Furthermore, the Board of Directors discussed the possibility of taking over from the final parent Bi.Fin. S.r.l. the financial lease contract that is currently in place for the Gradara Production Plant, where the company operates at present. Timelines for such a process are not yet certain; however, the transfer should take shape by the end of 2018 and would entail HSD making a financial commitment of approximately € 5 million. With this takeover, HSD would also enter into possession of a portion of adjacent land. This would allow HSD to plan an expansion of the production area that is necessary to support growth in the years ahead. The cost of this new investment can be quantified as an additional € 8 million.

On the same date, 28 February 2018, the shareholders' meeting of HSD S.p.A. was also held. This meeting resolved the following, effective from the time of listing:

- Approval of the project to admit the Company's shares to trade on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., and in the Star Segment (if applicable), while conferring on the Board of Directors the power to carry out the necessary actions.
- Approval of a number of amendments to the current company by-laws and adoption of new company by-laws in compliance with the current legal provisions as applicable to listed companies.
- Approval by Monte Titoli S.p.A. for the shares to be dematerialised, along with the consequent withdrawal and cancellation of securities representing the Company's shares.
- Approval to split the ordinary shares of the Company, with

100 new shares to be issued in replacement of each of the ordinary shares outstanding.

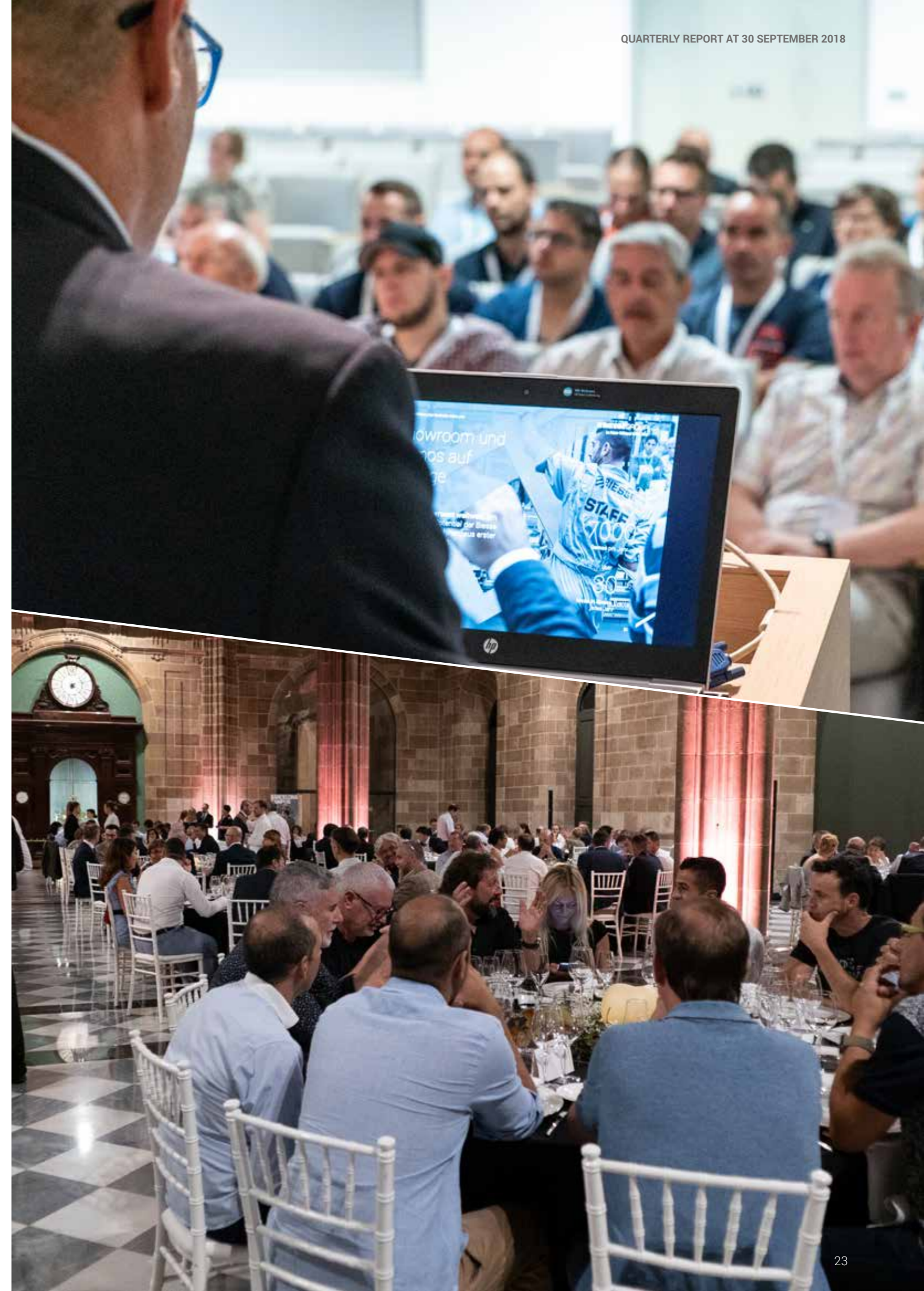
- Approval to introduce into the by-laws the ability to issue shares with increased voting rights.
- Increase in share capital without option rights, through the issue of a maximum number of 30,000,000 shares.
- Approval of the shareholders' meeting regulations.
- Appointment of KPMG S.p.A. as the independent auditors for the 2018-2026 financial years.
- Approval of guidelines regarding medium to long term management incentive schemes. On 27 and 28 February, Biesse Middle East opened its doors to customers and visitors from the entire Area, at the new Dubai Campus that was inaugurated in November 2017.

On 27 and 28 February, Biesse Middle East opened its doors to customers and visitors from the entire Area, at the new Dubai Campus that was inaugurated in November 2017. Inter-mac took part in the thirteenth exhibition of Stona, the Indian trade fair that took place in Bangalore from 7 to 10 February. It was an opportunity to provide information to professionals in the stone industry about the technological synergy between Inter-mac, Donatoni Macchine and Montesor. Biesse Deutschland reaffirmed its presence by attending the trade fair in Cologne, Germany, from 20 to 23 February. This international rendezvous was dedicated to Housing technologies, and the goal was to demonstrate those of Biesse's solutions that are specific to this industry. The Turkish branch attended the CNR Expo trade fair in Istanbul, focussing on machines dedicated to manufacturing doors. More than 500 customers have lived the Biesse experience with Biesse Iberica's stand at Fimma 2018 – Spain's most important trade fair for the industry. The company had 11 machines on display, which were directed towards all types of specialists in wood, from large factories with high production volumes, to companies that need to produce thousands of products tailored to customer needs, or small businesses with craft-like features. Biesse France participated in Eurobois with an area of 1,000 sq. m., where visitors could see the innovative technological solutions up close and live the Biesse experience. Star of the event was SOPHIA, the Internet of Things (IoT) platform created in collaboration with Accenture that during the fair won the Innovation Award. On 28 February, the Board of Directors of Biesse S.p.A. approved the updating of its business plan for the three-year period 2018-2020. Based on the initiatives set out in the above business plan and on the assessment of the international macro-economic situation, the results expected by the Biesse Group in the period examined are as follows:

- Higher consolidated net revenue at a three-year structural CAGR of 9.5% (revenue above € 906 million expected in 2020).
- Higher Added Value with a three-year CAGR of 10.8% (43.4% record percentage in 2020).
- Increase in operating margins: - EBITDA with a three-year CAGR of 12.7% (14% impact in 2020); - EBIT with a three-year CAGR of 14.7% (10.6% impact in 2020).
- Positive free cash flow with a total of 120 million euro in the three-year period 2018-2020 (free cash flow margin of 5% in 2020) net of planned investments (total capex € 142.6 million).

In 2017, consolidated turnover was estimated to grow by 11.6% compared to the previous year, € 690 million, while EBITDA stood at 12.9% of consolidated revenue.

"The Board – chaired by Roberto and Giancarlo Selci – approved actions to support the growth plan for 2018-2020, always



with a focus on investments in innovation, service, and the marketing/sales area. "The plan starts from the excellent results for 2017," – commented the Group General Manager, Stefano Porcellini – "which closed with growth in consolidated revenue of 11.6%, EBITDA of 12.9%, and a significant cash generation that led the Group to achieve a net financial position of over € 30 million."

MAR

Intermac was present from 6 to 9 March at the 18th edition of Xiamen, the stone processing exhibition held in the Chinese city of Xiamen. Also Donatoni Macchine, the company's partner for several years, participated in the event. At the Intermac stand customers could watch a demo of machinery which, together with the know-how of the Intermac technical and commercial staff, were available to visitors to provide practical answers and respond to the needs of players of the stone processing industry. From 22 to 24 March Intermac opened the doors of its Pesaro Campus in order to show its commitment to developing innovative technologies for industrial automation and exploring new horizons for the transformation and processing of glass. Inside Intermac Glass took place at the completely renewed Tech Center which also houses the technologies of Movetro, the main innovation of this edition. "Intermac can now offer a complete range which offers our customers' factories a level of automation which allows the streamlining of processes, the optimisation of manufacturing layouts and the generation of new opportunities for success and growth for our customers," said Intermac Commercial Director, Franco Angelotti. The Biesse Campus in Pesaro hosted the HP event with a day dedicated to additive manufacturing and to its integration with traditional methods. Biesse showed participants how it integrates the Multi Jet Fusion 4200 additive manufacturing system from HP into its manufacturing model. Biesse Portugal was established in order to be closer to customers, in a location which allows its expansion in the country, the strengthening of its technical service and the chance to offer more direct focus on the Portuguese market and to help companies achieve higher profits. On 23 March the Biesse Campus in Pesaro hosted a conference organised by Confindustria Marche Nord "From a bank-centric system to the open capital market". "Inside Intermac Stone è... ALL IN ONE" took place, the event dedicated to specialists in the stone processing sector, and which this year launched the new communication campaign of the three companies, Intermac, Donatoni Macchine and Montresor, "ALL IN ONE" to express a partnership which brings together in a single entity know-how, technological excellence and a widespread distribution network, to support customers in creating smart factories. The flagship of this edition of Inside Intermac Stone was the opening of the Intermac Academy, the new training centre dedicated to our customers, dealers and staff. The structure can rely on a dedicated team which coordinates corporate resources in order to share and spread technological know-how both within the company and to the market.

Biesse Group was among the eleven national winners in Italy of the "The Digital Technology Award" at the European Business Awards 2018, the biggest corporate competition sponsored by RSM. The companies, which were selected as the best in the 11 Award categories by a group of independent ju-

dges consisting of executives, politicians and academics, will represent their country in the final stage of the competition. Biesse took part in the tenth edition of Indiawood in Bangalore. Indiawood is one of the main trade fairs worldwide for furniture production and the woodworking industry. Over 500 sq.m. exhibition space was available to Biesse, where 11 machines operated over the 5 days of the event. Biesse Middle East took part in the 13th edition of Dubai Woodshow, the only specific exhibition in the region for the wood and woodworking industry, from 12 to 14 March 2018 at the Dubai World Trade Center. This year's edition of Woodshow was special for Biesse since, besides having almost 200 sq.m. exhibition space with innovative machinery and software, Biesse Middle East at the same time played host to visitors to the new Dubai Campus, located in Dubai Silicon Oasis. Guests were able to take a tour of the biggest structure, unique of its kind, in the Middle East. Biesse took part in HOLZ-HANDWERK 2018, with the same passion as always, showing the technology of the future. SOPHIA was presented to the public for the second time in Germany, at the exhibition HOLZ-HANDWERK 2018, from 21 to 24 March. This was an excellent opportunity to see at first hand the main advantages offered by the new platform of IoT services and to take a close-up look at all the Biesse technologies. "We work together with our customers to transform their manufacturing business into digital factories which can satisfy all the needs of today's market. We offer machinery that can interact thanks to automation systems and software which can design a product and simulate its construction and testing before it is manufactured", said Jacek Pigorsch, CEO of Biesse Deutschland.

On 22 March 2018, the Board of Directors of the subsidiary HSD S.p.A. discussed and resolved the following:

- Approval of the Prospectus prepared for the listing, of the 2018-2020 Business Plan prepared pursuant to Section IA.1.1 (point 2.00.8) of the instructions of Borsa Italiana S.p.A., the Regulation for related-party transactions, the Regulation on Internal Dealing, the Regulation on the handling of insider information, the opt-out statement regarding the obligation to release documents concerning significant extraordinary transactions, the documents concerning the appointment of Banca IMI as Sponsor and Specialist for the listing, the report comparing the recommendations of the Corporate Governance Code for listed companies and the corporate governance structure adopted by the Company.
- Adoption of the Management Control System and approval of the relevant Memorandum prepared for the purposes of the issue by Borsa Italiana S.p.A. of the statements required by art. 2.3.4. of the Rules of the Markets organised and managed by Borsa Italiana.
- Appointment of Nicola Casati, CFO of HSD S.p.A., as Investor Relator.
- Appointment of the company Computer Share as a specialist operator for the activation of the systems for the disclosure of regulated information (SDIR – Sistemi di Diffusione delle Informazioni Regolamentate) and storage of the same, in accordance with the provisions of the Issuers' Regulations, as well as the activation of services for keeping the Shareholder Register and for the dematerialisation of shares.
- Appointment of the Remuneration Committee (consisting of Alessandro Copparoni, Federico Valentini, Cristina Loccioni, Bruno Baroni) and the Internal Control and Risk Management Committee (consisting of Federico Valentini, Cristina Loccioni, Alessandro Copparoni, Bruno Baroni).

- Appointment of the Board of Statutory Auditors.
- Verification of the existence, at the date when the Company's shares first open for trade on the Electronic Stock Market, of the requirements for admission of the shares of HSD S.p.A. on this market.
- Appointment of Nicola Casati, CFO of HSD S.p.A. as Manager in charge of corporate financial reporting.
- Appointment of Nasrullaev Murod as Internal Audit Manager, effective as from 1 April 2018.
- Proposal for the Company's Shareholders' Meeting of 22 March 2018, to approve an incentive plan for top management, partly based on financial instruments and partly based on payments in cash (the "IPO Plan"), aimed at involving and providing incentives to the recipients and at aligning their conduct to the interests of the Company and its shareholders. The recipients of the IPO Plan are: Fabrizio Pierini (General Manager of HSD S.p.A.), Giuseppe Benelli (Commercial and Branch Manager of HSD S.p.A.), Giuseppe Grosso (Technical Director of HSD S.p.A.) and Stefano Porcellini (Director of HSD S.p.A. and Biesse S.p.A. and General Manager of the Biesse Group). As regards financial instruments, the IPO Plan provides for that each of the recipients receive non-transferable options for free to subscribe a total of around 100,000 newly issued ordinary shares of HSD S.p.A., arising from a share capital increase under art. 2441, paragraph 8 of the Italian Civil Code (on which the Shareholders' Meeting is called to pass a resolution on 23 March 2018 at an extraordinary meeting). Should the option be exercised, the shares will be subscribed at the price of Euro 0.01 each, corresponding to the accounting value of the shares at 22 March 2018. As regards payments in cash, the IPO Plan provides for that the aforementioned recipients receive a cash bonus. The right to exercise the options assigned and to subscribe the relevant shares, as well as the right to receive the cash bonus, depend on the occurrence of the following events:
 - a) At the date when the Company's shares first open for trade the recipients have an existing employment relationship with the HSD Group or with the Biesse Group.
 - b) The trading of the shares of HSD S.p.A. on the Electronic Stock Market has effectively started.
 The recipients must also accept in regard to the Biesse Group the commitment not to transfer or in any other way dispose of the shares subscribed under the IPO Plan for a period of 18 months from the date of their assignment. On 22 March 2018 the Shareholders' Meeting of HSD S.p.A. met with the following agenda:
 - Acceptance of the resignation of the Board of Directors, effective from the date of the start of trading of HSD shares on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. Renewal of the Board of Directors effective from that date, determining total compensation.
 - Approval of a cash- and share-based incentive plan for employees of HSD S.p.A. and Biesse S.p.A.
 - Approval of the financial statements at 31 December 2017; consolidated financial statements at 31 December 2015, 2016 and 2017.
 - Allocation of the profit for 2017 of HSD S.p.A. for € 13,607,234.26 to the extraordinary reserve and € 5,889,300 to pay ordinary dividends.
 - Renewal of the Board of Statutory Auditors.

APR

From 9 to 13 April Biesse UK took part in MACH 2018, the international exhibition dedicated to plastics and metal. The stand displayed Biesse technologies, in particular Materia CL, Eko 2.1 Plast and Rover A Plast; SV3, the high-performance Viet machinery for deburring, buffing and brushing metals; and finally Primus, the Intermac technologically advanced waterjet cutting system for metals and plastics. Excellent result for the opening of the new Biesse Group Campus in Istanbul: over 500 visitors attended the opening event. The three-day event showed visitors the exclusive 2,100 sq.m. location, which includes a 1,500 sq.m. showroom with Biesse machinery and innovations, new modern offices, a training centre, a service and parts area. "We are honoured and proud to open the first, unique and largest showroom and training centre in Turkey. Now more than ever, the new showroom will enable us to immediately provide our commercial partners with excellent services and local support. Undeniably we have a great advantage compared to our competitors since it will ensure the best possible Biesse experience. We would be glad to show you the result of our investment, which shows our Group's commitment to our partners and their satisfaction", stated Federico Broccoli, Subsidiary Division Director – Biesse Group. Intermac took part in China Glass, the exhibition which took place from 19 to 22 April in Shanghai, China. The machining centre Master 23 – the entry-level, easy to use solution – and Genius 38 CT – the CNC cutting bench for straight and shaped cutting of monolithic glass slabs, in large and half slab formats – were on display at the stand.

On 16 April the whole sales team for Italy met at the Biesse Campus in Pesaro. In view of the Xylexpo trade fair, product innovations were studied, as well as news relating to the bSuite software and to Sophia. It was a strategic meeting for the sales force. The Biesse Group supported the event "Vangi per Pesaro. Quando la cultura d'impresa incontra l'arte" (Vangi for Pesaro. When business culture meets art). On Saturday 21 April the inauguration of the artwork "La scultura della memoria" (The sculpture of memory) by the contemporary artist Giuliano Vangi took place; it was realised thanks to the contribution of the Biesse Group and is dedicated to Anna Gasparucci Selci. The artwork was unveiled, after two years of creative endeavour, in the wonderful setting of Piazza Mosca in Pesaro and explained by the Florentine artist, who has strong connections with the founder of the Biesse Group, Giancarlo Selci, and the town of Pesaro.

The Shareholders' Meeting of Biesse S.p.A. was held on 24 April, at which the following was resolved:

- Approval of Biesse S.p.A.'s Financial Statements as at 31 December 2017, showing a profit of € 38.8 (thirty eight point eight) million.
- Distribution of profits to shareholders in the form of a dividend of € 0.48 per share, and allocation of the residual profit to the Company's Extraordinary Reserve. The dividend will be paid on 9 May 2018, with an ex-dividend date of 7 May 2018 for coupon number 14, and a record date of 8 May 2018.
- Decision on the number of members for the Board of Directors to be 7 (seven), with the duration of the appointment established at three financial years. These appointments will therefore continue until the shareholders' meeting scheduled to approve the financial statements as at 31 December 2020.

The members of the Board of Directors are: Roberto Selci, Alessandra Parpajola, Giancarlo Selci, Stefano Porcellini, Elisabetta Righini, Federica Palazzi, Giovanni Chiura.

- Appointment of the Board of Statutory Auditors to hold office for the years 2018, 2019, 2020. The members of the Board of Statutory Auditors are: Paolo De Mitri, Claudio Sanchioni, Silvia Cecchini, Silvia Muzi (alternate), Dario de Rosa (alternate).
- Approval, pursuant to Article 123-ter, paragraph 6, of Legislative Decree 58/98, of the section of the remuneration report as per article 123-ter, paragraph 3 of Legislative Decree 58/98.

MAY

Biesse confirmed its position as a leader on the international market at Xylexpo 2018, with 3,000 square metres of stand visited by people from all over the world. While the audience was predominantly European, there was also an overseas presence demonstrating the international character of the event and the Group's strong innovative drive. Biesse registered an important national presence at the stand, which was larger than in the past, accounting for 38% of total order intake. "We are very proud of this result which confirms the technological and innovative leadership of Biesse. We are witnessing our customers' desire to evolve towards a more advanced and efficient production and machining methodology, regardless of their size, and with Biesse by their side" said Federico Broccoli, Wood Division Director/Sales and Branch Division Director. Intermac America took part in Coverings 2018, a four-day trade fair at the World Congress Center in Georgia. This fair gave visitors the opportunity to take part in seminars and live demonstration sessions, along with opportunities to network with thousands of other participants. Intermac also took part in Glass South America in Sao Paulo; during this event the Sao Paulo branch opened its doors to customers, displaying the technologies and solutions directed towards manufacturing companies, confirming the synergy between Diamut, Intermac and the Brazilian branch, aimed at grasping every opportunity offered by the Latin American market.

Biesse Group sponsored FederlegnoArredo's General Meeting that was held at the Rossini Theatre in Pesaro, which represented an opportunity for dialogue, comparison and expansion, and ended in the afternoon with an interesting round table focussing on scenarios for the wooden furniture industry. From 29 May to 1 June Biesse also took part in Milan's Plast 2018 trade fair, dedicated to technological materials. Biesse's complete range of technologies for the entire composite materials manufacturing processes was on show, from machining and sizing centres to the new thermoformer. On 14 May 2018, Biesse S.p.A.'s Board of Directors met and approved the consolidated quarterly report at 31 March 2018. On 31 May 2018, HSD S.p.A.'s Board of Directors met, with Chairman Roberto Selci updating attendees on the status of the listing process. He highlighted that the market appears to have entered a volatile phase, which is apparently attributable both to the evolving political context in Italy and to a more general slowdown in the European primary market for SMEs. In this regard, the Company is assessing, together with the global coordinators and the entire workgroup, how to deal with the market turbulence phase, so as to best manage the listing.

JUN

Intermac Deutschland participated in Stone+Tec for the first time, together with partner Donatoni Macchine and Montresor. The triennial Nuremberg exhibition was scheduled for 13 to 16 June. Intermac also exhibited at Vitoria Stone Fair – the Brazilian trade fair held in Espirito Santo. The event is a window on the world, being held in an area which hosts the largest Brazilian industrial park in the country.

At the Campus in Pesaro the 'HR Global Meeting' event was held for the first time, which saw HR Teams from Headquarters and the branch offices gathering together. The meeting centred on the global project 'One Company HR', which was brought into being so as to equip the teams with tools for supporting the main processes and to synchronise activities and procedures between the various companies and branches, aimed at the use of a single model.

At the Biesse Group Campus in Pesaro, the first Open House was held, dedicated to the world of technological, plastic and composite materials. It was an opportunity to take in Biesse's innovation in every area. The partnership with CasaClima also continues, and Biesse was among the companies present at the Pesaro event addressed to architects, engineers and designers mindful of sustainable design.

Glasstec Preview, a meeting with the industry's media, was held in Düsseldorf. It is aimed at previewing the main innovations under the Intermac brand to be shown at the 2018 Glasstec expo. Biesse has been in Triveneto for 25 years, marking an important anniversary, and bearing witness to the strict relationship between Biesse and an area that has a strong focus on wood. The branch has more than 50 people, including back office staff and technicians who are always working on-site, and it is now a landmark for the whole north-eastern region. The Inside Biesse India event took place at the end of June, which saw more than 250 visitors coming from the local Indian area and neighbouring regions. They took part in the traditional two-day event dedicated to technological innovations serving those who work with wood.

On 25 June, in a joint press release, Biesse S.p.A. and HSD S.p.A. made it known that they had withdrawn the application to list HSD S.p.A.'s shares on the MTA Electronic Stock Market, organised and managed by Borsa Italiana S.p.A., that had been lodged on 26 March 2018, thereby postponing to the second half of 2018 any decision regarding the listing.

JUL

The Group confirmed its commitment to training and the desire to support the local area where it operates through its involvement in projects which aim to disseminate knowledge of the most innovative technologies for woodworking. In India Biesse signed a 5-year Memorandum with the Institute of Wood Science & Technology aimed at providing the infrastructure and financing needed for the project. In line with this project, Biesse's Commercial Director visited the IWST and met students and teachers, offering first-hand experience from the world of work.

AUG

At the Board of Directors' meeting held on 31 August 2018, Mr Porcellini, speaking as requested about the listing process for the subsidiary HSD S.p.A., stressed that the stock market has further deteriorated in recent months and there has been no improvement in the assessments by the Advisor, Banca IMI, which, although reiterating that the company to be listed is highly appreciated by investors, revised slightly downwards the forecast evaluation range for the shares. In addition, Mr Porcellini highlighted that the timeframes do not appear favourable. Therefore, he suggested deferring the operation to a later period, when market conditions might be more favourable. The Board of Directors approved.

IWF 2018, the fair which took place from 22 to 25 August in Atlanta GA, celebrated a new success for North America. On a 27,000-meter stand, the biggest at IWF, Biesse welcomed over 1,400 companies and exhibited a vast range of machinery, including integrated robotics and automated solutions to satisfy production needs at all levels. "The technology we presented at IWF allowed participants to see how our machines have addressed the challenge of sourcing workforce when unemployment levels are at a record low in North America today, as well as offering solutions for greater and constant productivity" (Federico Broccoli, Chairman and CEO of Biesse America and Biesse Canada).

SEP

Intermac, Donatoni Macchine and Montresor took part in Middle East Stone 2018, the most important international event dedicated to the stone, marble and natural ceramics sector from 4 to 6 September at the Dubai Trade Centre, and at Marmomac, the traditional exhibition which is held in Verona and dedicated to operators in the stone industry and stone engineering sector, displaying numerous technological innovations. At the heart of the display was the "All in one" concept which aims to communicate to customers and the market how the combination of technological capacity and the broad distribution network can offer solutions to implement the digital factory and a comprehensive customer care service, through a single contact person.

Intermac America and Intermac Canada saw a record number of visits at GlassBuild 2018. The exhibition, which ended on 14 September at the Convention Center in Las Vegas, allowed hundreds of visitors from seven countries to enjoy demonstrations of the Company's cutting-edge solutions. Diamut took part for the first time in Tecnargilla, the most important show for the ceramics and brick industry which was held at Rimini Expo Center, displaying its whole range of tools for the processing of ceramic materials.

Biesse Iberica opened the new Campus in Barcelona, which was established to optimise the service for our local customers. The traditional showroom is evolving and is transforming from the simple display of machinery to offering a personal experience, through seminars, training courses, together with technical demonstrations of machinery.

As part of the Italian Equity Week organised by Borsa Italiana, Biesse aroused considerable interest, in particular by

participating in the Industrial Day event held in Milan on 5 September. Biesse managers met over 40 Italian and foreign investors and analysts, explaining them the results the company has recently achieved and the short-term economic and financial outlook. The presentation used during the meetings is already available on the Group website in the Investor Relations section.

OCT

From 17 to 24 October 2018 the Biesse S.p.A. headquarters in Pesaro hosted the Inside Biesse event which confirmed its status as the key event in the second half of the year for wood technologies and woodworking and advanced material processing.

October saw the end of the first Italian edition of the Deloitte international award supported by ALTIS Università Cattolica, ELITE (the London Stock Exchange Group project which supports the development and growth of high potential companies), and by Confindustria. With the final ceremony at Palazzo Mezzanotte in Milan, Deloitte awarded outstanding companies in terms of organisational capacity, strategy and performance, know-how and commitment to people.

On that occasion, Deloitte awarded the Biesse Group for its organisational capacity, strategy, performance, know-how and commitment to people.

During the awards ceremony, Stefano Porcellini, the General Manager of the Biesse Group, said: "Biesse Group is an excellent company because we combine innovation with a very close focus on the customer, which has enabled us to develop not only cutting-edge products, but also a series of services which allow the customer to enjoy a unique experience. The customer is at the heart of our world, which includes a Campus and our own branches in order to completely focus on their needs; this strategy also pays off in terms of growth for the Group".

The criterion adopted to select the Best Managed Companies in Italy, developed by Deloitte internationally, was revised and adapted to Italy with the support of ALTIS Università Cattolica, in order to make it more applicable to the Italian economic and social context. After an initial period of collecting candidacies, the project to select companies, which started in November 2017, included an initial assessment stage during which participants were supported by Deloitte staff in analysing some critical success factors, such as corporate strategy, expertise and know-how, commitment and financial performance.

FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

EURO 000'S	3Q 2018	% ON SALES	3Q 2017	% ON SALES	CHANGE %
Revenue from sales and services	164,796	100.0%	167,069	100.0%	(1.4)%
Change in inventories, wip, semi-finished products and finished products	6,318	3.8%	(4,325)	(2.6)%	-
Other revenues	2,388	1.4%	1,200	0.7%	99.0%
Revenue	173,502	105.3%	163,943	98.1%	5.8%
Raw materials, consumables, supplies and goods	(71,997)	(43.7)%	(61,416)	(36.8)%	17.2%
Other operating costs	(34,169)	(20.7)%	(32,112)	(19.2)%	6.4%
Added value	67,336	40.9%	70,415	42.1%	(4.4)%
Personnel expense	(49,935)	(30.3)%	(45,645)	(27.3)%	9.4%
Gross operating profit	17,401	10.6%	24,770	14.8%	(29.7)%
Depreciation and amortisation	(5,617)	(3.4)%	(5,059)	(3.0)%	11.0%
Provisions	399	0.2%	(1,245)	(0.7)%	-
Normalised operating profit	12,183	7.4%	18,467	11.1%	(34.0)%
Impairment losses and non recurring-items	(1,362)	(0.8)%	(1,131)	(0.7)%	20.4%
Operating profit	10,821	6.6%	17,335	10.4%	(37.6)%
Net financial expense	(470)	(0.3)%	(370)	(0.2)%	27.0%
Net exchange rate losses	(996)	(0.6)%	(517)	(0.3)%	92.5%
Pre-tax profit	9,354	5.7%	16,448	9.8%	(43.1)%
Income taxes	(3,101)	(1.9)%	(5,682)	(3.4)%	(45.4)%
Profit/Loss for the period	6,253	3.8%	10,766	6.4%	(41.9)%

INCOME STATEMENT AT 30 SEPTEMBER 2018

EURO 000'S	2018	% ON SALES	2017	% ON SALES	CHANGE %
Revenue from sales and services	520,804	100.0%	498,301	100.0%	4.5%
Change in inventories, wip, semi-finished products and finished products	23,914	4.6%	15,044	3.0%	59.0%
Other Revenues	5,534	1.1%	2,578	0.5%	114.6%
Revenue	550,252	105.7%	515,923	103.5%	6.7%
Raw materials, consumables, supplies and goods	(226,777)	(43.5)%	(207,652)	(41.7)%	9.2%
Other operating costs	(105,878)	(20.3)%	(98,804)	(19.8)%	7.2%
Normalised added value	217,597	41.8%	209,467	42.0%	3.9%
Personnel expense	(156,697)	(30.1)%	(143,926)	(28.9)%	8.9%
Normalised gross operating profit	60,900	11.7%	65,541	13.2%	(7.1)%
Depreciation and amortisation	(16,845)	(3.2)%	(14,822)	(3.0)%	13.6%
Provisions	(1,590)	(0.3)%	(2,623)	(0.5)%	(39.4)%
Normalised operating profit	42,465	8.2%	48,096	9.7%	(11.7)%
Impairment losses and non recurring-items	(1,493)	(0.3)%	(1,132)	(0.2)%	31.9%
Operating profit	40,972	7.9%	46,965	9.4%	(12.8)%
Net financial expense	(1,444)	(0.3)%	(1,420)	(0.3)%	1.7%
Net exchange rate losses	(3,318)	(0.6)%	(1,257)	(0.3)%	-
Pre-tax profit	36,209	7.0%	44,288	8.9%	(18.2)%
Income taxes	(12,723)	(2.4)%	(16,055)	(3.2)%	(20.8)%
Profit for the year	23,486	4.5%	28,232	5.7%	(16.8)%

Net revenue for the first nine months of 2018 totalled €520,804 thousand, up +4.5% compared to 30 September 2017 (€ 498,301 thousand). This trend was not confirmed by the third quarter's performance: net revenue amounted to €164,796 thousand, sharply down (-1.4%) compared to the prior-year period (€ 167,069 thousand). This was mainly due to the different mix of order intake, which was more focussed on high technology and automation. This resulted in a different product mix focussed on demand for integrated lines which entail longer development and production times, with consequent possible delays in revenue and an increase in the order backlog (+18.5 % compared to the previous year).

The breakdown of sales by segment shows that the Wood Division rose by 4.7% (+€ 16.7 million), the Glass/Stone Division by 10.3% (+€ 8.2 million), and Components by 30% (+€4.7 million). These increases are due to the different sales mix by distribution channel (increasing importance of own sales branches, with significant investments in the direct sales force) and by product (top-quality items with a greater technological content) as well as to improvements made in production efficiency. The Mechatronics Division remained substantially unchanged compared to the same prior-year period, mainly due to the drop in sales in the Chinese market, while the Tooling Division slightly decreased (-4.4%, equal to € 0.4 million).

As regards the geographical breakdown, excellent performance was recorded by Eastern Europe (+€15.1 million, 23.5%). Also Western Europe improved, up by 6.7% (+€14.9 million). North America remained unchanged, while the Rest of the World improved by €4.3 million (24.1%). Asia/Oceania was the only one of the five divisions which recorded a decrease, down by around € 11.8 million (-10.5%).

Inventories increased by € 34.5 million overall compared to 31 December: the change is mainly due to the € 10.6 million increase in finished goods, to the € 11.6 million increase in raw materials, and to the € 9.7 million increase in inventories of semi-finished goods. The increase is due to the need to cope with deliveries forecast for the next few months. Good results are expected for the final quarter of the year; this will allow the Group to recover at least some of the accumulated delay compared to its year-end targets, which nonetheless have been revised downwards due to the aforementioned postponement in deliveries attributable to the different sales mix.

The value of production for the first nine months of 2018 amounted to € 550,252 thousand, up 6.7% from € 515,923 thousand as at September 2017.

The analysis on a quarterly basis shows that the change in production increased compared to the prior-year period by around € 9.6 million (+5.8%).

The analysis of consumption and other operating expenses as a proportion of the value of production, rather than of revenue from sales and services, shows an increased absorption of raw materials (from 40.2% to 41.2%).

Other operating expenses were up in absolute terms (+€ 7.1 million, 7.2%) but were unchanged on a percentage basis (19.2%). This item is mainly attributable to Service costs (+€ 5,331 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	30 TH SEPTEMBER 2018	%	30 TH SEPTEMBER 2017	%
Revenue	550,252	100.0%	515,923	100.0%
Raw materials and goods	226,777	41.2%	207,652	40.2%
Other operating costs	105,878	19.2%	98,804	19.2%
Service costs	91,331	16.6%	86,000	16.7%
Use of third party assets	8,873	1.6%	7,914	1.5%
Sundry operating expense	5,674	1.0%	4,890	0.9%
Added value	217,597	39.5%	209,467	40.6%

In the first nine months of 2018, added value totalled € 217,597 thousand, up 3.9% compared to the same period in 2017 (€ 209,467 thousand). As a percentage of revenue, it improved from 42% to 41.8%.

In the first nine months of 2018, personnel expense amounted to € 156,697 thousand, up € 12,771 thousand compared to the prior-year period (€ 143,926 thousand, +8.9% compared to the prior-year period). The increase is essentially due to the increase in the fixed component of wages and salaries (€ 13,805 thousand, +10.3% compared to the prior-year period). The increase in personnel expense was due to the increase in staff. At the same time there was a fall in the variable component of bonuses (- € 1,173 thousand, -12.3% on the same period in 2017).

The different product mix which made it impossible to discharge some revenues, did not stop the investment plans regarding the staff needed to strengthen the technical and service departments, above all also because the demand for greater technology will require additional efforts to ensure continuity and quality in products and assistance.

At 30 September 2018, EBITDA for the first nine months was positive to the tune of € 60,900 thousand, compared to €65,542 thousand at 30 September 2017. In the third quarter of 2017, it amounted to € 17,401 thousand, down compared to €24,770 thousand in the prior-year period.

For 2018, "non-recurring events" mainly refer to the reclassification of costs for the project to list the HSD Group which

is currently suspended awaiting better market conditions, given, however, that it is not currently possible to forecast with any certainty when this might happen. On a prudent basis, the company decided to charge in the current year the expenses which have been incurred so far. Finally, non-recurring items also include the extraordinary costs incurred for the phase-out of the Australian branch, and those relating to the write-down of development costs for projects no longer deemed strategic.

Depreciation and amortisation grew overall by 13.6%, from € 14,822 thousand in 2017 to € 16,845 thousand: the change is mainly attributable to the € 576 thousand increase in property, plant and equipment (up 8.7% from € 6,643 thousand to € 7,219 thousand). The share related to intangible assets increased by € 1,482 thousand (up 18.2% from € 8,144 thousand to € 9,626 thousand).

Provisions totalled € 1,590 thousand, up from € 2,623 thousand in the first nine months of 2017, mainly because of the adjustment of the product warranty provision and of impairment losses on specific positions.

As regards financial operations, finance expense amounted to € 1,444 thousand, mostly unchanged compared to 2017 (€ 1,420 thousand, 1.7%).

Exchange rate risk management in the first nine months resulted in a loss of € 3,318 thousand, down compared to the € 1,257 thousand negative result in the same prior-year period, above all owing to the hedges on the Turkish, US and Chinese currencies. During the year, the Euro strengthened against the major foreign currencies. Finally, it should be noted that unrealised exchange losses amounted to € 1,444 thousand. Pre-tax profit thus amounted to € 36,209 thousand.

The estimated balance of income taxes was negative to the tune of € 12,723 thousand. Current taxes were negative to the tune of € 13,841 thousand (IRAP – regional business tax: € 2,213 thousand; IRES – corporate income tax: € 8,327 thousand; taxes from foreign jurisdictions: € 3,294 thousand; previous-years taxes: € 30 thousand; other taxes: -€ 25 thousand), while deferred taxes were positive to the tune of € 1,118 thousand.

Therefore, profit for the first nine months of 2018 amounted to € 23,486 thousand.

NET FINANCIAL POSITION AT 30 SEPTEMBER 2018

EURO 000'S	30 TH SEPTEMBER 2018	30 TH JUNE 2018	31 ST MARCH 2018	31 ST DECEMBER 2017	30 TH SEPTEMBER 2017
Financial assets:	91,114	91,323	89,853	79,421	60,029
<i>Current financial assets</i>	336	706	637	519	14
<i>Cash and cash equivalents</i>	90,778	90,617	89,216	78,902	60,015
Short-term financial lease payables	(336)	(348)	(347)	(199)	(31)
Short-term bank loans and borrowings and loans from other financial backers	(43,133)	(42,444)	(35,649)	(29,086)	(24,238)
Short-term net financial position	47,645	48,531	53,857	50,136	35,759
Medium/Long-term financial lease payables	(1,662)	(1,744)	(1,832)	(1,060)	(2,183)
Medium/Long-term bank loans and borrowings	(26,579)	(30,121)	(33,077)	(18,705)	(24,372)
Medium/Long-term net financial position	(28,241)	(31,866)	(34,908)	(19,765)	(26,554)
Total net financial position	19,403	16,666	18,949	30,371	9,205

At 30 September 2018 the Group's Net Financial Position was positive for € 19.4 million, improving (up € 9.4 million) compared to the same period of 2017. From the start of the year – net of the payment of dividends to shareholders, the balance of non-operating items and also with account taken of the normal seasonality of the business – operating performance generated € 4.3 million of liquidity.

Net invested capital amounted to € 176.2 million, Equity amounted to € 195.6 million, Net Operating Working Capital amounted to € 53.9 million.

Net operating working capital increased in absolute terms from the start of the year by € 15.2 million, while it decreased compared to the same period in 2017 (€ 4.4 million). Group DSO was 46 days and DPO was 119 days.

SUMMARY STATEMENT OF FINANCIAL POSITION

EURO 000'S	30 TH SEPTEMBER 2018	31 ST DECEMBER 2017
Intangible assets	79,398	75,107
Property, plant and equipment	95,592	90,515
Financial assets	2,397	2,648
Non-current assets	177,387	168,270
Inventories	177,695	143,210
Trade receivables	117,799	119,380
Trade payables	(241,601)	(223,916)
Net operating working capital	53,893	38,674
Post-employment benefits	(12,634)	(13,456)
Provision for risk and charges	(11,748)	(10,405)
Other net payables	(42,287)	(35,617)
Net deferred tax assets	11,586	10,501
Other net liabilities	(55,083)	(48,978)
Net invested capital	176,197	157,966
Share capital	27,393	27,393
Profit for the previous year and other reserves	143,866	117,434
Profit for the year	23,360	42,558
Non-controlling interests	981	952
Equity	195,601	188,337
Bank loans and borrowings and loans and borrowings from other financial backers	71,711	49,050
Other financial assets	(336)	(519)
Cash and cash equivalents	(90,778)	(78,902)
Net financial position ⁽¹⁾	(19,403)	(30,371)
Total sources of funding	176,197	157,966

Compared to 31 December 2017, net intangible assets increased by around € 4.3 million. This is mainly due to the capitalisation of R&D projects and ICT projects concerning the new Group's Oracle E-BE ERP system and the Sophia solution for the IOT and the new applications for the Service area.

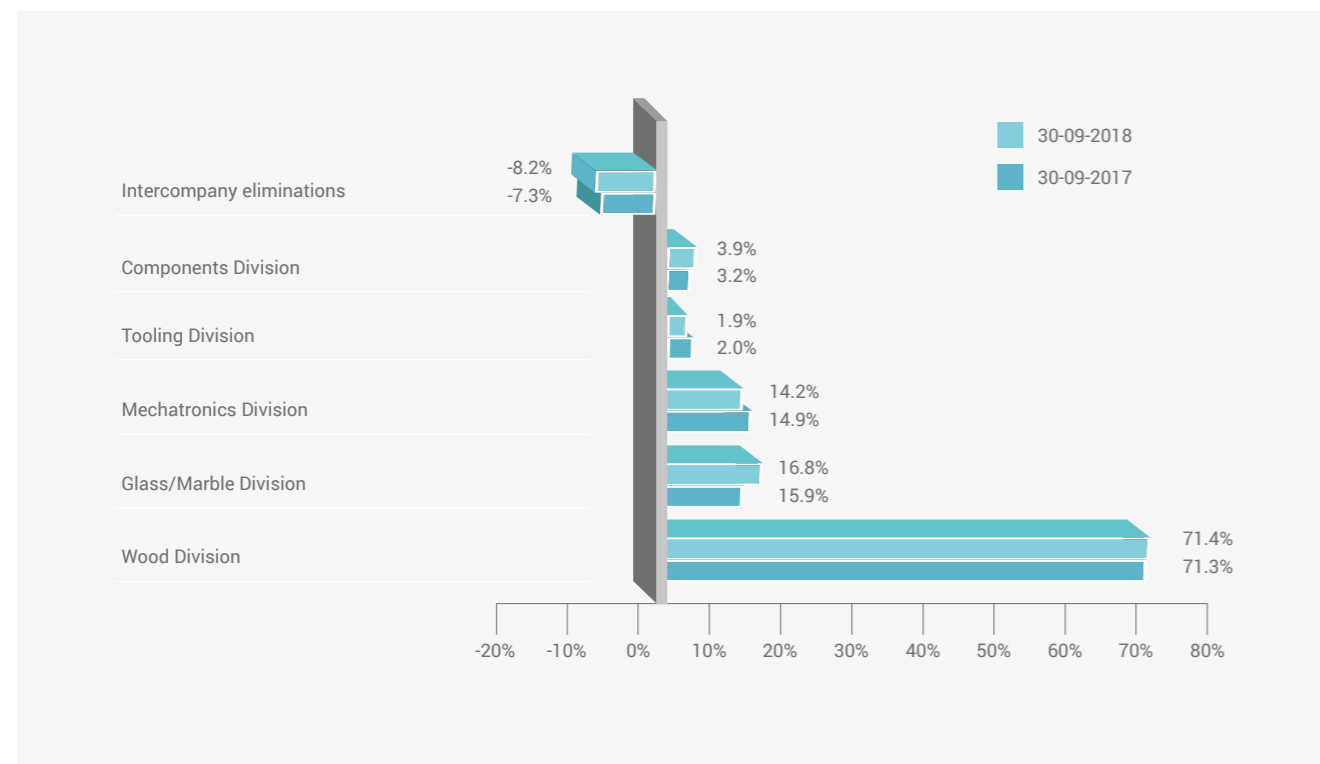
Compared to 31 December 2017, net property, plant and equipment increased by € 4.8 million. The increase is due to the higher production capacity (in particular in Biesse S.p.A. and HSD S.p.A.) and to investments in new foreign showrooms (Australia, Turkey, Iberica, UK and Dubai). Inventories increased by € 34.5 million overall compared to 31 December 2017: the change is due to the € 10.6 million

increase in finished goods, to the € 11.6 million increase in raw materials, and to the € 9.6 million increase in inventories of semi-finished goods. The increase was due to the need to handle the deliveries expected in coming months, above all in view of the final quarter of the year which is normally the most important in terms of revenue.

With reference to the other items of Net Operating Working Capital, which was up nearly € 15.2 thousand compared to 31 December 2017, trade payables grew by € 17,685 thousand and trade receivables increased by € 1,581 thousand.

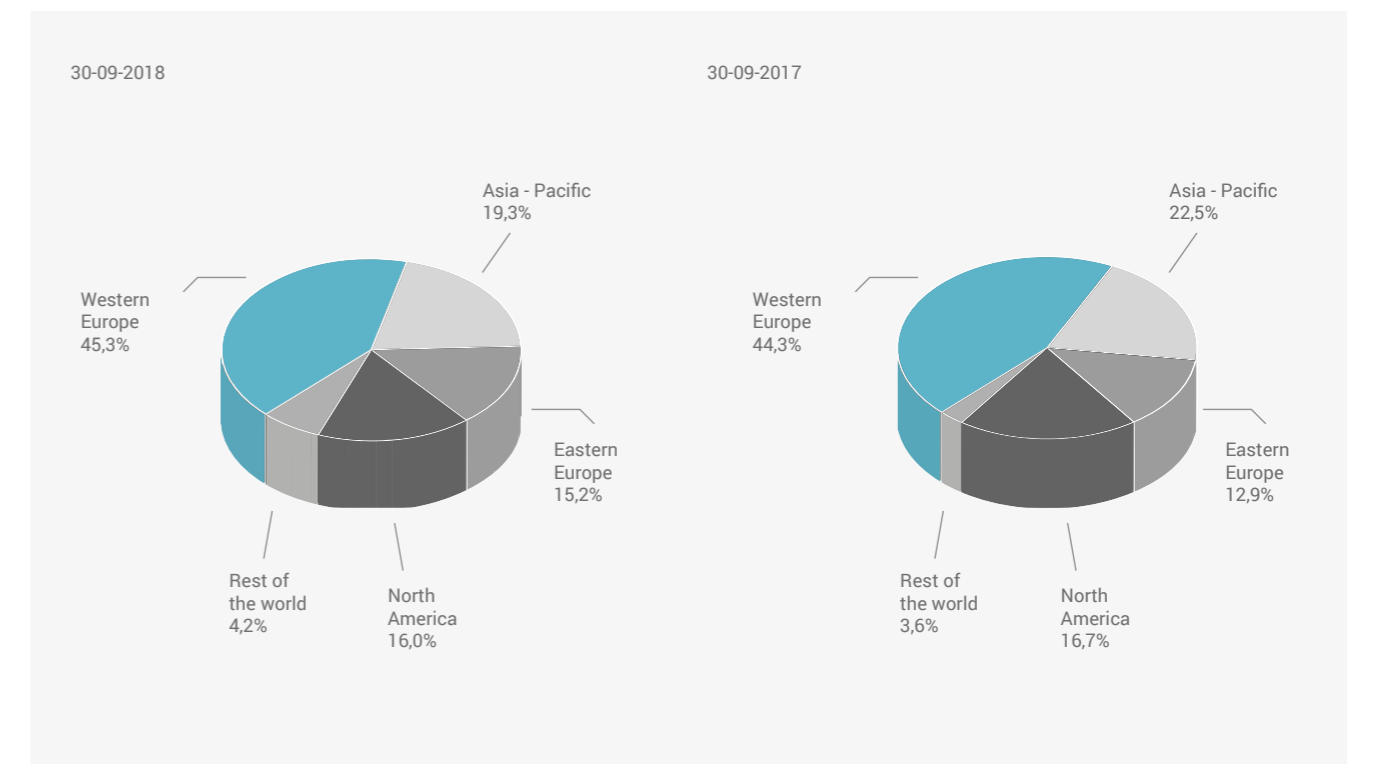
SEGMENT REPORTING - BREAKDOWN OF REVENUE BY DIVISION

EURO 000'S	30 TH SEPTEMBER 2018	%	30 TH SEPTEMBER 2017	%	CHANGE %
Wood Division	371,880	71.4%	355,189	71.3%	4.7%
Glass/Marble Division	87,519	16.8%	79,352	15.9%	10.3%
Mechatronics Division	73,930	14.2%	74,175	14.9%	(0.3)%
Tooling Division	9,639	1.9%	10,083	2.0%	(4.4)%
Components Division	20,426	3.9%	15,711	3.2%	30.0%
Intercompany eliminations	(42,591)	-8.2%	(36,210)	(7.3)%	17.6%
Total	520,804	100.0%	498,301	100.0%	4.5%



SEGMENT REPORTING - BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

EURO 000'S	30 TH SEPTEMBER 2018	%	30 TH SEPTEMBER 2017	%	CHANGE %
Western Europe	235,837	45.3%	220,971	44.3%	6.7%
Asia-Pacific	100,277	19.3%	112,082	22.5%	(10.5)%
Eastern Europe	79,112	15.2%	64,038	12.9%	23.5%
North America	83,551	16.0%	83,453	16.7%	0.1%
Rest of the World	22,027	4.2%	17,756	3.6%	24.1%
Total	520,804	100.0%	498,301	100.0%	4.5%



Pesaro, 30 October 2018

The Chairman of the Board of Directors
Roberto Selci

ANNEX

EURO 000'S	30 TH SEPTEMBER 2018	% ON SALES	30 TH SEPTEMBER 2017	% ON SALES	CHANGE %
Revenue from sales and services	520,804	100.0%	498,301	100.0%	4.5%
Other operating income	5,534	1.1%	2,578	0.5%	114.6%
Net Revenues	526,338	101.1%	500,879	100.5%	5.1%
COGS	(244,853)	(47.0)%	(234,604)	(47.1)%	4.4%
Gross Profit	281,485	54.0%	266,275	53.4%	5.7%
Overhead	(63,888)	(12.3)%	(56,807)	(11.4)%	12.5%
Added value	217,597	41.8%	209,468	42.0%	3.9%
Personnel expense	(156,697)	(30.1)%	(143,926)	(28.9)%	8.9%
Gross Operating Income (EBITDA)	60,900	11.7%	65,542	13.2%	(7.1)%
Depreciation and amortisation	(16,845)	(3.2)%	(14,822)	(3.0)%	13.6%
Provisions	(1,590)	(0.3)%	(2,623)	(0.5)%	(39.4)%
Normalised operating profit	42,465	8.2%	48,081	9.6%	(11.7)%
Impairment losses and non recurring-items	(1,493)	(0.3)%	(1,132)	(0.2)%	31.8%
Net Operating Income (EBIT)	40,972	7.9%	46,965	9.4%	(12.8)%
Financial revenues and expenses	(1,444)	(0.3)%	(1,420)	(0.3)%	1.7%
Net exchange rate losses	(3,318)	(0.6)%	(1,257)	(0.3)%	-
Pre-tax profit	36,209	7.0%	44,288	8.9%	(18.2)%
Taxes	(12,723)	(2.4)%	(16,055)	(3.2)%	(20.8)%
Profit/Loss for the period	23,486	4.5%	28,232	5.7%	(16.8)%

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
Cristian Berardi



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